

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

APPENDIX 4E
PRELIMINARY FINAL REPORT
for the year ended 30 June 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET
All comparisons to the year ended 30 June 2016

	\$	up/down	% mvmt
Revenue from ordinary activities	66,626,644	up	282 %
Profit from ordinary activities before tax attributable to members	47,076,329	up	200 %
Profit from ordinary activities after tax attributable to members	36,952,243	up	220 %
Dividend Information	Amt per share	Franked amount per share	Tax rate for franking
2017 Final dividend per share (declared)	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%
Final dividend dates			
<p>The Board have declared a 4.0 cent per share fully franked final dividend payable on 18 September 2017. The Ex Date for the dividend is 8 September 2017 and the Record Date is 11 September 2017</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 closing date for DRP election is the 13 September 2017.</p>			
		30 June 2017	30 June 2016
Net tangible asset backing after tax		\$1.24	\$1.19
<p><i>This report is based on the 2017 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

A.B.N. 17 112 870 096

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
INCOME			
Net realised and unrealised gain/(loss) on investments		42,894,113	(50,540,928)
Dividends received		21,742,031	11,712,017
Interest received		1,825,539	2,263,109
Other income		164,961	25,252
Total Income		66,626,644	(36,540,550)
EXPENSES			
Finance costs		(2,420,591)	(1,795,854)
Management fees		(3,080,621)	(3,294,579)
Performance fees		(2,423,026)	-
Assignment fees		(232,306)	(139,063)
Directors fees		(75,000)	(75,000)
Dividends on short positions		(9,662,339)	(3,669,676)
Stock loan fees		(463,049)	(252,503)
Brokerage expenses on share purchases		(706,310)	(854,814)
ASX fees		(185,703)	(134,099)
Registry fees		(120,731)	(178,144)
Legal fees		(8,541)	(7,299)
Custody fees		(74,261)	(19,165)
Audit and taxation fees		(52,578)	(54,294)
Other expenses from ordinary activities		(45,259)	(49,108)
Total Expenses		(19,550,315)	(10,523,598)
Profit/(Loss) before income tax		47,076,329	(47,064,148)
Income tax (expense)/ benefit	2(a)	(10,124,086)	16,182,105
Profit/(Loss) attributable to members of the Company	11	36,952,243	(30,882,043)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		36,952,243	(30,882,043)
Basic earnings/(loss) per share	12	13.5 cents	(11.6) cents
Diluted earnings/(loss) per share	12	13.5 cents	(11.6) cents

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
ASSETS			
Cash and cash equivalents	4	151,961,930	159,496,725
Trade and other receivables	5	22,709,727	3,615,294
Financial assets	6	302,249,468	354,014,790
Current tax asset	2(c)	1,408,760	1,558,190
Deferred tax asset	2(b)	19,863,607	24,415,617
TOTAL ASSETS		498,193,492	543,100,616
LIABILITIES			
Cash overdrafts	4	54,242,004	160,807,769
Trade and other payables	7	7,355,932	1,768,061
Financial liabilities	8	96,304,880	59,935,339
TOTAL LIABILITIES		157,902,816	222,511,169
NET ASSETS		340,290,676	320,589,447
EQUITY			
Issued capital	9	372,439,698	367,999,928
Profits reserve	10	21,687,197	6,425,738
Accumulated losses	11	(53,836,219)	(53,836,219)
TOTAL EQUITY		340,290,676	320,589,447

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2015		302,996,147	(9,875,554)	22,708,886	315,829,479
Loss for the year	11	-	(30,882,043)	-	(30,882,043)
Transfer to profits reserve	10	-	(13,078,622)	13,078,622	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	6,103,927	-	-	6,103,927
Shares issued via placement	9	18,294,586	-	-	18,294,586
Shares issued via exercise of options	9	40,890,115	-	-	40,890,115
Capitalised share issue costs, net of tax		(284,847)	-	-	(284,847)
Dividends paid	3(a)	-	-	(29,361,770)	(29,361,770)
Balance at 30 June 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		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

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from the sale of investments		579,638,707	766,842,447
Payments for the purchase of investments		(464,386,810)	(828,605,701)
Dividends received		22,092,715	10,510,401
Interest received		1,825,539	2,263,109
Other income received		164,961	25,252
Management fees paid		(3,051,097)	(3,332,702)
Performance fees paid		-	(2,778,882)
Brokerage expenses on share purchases		(706,310)	(854,814)
Interest paid		(2,420,591)	(1,795,854)
Dividends paid on shorts		(10,420,300)	(2,429,752)
Payments for administration expenses		(1,032,184)	(921,018)
Income tax paid		(5,422,646)	(8,423,886)
		<u>116,281,984</u>	<u>(69,501,400)</u>
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(17,251,014)	(23,257,843)
Share issue transaction costs, gross of tax		-	(406,920)
Proceeds from shares issued		-	59,184,701
		<u>(17,251,014)</u>	<u>35,519,938</u>
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES			
NET INCREASE/(DECREASE) IN CASH HELD			
		99,030,970	(33,981,462)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR			
	4	<u>(1,311,044)</u>	<u>32,670,418</u>
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR			
	4	<u>97,719,926</u>	<u>(1,311,044)</u>
NON-CASH TRANSACTIONS:			
Shares issued via dividend reinvestment plan		<u>4,439,770</u>	<u>6,103,927</u>

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 2016 Annual Report.

This preliminary report was authorised by the directors on 10 August 2017.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. TAXATION

(a) Current Income Tax Expense/(Benefit)

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

	2017 \$	2016 \$
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30%	14,122,899	(14,119,244)
Imputation credit gross up	1,645,141	726,546
Franked dividends receivable – prior year	918,946	551,369
Franked dividends receivable – current year	(813,741)	(918,956)
Franking credits on dividends received	(5,483,804)	(2,421,820)
Other	(265,355)	-
	<u>10,124,086</u>	<u>(16,182,105)</u>
Effective tax rate	21.5%	34.4%

The effective tax rate for FY2017 is 21.5%, reflecting the benefit to the company of franking credits received on dividend income during the year.

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

Current tax liability	5,572,076	3,441,289
Movement in deferred tax assets	4,552,010	(19,623,394)
	<u>10,124,086</u>	<u>(16,182,105)</u>

(b) Deferred Tax Assets

Provisions	7,590	7,590
Capitalised share issue costs	148,379	345,237
Fair value adjustments	16,374,525	20,729,677
Tax losses	3,333,113	3,333,113
	<u>19,863,607</u>	<u>24,415,617</u>

Movement in deferred tax assets

Balance at the beginning of the period	24,415,617	4,670,150
(Debited)/Credited to the profit or loss	(4,552,010)	19,623,394
Charged directly to equity	-	122,073
	<u>19,863,607</u>	<u>24,415,617</u>

(c) Current Tax Assets

Movement in current tax assets/(liabilities)

Balance at the beginning of the period	1,558,190	(3,424,407)
Current year income tax on operating profit	(5,572,076)	(3,441,289)
Income tax paid	5,422,646	8,423,886
At reporting date	<u>1,408,760</u>	<u>1,558,190</u>

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. DIVIDENDS

(a) Dividends paid

	2017	2016
	\$	\$
Dividends paid by the Company	<u>21,690,784</u>	<u>29,361,770</u>

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><u>21,690,784</u></u>

The Board have declared a 4.0 cent per share fully franked final dividend payable on 18 September 2017. The Ex-Date for the dividend is 8 September 2017.

2016

Dividends paid by the Company for the year ended 30 June 2016	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2016 Ordinary	5.0	12 May 16	30%	100%	13,419,163
Final 2015 Ordinary	5.0	29 October 15	30%	100%	13,285,506
Final 2015 Special	1.0	29 October 15	30%	100%	2,657,101
Total Amount					<u><u>29,361,770</u></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>4,083,873</u>	<u>2,440,138</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	151,961,930	159,496,725
Cash overdrafts	<u>(54,242,004)</u>	<u>(160,807,769)</u>
	<u><u>97,719,926</u></u>	<u><u>(1,331,044)</u></u>

5. TRADE AND OTHER RECEIVABLES

Trade debtors	19,679,751	322,571
Income receivable	2,712,469	3,063,153
Sundry debtors	<u>317,507</u>	<u>229,570</u>
	<u><u>22,709,727</u></u>	<u><u>3,615,294</u></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.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
6. FINANCIAL ASSETS		
Investments at fair value	<u>302,249,468</u>	<u>354,014,790</u>
7. TRADE AND OTHER PAYABLES		
Trade creditors	3,745,168	116,583
Sundry creditors - related parties	2,757,197	123,834
Dividends payable on shorts	481,963	1,239,924
Sundry creditors – other	<u>371,604</u>	<u>287,720</u>
	<u>7,355,932</u>	<u>1,768,061</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 \$2,757,197 (inclusive of GST) (2016: \$123,834) to the manager, Cadence Asset Management Pty Limited.

8. FINANCIAL LIABILITIES

Short positions - held for trading financial liabilities:

Listed investments at fair value	76,853,626	44,520,500
Swaps – held for trading	<u>19,451,254</u>	<u>15,414,839</u>
	<u>96,304,880</u>	<u>59,935,339</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	374,858,893	370,419,123
Capitalised share issue costs	(3,455,993)	(3,455,993)
Deferred tax asset on capitalised share issue costs	<u>1,036,798</u>	<u>1,036,798</u>
	<u>372,439,698</u>	<u>367,999,928</u>

2017

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9. ISSUED CAPITAL (Continued) (a) Paid-up Capital (Continued)

2016 Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
Balance at the beginning of the year			224,322,211	305,130,495
July 2015	Exercise of Options	\$1.4300	2,416,113	3,455,042
August 2015	Exercise of Options	\$1.4300	23,226,136	33,213,374
September 2015	Exercise of Options	\$1.4300	2,952,237	4,221,699
30 September 2015	Placement	\$1.4300	12,793,415	18,294,586
29 October 2015	DRP	\$1.40607	2,673,157	3,758,672
12 May 2016	DRP	\$1.23317	1,901,807	2,345,255
			270,285,076	370,419,123

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

	2017 \$	2016 \$
Profits Reserve	21,687,197	6,425,738
Movement in Profits Reserve:		
Opening balance	6,425,738	22,708,886
Transfer from retained earnings	36,952,243	13,078,622
Dividends paid (Note 3)	(21,690,784)	(29,361,770)
	21,687,197	6,425,738

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)	(9,875,554)
Profit/(Loss) attributable to members of the Company	36,952,243	(30,882,043)
Transfer to profits reserve	(36,952,243)	(13,078,622)
	(53,836,219)	(53,836,219)

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
12. EARNINGS PER SHARE	\$	\$
Profit / (Loss) after income tax used in the calculation of earnings per share	<u>36,952,243</u>	<u>(30,882,043)</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>273,040,973</u>	<u>265,511,543</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<u>273,040,973</u>	<u>265,511,543</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>273,040,973</u>	<u>265,511,543</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>273,040,973</u>	<u>265,511,543</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 18 September 2017. The Ex-Date for the dividend is 8 September 2017.

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 2017 (2016: nil).

15. CAPITAL COMMITMENTS

	2017	2016
	\$	\$
Capital commitments exist for placements entered into before 30 June 2017, which settle after year end.	<u>291,600</u>	<u>1,826,929</u>

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 securities which are listed Internationally.