

2013

ANNUAL  
REPORT



## CONTENTS

Company Particulars	1
Manager's Report	2
Market Value of Investments as at 30 June 2013	4
Directors' Report to Shareholders	5
Auditor's Independence Declaration	11
Corporate Governance Statement	12
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	41
Independent Auditor's Report	42
ASX Additional Information	44

## COMPANY PARTICULARS

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

DIRECTORS:

Karl Siegling  
James Chirnside  
Wayne Davies  
Ronald Hancock

SECRETARY:

Karl Siegling

MANAGER OF THE COMPANY:

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](mailto:info@cadencecapital.com.au)

Website: [www.cadencecapital.com.au](http://www.cadencecapital.com.au)

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

PRIME BROKER AND CUSTODIAN  
OF THE COMPANY:

Citigroup Global Markets Australia Pty Ltd  
Level 21, 2 Park Street  
Sydney, NSW, 2000

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:

Moore Stephens Sydney  
Level 15, 135 King Street  
Sydney NSW, 2000

ASX CODE:

Cadence Capital Limited Ordinary Shares (CDM)

COUNTRY OF INCORPORATION:

Australia

## MANAGER'S REPORT

### SUMMARY OF RESULTS

- Gross portfolio increased +22.16% for the year ended 30 June 2013, outperforming the All Ordinaries Accumulation Index by 1.49% and the Small Ordinaries Accumulation Index by 27.48%. This was achieved whilst holding on average 36% in cash during the past financial year.
- 11.0 cent per share fully franked dividend for FY 2013. This represents a 8.5% (12.1% grossed-up) fully franked yield based on 30 June 2013 share price of \$1.30.
- Increase in net profit before tax to \$13.05m, up a record 884%.
- Increase in net profit after tax to \$11.38m, up 312%.

### SHAREHOLDER PERFORMANCE

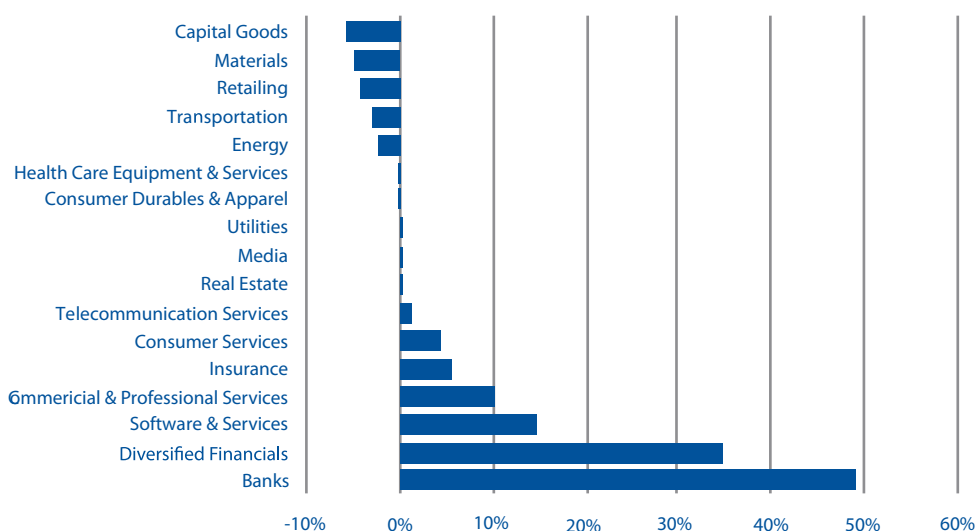
Performance* to 30th June 2013	CDM**	All Ords	Outperformance
1 Month	-1.99%	-2.62%	+0.63%
1 Year	22.16%	20.67%	+1.49%
2 Years	28.86%	12.17%	+16.69%
3 Years	134.54%	25.83%	+108.71%
4 Years	186.89%	43.16%	+143.73%
5 Years	142.63%	11.46%	+131.17%
Since Inception (93 months)	295.49%	44.12%	+251.37%
Since Inception Annualised (93 months)	19.41%	4.83%	+14.58%

\* Before Management and Performance Fees

\*\*These numbers include the franking value of the substantial RHG dividend received in May 2011

For the financial year ended 30 June 2013, Cadence Capital Limited produced a gross performance of +22.16% compared to an increase in the All Ordinaries Accumulation Index of +20.67% and a decrease in the Small Ordinaries Accumulation Index of -5.32%. We are pleased that since its inception almost 8 years ago Cadence Capital Limited has outperformed the All Ordinaries Accumulation Index by 14.58% per annum. It should also be noted that this outperformance has been achieved with lower than market risk and exposure.

### SECTOR PERFORMANCE (% RETURNS)



Sectors that performed well for the Company during the year were Banks and Diversified Financials while the sectors that underperformed for the company were Capital Goods and Materials. Stock positions that performed well for the Company in 2013 were Australia & New Zealand Banking Group, Bluescope Steel Ltd, Bravura Solutions Ltd, Flexigroup Ltd, Macquarie Group Limited, McMillan Shakespeare Ltd, QBE Insurance Group Ltd and RHG Ltd. Stock positions that underperformed for the Company in 2012 were Arrium Ltd, Bathurst Resources Ltd and Coffey International Ltd.

### SUMMARY AND OUTLOOK

---

Cadence Capital Limited has performed well over what was another difficult and volatile year. During the year our process of combining fundamental and technical analysis has yielded good risk adjusted returns. We believe a strategy with an open mandate, able to selectively invest in undervalued companies and avoid (or short) over valued companies is a distinct advantage. In addition, allocating risk between equities and cash remains a compelling method to manage capital, particularly in this environment.

The equities market will continue to provide opportunities in individual companies and specific industries with specific earnings profiles. The process of trying to guess where the overall market will trade in light of significant macroeconomic events, uncertainty and ambiguity, will continue to be a difficult and risky process. Fortunately this is not how we manage capital.

We remain committed to our investment strategy as outlined in our Prospectus eight years ago and are pleased that this investment strategy has produced good returns for our shareholders and our own investments within the Company.

I would like to take this opportunity to thank our investors for their continued support.



Karl Siegling  
Managing Director  
Cadence Asset Management Pty Limited

## MARKET VALUE OF TOP 20 POSITIONS AT 30 JUNE 2013

### LONG AND SHORT POSITIONS

LONG POSITIONS	COMPANY NAME	MARKET VALUE	% OF EQUITY
RHG	RHG Ltd	\$ 13,394,649	8.15%
MQG	Macquarie Group Limited	\$ 10,887,833	6.62%
MMS	McMillan Shakespeare Limited	\$ 7,821,008	4.76%
NAB	National Australia Bank Ltd	\$ 7,394,356	4.50%
ANZ	Australia & New Zealand Banking Group	\$ 7,364,752	4.48%
FXL	Flexigroup Limited	\$ 6,881,820	4.19%
QBE	QBE Insurance Group Ltd	\$ 5,448,999	3.31%
RFG	Retail Food Group	\$ 4,900,982	2.98%
IIN	Ilnet Limited	\$ 4,613,420	2.81%
BSL	Bluescope Steel Ltd	\$ 4,270,460	2.60%
HGG	Henderson Group Plc	\$ 3,703,333	2.25%
AMC	Amtcor Limited	\$ 3,129,660	1.90%
SDG	Sunland Group Ltd	\$ 3,019,610	1.84%
RKN	Reckon Ltd	\$ 3,002,832	1.83%
BVA	Bravura Solutions Ltd	\$ 2,982,876	1.81%
BXB	Brambles Limited	\$ 2,465,760	1.50%
CYA	Century Australia Investments Limited	\$ 1,455,619	0.89%
MLB	Melbourne It Limited	\$ 1,242,611	0.76%
TOL	Toll Holdings Limited	\$ 859,180	0.52%

SHORT POSITIONS	COMPANY NAME	MARKET VALUE	% OF EQUITY
OZL	Oz Minerals Ltd	\$ 2,610,060	1.59%
<b>Total Top 20 Long and Short Positions – Net Exposure %</b>		<b>\$ 92,229,699</b>	<b>56.11%</b>

### MARKET VALUE OF TOTAL PORTFOLIO POSITIONS:

Total Portfolio Long Positions	\$ 97,967,357	59.60%
Total Portfolio Short Positions	\$ 2,610,060	1.59%
<b>Total Portfolio Net Exposure</b>	<b>\$ 95,357,297</b>	<b>58.01%</b>

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013

The Directors of Cadence Capital Limited ("the Company") submit herewith their report together with the financial report of Cadence Capital Limited for the financial year ended 30 June 2013.

### PRINCIPAL ACTIVITY

---

The principal activity of the Company was investing primarily in securities listed on the Australian Stock Exchange. 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 financial year.

### OPERATING RESULTS

---

Investment operations over the year resulted in an operating profit before tax of \$13,058,686 (2012: operating profit before tax of \$1,326,553) and an operating profit after tax of \$11,382,348 (2012: operating profit after tax of \$2,763,546).

### REVIEW OF OPERATIONS

---

Investments are valued continuously to market value. For the year ended 30 June 2013, net investments were valued at \$95,357,297 (2012: \$34,898,635).

### FINANCIAL POSITION

---

The net asset value of the Company for the current financial period ended was \$164,382,606 (2012: \$52,153,951).

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

---

During the financial year the Company raised capital through a wholesale placement in October 2012 and a retail placement in March/ April 2013 through a prospectus. The wholesale placement raised \$11,444,564 and the retail prospectus raised \$72,123,596.

### DIVIDENDS PAID OR RECOMMENDED

---

The Board has declared a 5.0 cent per share fully franked final dividend payable on 30 September 2013. The Ex Date for the dividend was 16 September 2013.

Dividends paid are as follows:

	\$
Fully franked 2013 interim dividend of 5.0 cents per share was paid on 30 April 2013	5,794,811
Fully franked 2013 special dividend of 1.0 cents per share was paid on 30 April 2013	1,158,962
Fully franked 2012 final dividend of 4.0 cents per share was paid on 29 October 2012	2,561,779
Fully franked 2012 special dividend of 4.0 cents per share was paid on 29 October 2012	2,561,779
Fully franked 2012 interim dividend of 4.0 cents per share was paid on 2 April 2012	1,491,216
Fully franked 2012 special dividend of 0.5 cents per share was paid on 2 April 2012	186,402

## DIRECTORS

### DIRECTORS

---

The following persons were Directors of the Company during the financial year and up to the date of this report:

Karl Siegling  
Geoffrey Wilson (Resigned 14 February 2013)  
James Chirside  
Wayne Davies (Appointed 14 February 2013)  
Ronald Hancock (Appointed 17 June 2013)

### INFORMATION ON DIRECTORS

---

#### [Karl Siegling \(Chairman and Company Secretary\)](#)

Karl Siegling has over 17 years investment experience in the financial sector both in Australia and overseas. He holds a Bachelor of Commerce and a Law degree from the University of Melbourne and an MBA specialising in Finance and Entrepreneurial Endeavours from INSEAD in France. Karl has also completed the Post Graduate Diploma in Finance with the Securities Institute of Australia.

He commenced work in the Financial Services sector in Australia with Deutsche Morgan Grenfell, trading overnight currencies, bonds and bond options on the Sydney Futures Exchange. Then he worked within the Equities Research Division of Deutsche Morgan Grenfell before moving to the Equities Division of Goldman Sachs in London. Upon returning to Australia, Karl was the Managing Director of eFinancial Capital Limited (a subsidiary of Challenger International Limited), which was a private equity fund with Pooled Development Fund status, focused on investing early stage and expansion capital. The fund invested in financial services and Australian internet based technology companies. For two and a half years Karl worked as a consultant for Wilson Asset Management (International) Pty Limited researching stocks for the Wilson group of funds. He is also the managing director of the manager, Cadence Asset Management Pty Limited.

#### [James Chirside \(Non-executive Director\)](#)

James Chirside has been focussed in Emerging Market equities, Commodities, and Bio Pharma investment management for twenty-seven years in Sydney, Hong Kong, London, and Melbourne. Mr Chirside is CEO of Mann Distribution Australia. MDA is a subsidiary of Mann Bio Invest a specialist Healthcare investment manager based in the Isle of Mann.

Mr Chirside previously worked for Challenger Financial Group in Sydney developing alternative investment strategies for distribution to Australian wholesale and retail clients. Prior to this he managed emerging market hedge funds in Hong Kong and London, for Regent Fund Management (now Charlemagne Capital UK). Between 1988 and 1992 Mr Chirside ran a proprietary-trading book for County NatWest Investment Bank based in London. He was primarily focussed on country-funds and derivative instrument arbitrage investment strategies. James Chirside is also a director of WAM Capital Limited, India Equities Fund Limited and Mothercare Australia Limited.

#### [Ronald Hancock \(Non-executive Director\)](#)

Ronald Hancock is a fellow of the Institute of Chartered Accountants Australia with extensive experience in the financial services industry. He was the Managing Director of Wide Bay Australia Limited and retired in February 2013. He was a foundation Director and Manager of the Burnett Permanent Building Society formed in 1966, which subsequently merged with other Queensland societies to form Wide Bay Capricorn Building Society Ltd, subsequently Wide Bay Australia Ltd.

Ronald Hancock was a practising Chartered Accountant and continued to practise during the establishment period of the Society. He retired from accountancy in 1994 after 32 years. Ronald Hancock is also a director of Mortgage Risk Management Pty Ltd and several private companies.



## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### Wayne Davies (Non-executive Director)

Wayne Davies has over 11 years funds management experience in Equity Long/ Short Funds both in Australia and overseas. He is both a member of the South African Institute of Chartered Accountants and the Chartered Institute of Management Accountants.

Wayne Davies is a founding member of the Cadence Asset Management team and has been the Chief Operating Officer of Cadence Asset Management for the past 5 years. Wayne Davies worked with Theorema Asset Management in London and still remains a director of Theorema Europe Fund and Theorema Europe Fund Plus.

### COMPANY SECRETARY

Karl Siegling held the position of company secretary at the end of the financial year.

### DIRECTORS' MEETINGS

	No. eligible to attend	Attended
Karl Siegling	4	4
Geoffrey Wilson (Resigned 14 February 2013)	3	3
James Chirnside	4	4
Wayne Davies (Appointed 14 February 2013)	1	1
Ronald Hancock (Appointed 17 June 2013)	0	0

### AUDIT COMMITTEE MEETINGS

	No. eligible to attend	Attended
Karl Siegling	2	2
James Chirnside	2	2

### REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Cadence Capital Limited.

#### (a) Remuneration

There are no executives that are paid by the Company. Cadence Asset Management Pty Limited provides day to day management of the Company and is remunerated as outlined in Note 16 – Related Parties Transactions.

Short-term Benefits - Directors Fees:	2013 \$	2012 \$
Geoffrey Wilson	13,761	13,761
James Chirnside	13,761	13,761
Post-employment Benefits - Superannuation	2,478	2,478
	<u>30,000</u>	<u>30,000</u>

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### (b) Director Related Entities Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

Karl Siegling is the sole Director and a beneficial owner of Cadence Asset Management Pty Limited, the entity appointed to manage the investment portfolio of Cadence Capital Limited. Wayne Davies is also a beneficial owner of Cadence Asset Management Pty Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$1,115,606 (inclusive of GST, 2012: \$474,724). This is equivalent to 0.08333% of the value of the portfolio calculated on the last business day of each month. Over a full year, the monthly management fee will be comparable to a fee of 1% of the gross value of the portfolio per annum. As at 30 June 2013, the balance payable to the manager was \$102,856 (inclusive of GST, 2012: \$25,796).

The duties of the manager are to manage the portfolio and to manage and supervise all investments, maintain the corporate and statutory records of the Company, liaise with the ASX with respect to compliance with the ASX listing rules, liaise with ASIC with respect to compliance with the *Corporations Act* and liaise with the share registrar of the Company.

In addition, Cadence Asset Management Pty Limited is to be paid, annually in arrears, a performance fee, being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the level of the portfolio exceeds this increase, or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period, where the portfolio has decreased in value over that period. For the year ended 30 June 2013, a performance fee of \$41,411 (inclusive of GST 2012: \$463,007) was payable to Cadence Asset Management Pty Limited. As at 30 June 2013, the balance payable to the manager was \$41,411 (inclusive of GST 2012: \$463,007).

Cadence Asset Management Pty Limited employs accounting personnel to provide accounting services to Cadence Capital Limited. These services are provided on commercial terms and include a standard charge of \$1,375 (inclusive of GST) per month and an additional charge of \$3,500 (inclusive of GST) is charged for preparing the half year and full year financial statements.

Cadence Capital Limited has in place an Assignment Deed with Cadence Asset Management Pty Limited and MAM Pty Limited. Geoffrey Wilson is a Director of MAM Pty Limited and entities associated with him hold 80% of its issued share capital. In its capacity as Manager, Cadence Asset Management Pty Limited assigns a percentage of the management and performance fee to MAM Pty Limited. Subsequent to the initial capital raising, the assignment rate was 4.05%. At 30 June 2013, an amount of \$48,837 (2012: \$39,581) was payable to MAM Pty Limited. Geoffrey Wilson resigned from the Board of Cadence Capital Limited on 14 February 2013.

### (c) Compensation Practices

The Board from time to time determines remuneration of Non-Executive Directors within the maximum amount approved by the shareholders. Non-Executive Directors are not entitled to any other remuneration.

Fees and payments to Non-Executive Directors reflect the demands that are made on and the responsibilities of, the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors' base fees are presently limited to a maximum of \$55,000 per annum between the four directors. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Directors' fees are not linked to the performance of the Company.

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### (d) Shareholdings

As at 30 June 2013, the Company's key management personnel indirectly held the following shares in the Company:

Shareholdings	Balance at 1 July 2012	Acquisitions/ Balance held on appointment	Balance held on resignation	Balance at 30 June 2013
Karl Siegling	3,875,457	3,839,198	-	7,714,655
Wayne Davies	-	259,798	-	259,798
Ronald Hancock	-	139,860	-	139,860
Geoffrey Wilson	1,560,000	-	(1,560,000)	-
James Chirnside	25,932	-	-	25,932
	<u>5,461,389</u>	<u>4,238,856</u>	<u>(1,560,000)</u>	<u>8,140,245</u>

As at 30 June 2013, the Company's key management personnel indirectly held the following options in the Company:

Optionholdings	Balance at 1 July 2011	Disposals	Options Exercised	Balance at 30 June 2012
Karl Siegling	3,007,112	-	(3,007,112)	-
	<u>3,007,112</u>	<u>-</u>	<u>(3,007,112)</u>	<u>-</u>

### End of Remuneration Report.

#### EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Cadence Capital Limited have declared a 5.0 cent per share fully franked final dividend payable on 30 September 2013. The Ex Date for the dividend was 16 September 2013.

Subsequent to year end two large positions held by the Company have made announcements to the market:

- RHG Limited, a 8.1% position in the portfolio, has received proposals from Pepper Australia Pty Limited (see below) and Resimac Syndicate to acquire the Company.
- McMillan Shakespeare Ltd, a 4.8% position in the portfolio, has been negatively impacted by the Government's proposed changes to the FBT treatment of motor vehicles.

On 15 August 2013 Pepper Australia Pty Limited announced a Scheme of Arrangement to acquire 100% of RHG Limited for a combination of cash and Cadence Capital Limited scrip. On 9 September 2013 an announcement was made increasing the offer of the Scheme of Arrangement. Under the scheme, Pepper would acquire RHG Limited for consideration of 50.8 cents per share, comprising 36 cents per share cash and shares in Cadence Capital Limited at the ratio of one fully paid up ordinary share in Cadence Capital Limited for every 10 ordinary shares in RHG Limited held. Cadence Capital Limited would pay those RHG Limited shareholders who receive Cadence Capital Limited shares under the scheme a fully franked dividend of 5 cents per Cadence Capital Limited share.

No other matters or circumstances have arisen since the end of the financial year which significantly affects or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### FUTURE DEVELOPMENTS

---

The Company will continue to pursue its policy of investment during the next financial year.

### ENVIRONMENTAL ISSUES

---

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or Territory.

### INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

---

During the year the Company did pay a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*.

No indemnities have been given or insurance premiums paid during or since the end of the financial period, for any person who is or has been an auditor of the Company.

### PROCEEDINGS ON BEHALF OF COMPANY

---

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### NON-AUDIT SERVICES

---

During the year Moore Stephens Sydney, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company. Moore Stephens Sydney Pty Limited, a related party of the Company's auditor, performed taxation services for the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 2 to the financial statements.

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 2 did not compromise the external auditor's independence.

### AUDITOR'S INDEPENDENCE DECLARATION

---

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 11 of this Annual Report.

Signed in accordance with a resolution of the Board of Directors of the Company:



**Director**

Dated in Sydney this 25th day of September 2013

# AUDITOR'S INDEPENDENCE DECLARATION

## MOORE STEPHENS ACCOUNTANTS & ADVISORS

Level 15, 135 King Street  
Sydney NSW 2000

T +61 (0)2 8236 7700  
F +61 (0)2 9233 4636

[www.moorestephens.com.au](http://www.moorestephens.com.au)

### AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CADENCE CAPITAL LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



**Moore Stephens Sydney**  
Chartered Accountants



**Scott Whiddett**  
Partner

Dated in Sydney this 25th day of September 2013

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation\*  
\*Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

## CORPORATE GOVERNANCE STATEMENT

A description of the Company's corporate governance practices are set out below. All these practices, unless otherwise stated, were in place the entire year and comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

### BOARD OF DIRECTORS AND ITS COMMITTEES

---

Subject at all times to any written guidelines issued by the Board of Directors of Cadence Capital Limited, the day-to-day management and investment of funds is carried out by Cadence Asset Management Pty Limited (the "Manager") pursuant to a management agreement.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for the appointed Manager and monitoring the achievement of these goals. The Board reviews the reports of its Manager on the financial performance of the Company.

### COMPOSITION OF THE BOARD

---

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report.

The independent directors of the Company are James Chirnside and Ronald Hancock.

The Board comprises of the Chairman and three other non-executive Directors who consider the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise. The performance of each Director is reviewed by the Chairman periodically. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

The Board is 50% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Board's level of expertise and without burdening shareholders with the potentially significant costs associated with adding further independent Directors. The Chairman is not independent. The Company believes that an independent Chairman does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, it adds value to the Company.

Given the size of the Board a nomination committee has not been formed. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise.

### REMUNERATION OF DIRECTORS AND EXECUTIVES

---

The maximum total remuneration of the Directors of the Company has been set at \$55,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

No separate Remuneration Committee has been established by the Company as the Company does not believe that this adds any value to its Corporate Governance.

The Chairman of Cadence Capital Limited is the sole Director of Cadence Asset Management Pty Limited. Further detail is provided in the Directors' Report and Note 15 of the financial statements.

### AUDIT COMMITTEE

---

The Company has formed an Audit Committee consisting of:

James Chirnside	Chairman
Karl Siegling	Executive Director

The Audit Committee consists of 2 members and is only 50% independent. Whilst the Company agrees with the benefits of a larger Audit Committee and also of it consisting of a majority of independent Directors, due to both the size of the Board and of the Company, it believes that the current Audit Committee has both the level of expertise and independence that it requires.

The Committee's responsibilities are to:

- (a) oversee the existence and maintenance of internal controls and accounting systems;
- (b) oversee the financial reporting process;
- (c) review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- (d) nominate external auditors; and
- (e) review the existing external audit arrangements.

### EXTERNAL AUDITOR

---

The Company and Audit Committee policy is to appoint an external auditor who clearly demonstrates quality and independence. Moore Stephens Sydney was the external auditor in June 2013. It is Moore Stephens' policy to rotate audit engagement partners on listed companies in accordance with the *Corporations Act 2001*.

The external auditor is requested to attend the AGM and to be available to answer shareholder questions about the conduct of the audit and the preparation of the audit report.

### RISK MANAGEMENT POLICY

---

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has delegated the responsibility for reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee.

Risks are identified and assessed by the Company's Board as well as by the Company's auditors. Controls are implemented to deal with risks based on the assessment of:

- the nature and extent of the risk facing the Company;
- the extent and categories of risks which the board considers acceptable to bear;
- the likelihood of the risk materialising;
- the Company's ability to minimize the risk of incident and its resultant impact on the business should a particular risk materialise; and
- the sorts of operating particular controls relative to the benefit obtained by managing the relevant risk.

The Manager, Cadence Asset Management Pty Ltd, as well as by the Company's auditors will report any instances of control or policy failure or breach to enable the Board to consider whether relevant controls require reassessment, strengthening or improvement and whether the level of monitoring by the board is adequate.

### ETHICAL STANDARDS

---

The Board aims to ensure that all Directors and its Manager act with the utmost integrity and objectivity and endeavour to enhance the reputation of the Company.

### THE ROLE OF SHAREHOLDERS

---

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the Annual Report, quarterly webcasts, monthly investment updates and asset backing data, monthly estimated NTA's and Half-Year Financial Report lodged with the Australian Stock Exchange.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

### BOARD'S POLICY ON DEALING IN SHARES

---

Subject to them not being in possession of undisclosed price sensitive information, Directors may deal in shares of the Company when appropriate. As Cadence Capital Limited is an investment company announcing its estimated NTA's, exposures and its top holdings on a monthly basis, the Board believes the shareholders are generally fully informed.

### INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

---

Each Director has the right to access all relevant information and subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

### CONFLICT OF INTEREST

---

In accordance with the *Corporations Act 2001*, the Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	2013 \$	2012 \$
<b>INCOME</b>			
Proceeds from sale of investments		58,890,193	14,668,792
Cost of investments sold		(64,739,633)	(15,127,951)
Realised loss on investments		(5,849,440)	(459,159)
Unrealised gain/ (loss) on investments		11,430,387	(3,811,648)
Dividends received		8,146,093	6,223,972
Interest received		1,248,040	570,461
Underwriting fees		31,262	10,084
Other revenue from ordinary activities		-	15,882
<b>Total Income</b>		<b>15,006,342</b>	<b>2,549,592</b>
<b>EXPENSES</b>			
Finance costs		(67,649)	-
Management fees		(1,039,542)	(442,356)
Performance fees		(38,587)	(431,439)
Assignment fees		(45,507)	(36,882)
Directors fees		(30,000)	(30,000)
Dividends on short positions		(53,000)	-
Stock loan fees		(7,825)	(128)
Brokerage expenses on share purchases		(427,506)	(70,047)
ASX fees		(55,616)	(13,034)
Registry fees		(78,550)	(40,350)
Other expenses from ordinary activities		(103,874)	(158,803)
<b>Total Expenses</b>		<b>(1,947,656)</b>	<b>(1,223,039)</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>13,058,686</b>	<b>1,326,553</b>
Income tax (expense) / benefit	3(a)	(1,676,338)	1,436,993
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>	11	<b>11,382,348</b>	<b>2,763,546</b>
<b>Other comprehensive income/(loss)</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>11,382,348</b>	<b>2,763,546</b>
<b>Basic earnings per share</b>	13	<b>15.3 cents</b>	<b>8.3 cents</b>
<b>Diluted earnings per share</b>	13	<b>15.3 cents</b>	<b>8.3 cents</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	NOTES	2013 \$	2012 \$
<b>ASSETS</b>			
Cash and cash equivalents	12(a)	66,337,963	15,155,601
Trade and other receivables	5	1,525,149	233,767
Financial assets	6	97,967,357	34,898,635
Deferred tax asset	3(b)	3,719,668	3,096,827
<b>TOTAL ASSETS</b>		<b>169,550,137</b>	<b>53,384,830</b>
<b>LIABILITIES</b>			
Trade and other payables	7	726,677	1,212,725
Financial liabilities	8	2,610,060	-
Deferred tax liabilities	3(c)	1,830,794	18,154
<b>TOTAL LIABILITIES</b>		<b>5,167,531</b>	<b>1,230,879</b>
<b>NET ASSETS</b>		<b>164,382,606</b>	<b>52,153,951</b>
<b>EQUITY</b>			
Issued capital	9	155,566,625	42,642,987
Profits reserve	10	12,568,818	11,018,104
Accumulated losses	11	(3,752,837)	(1,507,140)
<b>TOTAL EQUITY</b>		<b>164,382,606</b>	<b>52,153,951</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	2013 \$	2012 \$
Total equity as at 1 July 2012		52,153,951	40,131,337
Profit attributable to members of the Company	11	11,382,348	2,763,546
Shares issued in the year through DRP	9	3,731,437	1,407,339
Shares issued in the year through Options being exercised	9	22,279,994	11,385,857
Shares issued in the year through Placements	9	15,923,863	-
Shares issued in the year through Retail Prospectus	9	70,988,344	-
		<u>176,459,937</u>	<u>55,688,079</u>
Dividends paid or provided for	4	<u>(12,077,331)</u>	<u>(3,534,128)</u>
Total equity as at 30 June 2013 attributable to members of the Company		<u>164,382,606</u>	<u>52,153,951</u>

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		7,552,781	6,128,464
Interest received		1,195,026	570,461
Other income received		31,262	10,084
Management fees paid		(1,009,610)	(438,333)
Performance fees paid		(460,183)	(2,328,930)
Brokerage expenses on share purchases		(427,506)	(70,047)
Interest paid		(67,649)	-
Dividends paid on shorts		(53,000)	-
Payments for administration expenses		(380,630)	(364,612)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	12(b)	6,380,491	3,507,087
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from the sale of investments		58,367,270	14,660,827
Payments for the purchase of investments		(113,925,168)	(23,694,520)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		(55,557,898)	(9,033,693)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(8,345,894)	(2,126,789)
Proceeds from shares issued		108,705,663	11,385,857
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		100,359,769	9,259,068
<b>NET INCREASE IN CASH HELD</b>		51,182,362	3,732,462
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR</b>		15,155,601	11,423,139
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR</b>	12(a)	66,337,963	15,155,601

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 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 are presented below. They 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 preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(j).

### ACCOUNTING POLICIES

---

#### (a) Investments

##### i) Classification

Investments consist of shares in publicly listed and unlisted companies and fixed interest securities.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the profit or loss on a liquidity basis.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through the profit or loss.

##### ii) Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention. Trade date is the date on which the Company commits to purchase or sell the assets.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the profit or loss immediately.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

Financial assets are classified and measured at fair value with changes in value being recognised in the profit or loss.

### iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

### iv) Valuation

All investments are classified and measured at fair value, being market value, including the potential tax charges that may arise from the future sale of the investments. These fair value adjustments are recognised in the profit or loss. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

### v) Unrealised Gains

Unrealised gains were previously included in the operating result for the year and were transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments. The Company will not make transfers to the Asset Revaluation Reserve going forward.

### vi) Investment income

Dividend income is recognised in the profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

### vii) Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss.

### viii) Financial Liabilities

Borrowed stock is classified as financial liabilities at fair value through the profit or loss. Realised and unrealised gains and losses arising from changes in fair value are included in the profit or loss in the year in which they arise.

## (b) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable entity or different taxable entity's which intend to settle simultaneously.

### (c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### (d) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### (e) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### (f) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### (g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

### (h) Segment Reporting

The financial report is for the individual entity Cadence Capital Limited. It is a publicly listed company limited by shares, incorporated and domiciled in Australia. The Company is engaged in investment activities conducted predominantly in Australia and derives revenue and investment income from listed and unlisted securities and fixed interest securities.

The Company has a diversified portfolio of investments, with only the Company's investments in RHG Limited, Macquarie Group Limited, McMillan Shakespeare Limited, Flexigroup Limited and Bravura Solutions Limited comprising more than 10% of the company's income in year to 30 June 2013 (2012: RHG Limited, McMillan Shakespeare Limited, Flexigroup Limited and Bravura Solutions Limited).

### (i) Comparative Figures

Where required by accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

### (j) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

#### *Income tax*

The entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2013. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect of their valuation.

### (k) Profits Reserve

The profits reserve is made up of amounts allocated from retained earnings that are preserved for future dividend payments.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### *(l) New Accounting Standards and Interpretations not yet mandatory or early adopted*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the entity for the annual reporting period ended 30 June 2013. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to itself, are set out below.

*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value.

The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the Company's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Company will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the Company.

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the entity.

The financial report was authorised for issue on 25 September 2013 by the Board of Directors.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

	2013 \$	2012 \$
<b>2. AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	28,850	33,902
<b>Non-audit Services</b>		
Other services provided by a related practice of the auditor:		
Taxation services	8,200	6,888
Other services	-	4,645
	37,050	45,435
<b>3. TAXATION</b>		
(a) Current Income Tax Benefit		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(benefit) as follows:		
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30%	3,917,606	397,966
Imputation credit gross up	921,567	781,774
Penalties and fines	-	86
Franked dividends receivable – prior year	34,997	24,499
Franked dividends receivable – current year	(125,943)	(34,997)
Under provision of prior year income tax	-	(408)
Rebates/tax offsets	(1,134,465)	(2,298,205)
Imputation credits converted to a loss	(1,937,424)	(307,708)
	1,676,338	(1,436,993)
<b>Total income tax expense results in a:</b>		
Movement in deferred tax liabilities	1,812,640	18,154
Movement in deferred tax assets	(136,302)	(1,455,147)
	1,676,338	(1,436,993)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 3. TAXATION (CONTINUED)

#### (b) Deferred Tax Assets

	2013 \$	2012 \$
Provisions	8,108	5,790
Capitalised share issue costs	395,604	8,984
Fair value adjustments	-	1,703,522
Tax losses	3,315,956	1,378,531
	3,719,668	3,096,827

#### Movement in deferred tax assets

Balance at the beginning of the year	3,096,827	1,641,680
Credited to the profit or loss	136,302	1,455,147
Charged to equity	486,539	-
	3,719,668	3,096,827

#### (c) Deferred Tax Liabilities

Income provisions	105,202	18,154
Fair value adjustments	1,725,592	-
	1,830,794	18,154

#### Movement in deferred tax liabilities

Balance at the beginning of the year	18,154	-
Debited to the profit or loss	1,812,640	18,154
At reporting date	1,830,794	18,154

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

	2013 \$	2012 \$
4. DIVIDENDS		
(a) Dividends paid		
Dividends paid by the Company	12,077,331	3,534,128

### 2013

Dividends paid by the Company for the year ended 30 June 2013	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total Amount \$
Interim 2013 Ordinary & special	6.0	30 April 13	30%	100%	6,953,773
Final 2012 Ordinary & special	8.0	29 October 12	30%	100%	5,123,558
Total Amount					12,077,331

The Board have declared a 5.0 cent per share fully franked final dividend payable on 30 September 2013. The Ex-Date for the dividend was 16 September 2013.

### 2012

Dividends paid by the Company for the year ended 30 June 2012	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total amount \$
Interim 2012 Ordinary & special	4.5	2 April 12	30%	100%	1,677,618
Final 2011 Ordinary & special	6.0	6 October 11	30%	100%	1,856,510
Total Amount					3,534,128

### (b) Dividend franking account

Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.

4,911,233	7,015,360
-----------	-----------

Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in (a) above. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

	2013 \$	2012 \$
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	530,888	7,965
Income receivable	823,497	177,171
Sundry debtors	170,764	48,631
	1,525,149	233,767

### 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.

### 6. FINANCIAL ASSETS

Long positions - held for trading financial assets:

Listed investments at fair value	97,967,357	34,898,635
Total financial assets	97,967,357	34,898,635

### 7. TRADE AND OTHER PAYABLES

Trade creditors	489,416	646,675
Sundry creditors - related parties	196,604	531,886
Sundry creditors – other	40,657	34,164
	726,677	1,212,725

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 \$147,767 (inclusive of GST) (2012: \$492,305) to the manager, Cadence Asset Management Pty Limited and \$48,837 (2012: \$39,581) that was payable to MAM Pty Limited for assignment fees. Refer to Note 16 for further information on Related Parties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

	2013 \$	2012 \$
<b>8. FINANCIAL LIABILITIES</b>		
Short positions - held for trading financial liabilities:		
Listed investments at fair value	2,610,060	-
Total financial liabilities	<u>2,610,060</u>	<u>-</u>

The Company's Financial Assets and Cash are used as collateral for its Financial Liabilities. Refer to Note 14(b) for further information on Credit Risk.

### 9. ISSUED CAPITAL

#### (a) Paid-up Capital

Ordinary shares fully paid	157,026,984	42,968,094
Costs of share issue	(2,086,225)	(464,437)
Deferred tax asset on capitalised costs of share issue	625,866	139,330
	<u>155,566,625</u>	<u>42,642,987</u>

#### 2013

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
	Balance at the beginning of the year		37,867,313	42,968,094
August 2012	Exercise of Options	\$1.2500	4,827,004	6,033,755
September 2012	Exercise of Options	\$1.2500	12,996,991	16,246,239
3/4 October 2012	Placement	\$1.3700	8,353,696	11,444,564
29 October 2012	DRP	\$1.33958	1,415,130	1,895,679
11 March 2013	Prospectus Tranche 1	\$1.4300	29,457,060	42,123,596
10 April 2013	Prospectus Tranche 2	\$1.4300	20,979,021	30,000,000
30 April 2013	DRP	\$1.35519	1,354,613	1,835,758
7 May 2013	DRP Shortfall Placement	\$1.35519	3,305,292	4,479,299
			<u>120,556,120</u>	<u>157,026,984</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 9. ISSUED CAPITAL (CONTINUED)

2012

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
Balance at the beginning of the year			27,601,814	30,174,898
6 October 2011	DRP	\$1.16199	605,789	703,928
September 2011	Exercise of Options	\$1.2500	3,340,026	4,175,033
February 2012	Exercise of Options	\$1.2500	5,732,759	7,165,949
2 April 2012	DRP	\$1.27656	551,025	703,411
May 2012	Exercise of Options	\$1.2500	35,900	44,875
			37,867,313	42,968,094

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. There are no externally imposed capital requirements.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

	2013 \$	2012 \$
<b>10. PROFITS RESERVE</b>		
Profits Reserve	12,568,818	11,018,104
<b>Movement in Profits Reserve</b>		
Opening balance	11,018,104	-
Transfer from retained earnings	13,628,045	11,018,104
Dividends paid (Note 4)	(12,077,331)	-
	12,568,818	11,018,104

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

### 11. RETAINED EARNINGS

Opening balance	(1,507,140)	10,281,546
Profit attributable to members of the Company	11,382,348	2,763,546
Transfer to profits reserve	(13,628,045)	(11,018,104)
Dividends paid (Note 4)	-	(3,534,128)
	(3,752,837)	(1,507,140)

### 12. CASH FLOW INFORMATION

#### (a) Reconciliation of cash

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	63,337,963	15,155,601
	63,337,963	15,155,601

The weighted average interest rate for cash and cash equivalents as at June 2013 is 3.22% (June 2012: 3.25%). The Company has a Prime Brokerage lending facility with Citigroup Global Markets Limited and Citigroup Global Markets Australia Pty Ltd its Prime Broker and Custodian. This at call facility is secured by a first charge over the financial assets of the Company.

The Company has granted a fixed and floating charge over all of the Company's right, title and interest in the assets transferred to the Custodian, including those transferred to the Custodian in accordance with Prime Brokerage Agreement, and any right which arises after the date of the Charge to receive cash or return of property from Citigroup under the Prime Brokerage Agreement, as security for payments and performance by the Company of all of its obligations to Citigroup under the Prime Brokerage Agreement.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 12. CASH FLOW INFORMATION (CONTINUED)

	2013 \$	2012 \$
<b>(b) Reconciliation of Operating Profit after Income Tax</b>		
Operating profit after income tax	11,382,348	2,763,546
<b>Add/(Less) items classified as Investing/Financing Activities:</b>		
Realised loss on sale of investments	5,849,440	459,159
<b>Add non-cash items:</b>		
Unrealised loss/(profit) on investments	(11,430,387)	3,811,648
<b>Net cash provided by Operating Activities before changes in assets and liabilities:</b>		
(Increase)/decrease in receivables	(768,455)	51,839
(Increase)/decrease in deferred tax assets	(136,305)	(1,455,147)
(Decrease)/increase in trade and other payables	(328,791)	(2,142,112)
(Decrease)/increase in deferred tax liabilities	1,812,641	18,154
<b>Net cash provided by Operating Activities</b>	<b>6,380,491</b>	<b>3,507,087</b>

### (c) Non-cash Financing Activities

During the financial year the Company issued the following shares through its Dividend Reinvestment Plan:

- 1,415,130 shares at \$1.33958 on 29 October 2012
- 1,354,613 shares at \$1.35519 on 30 April 2013

During the previous financial year the Company issued the following shares through its Dividend Reinvestment Plan:

- 605,789 shares at \$1.16199 on 6 October 2011
- 551,025 shares at \$1.27656 on 2 April 2012

### 13. EARNINGS PER SHARE

Profit after income tax used in the calculation of earnings per share	11,382,348	2,763,546
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	74,196,194	33,236,125
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	74,196,194	33,236,125

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 14. FINANCIAL RISK MANAGEMENT

#### Financial Risk Management Policies

The Company's financial instruments consist of money market instruments, short and long term investments, accounts receivable and payable.

#### (i) Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and market risk.

#### (a) Terms, Conditions and Accounting Policies

The Company's accounting policies are included in Note 1, while the terms and conditions including interest rate risk of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date are included under the appropriate note for that instrument.

#### (b) Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty (prime broker, custodian and brokers) will be unable to pay amounts in full when due.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

There are risks involved in dealing with custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are pledged as collateral for leverage from a prime broker/custodian, or where the Company's assets are held at a prime broker/custodian, the securities and assets deposited with the prime broker/custodian may be exposed to a credit risk with regards to such parties. In addition, there may be practical or timing problems associated with enforcing the Company's rights to its assets in case of an insolvency of any such party.

The Company maintains a Prime Brokerage lending facility and custody account with its prime broker and primary custodian Citigroup Global Markets Limited and Citigroup Global Markets Australia Pty Ltd. There is no guarantee that Citigroup or any other prime broker/custodian that the Company may use from time to time, will not become insolvent. In an insolvency or liquidation of a prime broker/custodian that has custody of Company assets, there is no certainty that the Company would not incur losses due to its assets being unavailable for a period of time or ultimately less than full recovery of its assets, or both. Because substantially all of the Company's assets are custodied with a single prime broker and in some cases a single major Australian bank, such losses could be significant and materially impair the ability of the Company to achieve its investment objective.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity Risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the management company. The Company's inward cash flows depend upon the level of sales of securities, dividends, interest received and any exercise of options that may be on issue.

The Company monitors its cashflow requirements daily by reference to known transactions to be paid or received. The Company may hold a portion of its portfolio in cash and short-term fixed interest securities sufficient to ensure that it has cash available to meet all payments. Alternatively, the Company can increase its level of sales of the readily tradeable securities it holds to increase cash inflows or it can use its lending facility with its Prime Broker Citigroup.

#### (d) Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature, as an investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

The Company can seek to reduce market risk by not being overly exposed to one company or one particular sector of the market. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

#### (e) Interest Rate Risk

Any excess cash and cash equivalents of the Company are invested at short-term market interest rates. Floating rate instruments expose the Company to cash flow risk, whereas short term fixed rate instruments expose the Company to interest rate risk. Excess cash and cash equivalent balances are monitored closely and are generally moved into short-term bank bills.

#### (ii) Financial instrument composition and maturity analysis

The tables on the next page reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as the Company's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

2013	Weighted Average Interest Rate	Interest bearing		Non-interest bearing	Total
		Less than 90 days	More than 1 year		
		\$	\$	\$	\$
<b>Assets</b>					
Financial assets	-	-	-	97,967,357	97,967,357
Cash and cash equivalents	3.22%	66,337,963	-	-	66,337,963
Other receivables	-	-	-	1,525,149	1,525,149
<b>Total assets</b>		<b>66,337,963</b>	<b>-</b>	<b>99,492,506</b>	<b>165,830,469</b>
<b>Liabilities</b>					
Financial liabilities	-	-	-	2,610,060	2,610,060
Balances due to brokers	-	-	-	489,416	489,416
Other payables	-	-	-	237,261	237,261
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>3,336,737</b>	<b>3,336,737</b>

2012	Weighted Average Interest Rate	Interest bearing		Non-interest bearing	Total
		Less than 90 days	More than 1 year		
		\$	\$	\$	\$
<b>Assets</b>					
Financial assets	-	-	-	34,898,635	34,898,635
Cash and cash equivalents	3.25%	15,155,601	-	-	15,155,601
Other receivables	-	-	-	233,767	233,767
<b>Total assets</b>		<b>15,155,601</b>	<b>-</b>	<b>35,132,402</b>	<b>50,288,003</b>
<b>Liabilities</b>					
Balances due to brokers	-	-	-	646,675	646,675
Other payables	-	-	-	566,050	566,050
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>1,212,725</b>	<b>1,212,725</b>

2013	2012
\$	\$

Other payables are expected to be paid as follows:

- Less than 6 months	237,261	566,050
- 6 months to one year	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (iii) Financial Instruments Measured at Fair Value

The financial assets and liabilities recognised at fair value in the Statement of Financial Position have been analysed and classified 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 that are not based on observable market data (unobservable inputs)

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

2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	97,728,723	238,634	-	97,967,357
Financial liabilities	(2,610,060)	-	-	(2,610,060)
Total	95,118,663	238,634	-	95,357,297

2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	34,620,622	278,013	-	34,898,635
Financial liabilities	-	-	-	-
Total	34,620,622	278,013	-	34,898,635

#### (iv) Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk, and market risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

##### Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the Company's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant through the reporting period. The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2013 \$	2012 \$
<b>Change in profit before tax</b>		
- Increase in interest rate by 1%	379,672	146,228
- Decrease in interest rate by 1%	(379,672)	(146,228)
<b>Change in equity</b>		
- Increase in interest rate by 1%	379,672	146,228
- Decrease in interest rate by 1%	(379,672)	(146,228)

#### Market Risk Sensitivity Analysis

At 30 June 2013, the effect on profit and equity as a result of changes in the market risk, with all other variables remaining constant would be as follows:

	2012 \$	2012 \$
<b>Change in profit before tax</b>		
- Increase in market price by 2%	1,907,196	697,953
- Decrease in market price by 2%	(1,907,196)	(697,953)
<b>Change in equity</b>		
- Increase in market price by 2%	1,907,196	697,953
- Decrease in market price by 2%	(1,907,196)	(697,953)

### 15. KEY MANAGEMENT PERSONNEL COMPENSATION

The names and position held of the Company's key management personnel (including Directors) in office at any time during the financial year are:

Karl Siegling	Chairman and Company Secretary
Geoffrey Wilson (Resigned 14 February 2013)	Non-Executive Director
Wayne Davies (Appointed 14 February 2013)	Non-Executive Director
Ronald Hancock (Appointed 17 June 2013)	Non-Executive Director
James Chirnside	Non-Executive Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 15. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

#### (a) Remuneration

There are no executives that are paid by the Company. Cadence Asset Management Pty Limited, the investment manager of the Company, remunerates Karl Siegling as a consultant and as a director of the Company. The manager also provides day to day management of the Company and is remunerated as outlined in Note 16 – Related Parties Transactions.

	2013 \$	2012 \$
Short-term Benefits - Directors' Fees	27,522	27,522
Post-employment Benefits - Superannuation	2,478	2,478
	<u>30,000</u>	<u>30,000</u>

#### (b) Compensation Practices

The Board from time to time determines remuneration of Non-Executive Directors within the maximum amount approved by the shareholders. Non-Executive Directors are not entitled to any other remuneration.

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors' base fees are presently limited to a maximum of \$55,000 per annum between the three Directors. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Directors' fees are not linked to the performance of the Company.

#### (c) Shareholdings

As at 30 June 2013, the Company's key management personnel indirectly held the following shares in the Company:

Director	Balance at 1 July 2012	Acquisitions / Balance held on appointment	Balance held on resignation	Balance at 30 June 2013
Karl Siegling	3,875,457	3,839,198	-	7,714,655
Wayne Davies	-	259,798	-	259,798
Ronald Hancock	-	139,860	-	139,860
Geoffrey Wilson	1,560,000	-	(1,560,000)	-
James Chirnside	25,932	-	-	25,932
	<u>5,461,389</u>	<u>4,238,856</u>	<u>(1,560,000)</u>	<u>8,140,245</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 15. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

As at 30 June 2013, the Company's key management personnel indirectly held the following options in the Company:

Director	Balance at 1 July 2012	Disposals	Options Exercised	Balance at 30 June 2013
Karl Siegling	3,007,112	-	(3,007,112)	-
	3,007,112	-	(3,007,112)	-

As at 30 June 2012, the Company's key management personnel indirectly held the following shares in the Company:

Director	Balance at 1 July 2011	Acquisitions	Disposals	Balance at 30 June 2012
Karl Siegling	3,237,474	637,983	-	3,875,457
Geoffrey Wilson	2,050,000	-	(490,000)	1,560,000
James Chirside	12,966	12,966	-	25,932
	5,300,440	650,949	(490,000)	5,461,389

As at 30 June 2012, the Company's key management personnel indirectly held the following options in the Company:

Director	Balance at 1 July 2011	Bonus 1:1 Option Issue	Disposals	Options Exercised	Balance at 30 June 2012
Karl Siegling	-	3,237,474	-	(230,362)	3,007,112
Geoffrey Wilson	-	2,050,000	(2,050,000)	-	-
James Chirside	-	12,966	-	(12,966)	-
	-	5,300,440	(2,050,000)	(243,328)	3,007,112

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 16. RELATED PARTIES TRANSACTIONS

All transactions with related entities were made on normal commercial terms and conditions

Karl Siegling is the sole Director and a beneficial owner of Cadence Asset Management Pty Limited, the entity appointed to manage the investment portfolio of Cadence Capital Limited. Wayne Davies is also a beneficial owner of Cadence Asset Management Pty Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$1,115,606 (inclusive of GST, 2012: \$474,724). This is equivalent to 0.08333% of the value of the portfolio calculated on the last business day of each month. Over a full year, the monthly management fee will be comparable to a fee of 1% of the gross value of the portfolio per annum. As at 30 June 2013, the balance payable to the manager was \$102,856 (inclusive of GST, 2012: \$25,796).

The duties of the manager are to manage the portfolio and to manage and supervise all investments, maintain the corporate and statutory records of the Company, liaise with the ASX with respect to compliance with the ASX listing rules, liaise with ASIC with respect to compliance with the Corporations Act and liaise with the share registrar of the Company.

In addition, Cadence Asset Management Pty Limited is to be paid, annually in arrears, a performance fee, being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the level of the portfolio exceeds this increase, or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period, where the portfolio has decreased in value over that period. For the year ended 30 June 2013, a performance fee of \$41,411 (inclusive of GST 2012: \$463,007) was payable to Cadence Asset Management Pty Limited. As at 30 June 2013, the balance payable to the manager was \$41,411 (inclusive of GST, 2012: \$463,007).

Cadence Asset Management Pty Limited employs accounting personnel to provide accounting services to Cadence Capital Limited. These services are provided on commercial terms and include a standard charge of \$1,375 (inclusive of GST) per month and an additional charge of \$3,500 (inclusive of GST) is charged for preparing the half year and full year financial statements.

Cadence Capital Limited has in place an Assignment Deed with Cadence Asset Management Pty Limited and MAM Pty Limited. Geoffrey Wilson is a Director of MAM Pty Limited and entities associated with him hold 80% of its issued share capital. In its capacity as Manager, Cadence Asset Management Pty Limited assigns a percentage of the management and performance fee to MAM Pty Limited. Subsequent to the initial capital raising, the assignment rate was 4.05%. At 30 June 2013, an amount of \$48,837 (2012: \$39,581) was payable to MAM Pty Limited. Geoffrey Wilson resigned from the Board of Cadence Capital Limited on 14th February 2013.

### 17. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Cadence Capital Limited have declared a 5.0 cent per share fully franked final dividend payable on 30 September 2013. The Ex-Date for the dividend was 16 September 2013.

Subsequent to year end two large positions held by the Company have made announcements to the market:

- RHG Limited, a 8.1% position in the portfolio, has received proposals from Pepper Australia Pty Limited (see below) and Resimac Syndicate to acquire the Company.
- McMillan Shakespeare Ltd, a 4.8% position in the portfolio, has been negatively impacted by the Government's proposed changes to the FBT treatment of motor vehicles.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 Contd'

### 17. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

On 15 August 2013 Pepper Australia Pty Limited announced a Scheme of Arrangement to acquire 100% of RHG Limited for a combination of cash and Cadence Capital Limited scrip. On the 9 September 2013 an announcement was made increasing the offer of the Scheme of Arrangement. Under the scheme, Pepper would acquire RHG Limited for consideration of 50.8 cents per share, comprising 36 cents per share cash and shares in Cadence Capital Limited at the ratio of one fully paid up ordinary share in Cadence Capital Limited for every 10 ordinary shares in RHG Limited held. Cadence Capital Limited would pay those RHG Limited shareholders who receive Cadence Capital Limited shares under the scheme a fully franked dividend of 5 cents per Cadence Capital Limited share.

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.

### 18. CONTINGENT LIABILITIES

There were no contingencies as at 30 June 2013 (2012: nil).

### 19. CAPITAL COMMITMENTS

There were no capital commitments for the Company entered into before June 2013, which settle after year end (2012: nil)

## DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements and notes set out on pages 15 to 40 and the additional disclosures included in the Directors' Report designated as Remuneration Report, set out on pages 7 to 9, of the Company are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
- (b) giving a true and fair view of the financial position of the Company as at 30 June 2013 and of its performance for the year ended on that date;

2. The Director and the Chief Operating Officer of the Manager, Cadence Asset Management Pty Limited has declared that:

- (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
- (c) the financial statements and notes for the financial year give a true and fair view.

3. At the date of this declaration, 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.

This declaration is made in accordance with a resolution of the Board of Directors.



**Karl Siegling**  
**Director**

Dated in Sydney, this 25th day of September 2013

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE CAPITAL LIMITED

**MOORE STEPHENS**  
ACCOUNTANTS & ADVISORS

Level 15, 135 King Street  
Sydney NSW 2000

T +61 (0)2 8236 7700  
F +61 (0)2 9233 4636

[www.moorestephens.com.au](http://www.moorestephens.com.au)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE CAPITAL LIMITED ABN 17 112 870 096

### Report on the Financial Report

We have audited the accompanying financial report of Cadence Capital Limited (the "company"), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation\*

\*Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

*Independence*

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

*Auditor's Opinion*

In our opinion:

- a) the financial report of Cadence Capital Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the remuneration report of Cadence Capital Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report for the year ended 30 June 2013 included on Cadence Capital Limited's website. The Company's directors are responsible for the integrity of Cadence Capital Limited's website. We have not been engaged to report on the integrity of Cadence Capital Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



**Moore Stephens Sydney**  
Chartered Accountants



**Scott Whiddett**  
Partner

Dated in Sydney this 25th day of September 2013

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

### SHAREHOLDINGS

#### Substantial shareholders (as at 31 August 2013)

The following have advised that they are a substantial shareholder of Cadence Capital Limited. The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Substantial ordinary shareholders as at ex-date	No. of shares	% of total
Esselmont Pty Ltd & associated entities	7,714,655	6.401
Yarandi Investments Pty Ltd & associated entities	6,585,245	5.464

Distribution of shareholders (as at 31 August 2013)	No. of shareholders
1 – 1,000	99
1,001 – 5,000	379
5,001 – 10,000	517
10,001 – 100,000	1,596
100,001 and over	173
	<hr/>
	2,764

The number of shareholdings held in less than marketable parcels is 40.

## ASX ADDITIONAL INFORMATION Contd'

### Twenty largest shareholders - Ordinary shares (as at 31 August 2013)

Name	Number of ordinary shares held	% of issued capital held
Esselmont Pty Ltd and associates	7,714,655	6.4%
Yarandi Investments Pty Ltd & associated entities	6,585,245	5.5%
Berg Family Foundation Pty Ltd & associated entities	3,800,410	3.2%
Mr Victor John Plummer	2,496,622	2.1%
Mr David Teoh	2,481,034	2.1%
Bannaby Investments Pty Ltd <Super Fund>	2,381,219	2.0%
Mr A Kavangh & Mr M Mahoney <Patrician Brother A/C>	1,004,828	0.8%
Mr S. Gubbins & Mrs B.Gubbins <Dunluce Super Fund A/C>	990,330	0.8%
Corfam Pty Limited	987,477	0.8%
Golden Words Pty Ltd	959,790	0.8%
HSBC Custody Nominees (Australia) Limited	938,612	0.8%
Huoncan Super Pty Ltd <Huoncon Super Fund A/C>	834,274	0.7%
Best & Morgan Pty Ltd <V & M Fernon Super Fund A/C>	779,500	0.6%
Mr Cameron McFarlane <Mcfarlane Super Fund A/C>	720,000	0.6%
Ms Valerie Mitchell	687,500	0.6%
Mr Aaron Francis Quirk	666,123	0.6%
Smaller Holdings Pty Limited	600,000	0.5%
Robinson Page Management <Beggs-Page Super Fund A/C>	599,999	0.5%
Caforb Pty Limited <ME Seabrook Family A/C>	522,137	0.4%
Kinsbrook Pty Limited	522,137	0.4%
	36,271,892	30.1%

### STOCK EXCHANGE LISTING

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.