

2014

ANNUAL
REPORT



CADENCE
CAPITAL LIMITED

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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
Website: www.cadencecapital.com.au

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

PRIME BROKER AND CUSTODIANS OF THE COMPANY

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

Deutsche Bank AG
Winchester House, 1 Great Winchester Street
London EC2N 2DB

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

SHARE REGISTRAR

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

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

AUDITORS

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

ASX CODE

Cadence Capital Limited Ordinary Shares (CDM)
Cadence Capital Limited Options (CDMO)

COUNTRY OF INCORPORATION

Australia

MANAGER'S REPORT

SUMMARY OF RESULTS

- Record net profit before tax of \$26.4m, up 102%
- Record net profit after tax of \$20.1m, up 76%
- Current annualised yield based on 30th June 2014 share price of 6.8% fully franked (9.7% grossed-up)
- Gross performance over the last 12 months of 16.92%
- Gross performance over the last 8.8 years of 19.12% per annum

SHAREHOLDER PERFORMANCE

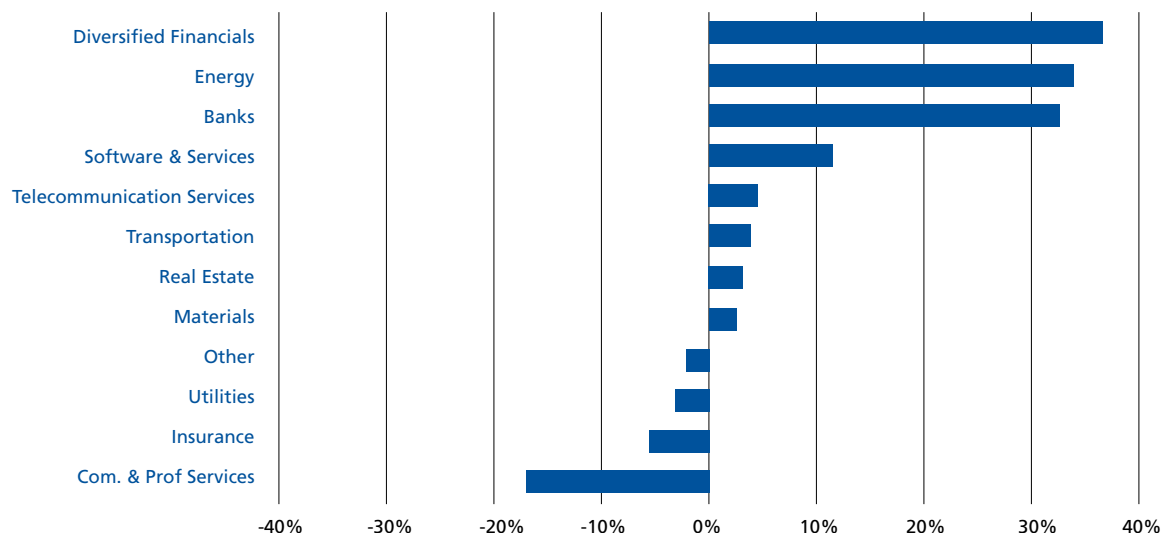
Performance* to 30th June 2014	CDM**	All Ords	Outperformance
1 Month	1.82%	-1.41%	+3.23%
1 Year	16.92%	17.64%	-0.72%
2 Years	42.82%	41.96%	+0.86%
3 Years	50.67%	31.96%	+18.71%
4 Years	174.22%	48.02%	+126.20%
5 Years	235.42%	68.42%	+167.00%
8 Years	247.54%	50.15%	+197.39%
Since Inception (8.8 years)	362.40%	69.55%	+292.85%
Since Inception Annualised (8.8 years)	19.12%	6.22%	+12.90%

* 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 2014, Cadence Capital Limited produced a gross performance of +16.92% compared to an increase in the All Ordinaries Accumulation Index of +17.64%. We are pleased that since its inception almost 9 years ago Cadence Capital Limited has outperformed the All Ordinaries Accumulation Index by 12.9% 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 Diversified Financials, Energy, Banks and Software and Services while the sectors that underperformed for the company were Commercial and Professional Services and Insurance. Stock positions that performed well for the Company in 2014 were Arrium Limited, Australia and New Zealand Banking Group, Henderson Group Plc, Liquefied Natural Gas Limited, Macquarie Group Limited, Melbourne IT Limited and RHG Limited. Stock positions that underperformed for the Company in 2014 were Flexigroup Limited, McMillan Shakespeare Limited and QBE Insurance Group Limited.

SUMMARY AND OUTLOOK

Cadence Capital Limited has performed in line with the market in what was recently described in the financial press as 'one of the most unpopular rallies of all time'. Predictions of an imminent stock market collapse and negative returns from the stock market proved incorrect and the All Ordinaries Accumulation Index delivered another year of in excess of 15% returns. Since the Global Financial Crisis (GFC) professional and amateur investors alike have suffered 'excessive pessimism'. The cyclical nature of markets dictates that this must be the case and that the market must now move from 'excessive pessimism' to 'excessive optimism' before once again 'correcting'.

Despite all of these predictions and the uncertainties that markets inevitably face, the investment team at Cadence has continued to employ a Fundamental Research driven bottom up approach to investing in equities combined with Technical Research to determine our entry and exit strategy from individual stocks. This process has served us well in the past and through volatile markets and we will continue to employ this approach. We believe that the market will present opportunities in the future similar to the opportunities it has historically presented.

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 AS AT 30 JUNE 2014

LONG AND SHORT POSITIONS

LONG POSITIONS	COMPANY NAME	MARKET VALUE	% OF EQUITY
MQG	Macquarie Group Limited	\$ 18,908,613	7.70%
HGG	Henderson Group Plc	\$ 14,339,296	5.84%
MLB	Melbourne IT Ltd	\$ 10,898,124	4.44%
NAB	National Australia Bank Ltd	\$ 10,197,399	4.15%
ANZ	Australia & New Zealand Banking Group	\$ 10,193,372	4.15%
RFG	Retail Food Group	\$ 7,596,855	3.09%
IIN	Ilnet Limited	\$ 7,573,891	3.08%
BOQ	Bank of Queensland Ltd	\$ 7,518,890	3.06%
CBA	Commonwealth Bank of Australia	\$ 7,165,968	2.92%
PPT	Perpetual Limited	\$ 5,091,929	2.07%
BEN	Bendigo and Adelaide Bank Limited	\$ 4,800,700	1.95%
GMA	Genworth Mortgage Insurance Australia Ltd	\$ 4,590,554	1.87%
FXL	Flexigroup Ltd	\$ 4,243,264	1.73%
INA	Ingenia Communities Group Ltd	\$ 3,160,254	1.29%
SUN	Suncorp Group Ltd	\$ 2,726,144	1.11%
WPL	Woodside Petroleum Ltd	\$ 2,422,473	0.99%
GILD US	Gilead Sciences Inc	\$ 2,417,073	0.98%
CYA	Century Australia Investments Ltd	\$ 2,350,334	0.96%

SHORT POSITIONS	COMPANY NAME	MARKET VALUE	% OF EQUITY
LNG	Liquefied Natural Gas Limited	\$ 3,785,932	1.54%
OZL	Oz Minerals Ltd	\$ 2,343,909	0.95%

Total Top 20 Long and Short Positions – Net Exposure %	\$120,065,289	48.87%
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MARKET VALUE OF TOTAL PORTFOLIO POSITIONS:

Total Portfolio Long Positions	\$ 145,120,842	59.07%
Total Portfolio Short Positions	\$ 7,385,272	3.01%
Total Portfolio Net Exposure	\$ 137,735,570	56.06%

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

PRINCIPAL ACTIVITY

The principal activity of the Company was investing primarily in securities listed on the Australian Securities 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 \$26,423,066 (2013: operating profit before tax of \$13,058,686) and an operating profit after tax of \$20,085,487 (2013: operating profit after tax of \$11,382,348).

REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2014, net investments were valued at \$137,735,570 (2013: \$95,357,297).

FINANCIAL POSITION

The net asset value of the Company for the current financial period ended was \$245,691,848 (2013: \$164,382,606).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the Company raised \$60,520,037 in capital through two wholesale placements in December 2013 and May 2014. In January 2014 the Company issued for free 159,194,579 Options (1 for 1 bonus issue) exercisable at \$1.43 on or before 31st August 2015.

DIVIDENDS PAID OR RECOMMENDED

The Board has declared a 5.0 cent per share fully franked final dividend payable on 30 September 2014. The Ex Date for the dividend is 17 September 2014.

Dividends paid are as follows:

	\$
Fully franked 2014 interim dividend of 5.0 cents per share was paid on 24 April 2014	8,379,173
Fully franked 2013 final dividend of 5.0 cents per share was paid on 30 September 2013	6,027,806
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

DIRECTORS

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

Karl Siegling
James Chirnside
Wayne Davies
Ronald Hancock

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

INFORMATION ON DIRECTORS

Karl Siegling (Chairman and Company Secretary)

Karl Siegling has over 18 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 Chirnside (Non-executive Director)

James Chirnside has been exclusively focused on investment management for twenty-nine years in Sydney, Hong Kong, London, and Melbourne. Mr Chirnside is a Director of Mann Distribution Pty Ltd, a marketing agent for Mannbio Holdings Ltd. Mannbio Holdings is a specialist Biopharma Fund Manager founded in the UK by investor Jim Mellon.

James ran Asia Pacific Asset Management between 2002 and 2012. APAM was an Australian and Asian equities fund, and Fund of Fund manager. From 2000-2001 James worked for Challenger Financial Group in Sydney as a product development manager responsible for hedge fund investments. During the 1990's James managed emerging market hedge funds in Hong Kong and London for Regent Fund Management - now AIM listed Charlemagne Capital. Between 1988 and 1992 James ran a Proprietary trading book for County NatWest Investment Bank, based in London. Here he was primarily focussed on Country Funds and derivative arbitrage strategies. James Chirnside is also a director of WAM Capital Limited, Mercantile Investment Company Ltd, Murchison Metals Ltd and Sandon Capital Opportunities Ltd (formerly Mothercare Australia Ltd).

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, and is also a Director of several private companies.

Wayne Davies (Non-executive Director)

Wayne Davies has over 12 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' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

DIRECTORS' MEETINGS

	No. eligible to attend	Attended
Karl Siegling	6	6
James Chirnside	6	6
Wayne Davies	6	6
Ronald Hancock	6	6

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 Employee Benefits - Directors Fees:	2014 \$	2013 \$
James Chirnside	27,460	13,761
Ronald Hancock	27,460	-
Wayne Davies	13,730	-
Geoffrey Wilson	-	13,761
Post-employment Benefits - Superannuation	6,350	2,478
	75,000	30,000

(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 \$2,203,562 (inclusive of GST, 2013: \$1,115,606). 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 2014, the balance payable to the manager was \$132,844 (inclusive of GST, 2013: \$102,856).

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.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

REMUNERATION REPORT (AUDITED) (Continued)

(b) Director Related Entities Remuneration (Continued)

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 2014, a performance fee of \$12,800 (inclusive of GST 2013: \$41,411) was payable to Cadence Asset Management Pty Limited. As at 30 June 2014, the balance payable to the Manager was \$12,800 (inclusive of GST, 2013: \$41,411).

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.

(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 \$80,000 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.

(d) Shareholdings

As at the date of this report, the Company's key management personnel indirectly held the following shares in the Company:

Shareholdings	Balance at 1 July 2013	Acquisitions	Disposals	Balance at the date of this report
Karl Siegling	7,714,655	1,078,031	-	8,792,686
Wayne Davies	259,798	94,191	-	353,989
Ronald Hancock	139,860	140,000	-	279,860
James Chirnside	25,932	919	-	26,851
	8,140,245	1,313,141	-	9,453,386

As at the date of this report, the Company's key management personnel indirectly held the following options in the Company:

Optionholdings	Balance at 1 July 2013	Issued	Options Exercised	Balance at the date of this report
Karl Siegling	-	8,519,166	-	8,519,166
Wayne Davies	-	344,442	-	344,442
Ronald Hancock	-	279,860	-	279,860
James Chirnside	-	25,932	-	25,932
	-	9,169,400	-	9,169,400

End of Remuneration Report.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

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 2014. The Ex Date for the dividend is 17 September 2014.

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.

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:



Karl Siegling

Director

Dated in Sydney, this 21st day of August 2014

MOORE STEPHENS

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Sydney NSW 2000

GPO Box 473
Sydney, NSW 2001

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

www.moorestephens.com.au

Auditor's Independence Declaration To the directors of Cadence Capital Limited

As lead auditor for the audit of Cadence Capital Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, 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.

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



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this 21 August 2014

Moore Stephens Sydney ABN 90 773 984 843. 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. For further information please refer to the company website.

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 \$80,000 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 2014. 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 Annual General Meeting 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 update 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 2014

	NOTE	2014 \$	2013 \$
INCOME			
Proceeds from sale of investments		209,065,331	58,890,193
Cost of investments sold		(189,731,299)	(64,739,633)
Realised gain/ (loss) on investments		19,334,032	(5,849,440)
Unrealised gain on investments		2,399,759	11,430,387
Dividends received		6,889,840	8,146,093
Interest received		1,555,865	1,248,040
Underwriting fees		10,560	31,262
Total Income		30,190,056	15,006,342
EXPENSES			
Finance costs		117,610	67,649
Management fees		2,053,318	1,039,542
Performance fees		11,927	38,587
Assignment fees		87,173	45,507
Directors fees		75,000	30,000
Dividends on short positions		162,400	53,000
Stock loan fees		14,800	7,825
Brokerage expenses on share purchases		546,234	427,506
ASX fees		103,462	55,616
Registry fees		173,517	78,550
Legal fees		289,396	1,282
Audit and taxation fees	2	50,119	40,152
Other expenses from ordinary activities		82,034	62,440
Total Expenses		3,766,990	1,947,656
Profit before income tax		26,423,066	13,058,686
Income tax expense	3(a)	6,337,579	1,676,338
Profit attributable to members of the Company	11	20,085,487	11,382,348
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		20,085,487	11,382,348
Basic earnings per share	13	13.8 cents	15.3 cents
Diluted earnings per share	13	13.7 cents	15.3 cents

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	NOTE	2014 \$	2013 \$
ASSETS			
Cash and cash equivalents	12(a)	96,764,733	66,337,963
Trade and other receivables	5	18,891,137	1,525,149
Financial assets	6	145,120,842	97,967,357
Deferred tax asset	3(b)	3,880,442	3,719,668
		<hr/>	<hr/>
TOTAL ASSETS		264,657,154	169,550,137
		<hr/>	<hr/>
LIABILITIES			
Cash overdrafts	12(a)	2,938,702	-
Trade and other payables	7	6,164,358	726,677
Financial liabilities	8	7,385,272	2,610,060
Current tax liabilities	3(c)	20,571	-
Deferred tax liabilities	3(d)	2,456,403	1,830,794
		<hr/>	<hr/>
TOTAL LIABILITIES		18,965,306	5,167,531
		<hr/>	<hr/>
NET ASSETS		245,691,848	164,382,606
		<hr/>	<hr/>
EQUITY			
Issued capital	9	231,197,359	155,566,625
Profits reserve	10	18,247,326	12,568,818
Accumulated losses	11	(3,752,837)	(3,752,837)
		<hr/>	<hr/>
TOTAL EQUITY		245,691,848	164,382,606
		<hr/>	<hr/>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

		ISSUED CAPITAL	ACCUMULATED LOSSES	PROFITS RESERVE	TOTAL EQUITY
	NOTE	\$	\$	\$	\$
Balance at 1 July 2012		42,642,987	(1,507,140)	11,018,104	52,153,951
Profit for the year	11	-	11,382,348	-	11,382,348
Transfer to profits reserve	10	-	(13,628,045)	13,628,045	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan	9(a)	3,731,437	-	-	3,731,437
Shares issued via exercise of options	9(a)	22,279,994	-	-	22,279,994
Shares issued via placements	9(a)	15,923,863	-	-	15,923,863
Shares issued via retail prospectus	9(a)	70,988,344	-	-	70,988,344
Dividends paid	4(a)	-	-	(12,077,331)	(12,077,331)
Balance at 30 June 2013		155,566,625	(3,752,837)	12,568,818	164,382,606
Profit for the year	11	-	20,085,487	-	20,085,487
Transfer to profits reserve	10	-	(20,085,487)	20,085,487	-
Other comprehensive income for the year		-	-	-	-
Shares issued via dividend reinvestment plan	9(a)	3,496,963	-	-	3,496,963
Shares issued via exercise of options	9(a)	11,613,734	-	-	11,613,734
Shares issued via placements	9(a)	60,520,037	-	-	60,520,037
Dividends paid	4(a)	-	-	(14,406,979)	(14,406,979)
Balance at 30 June 2014		231,197,359	(3,752,837)	18,247,326	245,691,848

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		6,553,450	7,552,781
Interest received		1,608,880	1,195,026
Other income received		40,530	31,262
Management fees paid		(2,023,330)	(1,009,610)
Performance fees paid		(40,538)	(460,183)
Brokerage expenses on share purchases		(546,234)	(427,506)
Interest paid		(117,610)	(67,649)
Dividends paid on shorts		(162,400)	(53,000)
Payments for administration expenses		(753,828)	(380,630)
Income tax paid		(5,563,314)	-
NET CASH (USED IN)/ PROVIDED BY OPERATING ACTIVITIES	12(b)	(1,004,393)	6,380,491
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of investments		191,911,156	58,367,270
Payments for the purchase of investments		(227,278,688)	(113,925,168)
Capital return on investments		2,856,802	-
NET CASH (USED IN) INVESTING ACTIVITIES		(32,510,730)	(55,557,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(10,910,010)	(8,345,894)
Proceeds from shares issued		71,913,201	108,705,663
NET CASH PROVIDED BY FINANCING ACTIVITIES		61,003,191	100,359,769
NET INCREASE IN CASH HELD		27,488,068	51,182,362
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR		66,337,963	15,155,601
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR	12(a)	93,826,031	66,337,963

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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).

The financial report was authorised for issue on 21st August 2014 by the Board of Directors.

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 statement of financial position 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Investments (Continued)

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) 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.

vi) 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.

vii) 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
- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income Tax (Continued)

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 and other receivables relate to outstanding settlements as well as accrued income in relation to interest and dividends receivable. Trade receivables are generally due for settlement within 30 days.

(e) Trade and Other Payables

These amounts represent liabilities for outstanding settlements as well as 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.

(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 Henderson Group Plc, Liquefied Natural Gas Limited, Macquarie Group Limited, RHG Limited comprising more than 10% of the company's income in year to 30 June 2014 (2013: RHG Limited, Macquarie Group Limited, McMillan Shakespeare Limited, Flexigroup Limited and Bravura Solutions).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2014. 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 transferred from current and retained earnings that are preserved for future dividend payments.

(l) New and amended accounting policies adopted

The Company has adopted AASB 13: Fair Value Measurement and associated Amending Standards. AASB 13 defines fair value, addresses how to measure fair value and requires disclosures about fair value measurement. The amounts reported in the Company's financial statements were not affected as a consequence of applying AASB 13. However the Company has included new disclosures regarding assets and liabilities that are measured at fair value in the Company's financial statements.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date or, in the absence of such a market, the most advantageous market to which the Company has access at that date.

As fair value is a market-based measure, the Company uses closing quoted last prices as a basis of measuring the fair value of assets and liabilities that are listed. The fair values of assets and liabilities that are not traded in an active market are determined using valuation techniques that maximise the use of observable market data.

(m) 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 2014. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to itself, are set out below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) New Accounting Standards and Interpretations not yet mandatory or early adopted (Continued)

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.

2. AUDITOR'S REMUNERATION

	2014 \$	2013 \$
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	38,695	28,850
Non-audit Services		
Other services provided by a related practice of the auditor:		
Taxation services	14,410	8,200
	53,105	37,050

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

3. TAXATION

(a) Current Income Tax Expense

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

	2014 \$	2013 \$
Prima facie tax expense on profit from ordinary activities before income tax at 30%	7,927,559	3,917,606
Imputation credit gross up	596,937	921,567
Franked dividends receivable – prior year	125,943	34,997
Franked dividends receivable – current year	(323,071)	(125,943)
Rebates/tax offsets	(1,989,790)	(1,134,465)
Imputation credits converted to a loss	-	(1,937,424)
	6,337,578	1,676,338

Total income tax expense results in a:

Current tax expense	5,583,885	-
Movement in deferred tax liabilities	625,609	1,812,640
Movement in deferred tax assets	128,084	(136,302)
	6,337,578	1,676,338

(b) Deferred Tax Assets

Provisions	6,856	8,108
Capitalised share issue costs	527,143	395,604
Fair value adjustments	13,330	-
Tax losses	3,333,113	3,315,956
	3,880,442	3,719,668

Movement in deferred tax assets		
Balance at the beginning of the period	3,719,668	3,096,827
(Debited)/ Credited to the profit or loss	(128,084)	136,302
Charged to equity	288,858	486,539
	3,880,442	3,719,668

(c) Current Tax Liabilities

Movement in current tax liabilities		
Balance at the beginning of the period	-	-
Current year income tax on operating profit	5,583,885	-
Income tax paid	(5,563,314)	-
At reporting date	20,571	-

(d) Deferred Tax Liabilities

Income provisions	-	105,202
Fair value adjustments	2,456,403	1,725,592
	2,456,403	1,830,794

Movement in deferred tax liabilities

Balance at the beginning of the period	1,830,794	18,154
Debited to the profit or loss	625,609	1,812,640
At reporting date	2,456,403	1,830,794

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

4. DIVIDENDS

(a) Dividends paid

Dividends paid by the Company

2014 \$	2013 \$
14,406,979	12,077,331

2014

Dividends paid by the Company for the year ended 30 June 2014	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total Amount \$
Interim 2014 Ordinary & special	5.0	24 April 13	30%	100%	8,379,173
Final 2013 Ordinary & special	5.0	30 September 13	30%	100%	6,027,806
Total Amount					14,406,979

The Board have declared a 5.0 cent per share fully franked final dividend payable on 30 September 2014. The Ex-Date for the dividend is 17th September 2014.

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

(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.

6,644,852	4,911,233
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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.

5. TRADE AND OTHER RECEIVABLES

Trade debtors	17,685,063	530,888
Income receivable	1,106,873	823,497
Sundry debtors	99,201	170,764
	18,891,137	1,525,149

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:

Investments at fair value	145,120,842	97,967,357
Total financial assets	145,120,842	97,967,357

The market values of the top twenty individual investments held at 30th June 2014 are disclosed on page 5 of the Annual Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

7. TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Trade creditors	5,821,778	489,416
Sundry creditors - related parties	149,144	147,767
Sundry creditors – other	193,436	89,494
	6,164,358	726,677

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 \$149,144 (inclusive of GST) (2013: \$147,767) to the Manager, Cadence Asset Management Pty Limited. Refer to Note 16 for further information on Related Parties.

8. FINANCIAL LIABILITIES

Short positions - held for trading financial liabilities:

Investments at fair value	7,385,272	2,610,060
Total financial liabilities	7,385,272	2,610,060

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	233,331,707	157,026,984
Costs of share issue	(3,049,073)	(2,086,225)
Deferred tax asset on capitalised costs of share issue	914,725	625,866
	231,197,359	155,566,625

2014

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
	Balance at the beginning of the year		120,556,120	157,026,984
30 September 2013	DRP	\$1.34699	1,182,280	1,592,513
16 December 2013	Placement	\$1.4300	37,767,430	54,007,425
January 2014	Exercise of Options	\$1.4300	34,595	49,471
February 2014	Exercise of Options	\$1.4300	128,451	183,685
March 2014	Exercise of Options	\$1.4300	1,848,356	2,643,149
April 2014	Exercise of Options	\$1.4300	6,066,227	8,674,705
24 April 2014	DRP	\$1.4111	1,349,640	1,904,450
May 2014	Exercise of Options	\$1.4300	32,370	46,289
2 May 2014	DRP Shortfall Placement	\$1.4400	4,990,695	7,186,601
June 2014	Exercise of Options	\$1.4300	11,493	16,435
			173,967,657	233,331,707

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

9. ISSUED CAPITAL (Continued)

(a) Paid-up Capital (Continued)

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
			120,556,120	157,026,984

As at 30 June 2014 the Company had 156,063,782 Options (ASX Code: CDMO) on issue. These are one for one Bonus Options that were issued to Shareholders for free on 20 January 2014 and give Option holders the right to acquire Ordinary Shares in the Company, on or before 31 August 2015, at \$1.43 per Ordinary Share.

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

(b) Capital Management

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

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

10. PROFITS RESERVE

	2014 \$	2013 \$
Profits Reserve	18,247,326	12,568,818
Movement in Profits Reserve		
Opening balance	12,568,818	11,018,104
Transfer from retained earnings	20,085,487	13,628,045
Dividends paid (Note 4)	(14,406,979)	(12,077,331)
	18,247,326	12,568,818

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

11. ACCUMULATED LOSSES

	2014 \$	2013 \$
Opening balance	(3,752,837)	(1,507,140)
Profit attributable to members of the Company	20,085,487	11,382,348
Transfer to profits reserve	(20,085,487)	(13,628,045)
	(3,752,837)	(3,752,837)

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	96,764,733	66,337,963
Cash overdrafts	(2,938,702)	-
	93,826,031	66,337,963

The weighted average interest rate for cash and cash equivalents as at June 2014 is 2.63% (June 2013: 3.22%). The Company has Prime Brokerage lending facilities and Custody arrangements with Citigroup Global Markets Limited, Citigroup Global Markets Australia Pty Ltd, Deutsche Bank AG and Bank of New York Mellon. These at call facilities are 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 Custodians. This includes those transferred to the Custodians in accordance with Prime Brokerage Agreements, and any right which arises after the date of the charges to receive cash or return of property from the parties under the Prime Brokerage Agreement, as security for payments and performance by the Company of all of its obligations to the Primebrokers under the Prime Brokerage Agreement.

(b) Reconciliation of Operating Profit after Income Tax

Operating profit after income tax	20,085,487	11,382,348
Add/(Less) items classified as Investing/Financing Activities:		
Realised (gain)/loss on sale of investments	(19,334,032)	5,849,440
Capital (gain) on investments	(2,856,802)	-
Add non-cash items:		
Unrealised loss/(profit) on investments	501,478	(11,430,387)
Net cash provided by Operating Activities before changes in assets and liabilities:		
(Increase) in receivables	(261,812)	(768,455)
Decrease/(Increase) in deferred tax assets	128,084	(136,305)
Increase/(decrease) in trade and other payables	87,024	(328,791)
Increase in deferred tax liabilities	625,609	1,812,641
Increase in current tax liabilities	20,571	-
Net cash (used in)/provided by Operating Activities	(1,004,393)	6,380,491

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

12. CASH FLOW INFORMATION (Continued)

(c) Non-cash Financing Activities

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

- 1,182,280 shares at \$1.34699 on 30 September 2013
- 1,349,640 shares at \$1.41110 on 24 April 2014

During the previous 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

13. EARNINGS PER SHARE

	2014 \$	2013 \$
Profit after income tax used in the calculation of earnings per share	20,085,487	11,382,348
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	145,779,738	74,196,194
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	146,904,744	74,196,194
Reconciliation of weighted average number of shares:		
Weighted average number of ordinary shares used in calculation of basic earnings per share	145,779,73	74,196,194
Add:		
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	1,125,006	-
Weighted average number of shares used in the calculation of diluted earnings per share	146,904,744	74,196,194

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.

14. FINANCIAL RISK MANAGEMENT (Continued)

(i) Financial Risk Exposures and Management (Continued)

(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. The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

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 Prime Brokerage lending facilities and custody accounts with its prime brokers and custodians Citigroup Global Markets Limited, Citigroup Global Markets Australia Pty Ltd, Deutsche Bank AG and Bank of New York Mellon. There is no guarantee that these or any other prime brokers/custodians that the Company may use from time to time, will not become insolvent. In the event of an insolvency or liquidation of a prime broker/custodian that has custody of the Company's 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. As substantially all of the Company's assets may be custodied with a prime broker and in some cases a major Australian bank, such losses could be significant and materially impair the ability of the Company to achieve its investment objective.

(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) Foreign Currency Risk

The Company is currently not materially exposed to currency risk as the majority of its investments are quoted in Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

14. FINANCIAL RISK MANAGEMENT (Continued)

(i) Financial Risk Exposures and Management (Continued)

(f) 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 below 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.

2014	Weighted Average Interest Rate	Interest bearing Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
Assets					
Financial assets	-	-	-	145,120,842	145,120,842
Cash and cash equivalents	2.63%	96,764,733	-	-	96,764,733
Other receivables	-	-	-	18,891,137	18,891,137
Total assets		96,764,733	-	164,011,979	260,776,712
Liabilities					
Financial liabilities	-	-	-	7,385,272	7,385,272
Cash overdrafts	0.76%	2,938,702	-	-	2,938,702
Balances due to brokers	-	-	-	5,821,778	5,821,778
Other payables	-	-	-	342,580	342,580
Total liabilities		2,938,702	-	13,549,630	16,488,332

2013	Weighted Average Interest Rate	Interest bearing Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
Assets					
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
Total assets		66,337,963	-	99,492,506	165,830,469
Liabilities					
Financial liabilities	-	-	-	2,610,060	2,610,060
Balances due to brokers	-	-	-	489,416	489,416
Other payables	-	-	-	237,261	237,261
Total liabilities		-	-	3,336,737	3,336,737

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

14. FINANCIAL RISK MANAGEMENT (Continued)

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

Other payables are expected to be paid as follows:

	2014 \$	2013 \$
- Less than 6 months	342,580	237,261
- 6 months to one year	-	-

(iii) Financial Instruments Measured at Fair Value

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

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

Investments included in Level 2 of the hierarchy include amounts in relation to Initial Public Offerings and Placements in which the Company has subscribed to during the year. These investments have not listed on the Australian Securities Exchange as at 30 June 2014 and therefore represent investments in an inactive market. In valuing unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the quoted subscription price and the amount of securities subscribed for by the Company under the relevant offers.

30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	143,904,942	1,215,900	-	145,120,842
Financial liabilities	(7,385,272)	-	-	(7,385,272)
Total	136,519,670	1,215,900	-	137,735,570

30 June 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

14. FINANCIAL RISK MANAGEMENT (Continued)

(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:

	2014 \$	2013 \$
Change in profit before tax		
- Increase in interest rate by 1%	527,830	379,672
- Decrease in interest rate by 1%	(527,830)	(379,672)
Change in equity		
- Increase in interest rate by 1%	527,830	379,672
- Decrease in interest rate by 1%	(527,830)	(379,672)

Market Risk Sensitivity Analysis

At 30 June 2014, 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:

	2014 \$	2013 \$
Change in profit before tax		
- Increase in market price by 2%	2,754,980	1,907,196
- Decrease in market price by 2%	(2,754,980)	(1,907,196)
Change in equity		
- Increase in market price by 2%	2,754,980	1,907,196
- Decrease in market price by 2%	(2,754,980)	(1,907,196)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

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
Wayne Davies	Non-Executive Director
Ronald Hancock	Non-Executive Director
James Chirnside	Non-Executive Director

(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 Party Transactions.

	2014 \$	2013 \$
Short-term Employee Benefits - Directors' Fees	68,650	27,522
Post-employment Benefits - Superannuation	6,350	2478
	75,000	30,000

(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 \$80,000 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 Contd'

15. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(c) Shareholdings

As at 30 June 2014, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2013	Acquisitions	Disposals	Balance at 30 June 2014
Karl Siegling	7,714,655	1,078,031	-	8,792,686
Wayne Davies	259,798	94,191	-	353,989
Ronald Hancock	139,860	140,000	-	279,860
James Chirnside	25,932	919	-	26,851
	8,140,245	1,313,141	-	9,453,386

As at 30 June 2014, the Company's key management personnel indirectly held the following options in the Company:

	Balance at 1 July 2013	Issued	Options Exercised	Balance at 30 June 2014
Karl Siegling	-	8,519,166	-	8,519,166
Wayne Davies	-	344,442	-	344,442
Ronald Hancock	-	279,860	-	279,860
James Chirnside	-	25,932	-	25,932
	-	9,169,400	-	9,169,400

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

	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
	5,461,389	4,238,856	(1,560,000)	8,140,245

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

	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)	-

Directors and Director related entities disposed of and acquired ordinary shares and options 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 2014 Contd'

16. RELATED PARTY 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 \$2,203,562 (inclusive of GST, 2013: \$1,115,606). 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 2014, the balance payable to the manager was \$132,844 (inclusive of GST, 2013: \$102,856).

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 2014, a performance fee of \$12,800 (inclusive of GST 2013: \$41,411) was payable to Cadence Asset Management Pty Limited. As at 30 June 2014, the balance payable to the Manager was \$12,800 (inclusive of GST, 2013: \$41,411).

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.

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 2014. The Ex-Date for the dividend is 17 September 2014.

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 2014 (2013: nil).

19. CAPITAL COMMITMENTS

Capital commitments exist for placements entered into before 30 June 2014, which settle after year end.

2014 \$	2013 \$
2,553,000	-

DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements and notes set out on pages 15 to 36 and the additional disclosures included in the Directors' Report designated as Remuneration Report, set out on pages 8 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 2014 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 21st day of August 2014

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**Independent Auditor's Report
To the Members of Cadence Capital Limited
A.B.N 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 2014, the statement of profit or loss and other 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.

Independence

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

Moore Stephens Sydney ABN 90 773 984 843. 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.

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 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- 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 8 to 9 of the directors' report for the year ended 30 June 2014. 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 2014 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 2014 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 21 August 2014

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 July 2014)

The following shareholder has, 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	8,792,686	5.045

Distribution of holdings (as at 31 July 2014)	Ordinary Shares	Options
1 – 1,000	150	111
1,001 – 5,000	708	455
5,001 – 10,000	981	605
10,001 – 100,000	2,866	1,947
100,001 and over	240	220
	4,945	3,338

The number of shareholdings held in less than marketable parcels is 63.

Twenty largest shareholders - Ordinary shares (as at 31 July 2014)

Name	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd and associates	8,792,686	5.045
Yarandi Investments Pty Ltd & associated entities	7,008,126	4.021
Mr Victor John Plummer	3,000,000	1.721
Mr David Teoh	2,481,034	1.423
Avanteos Investments Limited <Clearview S/P A/C>	2,136,316	1.226
HSBC Custody Nominees (Australia) Limited	1,940,195	1.113
UBS Wealth Management Australia Nominees Pty Ltd	1,359,212	0.780
Golden Words Pty Ltd	1,099,650	0.631
Bannaby Investments Pty Ltd <Super Fund Account>	1,097,845	0.630
Mr Aengus Kavanagh & Mr Matthew Mahoney <Patrician Brothers A/C>	1,004,828	0.577
Mr Cameron Mcfarlane <Mcfarlane Super Fund A/C>	845,000	0.485
Mr Keith William Kerridge	750,000	0.430
Golden Words Pty Ltd	699,301	0.401
Ms Valerie Mitchell	687,500	0.394
Corfam Pty Ltd	687,477	0.394
Mr Aaron Francis Quirk	681,123	0.391
Robinson Page Management Pty Ltd <Beggs-Page Super Fund A/C>	625,000	0.359
Smaller Holdings Pty Limited	600,000	0.344
Richjeca Pty Ltd <Richjeca A/C>	599,650	0.344
Arazan Pty Ltd <Super Fund A/C>	522,857	0.300
	36,617,800	20.009

STOCK EXCHANGE LISTING

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

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