

# 2017 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

Wayne Davies

### 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 2450  
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 2450

### PRIME BROKERS AND CUSTODIANS OF THE COMPANY

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

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

### SHARE REGISTRAR

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

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

### AUDITORS

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

### ASX CODE

Cadence Capital Limited Ordinary Shares (CDM)

### COUNTRY OF INCORPORATION

Australia

## SUMMARY OF RESULTS

- Revenue from ordinary activities of \$66.6 million, up 282%
- Record Profit before tax of \$47.1 million, up 200%
- Record Profit after tax of \$37.0 million, up 220%
- EPS of 13.5 cents, up 216%
- Fund gross performance of 17.2% outperforming the All Ords. Accum. Index by 4.1% whilst holding on average 21% cash
- 4.0 cents fully franked final dividend
- Annualised yield of 6.3% fully franked (9.0% grossed-up)

## SHAREHOLDER PERFORMANCE

Performance* to 30 June 2017	CDM**	All Ords	Outperformance
1 Month	1.6%	0.3%	+1.3%
1 Year	17.2%	13.1%	+4.1%
3 Years (per annum)	4.7%	6.8%	-2.1%
5 Years (per annum)	10.4%	11.6%	-1.2%
8 Years (per annum)	18.3%	9.4%	+8.9%
10 Years (per annum)	10.3%	3.5%	+6.8%
Since Inception (11.8 years) (per annum)	15.3%	6.4%	+8.9%
Since Inception (11.8 years) (total return)	430.1%	106.7%	+323.4%

\* 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 2017, Cadence Capital Limited ("the Company") produced a positive gross performance of 17.2% outperforming the All Ordinaries Accumulation Index by 4.1%. This outperformance has been achieved with lower than market exposure, with the Company holding on average 21% cash over this period.

We are pleased with the performance of the Company's top holdings over the past year with Melbourne IT, Macquarie Group, Samsung Electronics Co, Softbank Group, Janus Henderson Group, Alphabet Inc and Monadelphous Group being our top performing stocks for the year. The Company's domestic and international holdings performed well over this period, generating both strong profits and outperformance. Stock positions that underperformed the past year were Independence Group, Retail Food Group and Select Harvest Group.

## DIVIDENDS

During the year the Company declared an 8.0 cent per share fully franked dividend which equates to a 6.3% annual fully franked yield, or a 9.0% gross yield (grossed up for franking credits) based on the CDM share price on the date of announcing the year end results of \$1.27. We are pleased that the Company has once again delivered a healthy fully franked yield over the past year.

### SUMMARY AND OUTLOOK

Cadence has derived good performance both domestically and internationally this financial year and across different sectors, market capitalisations and countries. This diversification helps to produce good risk adjusted returns over time.

One year ago the market was predominantly 'bearish' and 'fearful' and a year on we are starting to see the first tentative signs of synchronised global growth. Whilst this optimism is not to be overstated, it does appear that the market continues to 'climb a wall of worry'. We will continue to implement the Cadence Investment Process seeking out both undervalued and overvalued investment opportunities, a process that has served us well over time and through different investment cycles.

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



**Karl Siegling**  
Managing Director  
Cadence Asset Management Pty Limited

LONG AND SHORT POSITIONS

Long Positions	Company Name	Exposure \$	% Of Equity
MLB	Melbourne IT Ltd	\$56,887,495	16.72%
MQG	Macquarie Group Ltd	\$36,803,787	10.82%
JHG	Janus Henderson Group Plc	\$20,725,323	6.09%
5930 KS	Samsung Electronics Co Ltd	\$16,130,747	4.74%
9984 JP	Softbank Group Corp	\$15,106,107	4.44%
ANZ	Australia and New Zealand Banking Group	\$12,586,454	3.70%
ECX	Eclipx Group Ltd	\$11,008,070	3.23%
NAB	National Australia Bank Ltd	\$10,903,353	3.20%
EHE	Estia Health Ltd	\$10,183,337	2.99%
AAD	Ardent Leisure Group	\$9,748,405	2.86%
MND	Monadelphous Group Ltd	\$8,639,203	2.54%
CBA	Commonwealth Bank of Australia	\$8,345,509	2.45%
AIG US	American International Group	\$8,181,916	2.40%
FB	Facebook Inc	\$6,362,013	1.87%
FB US	Pepper Group Ltd	\$5,478,665	1.61%
BTT	BT Investment Management Ltd	\$4,150,058	1.22%
IPH	IPH Ltd	\$3,517,200	1.03%

Short Positions	Company Name	Exposure \$	% Of Equity
DMP	Domino's Pizza Enterprises Ltd	\$4,906,248	1.44%
TLS	Telstra Corporation Ltd	\$4,181,943	1.23%
FMG	Fortescue Metals Group Ltd	\$4,061,348	1.19%

**Total Top 20 Long and Short Positions** **\$231,608,103** **68.05%**

TOTAL PORTFOLIO POSITIONS:

Portfolio Net Exposure Long Positions	\$278,126,422	81.73%
Portfolio Net Exposure Short Positions	\$13,149,540	3.86%
<b>Total Portfolio Net Exposure</b>	<b>\$264,976,882</b>	<b>77.87%</b>

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 2017.

#### PRINCIPAL ACTIVITY

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

#### OPERATING RESULTS

Investment operations over the year resulted in an operating profit before tax of \$47,076,329 (2016: operating loss before tax of \$47,064,148) and an operating profit after tax of \$36,952,243 (2016: operating loss after tax of \$30,882,043).

#### REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2017, net investments were valued at \$205,944,588 (2016: \$294,079,451). Further information regarding the performance of the entity during the reporting period is provided in the Manager's Report, which precedes this report.

#### FINANCIAL POSITION

The net asset value of the Company for the current financial period ended was \$340,290,676 (2016: \$320,589,447).

#### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year there were no significant changes in the state of affairs of the Company.

#### DIVIDENDS PAID OR RECOMMENDED

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

Dividends paid are as follows:	\$
Fully franked 2017 interim dividend of 4.0 cents per share was paid on 28 April 2017	10,879,381
Fully franked 2016 final dividend of 4.0 cents per share was paid on 27 October 2016	10,811,403
Fully franked 2016 interim dividend of 5.0 cents per share was paid on 12 May 2016	13,419,163
Fully franked 2015 final dividend of 5.0 cents per share was paid on 29 October 2015	13,285,506
Fully franked 2015 special dividend of 1.0 cents per share was paid on 29 October 2015	2,657,101

#### 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

## INFORMATION ON DIRECTORS

### **Karl Siegling (Chairman)**

Karl Siegling has over 20 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. Karl has been a Director of the Company for the past 12.5 years.

### **James Chirnside (Non-Executive Director)**

James Chirnside has worked in financial markets for 32 years mostly as an equities fund manager across a broad range of markets and sectors. As a fund manager, he was mainly focused in emerging and frontier markets. In addition, he has also been a proprietary metals trader, derivatives broker, and fund promoter in Sydney, Hong Kong, London, and Melbourne.

James studied for a Bachelor's degree in Business Administration at Edith Cowan University in Perth. James is also a director of Dart Mining NL (DTM), WAM Capital Limited (WAM), Mercantile Investment Company Ltd (MVT), and Ask Funding Ltd (ASK). James has been a Director of the Company for the past 12.5 years.

### **Ronald Hancock AM (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, which has moved to a full banking license and now trades as Auswide Bank Ltd, 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. In 2009 he was appointed a member of the Order of Australia for service to the finance sector and to the community of Bundaberg. Ronald has been a Director of the Company for the past 4.3 years.

### **Wayne Davies (Non-Executive Director and Company Secretary)**

Wayne Davies has over 15 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 10 years. Wayne Davies previously worked with Theorema Asset Management in London and was a director of Theorema Europe Fund and Theorema Europe Fund Plus. Wayne has been a Director of the Company for the past 3.5 years.

## COMPANY SECRETARY

Wayne Davies held the position of Company Secretary at the end of the financial year.



DIRECTORS' MEETINGS

	No. eligible to attend	Attended
Karl Siegling (Chairman)	5	5
James Chirside	5	5
Wayne Davies	5	5
Ronald Hancock	5	5

AUDIT COMMITTEE MEETINGS

	No. eligible to attend	Attended
Karl Siegling	2	2
James Chirside (Chairman)	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 below.

2017 Short-term Employee Benefits - Directors Fees:	Cash Salary \$	Superannuation \$	Total \$
James Chirside	27,397	2,603	30,000
Ronald Hancock	27,397	2,603	30,000
Wayne Davies	13,699	1,301	15,000
	<b>68,493</b>	<b>6,507</b>	<b>75,000</b>

2016 Short-term Employee Benefits - Directors Fees:	Cash Salary \$	Superannuation \$	Total \$
James Chirside	27,397	2,603	30,000
Ronald Hancock	27,397	2,603	30,000
Wayne Davies	13,699	1,301	15,000
	<b>68,493</b>	<b>6,507</b>	<b>75,000</b>

REMUNERATION REPORT (AUDITED) (Continued)

**(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 \$3,306,033 (inclusive of GST) (2016: \$3,535,646). 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 2017, the balance payable to the manager was \$153,358 (inclusive of GST) (2016: \$120,354).

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 2017 \$2,600,320 (2016: nil, inclusive of GST) was payable to Cadence Asset Management Pty Limited. As at 30 June 2017, the balance payable to the manager was \$2,600,320 (inclusive of GST) (2016: nil, inclusive of GST).

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.

REMUNERATION REPORT (AUDITED) (Continued)

(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 2016	Acquisitions	Disposals	As at the date of this Report
Karl Siegling	18,959,583	1,689,888	-	20,649,471
Wayne Davies	723,060	73,893	-	796,953
Ronald Hancock	400,000	-	-	400,000
James Chirnside	26,851	-	-	26,851
	<b>20,109,494</b>	<b>1,763,781</b>	-	<b>21,873,275</b>

End of Remuneration Report.

EVENTS AFTER THE REPORTING PERIOD

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

Other than the above there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

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.

ROUNDING OF AMOUNTS

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

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 Pitcher Partners, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company. Related entities of Pitcher Partners, 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 for the following reasons:

- all non-audit services do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

#### 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 12 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 25<sup>th</sup> September 2017



**Auditor's Independence Declaration  
To The Directors Of Cadence Capital Limited  
A.B.N 17 112 870 096**

In relation to the independent audit for the year ended 30 June 2017, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) 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 year.

**C I Chandran**  
Partner

**Pitcher Partners**  
Sydney

25<sup>th</sup> September 2017

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 3rd Edition of the Australian Securities Exchange ("ASX") Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ("ASX Principles and 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.

The Board aims to ensure that all directors and the Manager act with the utmost integrity and objectivity, and endeavours to enhance the reputation of the Company. The Board should act in a manner designed to create and build sustainable value for shareholders.

#### 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.

Each Director must not hold office as a Director after the third annual general meeting held after the Director was last appointed or elected or 3 years after the date on which the Director was last appointed or elected, whichever is the longer. 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.

An independent director is considered to be a director:

- a. who is not a member of management;
- b. who has not within the last three years been employed in an executive capacity by the Company or been a professional adviser or consultant to the Company;
- c. is not a significant supplier to the Company;
- d. has no material contractual relationship with the Company other than as a director; and
- e. is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

As the Company's operations are primarily conducted through Cadence Asset Management Pty Limited, the Company does not presently have any full time employees and hence the Board considers setting measureable diversity objectives is not appropriate.

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, Non-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.

The external audit firm partner responsible for the Company's audit attends Audit Committee meetings by invitation and presents to the Audit Committee twice per year. The Audit Committee formally reports to the Board after each of its meetings.

## EXTERNAL AUDITOR

The Company and Audit Committee policy is to appoint an external auditor who clearly demonstrates quality and independence. It is Pitcher Partners' 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.

## MAKE TIMELY AND BALANCED DISCLOSURES

The Company will operate under the continuous disclosure requirements of the ASX Listing Rules. The Company will disclose:

- price sensitive information to the ASX as soon as it becomes aware of that information;
- ensure that the information is not false, misleading or deceptive so as to avoid creating what would constitute a false market; and
- ensure that the information is disclosed clearly (expressed objectively), accurately and is complete.

In doing so the Company will ensure compliance with Listing Rule 15.7 that requires an entity not to release information to anyone until it has given the information to the ASX and has received an acknowledgement from the ASX that the information has been released to the market. The Company Secretary is responsible for ensuring Cadence Capital Limited complies with its continuous disclosure obligations.

## 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 2017**

	Note	2017 \$	2016 \$
<b>INCOME</b>			
Net realised and unrealised gain/(loss) on investments		42,894,113	(50,540,928)
Dividends received		21,742,031	11,712,017
Interest received		1,825,539	2,263,109
Other income		164,961	25,252
<b>Total Income</b>		<b>66,626,644</b>	<b>(36,540,550)</b>
<b>EXPENSES</b>			
Finance costs		(2,420,591)	(1,795,854)
Management fees		(3,080,621)	(3,294,579)
Performance fees		(2,423,026)	-
Assignment fees		(232,306)	(139,063)
Directors fees		(75,000)	(75,000)
Dividends on short positions		(9,662,339)	(3,669,676)
Stock loan fees		(463,049)	(252,503)
Brokerage expenses on share purchases		(706,310)	(854,814)
ASX fees		(185,703)	(134,099)
Registry fees		(120,731)	(178,144)
Legal fees		(8,541)	(7,299)
Custody fees		(74,261)	(19,165)
Audit and taxation fees	2	(52,578)	(54,294)
Other expenses from ordinary activities		(45,259)	(49,108)
<b>Total Expenses</b>		<b>(19,550,315)</b>	<b>(10,523,598)</b>
<b>Profit/(Loss) before income tax</b>		<b>47,076,329</b>	<b>(47,064,148)</b>
Income tax (expense)/benefit	3(a)	(10,124,086)	16,182,105
<b>Profit/(Loss) attributable to members of the Company</b>	<b>11</b>	<b>36,952,243</b>	<b>(30,882,043)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>36,952,243</b>	<b>(30,882,043)</b>
Basic earnings/(loss) per share	13	13.5 cents	(11.6) cents
Diluted earnings/(loss) per share	13	13.5 cents	(11.6) cents

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
Cash and cash equivalents	<b>12(a)</b>	151,961,930	159,496,725
Trade and other receivables	<b>5</b>	22,709,727	3,615,294
Financial assets	<b>6</b>	302,249,468	354,014,790
Current tax asset	<b>3(c)</b>	1,408,760	1,558,190
Deferred tax asset	<b>3(b)</b>	19,863,607	24,415,617
<b>TOTAL ASSETS</b>		<b>498,193,492</b>	<b>543,100,616</b>
<b>LIABILITIES</b>			
Cash overdrafts	<b>12(a)</b>	54,242,004	160,807,769
Trade and other payables	<b>7</b>	7,355,932	1,768,061
Financial liabilities	<b>8</b>	96,304,880	59,935,339
<b>TOTAL LIABILITIES</b>		<b>157,902,816</b>	<b>222,511,169</b>
<b>NET ASSETS</b>		<b>340,290,676</b>	<b>320,589,447</b>
<b>EQUITY</b>			
Issued capital	<b>9</b>	372,439,698	367,999,928
Profits reserve	<b>10</b>	21,687,197	6,425,738
Accumulated losses	<b>11</b>	(53,836,219)	(53,836,219)
<b>TOTAL EQUITY</b>		<b>340,290,676</b>	<b>320,589,447</b>

The accompanying notes form part of these financial statements.

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

	Note	Issued Capital \$	Accumulated Losses \$	Profits Reserve \$	Total Equity \$
Balance at 1 July 2015		302,996,147	(9,875,554)	22,708,886	315,829,479
Loss for the year	11	-	(30,882,043)	-	(30,882,043)
Transfer to profits reserve	10	-	(13,078,622)	13,078,622	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	6,103,927	-	-	6,103,927
Shares issued via placement	9	18,294,586	-	-	18,294,586
Shares issued via exercise of options	9	40,890,115	-	-	40,890,115
Capitalised share issue costs, net of tax		(284,847)	-	-	(284,847)
Dividends paid	3(a)	-	-	(29,361,770)	(29,361,770)
<b>Balance at 30 June 2016</b>		<b>367,999,928</b>	<b>(53,836,219)</b>	<b>6,425,738</b>	<b>320,589,447</b>
Profit for the year	11	-	36,952,243	-	36,952,243
Transfer to profits reserve	10	-	(36,952,243)	36,952,243	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	4,439,770	-	-	4,439,770
Dividends paid	4(a)	-	-	(21,690,784)	(21,690,784)
<b>Balance at 30 June 2017</b>		<b>372,439,698</b>	<b>(53,836,219)</b>	<b>21,687,197</b>	<b>340,290,676</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from the sale of investments		579,638,707	766,842,447
Payments for the purchase of investments		(464,386,810)	(828,605,701)
Dividends received		22,092,715	10,510,401
Interest received		1,825,539	2,263,109
Other income received		164,961	25,252
Management fees paid		(3,051,097)	(3,332,702)
Performance fees paid		-	(2,778,882)
Brokerage expenses on share purchases		(706,310)	(854,814)
Interest paid		(2,420,591)	(1,795,854)
Dividends paid on shorts		(10,420,300)	(2,429,752)
Payments for administration expenses		(1,032,184)	(921,018)
Income tax paid		(5,422,646)	(8,423,886)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>12(b)</b>	<b>116,281,984</b>	<b>(69,501,400)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(17,251,014)	(23,257,843)
Share issue transaction costs, gross of tax		-	(406,920)
Proceeds from shares issued		-	59,184,701
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>		<b>(17,251,014)</b>	<b>35,519,938</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>99,030,970</b>	<b>(33,981,462)</b>
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>(1,311,044)</b>	<b>32,670,418</b>
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR</b>	<b>12(a)</b>	<b>97,719,926</b>	<b>(1,311,044)</b>
<b>NON-CASH TRANSACTIONS:</b>			
Shares issued via dividend reinvestment plan		4,439,770	6,103,927

The accompanying notes form part of these financial statements.

## 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 25 September 2017 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 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.

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

## 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.

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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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 the 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. The carrying amount of trade and other receivables represent their fair value.

### (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 nominal amounts and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables represent their fair value.

### (f) Rounding of Amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the financial report has been rounded to the nearest dollar.

### (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 Company has only one segment. The Company operates predominately in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its financial assets at fair value through profit or loss, however the Company has foreign exposures as it invests in securities which are listed Internationally.

### (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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Critical Accounting Estimates and Judgements (Continued)

#### *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 2017. 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) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (l) Profits Reserve

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

### (m) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

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

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to adopt any of the new and amended pronouncements. A new and amended pronouncement that is relevant to the Company, but applicable in future reporting periods is AASB 9: Financial Instruments and its associated amending standards.

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 (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 measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Company has not early adopted AASB 9. This is not expected to have a significant impact on the Company's financial statements as the Company does not expect to elect any investments as not held for trading

## 2. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company for:

	2017 \$	2016 \$
Auditing or reviewing the financial report	42,088	38,564
Other assurance services	-	1,045
<b>Non-audit services</b>		
Other services provided by a related practice of the auditor:		
Taxation services	10,490	14,685
	<u>52,578</u>	<u>54,294</u>



**3. TAXATION**

**(a) Current Income Tax Expense/(Benefit)**

2017	2016
\$	\$

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

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

Effective tax rate 21.5% 34.4%

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

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

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

**(b) Deferred Tax Assets**

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

**Movement in deferred tax assets**

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

**(c) Current Tax Assets**

**Movement in current tax assets/(liabilities)**

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

4. DIVIDENDS

2017 \$	2016 \$
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(a) Dividends paid

Dividends paid by the Company	21,690,784	29,361,770
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2017

Dividends paid by the Company for the year ended 30 June 2017	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total Amount \$
Interim 2017 Ordinary	4.0	28 April 17	30%	100%	10,879,381
Final 2016 Ordinary	4.0	27 October 16	30%	100%	10,811,403
<b>Total Amount</b>					<b>21,690,784</b>

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

2016

Dividends paid by the Company for the year ended 30 June 2016	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total Amount \$
Interim 2016 Ordinary	5.0	12 May 16	30%	100%	13,419,163
Final 2015 Ordinary	5.0	29 October 15	30%	100%	13,285,506
Final 2015 Special	1.0	29 October 15	30%	100%	2,657,101
<b>Total Amount</b>					<b>29,361,770</b>

(b) Dividend franking account

2017 \$	2016 \$
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The balance of the franking account at year end is adjusted for franking credits and debits arising from receipts or payments of income tax and franking credits arising from dividends receivable.

4,083,873	2,440,138
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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	19,679,751	322,571
Income receivable	2,712,469	3,063,153
Sundry debtors	317,507	229,570
	<b>22,709,727</b>	<b>3,615,294</b>

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 2 days of the purchase being executed. Income receivable relates to accrued income, it is non-interest bearing and is unsecured. Trade and other receivables are not past due or impaired and are of a good credit quality.

**6. FINANCIAL ASSETS**

Long positions - held for trading financial assets:

Investments at fair value

	2017 \$	2016 \$
	302,249,468	354,014,790
	<b>302,249,468</b>	<b>354,014,790</b>

**7. TRADE AND OTHER PAYABLES**

Trade creditors

Sundry creditors - related parties

Dividends payable on shorts

Sundry creditors – other

	3,745,168	116,583
	2,757,197	123,834
	481,963	1,239,924
	371,604	287,720
	<b>7,355,932</b>	<b>1,768,061</b>

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 2 days of the purchase being executed.

Sundry creditors – other, are settled within the terms of payment offered, which is usually within 30 days.

Sundry creditors – related parties, includes fees payable of \$2,757,197 (inclusive of GST) (2016: \$123,834) to the manager, Cadence Asset Management Pty Limited.

**8. FINANCIAL LIABILITIES**

Short positions: Listed investments at fair value – held for trading

Swap positions – held for trading

	76,853,626	44,520,500
	19,451,254	15,414,839
	<b>96,304,880</b>	<b>59,935,339</b>

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

Capitalised share issue costs

Deferred tax asset on capitalised share issue costs

	374,858,893	370,419,123
	(3,455,993)	(3,455,993)
	1,036,798	1,036,798
	<b>372,439,698</b>	<b>367,999,928</b>

9. ISSUED CAPITAL (Continued)

(a) Paid-up Capital (Continued)

2017

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

2016

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
Balance at the beginning of the year			<b>224,322,211</b>	<b>305,130,495</b>
July 2015	Exercise of Options	\$1.43000	2,416,113	3,455,042
August 2015	Exercise of Options	\$1.43000	23,226,136	33,213,374
September 2015	Exercise of Options	\$1.43000	2,952,237	4,221,699
30 September 2015	Placement	\$1.43000	12,793,415	18,294,586
29 October 2015	DRP	\$1.40607	2,673,157	3,758,672
12 May 2016	DRP	\$1.23317	1,901,807	2,345,255
			<b>270,285,076</b>	<b>370,419,123</b>

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

(b) Capital Management

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

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

**10. PROFITS RESERVE**

	2017 \$	2016 \$
Profits Reserve	<b>21,687,197</b>	<b>6,425,738</b>
<b>Movement in Profits Reserve</b>		
Opening balance	6,425,738	22,708,886
Transfer from retained earnings	36,952,243	13,078,622
Dividends paid (Note 4)	(21,690,784)	(29,361,770)
	<b>21,687,197</b>	<b>6,425,738</b>

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

**11. ACCUMULATED LOSSES**

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

**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	151,961,930	159,496,725
Cash overdrafts	(54,242,004)	(160,807,769)
	<b>97,719,926</b>	<b>(1,331,044)</b>

The weighted average interest rate for cash and cash equivalents as at June 2017 is 0.93% (June 2016: 1.42%). The weighted average interest rate for cash overdrafts as at June 2017 is 0.97% (June 2016: 1.47%). The Company has Prime Brokerage facilities, including lending, and Custody arrangements with Deutsche Bank AG and Custody arrangements with Bank of New York Mellon. The Prime Brokerage facilities are secured by a first charge over the financial assets of the Company.

The Company has granted a charge over all of the Company's right, title and interest in the assets transferred to the Prime Broker. This includes those transferred to the Custodians and sub-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 Prime Brokers under the Prime Brokerage Agreement.

**12. CASH FLOW INFORMATION (Continued)**

(b) Reconciliation of Operating Profit/(loss) after Income Tax	2017 \$	2016 \$
Operating profit/(loss) after income tax	36,952,243	(30,882,043)
Movement in fair value on financial assets and liabilities	88,134,863	(14,061,289)
<b>Changes in assets and liabilities:</b>		
(Increase)/Decrease in trade and other receivables	(19,094,433)	1,664,231
Increase/(Decrease) in deferred tax assets	4,552,010	(19,623,394)
Increase/(Decrease) in trade and other payables	5,587,871	(1,616,308)
Decrease/(Increase) in current tax asset	149,430	(4,982,597)
<b>Net cash provided by/(used in) Operating Activities</b>	<b>116,281,984</b>	<b>(69,501,400)</b>

**(c) Non-cash Financing Activities**

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

- 1,699,462 shares at \$1.19290 on 27 October 2016
- 2,026,783 shares at \$1.19030 on 28 April 2017

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

- 2,673,157 shares at \$1.40607 on 29 October 2015
- 1,901,807 shares at \$1.23317 on 12 May 2016

**13. EARNINGS PER SHARE**

	2017 Cents Per Share	2016 Cents Per Share
Basic earnings/(loss) per share	13.5	(11.6)
<b>Profit/(Loss) after income tax used in the calculation of earnings per share</b>		
	2017 \$	2016 \$
	<b>36,952,243</b>	<b>(30,882,043)</b>
<b>Reconciliation of weighted average number of shares:</b>		
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<b>273,040,973</b>	<b>265,511,543</b>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<b>273,040,973</b>	<b>265,511,543</b>
Weighted average number of ordinary shares used in calculation of basic earnings per share	273,040,973	265,511,543
Add:		
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	-	-
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>	<b>273,040,973</b>	<b>265,511,543</b>

## 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.

#### *(1) 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, foreign currency 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, sub-custodian and broker) 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 or sub-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 facilities, including lending, and Custody facilities with its prime broker and custodian Deutsche Bank AG and Custody facilities with Bank of New York Mellon. There is no guarantee that these or any sub-custodian that Deutsche Bank AG may use or any other prime broker or custodian 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 or custodian that is being used by the Company, 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 held by a prime broker, custodian or sub-custodian 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.

Any cash held by Deutsche Bank AG is not treated as client money, but rather held as collateral and is not subject to the client monies protections conferred by the Financial Conduct Authority rules relating to client money. As a consequence, the Company's money is held by the Prime Broker as banker and not as a trustee or agent and the Prime Broker will not be required to place the Fund's money in a segregated client account, and the Company will therefore rank equally with Deutsche Bank AG's other account holders in relation thereto.

#### *(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.

#### 14. FINANCIAL RISK MANAGEMENT (Continued)

##### (c) Liquidity Risk (Continued)

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.

##### (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 undertakes certain transactions and holds assets and liabilities denominated in currencies other than Australian Dollar (AUD), the reporting currency of the Company. The Company is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The following table summarises the net amount of assets and liabilities which are denominated in currencies that the Company is significantly exposed to:

	2017	2016
<b>United States Dollar:</b>		
Net Denominated Net Assets	\$14,738,103	\$8,210,828
AUD/USD Exchange Rate: \$0.7683 (2016: \$0.7437)		
<b>Euro:</b>		
Net Denominated Net Assets	€69,853	€1,885,246
AUD/EURO Exchange Rate: \$0.6736 (2016: \$0.6698)		

##### (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 can be moved into short-term bank bills or fixed term deposits.

##### (g) 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.



14. FINANCIAL RISK MANAGEMENT (Continued)

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

2017	Weighted Average Interest Rate	Interest bearing		Non-interest bearing \$	Total \$
		Less than 90 days \$	More than 1 year \$		
<b>Assets</b>					
Financial assets	-	-	-	302,249,468	302,249,468
Cash and cash equivalents	0.93%	151,961,930	-	-	151,961,930
Balances owed by brokers	-	-	-	19,679,751	19,679,751
Other receivables	-	-	-	3,029,976	3,029,976
<b>Total Assets</b>		<b>151,961,930</b>	<b>-</b>	<b>324,959,195</b>	<b>476,921,125</b>
<b>Liabilities</b>					
Financial liabilities	-	-	-	96,304,880	96,304,880
Cash overdrafts	0.97%	54,242,004	-	-	54,242,004
Balances due to brokers	-	-	-	3,745,168	3,745,168
Other payables	-	-	-	3,610,764	3,610,764
<b>Total liabilities</b>		<b>54,242,004</b>	<b>-</b>	<b>103,660,812</b>	<b>157,902,816</b>

2016	Weighted Average Interest Rate	Interest bearing		Non-interest bearing \$	Total \$
		Less than 90 days \$	More than 1 year \$		
<b>Assets</b>					
Financial assets	-	-	-	354,014,790	354,014,790
Cash and cash equivalents	1.42%	159,496,725	-	-	159,496,725
Balances owed by brokers	-	-	-	322,571	322,571
Other receivables	-	-	-	3,292,723	3,292,723
<b>Total assets</b>		<b>159,496,725</b>	<b>-</b>	<b>357,630,084</b>	<b>517,126,809</b>
<b>Liabilities</b>					
Financial liabilities	-	-	-	59,935,339	59,935,339
Cash overdrafts	1.47%	160,807,769	-	-	160,807,769
Balances due to brokers	-	-	-	116,583	116,583
Other payables	-	-	-	1,651,478	1,651,478
<b>Total liabilities</b>		<b>160,807,769</b>	<b>-</b>	<b>61,703,400</b>	<b>222,511,169</b>

2017 \$	2016 \$
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Other payables are expected to be paid as follows:

- Less than 6 months	3,610,764	1,651,478
- 6 months to one year	-	-

#### 14. FINANCIAL RISK MANAGEMENT (Continued)

##### (h) 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 Stock Exchange as at 30 June 2017 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 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	301,879,346	370,122	-	302,249,468
Financial liabilities	(96,304,880)	-	-	(96,304,880)
<b>Total</b>	<b>205,574,466</b>	<b>370,122</b>	<b>-</b>	<b>205,944,588</b>

30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	352,659,765	1,355,025	-	354,014,790
Financial liabilities	(59,935,339)	-	-	(59,935,339)
<b>Total</b>	<b>292,724,426</b>	<b>1,355,025</b>	<b>-</b>	<b>294,079,451</b>

##### (i) Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency 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.

**14. FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Sensitivity Analysis (Continued)**

*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:

	2017 \$	2016 \$
<b>Change in profit before tax</b>		
- Increase in interest rate by 1%	(8,948)	296,613
- Decrease in interest rate by 1%	8,948	(296,613)
<b>Change in equity</b>		
- Increase in interest rate by 1%	(6,264)	207,629
- Decrease in interest rate by 1%	6,264	(207,629)

*Foreign Currency Risk Sensitivity Analysis*

At 30 June 2017, the effect on profit and equity as a result of changes in the foreign currency risk, with all other variables remaining constant would be as follows:

	2017 \$	2016 \$
<b>Change in profit before tax</b>		
- Depreciation of the AUD by 2%	365,457	321,705
- Appreciation of the AUD by 2%	(365,457)	(321,705)
<b>Change in equity</b>		
- Depreciation of the AUD by 2%	255,820	225,194
- Appreciation of the AUD by 2%	(255,820)	(225,194)

*Market Risk Sensitivity Analysis*

At 30 June 2017, 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:

	2017 \$	2016 \$
<b>Change in profit before tax</b>		
- Increase in market price by 2%	5,299,538	5,115,195
- Decrease in market price by 2%	(5,299,538)	(5,115,195)
<b>Change in equity</b>		
- Increase in market price by 2%	3,709,676	3,580,637
- Decrease in market price by 2%	(3,709,676)	(3,580,637)

## 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
Wayne Davies	Non-Executive Director and Company Secretary
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 provides day to day management of the Company and is remunerated as outlined in Note 16 – Related Party Transactions.

	2017 \$	2016 \$
Short-term Employee Benefits - Directors' Fees	68,493	68,493
Post-employment Benefits - Superannuation	6,507	6,507
	<b>75,000</b>	<b>75,000</b>

### (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 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 2017, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2016	Acquisitions	Disposals	Balance at 30 June 2017
Karl Siegling	18,959,583	1,030,076	-	19,989,659
Wayne Davies	723,060	49,358	-	772,418
Ronald Hancock	400,000	-	-	400,000
James Chirnside	26,851	-	-	26,851
	<b>20,109,494</b>	<b>1,079,434</b>	-	<b>21,188,928</b>

**15. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)**

**(c) Shareholdings (Continued)**

As at 30 June 2016, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2015	Acquisitions	Disposals	Balance at 30 June 2016
Karl Siegling	9,833,185	9,126,398	-	18,959,583
Wayne Davies	416,447	306,613	-	723,060
Ronald Hancock	279,860	120,140	-	400,000
James Chirnside	26,851	-	-	26,851
	<b>10,556,343</b>	<b>9,553,151</b>	-	<b>20,109,494</b>

As at 30 June 2016, the Company's key management personnel indirectly held the following options in the Company:

	Balance at 1 July 2015	Options Exercised	Options Lapsed	Balance at 30 June 2016
Karl Siegling	8,113,666	8,113,666	-	-
Wayne Davies	309,442	250,000	59,442	-
Ronald Hancock	279,860	120,140	159,720	-
James Chirnside	25,932	-	25,932	-
	<b>8,728,900</b>	<b>8,483,806</b>	<b>245,094</b>	-

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.

**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 \$3,306,033 (inclusive of GST) (2016: \$3,535,646). 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 2017, the balance payable to the manager was \$153,358 (inclusive of GST) (2016: \$120,354).

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.

## 16. RELATED PARTY TRANSACTIONS (Continued)

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 2017 \$2,600,320 (2016: nil, inclusive of GST) was payable to Cadence Asset Management Pty Limited. As at 30 June 2017, the balance payable to the manager was \$2,600,320 (inclusive of GST) (2016: nil, inclusive of GST).

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

Other than the above there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

## 18. CONTINGENT LIABILITIES

There were no material contingencies as at 30 June 2017 (2016: nil).

## 19. CAPITAL COMMITMENTS

2017 \$	2016 \$
291,600	1,826,929

Capital commitments exist for placements entered into before 30 June 2017, which settle after year end.

The Directors of Cadence Capital Limited declare that:

1. The financial statements as set out in pages 16 to 37 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 8 to 10 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the financial position of the Company as at 30 June 2017 and of its performance for the year ended on that date;
2. The Directors have been given declaration required by section 295A of the *Corporations Act 2001* from the Manager, Cadence Asset Management Pty Limited declaring 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 25<sup>th</sup> day of September 2017



**Independent Auditor's Report  
to the 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 2017, the statement of comprehensive income, the statement of changes in equity and the 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.

**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 2017 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.

**Basis of Opinion**

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 whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<p><b><i>Existence, Valuation, and Classification of Financial Assets and Liabilities</i></b>  <b><i>Refer to Note 6: Financial Assets, Note 8: Financial Liabilities and Note 14 (h): Financial Instruments Measured at Fair Value</i></b></p>	
<p>We focused our audit effort on the valuation and existence of the Company's financial assets and liabilities as these comprise its largest investment and represent the most significant driver of the Company's NTA and profits.</p> <p>The quantum of investments held inherently makes financial assets and liabilities a key audit matter, in addition however, there may be judgements involved in determining the fair value of financial instruments.</p> <p>In relation to investments, there is also a risk that these are not owned by the Company or do not exist.</p> <p>We therefore identified the valuation, existence and ownership of investments as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the investment management process and controls;</li> <li>• We reviewed the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the period 1 October 2015 to 30 September 2016 for the Custodian, obtained a bridging letter for the residual 9 months;</li> <li>• We agreed the investment holdings to a confirmation obtained directly from the Custodian;</li> <li>• We assessed the Company's valuation of individual investment holdings to independent sources where readily observable data was available. For investments where there was little or less observable market data, we obtained and assessed other relevant valuation data;</li> <li>• We evaluated the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses;</li> <li>• We assessed the adequacy of disclosures in the financial statements.</li> </ul>



**Accuracy and Completeness of Management and Performance Fees**

**Refer to Note 7: Trade and other payables, Note 16: Related party transactions and Remuneration Report**

<p>We focused our audit effort on the accuracy and completeness of management and performance fees as they are significant expenses of the Company and their calculation may require adjustments for events in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p> <p>We therefore identified the accuracy and completeness of management and performance fees as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Making enquiries with the Investment Manager and the Directors with respect to any significant events during the period and associated adjustments made as a result, in addition to having reviewed ASX announcements;</li> <li>• Considered the treatment of events that may be significant to the calculation of management and performance fees;</li> <li>• In order to verify the Company's calculation, we recalculated management and performance fees in accordance with our understanding of the Investment Management Agreement;</li> <li>• Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness test;</li> <li>• We also assessed the adequacy of disclosures made in the financial statements in relation to these related party transactions.</li> </ul>
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**Other Information**

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Directors of Cadence Capital Limited 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 controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 Company's preparation of the financial report that gives a true and fair view 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 Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON THE REMUNERATION REPORT

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the Directors' Report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Cadence Capital Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of Cadence Capital Limited 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.



Pitcher Partners



C I Chandran  
Partner

25<sup>th</sup> September 2017

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 2017)

The following shareholder's 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	19,989,659	7.295
Yarandi Investments Pty Ltd & associated entities	14,261,375	5.205

### Distribution of holdings (as at 31 August 2017)

Category	No. of Shareholders
1 – 1,000	321
1,001 – 5,000	1,147
5,001 – 10,000	1,466
10,001 – 100,000	4,532
100,001 and over	369
	<b>7,835</b>

The number of shareholdings held in less than marketable parcels is 116.

Twenty largest shareholders - Ordinary shares (as at 31 August 2017)	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd and associates	19,989,659	7.295
Yarandi Investments Pty Ltd & associated entities	14,261,375	5.205
Avanteos Investments Limited <Clearview S/P A/C>	2,206,108	0.805
Southern Steel Investments Pty Limited	2,201,486	0.803
HSBC Custody Nominees (Australia) Limited	2,006,661	0.732
Golden Words Pty Ltd	1,348,951	0.492
Nulis Nominees (Australia) Limited	1,021,215	0.373
Mr Victor John Plummer	1,000,000	0.365
Mr Cameron McFarlane <McFarlane Super Fund A/C>	1,000,000	0.365
Netwealth Investments Limited <Wrap Services A/C>	921,479	0.336
Mr Keith William Kerridge	840,664	0.307
Mr Paul & Mrs Karen & Mr Luke Van Ryn <Pakifor S/F A/C>	834,822	0.305
Mrs Karen Lianne Van Ryn	829,480	0.303
Andonandon Pty Ltd <Andonandon Super Fund A/C>	772,418	0.282
Arongi Pty Limited <Harrison Super Fund A/C>	746,609	0.272
Netwealth Investments Limited <Super Services A/C>	717,765	0.262
Mr Clifford Law & Ms Susanne Bruhn <Bruhn Law Super Fund A/C>	708,880	0.259
Mr Aengus Kavanagh & Mr Matthew Mahoney <Patrician Brothers A/C>	702,574	0.256
Mr Aaron Francis Quirk	691,123	0.252
Arazan Pty Ltd <Super Fund A/C>	627,821	0.229
	<b>53,429,090</b>	<b>19.499</b>

#### STOCK EXCHANGE LISTING

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



CADENCE

*Capital Limited*



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