

CADENCE CAPITAL LIMITED
A.B.N. 17 112 870 096
APPENDIX 4D
HALF-YEAR REPORT
for the half-year ended 31 December 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET
All comparisons to the half-year ended 31 December 2017

	\$	up/down	% mvmt
Revenue from ordinary activities	(79,383,899)	Down	142 %
Loss from ordinary activities before tax attributable to members	(84,167,247)	Down	185%
Loss from ordinary activities after tax attributable to members	(58,121,085)	Down	177 %
Dividend Information	Amt per share	Franked amount per share	Tax rate for franking
2019 Interim dividend per share	3.0c	3.0c	30%
2018 Final dividend per share	4.0c	4.0c	30%
2018 Interim dividend per share	4.0c	4.0c	30%
2017 Final dividend per share	4.0c	4.0c	30%
Interim dividend dates			
Ex dividend date			29 th April 2019
Record date			30 th April 2019
Payment date			13 th May 2019
		31 Dec 2018	31 Dec 2017
Net tangible asset backing after tax		\$1.08	\$1.31
<i>This report is based on the Half-Year Financial Report which has been subject to independent review by the Auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2018 Annual Financial Report.</i>			

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

COMPANY PARTICULARS

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS: Karl Siegling (Chairman)
James Chirnside
Wayne Davies
Jenelle Webster

SECRETARY: Wayne Davies

MANAGER OF THE FUND: Cadence Asset Management Pty Limited
ABN: 68 106 551 062

REGISTERED OFFICE: Level 11, 131 Macquarie Street
Sydney, NSW 2000

CONTACT DETAILS: Level 11, 131 Macquarie Street
Sydney, NSW 2000
Telephone: (02) 8298 2444
Fax: (02) 8298 2499
Email: info@cadencecapital.com.au
Website: www.cadencecapital.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) refer to www.asx.com.au or call (02) 8298 2444

PRIME BROKER AND CUSTODIAN OF THE FUND: Deutsche Bank AG
Winchester House, 1 Great Winchester Street
London EC2N 2DB

The Bank of New York Mellon
160 Queen Victoria Street,
London EC4V 4LA

SHARE REGISTRAR: Boardroom Pty Limited
Mail Address: GPO Box 3993
Sydney NSW 2001
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

For all enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.

AUDITORS: Pitcher Partners
Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the condensed interim financial report of Cadence Capital Limited ('the Company') for the half-year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company was investing primarily in securities listed both in Australia and internationally. The Company may take short positions and may also deal in derivatives for hedging purposes. No significant changes in the nature of these activities occurred during the period.

OPERATING RESULTS

Investment operations over the half-year resulted in an operating loss before tax of \$84,167,247 (December 2017: operating profit before tax of \$45,487,891) and an operating loss after tax of \$58,121,085 (December 2017: operating profit after tax of \$32,778,298).

REVIEW OF OPERATIONS

For the half-year ended 31 December 2018, the Company produced a negative gross performance of 19.9% compared to a decrease in the All Ordinaries Accumulation Index of 7.3%. Investments are valued continuously to market value. For the half-year ended 31 December 2018, net investments were valued at \$203,050,126 (June 2018: \$299,248,664).

FINANCIAL POSITION

The net asset value of the Company for the half-year ended 31 December 2018 was \$344,590,920 (June 2018: \$412,648,397).

DIVIDENDS PAID OR RECOMMENDED

A fully franked interim dividend of 3.0 cents per share has been declared by the Board and will be paid on the 13th May 2019.

Dividends paid are as follows:

	\$
Fully franked 2018 final dividend of 4.0 cents per share was paid on 17 September 2018	12,718,306
Fully franked 2018 interim dividend of 4.0 cents per share was paid on 23 April 2018	12,628,489
Fully franked 2017 final dividend of 4.0 cents per share was paid on 18 September 2017	10,960,452
Fully franked 2017 interim dividend of 4.0 cents per share was paid on 28 April 2017	10,879,381

DIRECTORS

The names of the Directors in office at any time during or since the end of the half-year are as follows:

Karl Siegling – Chairman

James Chirnside – Non Executive Director

Wayne Davies – Non Executive Director

Ronald Hancock – Non Executive Director (Resigned 27th September 2018)

Jenelle Webster – Non Executive Director (Appointed 27th September 2018)

The Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

ROUNDING

In accordance with *ASIC Corporations (Rounding in Directors' Reports) Instrument 2016/191*, the amounts in the directors' report have been rounded to the nearest dollar, unless otherwise specified.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Signed in accordance with a resolution of the Board of Directors.



KARL SIEGLING Director

Dated at Sydney this 22nd day of February 2019

**Auditor's Independence Declaration
to the directors of Cadence Capital Limited
ABN 17 112 870 096**

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*;
and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cadence Capital Limited during the period.



C I Chandran
Partner

Pitcher Partners
Sydney

22 February 2019

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	December 2018 \$	December 2017 \$
INCOME			
Net realised and unrealised (loss)/ gain on investments		(85,669,800)	47,438,826
Dividends received		5,381,241	7,529,287
Interest received		838,303	804,192
Other income		66,357	27,860
Total (Loss)/ Income		(79,383,899)	55,800,165
EXPENSES			
Management fees		(1,796,092)	(1,818,385)
Performance fees		-	(3,955,055)
Directors fees		(30,000)	(30,000)
Brokerage expenses on share purchases		(547,834)	(309,845)
Audit and taxation fees		(36,716)	(34,862)
Stock loan fees		(299,841)	(251,439)
Registry fees		(71,970)	(77,736)
Dividends on shorts		(572,904)	(2,487,416)
Finance costs		(1,253,803)	(1,178,972)
Legal fees		-	-
Custody fees		(43,790)	(53,065)
ASX fees		(84,393)	(81,195)
Other expenses from ordinary activities		(46,005)	(34,304)
Total Expenses		(4,783,348)	(10,312,274)
(Loss)/ Profit before income tax		(84,167,247)	45,487,891
Income tax benefit/ (expense)		26,046,162	(12,709,593)
(Loss)/ Profit attributable to members of the Company	4 (c)	(58,121,085)	32,778,298
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/ income for the period		(58,121,085)	32,778,298
Basic (loss)/ earnings per share		(18.0) cents	11.4 cents
Diluted (loss)/ earnings per share		(18.0) cents	11.4 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 31 DECEMBER 2018

	Note	December 2018 \$	June 2018 \$
ASSETS			
Cash and cash equivalents		97,644,458	128,005,890
Trade and other receivables		835,751	3,116,926
Financial assets	5	207,537,499	396,415,365
Deferred tax asset		45,345,793	19,283,217
TOTAL ASSETS		351,363,501	546,821,398
LIABILITIES			
Cash overdrafts		1,603,605	28,154,892
Trade and other payables		440,950	4,634,000
Financial liabilities	5	4,487,373	97,166,701
Current tax liability		240,653	4,217,408
TOTAL LIABILITIES		6,772,581	134,173,001
NET ASSETS		344,590,920	412,648,397
EQUITY			
Issued capital	3	430,001,527	427,219,613
Profits reserve	4 (b)	26,546,697	39,265,003
Accumulated losses	4 (c)	(111,957,304)	(53,836,219)
TOTAL EQUITY		344,590,920	412,648,397

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 HALF-YEAR ENDED 31 DECEMBER 2018

	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 half-year		-	32,778,298	-	32,778,298
Transfer to profits reserve		-	(32,778,298)	32,778,298	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan		2,441,398	-	-	2,441,398
Shares issued via SPP and placement		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	2	-	-	(10,960,452)	(10,960,452)
Balance at 31 December 2017		424,464,460	(53,836,219)	43,505,043	414,133,284
Balance at 1 July 2018		427,219,613	(53,836,219)	39,265,003	412,648,397
Loss for the half-year		-	(58,121,085)	-	(58,121,085)
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan		2,781,914	-	-	2,781,914
Dividends paid	2	-	-	(12,718,306)	(12,718,306)
Balance at 31 December 2018		430,001,527	(111,957,304)	26,546,697	344,590,920

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

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STATEMENT OF CASH FLOW FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	December 2018 \$	December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from the sale of investments	221,118,706	303,110,751
Payments for the purchase of investments	(210,093,273)	(317,886,315)
Dividends received	5,970,476	9,720,563
Interest received	838,303	804,192
Other income received	66,357	27,860
Management and performance fees paid	(4,701,245)	(4,157,562)
Brokerage expenses on share purchases	(547,834)	(309,845)
Dividends on shorts	(572,904)	(2,969,379)
Finance costs	(1,253,803)	(1,178,972)
Income tax paid	(3,993,169)	(683,781)
Payments for administration expenses	(705,367)	(724,115)
NET CASH PROVIDED BY/ (USED BY) OPERATING ACTIVITIES	6,126,247	(14,246,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued	-	50,060,598
Share issue transaction costs	-	(681,763)
Dividends paid, net of the DRP	(9,936,392)	(8,519,054)
NET CASH (USED BY)/ PROVIDED BY FINANCING ACTIVITIES	(9,936,392)	40,859,781
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS HELD	(3,810,145)	26,613,178
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD	99,850,998	97,719,926
CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD	96,040,853	124,333,104

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 HALF-YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report was authorised for issue on 22nd February 2019 by the Board of Directors.

The half-year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half-year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2018 and any public announcements made by Cadence Capital Limited (“the Company”) during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs with the exception of “held for trading” financial assets and certain other financial assets and liabilities which have been measured at fair value.

Rounding

In accordance with ASIC Corporations (Rounding in Financial Reports) Instrument 2016/191, the amounts in the financial report have been rounded to the nearest dollar unless otherwise specified.

(b) Accounting Policies

There are no new and revised accounting requirements significantly affecting the half-year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2018 Annual Financial Report.

The Company adopted AASB 9 Financial Instruments from 1 July 2018 in accordance with the transition requirements in AASB 9, which permit entities to transition to AASB 9 by applying the Standard:

- retrospectively to each prior reporting period presented; or
- retrospectively with the cumulative effect of initially applying the Standard recognised as at the date of initial application (i.e., at the beginning of the annual reporting period in which the entity first applies the Standard).

The Company adopted AASB 9 retrospectively to each prior reporting period presented, which resulted in no material impact in the classification or measurement of financial instruments held by the entity that fell within the scope of AASB 9.

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.

(c) Details of Reporting Period

The current reporting period is the half-year ended 31 December 2018. For the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow, the previous corresponding period is the period ended 31 December 2017. For the Statement of Financial Position, the previous corresponding date is 30 June 2018.

(d) 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.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	December 2018	December 2017
	\$	\$
2. DIVIDENDS		
(a) Dividends paid during the period		
4.0 cents per share final dividend fully franked paid 17 September 2018 (4.0 cents per share final dividend fully franked paid 18 September 2017).	<u>12,718,306</u>	<u>10,960,452</u>

(b) Dividends not recognised during the period

Since the end of the half-year the Directors have declared a fully franked interim dividend of 3.0 cents per share payable on 13th May 2019. (2017: 4.0 cents per share interim dividend fully franked paid 23rd April 2018)

	December 2018	June 2018
	\$	\$
3. ISSUED CAPITAL		
Paid-up Capital		
320,288,996 shares fully paid (June 2018: 317,957,644)	432,897,956	430,116,042
Share issue transaction costs	(4,137,756)	(4,137,756)
Deferred tax asset on share issue transaction costs	1,241,327	1,241,327
	<u>430,001,527</u>	<u>427,219,613</u>

4. MOVEMENTS IN EQUITY

(a) Ordinary share capital December 2018

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
Balance at the beginning of the period			317,957,644	430,116,042
17 September 2018	DRP	\$1.19326	2,331,352	2,781,914
At reporting date			<u>320,288,996</u>	<u>432,897,956</u>

June 2018

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
Balance at the beginning of the period			274,011,321	374,858,893
18 September 2017	DRP	\$1.25929	1,938,714	2,441,398
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>

	December 2018	June 2018
	\$	\$
(b) Profits reserve		
Opening balance	39,265,003	21,687,197
Transfer from retained earnings	-	41,166,747
Dividends paid	(12,718,306)	(23,588,941)
	<u>26,546,697</u>	<u>39,265,003</u>

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

4. MOVEMENTS IN EQUITY (CONTINUED)

(b) Profits reserve (Continued)

A Profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

	December 2018	June 2018
(c) Accumulated losses	\$	\$
Opening balance	(53,836,219)	(53,836,219)
(Loss)/ Profit attributable to members of the Company	(58,121,085)	41,166,747
Transfer to profits reserve	-	(41,166,747)
	<u>(111,957,304)</u>	<u>(53,836,219)</u>

5. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** 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).
- Level 3:** Inputs for the asset or liability are not based on observable market data (unobservable inputs).

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted last prices at the end of the reporting period, excluding transaction costs.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available or the last sale price have been adopted to determine the fair value of these investments.

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2018:

31 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	202,980,008	4,557,491	-	207,537,499
Financial liabilities	-	(4,487,373)	-	(4,487,373)
Total	202,980,008	70,118	-	203,050,126

30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	396,122,889	292,476	-	396,415,365
Financial liabilities	-	(97,166,701)	-	(97,166,701)
Total	396,122,889	(96,874,225)	-	299,248,664

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

6. EVENTS SUBSEQUENT TO REPORTING DATE

The Board declared a 3.0 cents fully franked interim dividend per share on 22nd February 2019 payable on 13th May 2019. The Ex Date for the dividend is 29th April 2019.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any 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.

7. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments for placements entered into before 31 December 2018 which settle after this date. There were no contingent liabilities as at 31 December 2018. (June 2018: Nil capital commitments and nil contingent liabilities).

CADENCE CAPITAL LIMITED

ABN: 17 112 870 096

DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements and notes, as set out on pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



K. SIEGLING
Director

Dated at Sydney this 22nd day of February 2019

**Independent Auditor's Review Report
to the members of Cadence Capital Limited
ABN 17 112 870 096**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cadence Capital Limited ("the company"), which comprises the statement of financial position as at 31 December 2018, statement of comprehensive income, statement of changes in equity and statement of cash flow for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Cadence Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cadence Capital Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



C I Chandran
Partner



Pitcher Partners
Sydney

22 February 2019