

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

APPENDIX 4E
PRELIMINARY FINAL REPORT
for the year ended 30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET
All comparisons to the year ended 30 June 2018

	\$	up/down	% mvmt
Revenue from ordinary activities	(79,918,158)	down	216 %
Profit from ordinary activities before tax attributable to members	(87,570,953)	down	262%
Profit from ordinary activities after tax attributable to members	(59,307,818)	down	244%
Dividend Information	Amt per share	Franked amount per share	Tax rate for franking
2019 Final dividend per share (declared)	2.0c	2.0c	30%
2019 Interim dividend per share (paid)	3.0c	3.0c	30%
2018 Final dividend per share (paid)	4.0c	4.0c	30%
2018 Interim dividend per share (paid)	4.0c	4.0c	30%
Final dividend dates			
The Board has declared a 2.0 cent per share fully franked final dividend payable on 30 th October 2019. The Ex-Date for the dividend is 18 th October 2019 and the Record Date is 21 st October 2019.			
The Dividend Re-Investment Plan ("DRP") will not be in operation for the final dividend of 2.0c per share as the Company's shares are trading at a large discount to the Company's NTA per share.			
	30 June 2019	30 June 2018	
Net tangible asset backing after tax	\$1.04	\$1.30	
<i>This report is based on the 2019 Financial Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.</i>			

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
INCOME			
Net realised and unrealised (loss)/ gain on investments		(91,366,977)	49,272,192
Dividends received		10,178,069	17,723,008
Interest received		1,168,298	1,657,711
Other income		102,452	70,471
Total (Loss)/ Income		(79,918,158)	68,723,382
EXPENSES			
Finance costs		(1,676,631)	(2,293,339)
Management fees		(3,214,744)	(3,684,158)
Performance fees		-	(2,776,464)
Assignment fees		(135,693)	(272,700)
Directors fees		(75,000)	(75,000)
Dividends on short positions		(574,516)	(3,891,037)
Stock loan fees		(316,589)	(501,788)
Brokerage expenses on share purchases		(1,161,478)	(711,468)
ASX fees		(92,973)	(100,953)
Registry fees		(130,901)	(132,360)
Legal fees		(2,094)	(473)
Custody fees		(113,492)	(111,911)
Audit and taxation fees		(78,222)	(97,066)
Other expenses from ordinary activities		(80,462)	(52,236)
Total Expenses		(7,652,795)	(14,700,953)
(Loss)/ Profit before income tax		(87,570,953)	54,022,429
Income tax benefit/ (expense)	2(a)	28,263,135	(12,855,682)
(Loss)/ Profit attributable to members of the Company	11	(59,307,818)	41,166,747
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss) /income for the period		(59,307,818)	41,166,747
Basic (loss)/ earnings per share	12	(18.3) cents	13.5 cents
Diluted (loss)/ earnings per share	12	(18.3) 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 2019

	Note	2019 \$	2018 \$
ASSETS			
Cash and cash equivalents	4	74,779,920	128,005,890
Trade and other receivables	5	1,094,986	3,116,926
Financial assets	6	267,850,966	396,415,365
Deferred tax asset	2(b)	47,562,766	19,283,217
TOTAL ASSETS		391,288,638	546,821,398
LIABILITIES			
Cash overdrafts	4	50,158,911	28,154,892
Trade and other payables	7	517,599	4,634,000
Financial liabilities	8	7,020,695	97,166,701
Current tax liability	2(c)	-	4,217,408
TOTAL LIABILITIES		57,697,205	134,173,001
NET ASSETS		333,591,433	412,648,397
EQUITY			
Issued capital	9	429,797,443	427,219,613
Profits reserve	10	16,938,027	39,265,003
Accumulated losses	11	(113,144,037)	(53,836,219)
TOTAL EQUITY		333,591,433	412,648,397

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 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
Loss for the year	11	-	(59,307,818)	-	(59,307,818)
Transfer to profits reserve	10	-	-	-	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	2,781,914	-	-	2,781,914
On-Market Share Buy-Back	9	(204,084)			(204,084)
Dividends paid	3(a)	-	-	(22,326,976)	(22,326,976)
Balance at 30 June 2019		429,797,443	(113,144,037)	16,938,027	333,591,433

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 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from the sale of investments		491,850,840	760,802,375
Payments for the purchase of investments		(544,247,687)	(789,870,784)
Dividends received		10,433,469	19,628,114
Interest received		1,168,298	1,657,711
Other income received		102,452	70,471
Management fees paid		(3,298,224)	(3,637,670)
Performance fees paid		(2,979,620)	(2,574,459)
Brokerage expenses on share purchases		(1,161,478)	(711,468)
Interest paid		(1,676,630)	(2,293,339)
Dividends paid on shorts		(574,516)	(4,373,000)
Payments for administration expenses		(863,929)	(1,108,729)
Income tax paid		(4,233,822)	(6,444,595)
NET CASH (USED IN)/ PROVIDED BY OPERATING ACTIVITIES		(55,480,847)	(28,855,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(19,545,058)	(18,392,390)
Share issue transaction costs		-	(681,763)
Proceeds from shares issued		-	50,060,598
On-market share buy-back		(204,084)	-
NET CASH (USED IN)/ PROVIDED BY FINANCING ACTIVITIES		(19,749,142)	30,986,445
NET (DECREASE)/ INCREASE IN CASH HELD		(75,229,989)	2,131,072
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR	4	99,850,998	97,719,926
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR	4	24,621,009	99,850,998
NON-CASH TRANSACTIONS:			
Shares issued via dividend reinvestment plan		2,781,914	5,196,551

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 2019

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 2018 Annual Report.

This preliminary report was authorised by the Directors on 23rd August 2019.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. TAXATION

(a) Current Income Tax (Benefit)/Expense

The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to the income tax (benefit)/expense as follows:

	2019 \$	2018 \$
Prima facie tax (benefit)/ expense on profit from ordinary activities before income tax at 30%	(26,271,286)	16,206,729
Imputation credit gross up	923,945	1,679,983
Franked dividends receivable – prior year	99,447	813,724
Franked dividends receivable – current year	(92,588)	(242,209)
Franking credits on dividends received	(3,079,817)	(5,599,942)
Prior years under/over	159,174	-
Other	(2,010)	(2,603)
	(28,263,135)	12,855,682
Effective tax rate	(32.3%)	23.8%

The effective tax rate for FY2019 is (32.3%) reflecting the benefit to the Company of franking credits received on dividend income during the year.

Total income tax (benefit)/expense results in a:

Current tax (asset)/ liability	(33,424,300)	12,070,763
Movement in deferred tax assets	5,161,165	784,919
	(28,263,135)	12,855,682

(b) Deferred Tax Assets

Provisions	8,790	7,590
Capitalised share issue costs	147,132	212,451
Fair value adjustments	10,633,019	15,730,063
Tax losses	36,773,825	3,333,113
	47,562,766	19,283,217

Movement in deferred tax assets

Balance at the beginning of the period	19,283,217	19,863,607
(Debited)/Credited to the profit or loss	28,263,135	(784,919)
Movement relating to under/over adjustment	16,414	-
Charged directly to equity	-	204,529
	47,562,766	19,283,217

(c) Current Tax Liabilities/(Assets)

Movement in current tax liabilities/(assets)

Balance at the beginning of the period	4,217,408	(1,408,760)
Current year income tax on operating profit	-	12,070,763
Income tax paid	(4,233,822)	(7,841,570)
Income tax received	-	1,409,965
Prior year under/(over)	16,414	(12,990)
At reporting date	-	4,217,408

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. DIVIDENDS

(a) Dividends paid

	2019	2018
	\$	\$
Dividends paid by the Company	<u>22,326,976</u>	<u>23,588,941</u>

2019

Dividends paid by the Company for the year ended 30 June 2019	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2019 Ordinary	3.0	13 May 19	30%	100%	9,608,670
Final 2018 Ordinary	4.0	17 September 18	30%	100%	12,718,306
Total Amount					<u>22,326,976</u>

The Board have declared a 2.0 cent per share fully franked final dividend payable on 30th October 2019. The Ex-Date for the dividend is 18th October 2019.

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>

(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>4,634,383</u>	<u>11,106,856</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	74,779,920	128,005,890
Cash overdrafts	<u>(50,158,911)</u>	<u>(28,154,892)</u>
	<u>24,621,009</u>	<u>99,850,998</u>

5. TRADE AND OTHER RECEIVABLES

Trade debtors	419,364	1,958,769
Income receivable	551,963	807,363
Sundry debtors	<u>123,659</u>	<u>350,794</u>
	<u>1,094,986</u>	<u>3,116,926</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 2019

	2019	2018
	\$	\$
6. FINANCIAL ASSETS		
Investments at fair value	<u>267,850,966</u>	<u>396,415,365</u>
7. TRADE AND OTHER PAYABLES		
Trade creditors	48,395	987,666
Sundry creditors - related parties	119,868	3,475,620
Sundry creditors - other	<u>349,336</u>	<u>170,695</u>
	<u>517,599</u>	<u>4,634,000</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 \$119,868 (inclusive of GST) (2018: \$3,475,620) to the manager, Cadence Asset Management Pty Limited.

8. FINANCIAL LIABILITIES

Short positions - held for trading financial liabilities:

Listed investments at fair value	7,020,695	80,100,009
Swaps - held for trading at fair value	-	17,066,692
	<u>7,020,695</u>	<u>97,166,701</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	432,693,872	430,116,042
Capitalised share issue costs	(4,137,756)	(4,137,756)
Deferred tax asset on capitalised share issue costs	<u>1,241,327</u>	<u>1,241,327</u>
	<u>429,797,443</u>	<u>427,219,613</u>

2019

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
Balance at the beginning of the year			317,957,644	430,116,042
17 September 2018	DRP	\$1.19326	2,331,352	2,781,914
June 2019	On-Market Share Buy-Back	\$0.77946	(261,828)	(204,084)
			<u>320,027,168</u>	<u>432,693,872</u>

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9. ISSUED CAPITAL (Continued)

(a) Paid-up Capital (Continued)

2018 Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
Balance at the beginning of the year			274,011,321	374,858,893
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
			317,957,644	430,116,042

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.

On the 15th May 2019 the Company approved an on-market share buy-back of up to 31.79 million of its ordinary shares. The share buy-back period commenced on the 1st June 2019 and will finish no later than the 31st May 2020.

10. PROFITS RESERVE

	2019 \$	2018 \$
Profits Reserve	16,938,027	39,265,003
Movement in Profits Reserve:		
Opening balance	39,265,003	21,687,197
Transfer from retained earnings	-	41,166,747
Dividends paid (Note 3)	(22,326,976)	(23,588,941)
	16,938,027	39,265,003

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)
(Loss)/ Profit attributable to members of the Company	(59,307,818)	41,166,747
Transfer to profits reserve	-	(41,166,747)
	(113,144,037)	(53,836,219)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
12. EARNINGS PER SHARE		
(Loss)/Profit after income tax used in the calculation of earnings per share	<u>(59,307,818)</u>	<u>41,166,747</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>323,943,616</u>	<u>304,188,912</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<u>323,943,616</u>	<u>304,188,912</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>323,943,616</u>	<u>304,188,912</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>323,943,616</u>	<u>304,188,912</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 2.0 cent per share fully franked final dividend payable on 30th October 2019. The Ex-Date for the dividend is 18th October 2019.

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 2019 (2018: nil).

15. CAPITAL COMMITMENTS

No capital commitments exist for placements entered into before 30 June 2019 which settle after year end. (2018: nil).

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.