

CADENCE CAPITAL LIMITED
A.B.N. 17 112 870 096

APPENDIX 4E
PRELIMINARY FINAL REPORT
for the year ended 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET
All comparisons to the year ended 30 June 2017

	\$	up/down	% mvmt
Revenue from ordinary activities	68,723,382	up	3 %
Profit from ordinary activities before tax attributable to members	54,022,429	up	15 %
Profit from ordinary activities after tax attributable to members	41,166,747	up	12 %
		Franked amount per share	Tax rate for franking
Dividend Information	Amt per share		
2018 Final dividend per share (declared)	4.0c	4.0c	30%
2018 Interim dividend per share (paid)	4.0c	4.0c	30%
2017 Final dividend per share (paid)	4.0c	4.0c	30%
2017 Interim dividend per share (paid)	4.0c	4.0c	30%
2016 Final dividend per share (paid)	4.0c	4.0c	30%
2016 Interim dividend per share (paid)	5.0c	5.0c	30%
2015 Special dividend per share (paid)	1.0c	1.0c	30%
Final dividend dates			
<p>The Board has declared a 4.0 cent per share fully franked final dividend payable on 17 September 2018. The Ex Date for the dividend is 7 September 2018 and the Record Date is 10 September 2018.</p> <p>The Dividend Re-Investment Plan (“DRP”) is in operation for the recommended Final Dividend of 4.0c per share. The relevant issue price will be at a 3.0% discount to the price (calculated as the weighted average market price of shares sold on the ASX on the books closing date for the relevant dividend and the 3 trading days preceding that date, less the discount). The last date for DRP election is the 12 September 2018.</p>			
		30 June 2018	30 June 2017
Net tangible asset backing after tax		\$1.30	\$1.24
<p><i>This report is based on the 2018 Financial Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.</i></p>			

CADENCE CAPITAL LIMITED

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
INCOME			
Net realised and unrealised gain/(loss) on investments		49,272,192	42,894,113
Dividends received		17,723,008	21,742,031
Interest received		1,657,711	1,825,539
Other income		70,471	164,961
Total Income		68,723,382	66,626,644
EXPENSES			
Finance costs		(2,293,339)	(2,420,591)
Management fees		(3,684,158)	(3,080,621)
Performance fees		(2,776,464)	(2,423,026)
Assignment fees		(272,700)	(232,306)
Directors fees		(75,000)	(75,000)
Dividends on short positions		(3,891,037)	(9,662,339)
Stock loan fees		(501,788)	(463,049)
Brokerage expenses on share purchases		(711,468)	(706,310)
ASX fees		(100,953)	(185,703)
Registry fees		(132,360)	(120,731)
Legal fees		(473)	(8,541)
Custody fees		(111,911)	(74,261)
Audit and taxation fees		(97,066)	(52,578)
Other expenses from ordinary activities		(52,236)	(45,259)
Total Expenses		(14,700,953)	(19,550,315)
Profit before income tax		54,022,429	47,076,329
Income tax expense	2(a)	(12,855,682)	(10,124,086)
Profit attributable to members of the Company	11	41,166,747	36,952,243
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		41,166,747	36,952,243
Basic earnings per share	12	13.5 cents	13.5 cents
Diluted earnings per share	12	13.5 cents	13.5 cents

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
Cash and cash equivalents	4	128,005,890	151,961,930
Trade and other receivables	5	3,116,926	22,709,727
Financial assets	6	396,415,365	302,249,468
Current tax asset		-	1,408,760
Deferred tax asset	2(b)	19,283,217	19,863,607
TOTAL ASSETS		546,821,398	498,193,492
LIABILITIES			
Cash overdrafts	4	28,154,892	54,242,004
Trade and other payables	7	4,634,000	7,355,932
Financial liabilities	8	97,166,701	96,304,880
Current tax liability	2(c)	4,217,408	-
TOTAL LIABILITIES		134,173,001	157,902,816
NET ASSETS		412,648,397	340,290,676
EQUITY			
Issued capital	9	427,219,613	372,439,698
Profits reserve	10	39,265,003	21,687,197
Accumulated losses	11	(53,836,219)	(53,836,219)
TOTAL EQUITY		412,648,397	340,290,676

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2016		367,999,928	(53,836,219)	6,425,738	320,589,447
Profit for the year	11	-	36,952,243	-	36,952,243
Transfer to profits reserve	10	-	(36,952,243)	36,952,243	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	4,439,770	-	-	4,439,770
Dividends paid	3(a)	-	-	(21,690,784)	(21,690,784)
Balance at 30 June 2017		372,439,698	(53,836,219)	21,687,197	340,290,676
Profit for the year	11	-	41,166,747	-	41,166,747
Transfer to profits reserve	10	-	(41,166,747)	41,166,747	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	5,196,551	-	-	5,196,551
Shares issued via placement	9	50,060,598			50,060,598
Capitalised share issue cost		(681,763)			(681,763)
Deferred tax on Capitalised share issue cost		204,529			204,529
Dividends paid	3(a)	-	-	(23,588,941)	(23,588,941)
Balance at 30 June 2018		427,219,613	(53,836,219)	39,265,003	412,648,397

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from the sale of investments		760,802,375	579,638,707
Payments for the purchase of investments		(789,870,784)	(464,386,810)
Dividends received		19,628,114	22,092,715
Interest received		1,657,711	1,825,539
Other income received		70,471	164,961
Management fees paid		(3,637,670)	(3,051,097)
Performance fees paid		(2,574,459)	-
Brokerage expenses on share purchases		(711,468)	(706,310)
Interest paid		(2,293,339)	(2,420,591)
Dividends paid on shorts		(4,373,000)	(10,420,300)
Payments for administration expenses		(1,108,729)	(1,032,184)
Income tax paid		(6,444,595)	(5,422,646)
NET CASH (USED IN)/ PROVIDED BY OPERATING ACTIVITIES		(28,855,373)	116,281,984
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(18,392,390)	(17,251,014)
Share issue transaction costs		(681,763)	-
Proceeds from shares issued		50,060,598	-
NET CASH PROVIDED BY/ (USED IN) BY FINANCING ACTIVITIES		30,986,445	(17,251,014)
NET INCREASE IN CASH HELD		2,131,072	99,030,970
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	4	97,719,926	(1,311,044)
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR	4	99,850,998	97,719,926
NON-CASH TRANSACTIONS:			
Shares issued via dividend reinvestment plan		5,196,551	4,439,770

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cadence Capital Limited (“the Company”) is a listed public company, incorporated and domiciled in Australia.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (‘AASB’) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (‘IASB’).

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. 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 these financial statements have been consistently applied unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for, where applicable, cash flow information, “held-for-trading” financial assets and certain other financial assets and liabilities, which have been measured at fair value.

The accounting policies are consistent with those applied in the 30 June 2017 Annual Report.

This preliminary report was authorised by the Directors on 7th August 2018.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. TAXATION

(a) Current Income Tax Benefit

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2018 \$	2017 \$
Prima facie tax expense on profit from ordinary activities before income tax at 30%	16,206,729	14,122,899
Imputation credit gross up	1,679,983	1,645,141
Franked dividends receivable – prior year	813,724	918,946
Franked dividends receivable – current year	(242,209)	(813,741)
Franking credits on dividends received	(5,599,942)	(5,483,804)
Other	(2,603)	(265,355)
	<u>12,855,682</u>	<u>10,124,086</u>
Effective tax rate	23.8%	21.5%

The effective tax rate for FY2018 is 23.8%, reflecting the benefit to the Company of franking credits received on dividend income during the year.

Total income tax expense results in a:

Current tax liability	12,070,763	5,572,076
Movement in deferred tax assets	784,919	4,552,010
	<u>12,855,682</u>	<u>10,124,086</u>

(b) Deferred Tax Assets

Provisions	7,590	7,590
Capitalised share issue costs	212,451	148,379
Fair value adjustments	15,730,063	16,374,525
Tax losses	3,333,113	3,333,113
	<u>19,283,217</u>	<u>19,863,607</u>

Movement in deferred tax assets

Balance at the beginning of the period	19,863,607	24,415,617
(Debited)/Credited to the profit or loss	(784,919)	(4,552,010)
Charged directly to equity	204,529	-
	<u>19,283,217</u>	<u>19,863,607</u>

(c) Current Tax Liabilities/(Assets)

Movement in current tax liabilities

Balance at the beginning of the period	(1,408,760)	(1,558,190)
Current year income tax on operating profit	12,070,763	5,572,076
Income tax paid	(7,841,570)	(5,422,646)
Income tax received	1,409,965	-
Prior year under/(over)	(12,990)	-
At reporting date	<u>4,217,408</u>	<u>(1,408,760)</u>

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. DIVIDENDS

(a) Dividends paid

	2018	2017
	\$	\$
Dividends paid by the Company	<u>23,588,941</u>	<u>21,690,784</u>

2018

Dividends paid by the Company for the year ended 30 June 2018	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2018 Ordinary	4.0	23 April 18	30%	100%	12,628,489
Final 2017 Ordinary	4.0	18 September 17	30%	100%	10,960,452
Total Amount					<u>23,588,941</u>

The Board have declared a 4.0 cent per share fully franked final dividend payable on 17 September 2018. The Ex-Date for the dividend is 7 September 2018.

2017

Dividends paid by the Company for the year ended 30 June 2017	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2017 Ordinary	4.0	28 April 17	30%	100%	10,879,381
Final 2016 Ordinary	4.0	27 October 16	30%	100%	10,811,403
Total Amount					<u>21,690,784</u>

(b) Dividend franking account

The balance of the franking account at year end is adjusted for franking credits and debits arising from receipts or payments of income tax and franking credits arising from dividends receivable.

<u>11,106,856</u>	<u>4,083,873</u>
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Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in (a). The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the Company paying tax.

4. CASH AND CASH EQUIVALENTS

Cash at bank	128,005,890	151,961,930
Cash overdrafts	<u>(28,154,892)</u>	<u>(54,242,004)</u>
	<u>99,850,998</u>	<u>97,719,926</u>

5. TRADE AND OTHER RECEIVABLES

Trade debtors	1,958,769	19,679,751
Income receivable	807,363	2,712,469
Sundry debtors	<u>350,794</u>	<u>317,507</u>
	<u>3,116,926</u>	<u>22,709,727</u>

Terms and Conditions

Trade debtors relate to outstanding settlements, are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 3 days of the purchase being executed. Income receivable relates to accrued income, it is non-interest bearing and is unsecured.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
6. FINANCIAL ASSETS		
Investments at fair value	<u>396,415,365</u>	<u>302,249,468</u>
7. TRADE AND OTHER PAYABLES		
Trade creditors	987,666	3,745,168
Sundry creditors - related parties	3,475,620	2,757,197
Dividends payable on shorts	-	481,963
Sundry creditors – other	<u>170,695</u>	<u>371,604</u>
	<u>4,634,000</u>	<u>7,355,932</u>

Trade creditors relate to outstanding settlements. They are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 3 days of the purchase being executed.

Sundry creditors – other, are settled within the terms of payment offered, which is usually within 30 days.

Sundry creditors – related parties, includes fees payable of \$3,475,620 (inclusive of GST) (2017: \$2,757,197) to the manager, Cadence Asset Management Pty Limited.

8. FINANCIAL LIABILITIES

Short positions - held for trading financial liabilities:

Listed investments at fair value	80,100,009	76,853,626
Swaps – held for trading at fair value	<u>17,066,692</u>	<u>19,451,254</u>
	<u>97,166,701</u>	<u>96,304,880</u>

The Company's Financial Assets and Cash are used as collateral for its Financial Liabilities.

9. ISSUED CAPITAL

(a) Paid-up Capital

Ordinary shares fully paid	430,116,042	374,858,893
Capitalised share issue costs	(4,137,756)	(3,455,993)
Deferred tax asset on capitalised share issue costs	<u>1,241,327</u>	<u>1,036,798</u>
	<u>427,219,613</u>	<u>372,439,698</u>

2018

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
			274,011,321	374,858,893
Balance at the beginning of the year				
18 September 2017	DRP	\$1.25929	1,938,714	2,441,397
3 November 2017	SPP	\$1.25900	14,131,997	17,792,184
10 November 2017	Placement	\$1.25900	25,630,193	32,268,414
23 April 2018	DRP	\$1.22702	2,245,419	2,755,154
			<u>317,957,644</u>	<u>430,116,042</u>

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9. ISSUED CAPITAL (Continued)

(a) Paid-up Capital (Continued)

2017 Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
Balance at the beginning of the year			270,285,076	370,419,123
27 October 2016	DRP	\$1.19290	1,699,462	2,027,291
28 April 2017	DRP	\$1.19030	2,026,783	2,412,479
			274,011,321	374,858,893

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

(b) Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There has been no change in the strategy adopted by the Board to control the capital of the Company since the prior year. The Company is not subject to any externally imposed capital requirements.

10. PROFITS RESERVE

	2018 \$	2017 \$
Profits Reserve	39,265,003	21,687,197
Movement in Profits Reserve:		
Opening balance	21,687,197	6,425,738
Transfer from retained earnings	41,166,747	36,952,243
Dividends paid (Note 3)	(23,588,941)	(21,690,784)
	39,265,003	21,687,197

The Profit Reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

11. ACCUMULATED LOSSES

Opening balance	(53,836,219)	(53,836,219)
Profit attributable to members of the Company	41,166,747	36,952,243
Transfer to profits reserve	(41,166,747)	(36,952,243)
	(53,836,219)	(53,836,219)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
12. EARNINGS PER SHARE		
Profit / (Loss) after income tax used in the calculation of earnings per share	<u>41,166,747</u>	<u>36,952,243</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>304,188,912</u>	<u>273,040,973</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<u>304,188,912</u>	<u>273,040,973</u>
<u>Reconciliation of weighted average number of shares:</u>		
Weighted average number of ordinary shares used in calculation of basic earnings per share	<u>304,188,912</u>	<u>273,040,973</u>
Add:		
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	<u>-</u>	<u>-</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>304,188,912</u>	<u>273,040,973</u>

As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

13. EVENTS AFTER THE REPORTING PERIOD

The Board have declared a 4.0 cent per share fully franked final dividend payable on 17 September 2018. The Ex-Date for the dividend is 7 September 2018.

Other than the above there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

14. CONTINGENT LIABILITIES

There were no contingencies as at 30 June 2018 (2017: nil).

15. CAPITAL COMMITMENTS

	2018	2017
	\$	\$
Capital commitments exist for placements entered into before 30 June 2018, which settle after year end.	<u>-</u>	<u>291,600</u>

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16. SEGMENT REPORTING

The Company has only one segment. The Company operates predominately in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its financial assets at fair value through profit or loss, however the Company has foreign exposures as it invests in companies which operate internationally.