

# 2020 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  
Jenelle Webster

### 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 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

### ASX CODE

Cadence Capital Limited Ordinary Shares (CDM)

### COUNTRY OF INCORPORATION

Australia

## SUMMARY OF RESULTS

- Fund gross performance of -4.9%
- Outperforming All Ords. Accum. Index by 2.3%
- Loss after tax of \$10.9m
- 2.0c fully franked final dividend payable on the 30 October 2020
- Yield of 5.7% fully franked (8.1% gross including franking)
- CDM at a 22% discount to NTA
- Ongoing on-market share buy-back for up to 10% of CDM shares

## COMPANY PERFORMANCE

Cadence Capital Limited (ASX: CDM) completed the financial year down 4.9%, outperforming the All Ordinaries Accumulation Index by 2.3%, and produced a full year loss after tax of \$10.9m.

Equity markets fell approximately 35% over late February to mid- March 2020 as Covid-19 spread globally and economies were shut down. Cadence Capital Limited scaled out of its positions as the market fell, with the Company being less than 35% invested in late March. As markets recovered in April and May the Company re-deployed its cash and scaled back into both new and existing positions.

This correction provided an opportunity to initiate positions at compelling valuations in several domestic and international companies. Some of these stocks are now significant positive contributors to Company performance. The Portfolio has started the new financial year well, outperforming the All Ordinaries Accumulation Index.

## DIVIDENDS

The Company announced a 2.0 cents per share fully franked final dividend. This brings the 2020 fully franked full year dividend up to 4.0 cents per share equating to a 5.7% annual fully franked yield, or a 8.1% gross yield (grossed up for franking credits) based on the CDM share price of \$0.705 on the date of the dividend announcement. The Ex-Date for the dividend is the 19 October 2020 and the payment date for the dividend is the 30 October 2020. The dividend re-investment plan (DRP) is not in operation for this final dividend as the Company's shares are trading at a large discount to the underlying NTA per share of the Company.

## DISCOUNT TO NTA

Cadence Capital Limited shares continue trading at substantial discounts to Pre-Tax and Post-Tax NTA per share. The Company has implemented an on-market share buy-back which will increase the NTA per share for all existing Cadence Capital Limited shareholders. Board and management, who are the largest investors in the Company, also continue ongoing buying of CDM shares.

This discount to NTA continues to present an opportunity for investors to purchase a Listed Investment Company with a long-term track record and fully franked dividends at a discount to NTA.

## OUTLOOK

Cadence Capital Limited has had a good start to the new financial year outperforming the All Ordinaries Accumulation Index whilst being less than fully invested. We are pleased that this strong performance has been delivered across both new and existing positions, and both domestically and internationally.

Over the past 18 months the liquidity and concentration of the Company's portfolio has improved significantly. This continues to be a focus for the investment team. We believe this has reduced risk and will continue delivering good risk-adjusted returns for our shareholders.

As managers of your Company, we aim to provide shareholders with clear and transparent communication. We do this through monthly investment updates, quarterly webcasts, investor presentations, market insights, as well as annual and half yearly profit announcements. We would encourage you to register to receive regular updates at [www.cadencecapital.com.au/newsletter](http://www.cadencecapital.com.au/newsletter).

Please feel free to contact us at [info@cadencecapital.com.au](mailto:info@cadencecapital.com.au) with any feedback to improve our communication and engagement with you.

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
RMC	Resimac Group Ltd.	\$14,968,711	4.98%
MQG	Macquarie Group Ltd.	\$10,142,909	3.38%
**	Deepgreen Metals Inc.	\$9,985,273	3.32%
SHJ	Shine Corporate Ltd.	\$9,807,175	3.27%
MNY	Money3 Corporation Ltd.	\$8,752,537	2.91%
UWL	Uniti Group Ltd.	\$8,617,795	2.87%
APX	Appen Ltd.	\$8,140,800	2.71%
EML	EML Payments Ltd.	\$7,876,328	2.62%
CCP	Credit Corp Group Ltd.	\$7,344,552	2.45%
ARB	Arb Corporation Ltd.	\$6,946,650	2.31%
APE	AP Eagers Ltd.	\$6,910,083	2.30%
700 HK	Tencent Holdings Ltd.	\$6,885,987	2.29%
STO	Santos Ltd.	\$5,686,900	1.89%
ALX	Atlas Arteria	\$5,328,756	1.77%
CCX	City Chic Collective Ltd.	\$5,209,343	1.73%
QUB	Qube Holdings Ltd.	\$5,080,805	1.69%
AAPL US	Apple Inc.	\$5,019,699	1.67%
LYC	Lynas Corporation Ltd.	\$4,962,507	1.65%
QCOM US	Qualcomm Inc.	\$4,875,983	1.62%
BABA US	Alibaba Group Holding	\$4,823,882	1.61%
<b>Total Top 20 Long Positions</b>		<b>\$147,366,674</b>	<b>49.06%</b>

\*\* A Pre-IPO investment in the Materials sector

TOTAL PORTFOLIO POSITIONS:

Portfolio Net Exposure Long Positions	\$277,442,708	92.37%
Portfolio Net Exposure Short Positions	\$7,553,990	2.52%
<b>Total Portfolio Net Exposure</b>	<b>\$269,888,718</b>	<b>89.86%</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 2020.

### 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 loss before tax of \$16,882,749 (2019: \$87,570,953) and an operating loss after tax of \$10,878,268 (2019: \$59,307,818).

There was significant volatility in the second half of the year with equity markets falling over 35% during late February and March, as many economies were shut down in response to the spread of Covid-19. Cadence Capital Limited moved into cash as the market fell, with the Company being less than 35% invested in late March. As markets recovered in April and May the Company re-deployed its cash and scaled back into both new and existing positions. This correction provided an opportunity to initiate positions at compelling valuations in several domestic and international companies.

### REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2020, net investments were valued at \$269,888,718 (2019: \$260,830,271). 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 \$300,354,519 (2019: \$333,591,433).

### 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 2.0 cent per share fully franked final dividend payable on 30 October 2020. The Ex-Date for the dividend is the 19 October 2020.

Dividends paid are as follows:	\$
Fully franked 2020 interim dividend of 2.0 cents per share was paid on 13 May 2020	6,166,630
Fully franked 2019 final dividend of 2.0 cents per share was paid on 30 October 2019	6,313,827
Fully franked 2019 interim dividend of 3.0 cents per share was paid on 13 May 2019	9,608,670
Fully franked 2018 final dividend of 4.0 cents per share was paid on 17 September 2018	12,718,306

### 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 and Jenelle Webster

## INFORMATION ON DIRECTORS

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

Karl Siegling has 27 years investment experience in the financial services sector both in Australia and overseas. He holds a Bachelor of Commerce and a Law degree from the University of Melbourne and a MBA from INSEAD in France. Karl holds a Post Graduate Diploma in Finance with the Securities Institute of Australia (FINSIA). 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. He then worked within the Equities Research Division of Deutsche Morgan Grenfell before studying a MBA at INSEAD and working as a Summer Associate within 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) focused on investing in early stage and expansion capital for financial services and technology companies. Karl worked as a consultant for Wilson Asset Management, researching stocks, before setting up Cadence Asset Management Pty Limited.

Karl has been the Chairman and Managing Director of Cadence Asset Management Pty Limited (The Manager), for 16 and a half years. Karl is also a Director of Webcentral Group Limited (WCG) and Cadence Opportunities Fund Limited. Karl has been the Chairman and Managing Director of Cadence Capital Limited for 15 and a half years.

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

James Chirnside has worked in financial markets for 35 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 15 and a half years.

### **Jenelle Webster (Non-Executive Director)**

Jenelle is a member of Chartered Accountants, Chartered Secretaries, Institute of Internal Auditors and a Registered Company Auditor, with over 20 years financial accounting and reporting experience within both the public and private sectors. Jenelle has been responsible for, and conducted, the audit of ASX listed companies, Listed Investment Companies (LICs), funds, disclosing entities, large propriety limited companies and Not-For-Profit organisations. In addition to performing statutory audits, Jenelle has provided internal audit and evaluation services to a large number of public, private and community sector organisations. Jenelle is also a director of Whitefield Limited (WHF). Jenelle has been a Director of the Company for the past 1 and a half years.

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

Wayne Davies has over 18 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 long-standing member of the Cadence Asset Management team and has been the Chief Operating Officer of Cadence Asset Management for the past 13 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 is also a Director of Cadence Opportunities Fund Limited. Wayne has been a Director of the Company for the past 6 and a half 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 (Chairperson)	6	6
James Chirnside	6	6
Wayne Davies	6	6
Jenelle Webster	6	6

AUDIT COMMITTEE MEETINGS

	No. eligible to attend	Attended
Jenelle Webster (Chairperson)	2	2
James Chirnside	2	2
Wayne Davies	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.

2020 Short-term Employee Benefits - Directors Fees:	Cash Salary \$	Superannuation \$	Total \$
James Chirnside	27,397	2,603	30,000
Jenelle Webster	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>

2019 Short-term Employee Benefits - Directors Fees:	Cash Salary \$	Superannuation \$	Total \$
James Chirnside	27,397	2,603	30,000
Jenelle Webster	20,548	1,952	22,500
Ronald Hancock	6,849	651	7,500
Wayne Davies	13,699	1,301	15,000
	<b>68,493</b>	<b>6,507</b>	<b>75,000</b>

The following table reflects the Company's performance and Director's remuneration over five years:

	2020	2019	2018	2017	2016
Operating(loss) profit after tax (\$)	(10,878,268)	(59,307,818)	41,166,747	36,952,243	(30,882,043)
Dividends (cents per share)	4.0	5.0	8.0	8.0	9.0
NTA after tax (\$ per share)	0.98	1.04	1.30	1.24	1.19
Total directors remuneration(\$)	75,000	75,000	75,000	75,000	75,000
Shareholders equity(\$)	300,354,519	333,591,433	412,648,397	340,290,676	320,589,447

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. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$2,818,612 (inclusive of GST) (2019: \$3,449,970). 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 2020, the balance payable to the manager was \$128,426 (inclusive of GST) (2019: \$116,368).

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 no performance fee was payable to Cadence Asset Management Pty Limited (2019: nil). As at 30 June 2020, there was no balance payable to the manager (2019: nil).

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 mainboard activities and membership of committees. Directors' fees are not linked to the performance of the Company.

REMUNERATION REPORT (AUDITED) (Continued)

(d) Shareholdings

The Company's key management personnel directly and indirectly held the following shares in the Company:

Shareholdings	Balance at 1 July 2019	Acquisitions	Disposals	Balance at 30 June 2020
Karl Siegling	22,322,355	1,516,214	-	23,838,569
Wayne Davies	863,234	141,745	-	1,004,979
James Chirnside	26,851	-	-	26,851
Jenelle Webster	30,000	3,173	-	33,173
	<b>23,242,440</b>	<b>1,661,132</b>	-	<b>24,903,572</b>

Since the 30 June 2020, Karl Siegling has been an ongoing buyer of the Company's shares. These purchases are announced on the ASX website.

End of Remuneration Report.

EVENTS AFTER THE REPORTING PERIOD

The Board have declared a 2.0 cent per share fully franked final dividend payable on 30 October 2020. The Ex-Date for the dividend is 19 October 2020.

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.

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.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### 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 (including Independence Standards)*.

### 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 unless otherwise stated.

### CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the year ended 30 June 2020 is provided on the Company's website at [www.cadencecapital.com.au/wp-content/uploads/2019/09/CDM-Corp-Governance-Statement-June-2019.pdf](http://www.cadencecapital.com.au/wp-content/uploads/2019/09/CDM-Corp-Governance-Statement-June-2019.pdf).

### 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 30<sup>th</sup> September 2020



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201 Sussex Street  
Sydney NSW 2000

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GPO Box 1615  
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e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

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

In relation to the independent audit of the financial report of Cadence Capital Limited for the year ended 30 June 2020, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

A handwritten signature in black ink, appearing to read "C I Chandran".

**C I Chandran**  
Partner

**Pitcher Partners**  
Sydney

30 September 2020

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED  
30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>INCOME</b>			
Net realised and unrealised loss on investments		(15,731,004)	(91,366,977)
Dividends received		4,685,227	10,178,069
Interest received		437,734	1,168,298
Other income		18,594	102,452
<b>Total Loss</b>		<b>(10,589,449)</b>	<b>(79,918,158)</b>
<b>EXPENSES</b>			
Finance costs		(1,198,880)	(1,676,631)
Management fees		(2,626,434)	(3,214,744)
Assignment fees		(110,860)	(135,693)
Directors fees		(75,000)	(75,000)
Dividends on short positions		(209,704)	(574,516)
Stock loan fees		(55,147)	(316,589)
Brokerage expenses on share purchases		(1,482,155)	(1,161,478)
ASX fees		(73,845)	(92,973)
Registry fees		(114,221)	(130,901)
Legal fees		(5,902)	(2,094)
Custody fees		(187,347)	(113,492)
Audit and taxation expenses	2	(76,825)	(78,222)
Other expenses from ordinary activities		(76,980)	(80,462)
<b>Total Expenses</b>		<b>(6,293,300)</b>	<b>(7,652,795)</b>
<b>Loss before income tax</b>		<b>(16,882,749)</b>	<b>(87,570,953)</b>
Income tax benefit	3(a)	6,004,481	28,263,135
<b>Loss attributable to members of the Company</b>	<b>11</b>	<b>(10,878,268)</b>	<b>(59,307,818)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive loss for the period</b>		<b>(10,878,268)</b>	<b>(59,307,818)</b>
Basic loss per share	13	<b>(3.4) cents</b>	<b>(18.3) cents</b>
Diluted loss per share	13	<b>(3.4) cents</b>	<b>(18.3) cents</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
Cash and cash equivalents	12	19,458,443	74,779,920
Trade and other receivables	5	17,386,421	1,094,986
Financial assets at fair value through profit or loss	6	277,442,708	267,850,966
Deferred tax asset	3(b)	58,062,357	47,562,766
<b>TOTAL ASSETS</b>		<b>372,349,929</b>	<b>391,288,638</b>
<b>LIABILITIES</b>			
Bank overdrafts	12	55,185,767	50,158,911
Trade and other payables	7	5,229,083	517,599
Financial liabilities at fair value through profit or loss	8	7,553,990	7,020,695
Current tax liability	3(c)	4,026,570	-
<b>TOTAL LIABILITIES</b>		<b>71,995,410</b>	<b>57,697,205</b>
<b>NET ASSETS</b>		<b>300,354,519</b>	<b>333,591,433</b>
<b>EQUITY</b>			
Issued capital	9	419,919,254	429,797,443
Profits reserve	10	9,723,976	16,938,027
Accumulated losses	11	(129,288,711)	(113,144,037)
<b>TOTAL EQUITY</b>		<b>300,354,519</b>	<b>333,591,433</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued Capital \$	Accumulated Losses \$	Profits Reserve \$	Total Equity \$
Balance at 1 July 2018		427,219,613	(53,836,219)	39,265,003	412,648,397
Loss for the year	11	-	(59,307,818)	-	(59,307,818)
Transfer to profits reserve	10	-	-	-	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via dividend reinvestment plan	9	2,781,914	-	-	2,781,914
On-Market Share Buy-Back	9	(204,084)	-	-	(204,084)
Dividends paid	4(a)	-	-	(22,326,976)	(22,326,976)
Balance at 30 June 2019		429,797,443	(113,144,037)	16,938,027	333,591,433
Loss for the year	11	-	(10,878,268)	-	(10,878,268)
Transfer to profits reserve	10	-	(5,266,406)	5,266,406	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
On-Market Share Buy-Back	9	(9,878,189)	-	-	(9,878,189)
Dividends paid	4(a)	-	-	(12,480,457)	(12,480,457)
Balance at 30 June 2020		419,919,254	(129,288,711)	9,723,976	300,354,519

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from the sale of investments		646,388,667	491,850,840
Payments for the purchase of investments		(682,903,190)	(544,247,687)
Dividends received		4,947,339	10,433,469
Interest received		437,734	1,168,298
Other income received		18,594	102,452
Management fees paid		(2,614,376)	(3,298,224)
Performance fees paid		-	(2,979,620)
Brokerage expenses on share purchases		(1,482,154)	(1,161,478)
Interest paid		(1,198,880)	(1,676,630)
Dividends paid on shorts		(209,704)	(574,516)
Payments for administration expenses		(905,181)	(863,929)
Income tax paid	3(c)	(468,535)	(4,233,822)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>12(b)</b>	<b>(37,989,686)</b>	<b>(55,480,847)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	4(a)	(12,480,457)	(19,545,058)
On-market share buy-back		(9,878,190)	(204,084)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(22,358,647)</b>	<b>(19,749,142)</b>
<b>NET DECREASE IN CASH HELD</b>		<b>(60,348,333)</b>	<b>(75,229,989)</b>
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>24,621,009</b>	<b>99,850,998</b>
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR</b>	<b>12(a)</b>	<b>(35,727,324)</b>	<b>24,621,009</b>
<b>NON-CASH TRANSACTIONS:</b>			
Shares issued via dividend reinvestment plan	12(c)	-	2,781,914

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(k).

The financial report was authorised for issue on 30<sup>th</sup> September 2020 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.

Financial assets are classified ‘at fair value through profit or loss’ when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

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 are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit loss. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

### (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) Impairment

At each reporting date, the Company shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

### (g) 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 unless otherwise stated.

### (h) 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.

### (i) 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.

### (j) Comparative Figures

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Critical Accounting Estimates and Judgements

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

*Income tax*

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

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Future taxable amounts are determined based on the historical performance of the Company. Deferred tax assets are reviewed at each reporting period.

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2020. 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.

(l) 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.

(m) Profits Reserve

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

(n) Dividends

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

(o) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning on or after 1 July 2019 that will have a material impact on the accounts recognised in the prior periods or will affect the current or future periods.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

2. AUDITOR'S REMUNERATION

	2020 \$	2019 \$
Remuneration of the auditor of the Company for:		
Audit and review of the financial report	62,509	66,309
Other assurance services	-	-
<b>Non-audit services</b>		
Other services provided by a related practice of the auditor:		
Taxation services	14,316	11,913
	<b>76,825</b>	<b>78,222</b>

3. TAXATION

(a) Current Income Tax Benefit

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

	2020 \$	2019 \$
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(5,064,825)	(26,271,286)
Imputation credit gross up	452,802	923,945
Franked dividends receivable – prior year	92,588	99,447
Franked dividends receivable – current year	-	(92,588)
Franking credits on dividends received	(1,509,338)	(3,079,817)
Prior years under/over	24,287	159,174
Other	5	(2,010)
	<b>(6,004,481)</b>	<b>(28,263,135)</b>
<b>Effective tax rate</b>	<b>(35.6%)</b>	<b>(32.3%)</b>

The effective tax rate for FY2020 is (35.6%) reflecting the benefit to the Company of franking credits received on dividend income during the year.

Total income tax benefit results in a:

Current tax liability/ (asset)	4,519,398	(33,424,300)
Movement in deferred tax assets	(10,523,879)	5,161,165
	<b>(6,004,481)</b>	<b>(28,263,135)</b>

(b) Deferred Tax Assets

Provisions	10,140	8,790
Capitalised share issue costs	81,811	147,132
Fair value adjustments	14,151,456	10,633,019
Tax losses	36,749,539	36,773,825
Trading stock election	7,069,411	-
	<b>58,062,357</b>	<b>47,562,766</b>

Movement in deferred tax assets

Balance at the beginning of the period	47,562,766	19,283,217
Credited to the profit or loss	10,523,878	28,263,135
Movement relating to under/over adjustment	(24,287)	16,414
	<b>58,062,357</b>	<b>47,562,766</b>

(c) Current Tax Liabilities /(Assets)

Movement in current tax liabilities /(assets)

Balance at the beginning of the period	-	4,217,408
Current year income tax on operating loss	6,004,443	-
Income tax paid	(468,535)	(4,233,822)
Franking credits	(1,509,338)	-
Prior year under	-	16,414
At reporting date	<b>4,026,570</b>	<b>-</b>

4. DIVIDENDS

(a) Dividends paid

	2020 \$	2019 \$
Dividends paid by the Company	12,480,457	22,326,976

2020

Dividends paid by the Company for the year ended 30 June 2020	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total Amount \$
Interim 2020 Ordinary	2.0	13 May 20	30%	100%	6,166,630
Final 2019 Ordinary	2.0	30 October 19	30%	100%	6,313,827
<b>Total Amount</b>					<b>12,480,457</b>

Subsequent to 30 June 2020, the Board have declared a 2.0 cent per share fully franked final dividend payable on 30 October 2020. The Ex-Date for the dividend is the 19 October 2020.

2019

Dividends paid by the Company for the year ended 30 June 2019	Cents per share	Date of payment	Tax rate for franking credit	% Franked	Total Amount \$
Interim 2019 Ordinary	3.0	13 May 19	30%	100%	9,608,670
Final 2018 Ordinary	4.0	17 September 18	30%	100%	12,718,306
<b>Total Amount</b>					<b>22,326,976</b>

(b) Dividend franking account

	2020 \$	2019 \$
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. This franking balance is after taking into account the payment of the current tax liability of \$4,026,570 (2019:nil). (Refer Note 3c)	5,290,059	4,634,383

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	16,934,910	419,364
Income receivable	289,850	551,963
Sundry debtors	161,661	123,659
	<b>17,386,421</b>	<b>1,094,986</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 3 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:	2020 \$	2019 \$
Listed Investments at fair value	267,457,038	257,974,823
Unlisted Investments at fair value	9,985,670	9,876,143
	<b>277,442,708</b>	<b>267,850,966</b>

7. TRADE AND OTHER PAYABLES

Trade creditors	4,790,477	48,395
Sundry creditors - related parties	128,426	119,868
Sundry creditors - other	310,180	349,336
	<b>5,229,083</b>	<b>517,599</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 3 days of the purchase being executed. Sundry creditors – other, are settled within the terms of payment offered, which is usually within 30 days. Sundry creditors – related parties, includes fees payable of \$128,426 (inclusive of GST) (2019: \$119,868) to the manager, Cadence Asset Management Pty Limited.

8. FINANCIAL LIABILITIES

Short positions: Listed investments at fair value – held for trading	7,553,990	7,020,695
	<b>7,553,990</b>	<b>7,020,695</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	422,815,683	432,693,872
Capitalised share issue costs	(4,137,756)	(4,137,756)
Deferred tax asset on capitalised share issue costs	1,241,327	1,241,327
	<b>419,919,254</b>	<b>429,797,443</b>

## 9. ISSUED CAPITAL (Continued)

## (a) Paid-up Capital (Continued)

2020

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
Balance at the beginning of the year			<b>320,027,168</b>	<b>432,693,872</b>
July 2019	On-market share buy-back	\$0.77244	(1,123,851)	(868,109)
August 2019	On-market share buy-back	\$0.75667	(1,465,019)	(1,108,536)
September 2019	On-market share buy-back	\$0.79378	(1,400,443)	(1,111,643)
October 2019	On-market share buy-back	\$0.77872	(912,681)	(710,726)
November 2019	On-market share buy-back	\$0.75355	(1,365,053)	(1,028,639)
December 2019	On-market share buy-back	\$0.74711	(1,036,309)	(774,238)
January 2020	On-market share buy-back	\$0.75902	(1,314,272)	(997,561)
February 2020	On-market share buy-back	\$0.71184	(2,258,209)	(1,607,493)
March 2020	On-market share buy-back	\$0.53746	(819,850)	(440,640)
May 2020	On-market share buy-back	\$0.56011	(1,033,978)	(579,145)
June 2020	On-market share buy-back	\$0.62778	(1,037,723)	(651,459)
			<b>306,259,780</b>	<b>422,815,683</b>

2019

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
Balance at the beginning of the year			317,957,644	430,116,042
17 September 2018	DRP	\$1.19326	2,331,352	2,781,914
June 2019	On-Market Share Buy-Back	\$0.77946	(261,828)	(204,084)
			<b>320,027,168</b>	<b>432,693,872</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.

9. ISSUED CAPITAL (Continued)

(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.

On the 15 May 2019 the Company approved an on-market share buy-back of up to 31.79 million of its ordinary shares. The share buy-back period commenced on the 1 June 2019 and finished on the 31 May 2020. On the 20 May 2020 the Company announced the approval of a further on-market share buy-back of up to 30.7 million of its ordinary shares. The share buy-back period commenced on the 5 June 2020 and will finish no later than the 4 June 2021.

10. PROFITS RESERVE

	2020 \$	2019 \$
Profits Reserve	<b>9,723,976</b>	<b>16,938,027</b>
<b>Movement in Profits Reserve</b>		
Opening balance	16,938,027	39,265,003
Transfer from retained earnings	5,266,406	-
Dividends paid (Note 4)	(12,480,457)	(22,326,976)
	<b>9,723,976</b>	<b>16,938,027</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	113,144,037	53,836,219
Loss attributable to members of the Company	10,878,268	59,307,818
Transfer to profits reserve	5,266,406	-
	<b>129,288,711</b>	<b>113,144,037</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	19,458,443	74,779,920
Bank overdrafts	(55,185,767)	(50,158,911)
	<b>(35,727,324)</b>	<b>24,621,009</b>

12. CASH FLOW INFORMATION (Continued)(a) Reconciliation of cash (Continued)

The weighted average interest rate for cash and cash equivalents as at June 2020 is 0.38% (June 2019: 0.67%). The weighted average interest rate for cash overdrafts as at June 2020 is 1.09% (June 2019: 3.17%). 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.

<u>(b) Reconciliation of Operating Profit after Income Tax</u>	<u>2020</u> \$	<u>2019</u> \$
Operating loss after income tax	(10,878,268)	(59,307,818)
Movement in fair value on financial assets and liabilities	(9,058,446)	38,418,393
<b>Changes in assets and liabilities:</b>		
(Increase)/Decrease in trade and other receivables	(16,291,434)	2,021,940
Increase in deferred tax assets	(10,499,591)	(28,279,549)
Increase/(Decrease) in trade and other payables	4,711,483	(4,116,405)
Increase/(Decrease) in current tax liability	4,026,570	(4,217,408)
<b>Net cash used by Operating Activities</b>	<b>(37,989,686)</b>	<b>(55,480,847)</b>

(c) Non-cash Financing Activities

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

- 2,331,352 shares at \$1.19326 on 17 September 2018 totalling \$2,781,914.

13. EARNINGS PER SHARE

	2020 Cents Per Share	2019 Cents Per Share
Basic loss per share	(3.4)	(18.3)
	2020 \$	2019 \$
Loss after income tax used in the calculation of earnings per share	(10,878,268)	(59,307,818)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	312,694,333	323,943,616
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	312,694,333	323,943,616
<b>Reconciliation of weighted average number of shares:</b>		
Weighted average number of ordinary shares used in calculation of basic earnings per share	312,694,333	323,943,616
Add:		
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	-	-
Weighted average number of shares used in the calculation of diluted earnings per share	312,694,333	323,943,616

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.

*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 price 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, subcustodian 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.

## 14. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit Risk (Continued)

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.

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 Price Risk

Market price 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 price 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:

14. FINANCIAL RISK MANAGEMENT (Continued)

(e) Foreign Currency Risk (Continued)

	2020	2019
United States Dollar:		
Investments	USD 29,203,773	USD 23,366,715
Bank Overdraft	USD (22,522,981)	USD (17,428,533)
	USD 6,680,792	USD 5,938,182
Canadian Dollar:		
Investments	-	CAD 12,686,124
Bank Overdraft	CAD (3,942,277)	CAD (9,468,069)
	CAD (3,942,277)	CAD 3,218,055

(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.

2020	Weighted Average Interest Rate	Interest bearing		Non-interest bearing	Total
		Less than 90 days \$	More than 1 year \$	\$	\$
<b>Assets</b>					
Financial assets	-	-	-	277,442,708	277,442,708
Cash and cash equivalents	0.38%	19,458,443	-	-	19,458,443
Trade debtors (<90 days)	-	-	-	16,934,910	16,934,910
Other receivables	-	-	-	451,511	451,511
<b>Total Assets</b>		<b>19,458,443</b>	<b>-</b>	<b>294,829,129</b>	<b>314,287,572</b>
<b>Liabilities</b>					
Financial liabilities	-	-	-	7,553,990	7,553,990
Bank overdrafts	1.09%	55,185,767	-	-	55,185,767
Trade creditors (<90 days)	-	-	-	4,790,477	4,790,477
Other payables	-	-	-	438,606	438,606
<b>Total liabilities</b>		<b>55,185,767</b>	<b>-</b>	<b>12,783,073</b>	<b>67,968,840</b>

14. FINANCIAL RISK MANAGEMENT (Continued)

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

2019	Weighted Average Interest Rate	Interest bearing		Non-interest bearing \$	Total \$
		Less than 90 days \$	More than 1 year \$		
<b>Assets</b>					
Financial assets	-	-	-	267,850,966	267,850,966
Cash and cash equivalents	0.67%	74,779,920	-	-	74,779,920
Trade debtors (<90 days)	-	-	-	419,364	419,364
Other receivables	-	-	-	675,622	675,622
<b>Total Assets</b>		<b>74,779,920</b>	<b>-</b>	<b>268,945,952</b>	<b>343,725,872</b>
<b>Liabilities</b>					
Financial liabilities	-	-	-	7,020,695	7,020,695
Bank overdrafts	3.17%	50,158,911	-	-	50,158,911
Trade creditors (<90 days)	-	-	-	48,395	48,395
Other payables	-	-	-	469,204	469,204
<b>Total liabilities</b>		<b>50,158,911</b>	<b>-</b>	<b>7,538,294</b>	<b>57,697,205</b>

2020 \$	2019 \$
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Other payables are expected to be paid as follows:

- Less than 6 months	438,606	469,204
- 6 months to one year	-	-

(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.

14. FINANCIAL RISK MANAGEMENT (Continued)

(h) Financial Instruments Measured at Fair Value (Continued)

Investments included in Level 2 of the hierarchy include amounts in relation to Contracts for Difference, Financial Liabilities, Initial Public Offerings and Placements in which the Company has subscribed to during the year. The fair value of Contracts for Difference and Financial Liabilities have been determined using market inputs of the underlying investments. Initial Public Offerings and Placements are investments that have not listed on the Australian Stock Exchange as at 30 June 2020 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.

Level 3 asset class is made of two pre-IPO investments. DeepGreen Metals Inc is valued at the weighted average cost of most recent purchases. Additional purchases of DeepGreen Metals Inc. were made over the past year.

30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	267,457,038	-	9,985,670	277,442,708
Financial liabilities	(7,553,990)	-	-	(7,553,990)
<b>Total</b>	<b>259,903,048</b>	<b>-</b>	<b>9,985,670</b>	<b>269,888,718</b>

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	257,682,694	292,129	9,876,143	267,850,966
Financial liabilities	(7,020,695)	-	-	(7,020,695)
<b>Total</b>	<b>250,661,999</b>	<b>292,129</b>	<b>9,876,143</b>	<b>260,830,271</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.

*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:

	2020 \$	2019 \$
<b>Change in profit before tax</b>		
- Increase in interest rate by 1%	64,430	28,859
- Decrease in interest rate by 1%	(64,430)	(28,859)
<b>Change in equity</b>		
- Increase in interest rate by 1%	45,101	20,202
- Decrease in interest rate by 1%	(45,101)	(20,202)

14. FINANCIAL RISK MANAGEMENT (Continued)

(i) Sensitivity Analysis (Continued)

*Foreign Currency Risk Sensitivity Analysis*

At 30 June 2020, 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:

	2020 \$	2019 \$
Change in profit before tax		
- Depreciation of the AUD by 2%	63,548	294,983
- Appreciation of the AUD by 2%	(63,548)	(294,983)
Change in equity		
- Depreciation of the AUD by 2%	44,484	206,488
- Appreciation of the AUD by 2%	(44,484)	(206,488)

*Market Price Risk Sensitivity Analysis*

At 30 June 2020, 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:

	2020 \$	2019 \$
Change in profit before tax		
- Increase in market price by 2%	5,397,774	5,216,605
- Decrease in market price by 2%	(5,397,774)	(5,216,605)
Change in equity		
- Increase in market price by 2%	3,778,442	3,651,624
- Decrease in market price by 2%	(3,778,442)	(3,651,624)

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
James Chirnside	Non-Executive Director
Jenelle Webster	Non-Executive Director

15. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(a) Remuneration

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

	2020 \$	2019 \$
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 2020, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2019	Acquisitions	Disposals	Balance at 30 June 2020
Karl Siegling	22,322,355	1,516,214	-	23,838,569
Wayne Davies	863,234	141,745	-	1,004,979
James Chirnside	26,851	-	-	26,851
Jenelle Webster	30,000	3,173	-	33,173
	<b>23,242,440</b>	<b>1,661,132</b>	-	<b>24,903,572</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.

15. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(c) Shareholdings (Continued)

As at 30 June 2019, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2018	Acquisitions	Retired from Board	Balance at 30 June 2019
Karl Siegling	21,358,504	963,851	-	22,322,355
Wayne Davies	835,236	27,998	-	863,234
Ronald Hancock (Retired 27/9/18)	400,000	-	(400,000)	-
James Chirnside	26,851	-	-	26,851
Jenelle Webster (Appointed 27/9/18)	-	30,000	-	30,000
	<b>22,620,591</b>	<b>1,021,849</b>	<b>(400,000)</b>	<b>23,242,440</b>

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. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$2,818,612 (inclusive of GST) (2019: \$3,449,970). 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 2020, the balance payable to the manager was \$128,426 (inclusive of GST) (2019: \$116,368).

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 no performance fee was payable to Cadence Asset Management Pty Limited (2019: nil). As at 30 June 2020, there was no balance payable to the manager (2019: nil).

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 2.0 cent per share fully franked final dividend payable on 30 October 2020. The Ex-Date for the dividend is 19 October 2020.

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 2020 (2019: nil).

19. CAPITAL COMMITMENTS

Capital commitments exist for placements entered into before 30 June 2020, which settle after year end.

2020 \$	2019 \$
<b>628,000</b>	-

20. SEGMENT REPORTING

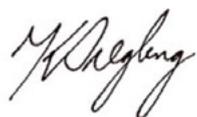
The Company has only one segment. The Company operates predominately in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its financial assets at fair value through profit or loss. However the Company has foreign exposures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

## DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements as set out in pages 13 to 35 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 2020 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 30<sup>th</sup> day of September 2020



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**Independent Auditor's Report  
To the Members of Cadence Capital Limited  
ABN 17 112 870 096**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Cadence Capital Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* ("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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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**Independent Auditor's Report  
To the Members of Cadence Capital Limited  
ABN 17 112 870 096**

*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 year. 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>
<b>Existence and Valuation of Financial Assets and Completeness of Financial Liabilities</b> <b>Refer to Note 6: Financial Assets and Note 8: Financial Liabilities</b>	
<p>We focused our audit effort on the existence and valuation of the Company's financial assets and the completeness of the Company's financial liabilities as they represent the most significant driver of the Company's Net Tangible Assets and Profit.</p> <p>The majority of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as either "Level 1" (i.e. where the valuation is based on quoted prices in active markets) or "Level 3" (i.e. where key inputs to valuation are based on other observable inputs).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of and evaluating the investment management processes and controls;</li> <li>▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians;</li> <li>▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and where necessary obtaining bridging letters;</li> <li>▪ Obtaining confirmations of the investment holdings directly from the Custodians;</li> <li>▪ Assessing and recalculating the Company's valuation of individual investment holdings using independent pricing sources;</li> <li>▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>

Independent Auditor's Report  
 To the Members of Cadence Capital Limited  
 ABN 17 112 870 096



<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b>Accuracy and Existence of Management and Performance Fees</b>  <b>Refer to Note 7: Trade and other payables and Note 16: Related party transactions</b></p>	
<p>We focused our audit effort on the accuracy and existence of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments and key inputs. Adjustments include company dividends, tax payments, capital raisings, capital reductions and other relevant expenses. Key inputs include the value of the portfolio, the performance of the relevant comparable benchmark and application of the correct fee percentage 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>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees;</li> <li>▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes;</li> <li>▪ Testing of adjustments such as company dividends, tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees;</li> <li>▪ Testing of key inputs including the value of the portfolio, the performance of the relevant comparable benchmark and application of the correct fee percentage in accordance with our understanding of the Investment Management Agreement; and</li> <li>▪ Assessing the adequacy of disclosures made in the financial statements.</li> </ul>

*Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 inconsistent 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.



**Independent Auditor's Report  
To the Members of Cadence Capital Limited  
ABN 17 112 870 096**

*Responsibilities of the Directors for the Financial Report*

The Directors of the Company are responsible for the preparation 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 is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company 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 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 the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.
- 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.

**Independent Auditor's Report  
To the Members of Cadence Capital Limited  
ABN 17 112 870 096**



*Auditor's Responsibilities for the Audit of the Financial Report (Continued)*

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.

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, actions taken to eliminate threats or safeguards applied.

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 the 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 2020. In our opinion, the Remuneration Report of Cadence Capital Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

C I Chandran  
Partner

30 September 2020

Pitcher Partners  
Sydney

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 2020)

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	24,168,605	7.96

#### Distribution of shareholdings (as at 31 August 2020)

Category	No. of Shareholders
1 – 1,000	377
1,001 – 5,000	927
5,001 – 10,000	1,089
10,001 – 100,000	4,039
100,001 and over	479
	<b>6,911</b>

The number of shareholdings held in less than marketable parcels is 193.

Twenty largest shareholders - Ordinary shares (as at 31 August 2020)	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd and associates	24,168,605	7.963%
Yarandi Investments Pty Ltd & associated entities	7,176,087	2.364%
Southern Steel Investments Pty Limited	3,637,577	1.199%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	3,389,398	1.117%
HSBC Custody Nominees (Australia) Limited	3,387,698	1.116%
Naaman Pty Ltd	2,500,000	0.824%
Avanteos Investments Limited <Clearview S/P A/C>	2,115,479	0.697%
BNP Paribas Noms (NZ) Ltd <DRP>	1,989,305	0.655%
BNP Paribas Nominees Pty Ltd <AU Noms Retail Client DRP>	1,635,905	0.539%
Golden Words Pty Ltd	1,584,693	0.522%
Nulis Nominees (Australia) Limited	1,453,296	0.479%
Kerridge Foundation Pty Limited	1,400,000	0.461%
Mr Aaron Francis Quirk	1,350,500	0.445%
Mr Cameron McFarlane <McFarlane Super Fund A/C>	1,300,000	0.428%
Netwealth Investments Limited <Wrap Services A/C>	1,255,052	0.414%
Mr Paul Van Ryn & Mrs Karen Van Ryn <Kapalasar Family A/C>	1,207,703	0.398%
Mr David McBain	1,015,600	0.335%
Srog Investments Pty Ltd	1,007,456	0.332%
Andonandon Pty Ltd <Andonandon Super Fund A/C>	1,004,979	0.331%
Robinson Page Management Pty Ltd <Beggs-Page Super Fund A/C>	1,000,000	0.329%
	<b>63,579,333</b>	<b>20,948%</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.



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CAPITAL LIMITED

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