

CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2023**

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COMPANY PARTICULARS

DIRECTORS:	Karl Siegling Wayne Davies Susan Oakes Jolanta Masojada
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 Website: www.cadencecapital.com.au For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) refer to asx.com.au or call (02) 8298 2450
PRIME BROKER:	BNP Paribas 10 Harewood Avenue London NW1 6AA
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 Sydney Level 16 Tower 2, Darling Park 201 Sussex St Sydney, NSW 2000
ASX CODE:	Cadence Opportunities Fund Limited Ordinary Shares (CDO)
COUNTRY OF INCORPORATION:	Australia

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MANAGER'S REPORT

SUMMARY OF RESULTS

- Fund gross performance of -5.8% for FY23
- Past three years the fund is up 23.8% p.a.
- 6.5c fully franked final dividend declared
- Annualised yield of 7.8% fully franked (11.1% gross including franking)
- DRP will be operating for the final dividend
- On-market buy-back planned to buy back shares issued in DRP
- Statutory loss after tax of \$1.3m

COMPANY PERFORMANCE

Cadence Opportunities Fund Limited (ASX: CDO) ended the financial year with the fund down 5.8%. Over the past three years the fund is up 23.8% per annum. The top contributors to performance during the financial year were Whitehaven Coal, Patriot Battery Metals, New Hope, Terracom, Meta Platforms, BHP and Stanmore Coal. The largest detractors from performance were City Chic Collective, Alibaba Group, Nvidia, Australian Pacific Coal, Life360, Lynas Rare Earths and Textainer Group.

Core investments across the energy and resources sectors were again the major driver of returns for the fund over the past financial year, continuing the theme witnessed over the previous year.

Conversely, the fund has been conservatively positioned over the past year with high cash levels in the portfolio (on average above 40%) which has dragged on its returns. Another detractor to the company's performance was investing in potential turnaround situations too early.

DIVIDENDS

The Company announced a 6.5 cents per share fully franked year-end dividend bringing the full year dividend to 14.0 cents per share fully franked. This full year dividend equates to a 7.8% fully franked yield or a 11.1% gross yield (grossed up for franking credits) based on the share price of \$1.795 per share on the day of the announcement.

Importantly this equates to a 7.3% dividend yield based on the current pre-tax NTA of \$1.93, as the Company shares are trading at a discount to NTA. After paying this dividend the fund still has 29 cents per share of profits reserves to pay future dividends.

The Ex-Date for the dividend is the 16th October 2023. The payment date for the dividend is the 31st October 2023.

The dividend re-investment plan (DRP) will be in operation for this final dividend. The DRP will be priced at the weighted average share price over the relevant DRP pricing period. The Company intends to implement an on-market buy-back to buy-back the shares it issues under the DRP. This buy-back will operate when the CDO share price is trading at a discount to the Pre-Tax NTA.

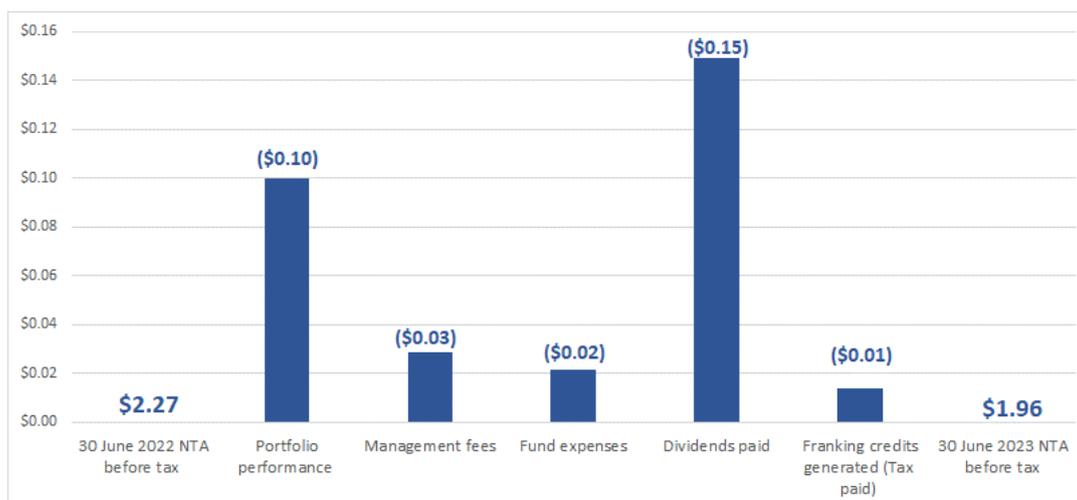
Cadence Opportunities Fund Limited is looking to support its DRP registered shareholders to re-invest their dividends at a discount to NTA, instead of leaving them to manage market orders to re-invest their dividends. If you are not registered for the DRP and you would like to participate, please contact Boardroom on 1300 737 760.

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MANAGER'S REPORT (Continued)

The graph below details the movement of Pre-Tax NTA from 30 June 2022 to 30 June 2023.



OUTLOOK

The post Covid recovery in markets ended in mid 2021. For the past two years markets have continued to be volatile, with no clear trend emerging. Cash levels remain high as we preserve our capital for future opportunities.

Prior to 2020 we had a decades long downtrend in interest rates. The downtrend has ended, and interest rates have now been rising for three years. This will be one of the most important trends to monitor in determining the direction of future asset prices.

The fund has started 2024 in a strong position with high cash and liquidity levels. We continue to focus on implementing the Cadence process that has served us well through market cycles.

As Investment Manager 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 on <https://www.cadencecapital.com.au/newsletter-cdo/> to receive regular updates.

Please feel free to contact us at 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

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TOP 20 POSITIONS AS AT 30 JUNE 2023

LONG AND SHORT POSITIONS

Long Positions	Company Name	Exposure \$	% of Equity
META US	Meta Platforms Inc	\$2,076,557	6.45%
QBE	QBE Insurance Group	\$1,448,692	4.50%
THL	Tourism Holdings Rentals Ltd	\$1,448,332	4.50%
BHP	BHP Group Ltd	\$1,415,610	4.40%
NCM	Newcrest Mining Ltd	\$1,350,987	4.20%
NFLX US	Netflix Inc	\$1,068,175	3.32%
SRX	Sierra Rutile Holdings Ltd	\$868,039	2.70%
CS CN	Capstone Copper Corp	\$853,594	2.65%
TIE	Tietto Minerals Ltd	\$841,875	2.62%
IREN US	Iris Energy Ltd	\$632,645	1.97%
SIQ	Smartgroup Corp Ltd	\$470,242	1.46%
GNW US	Genworth Financial	\$461,937	1.44%
STX	Strike Energy Ltd	\$437,630	1.36%
ANG	Austin Engineering Ltd	\$427,266	1.33%
MEG CN	Meg Energy Corp	\$412,505	1.28%
PMT	Patriot Battery Metals	\$401,677	1.25%
RED	Red 5 Ltd	\$335,446	1.04%
Short Positions	Company Name	Exposure \$	% of Equity
NEM US	Newmont Corp	\$1,602,631	4.98%
JLG	Johns Lyng Group Ltd	\$402,681	1.25%
LIC	Lifestyle Communities Ltd	\$326,887	1.02%
Total Top 20 Long and Short Positions Exposure		\$12,619,010	39.21%

TOTAL PORTFOLIO POSITIONS:

Portfolio Net Exposure Long Positions	\$18,085,246	56.20%
Portfolio Net Exposure Short Positions	\$3,717,097	11.55%
Total Portfolio Net Exposure	\$14,368,149	44.65%

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2023

The Directors of Cadence Opportunities Fund Limited ("the Company") submit herewith their report together with the financial report of Cadence Opportunities Fund Limited for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITY

The principal activity of the Company is 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 \$2,305,260 (2022: operating loss before tax of \$2,584,749) and an operating loss after tax of \$1,342,875 (2022: operating loss after tax of \$1,520,202).

REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2023, net investments were valued at \$14,368,149 (2022: \$13,078,908). 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 year ended was \$32,180,952 (2022: \$35,008,765).

DIVIDENDS PAID OR RECOMMENDED

The Board have declared a 6.5 cent per share fully franked final dividend payable on the 31 October 2023. The Ex-Date for the dividend is 16 October 2023.

Dividends paid are as follows:

	\$
Fully franked 2023 interim dividend of 7.5 cents per share was paid on 28 April 2023	1,129,373
Fully franked 2022 final dividend of 7.5 cents per share was paid on 22 October 2022	1,103,621
Fully franked 2022 interim dividend of 7.5 cents per share was paid on 14 April 2022	1,129,373
Fully franked 2021 final dividend of 12.0 cents per share was paid on 29 October 2021	1,103,621

DIRECTORS

The names of the Directors of Cadence Opportunities Fund Limited who held office during or since the end of the financial year are:

Karl Siegling
Wayne Davies
Susan Oakes
Jolanta Masojada

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

INFORMATION ON DIRECTORS

Karl Siegling (Chairman)

Karl Siegling has 30 years investment experience in the financial sector both in Australia and overseas. He holds a Bachelor of Commerce and a Law degree from the University of Melbourne and 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 an 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.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2023

INFORMATION ON DIRECTORS (Continued)

Karl Siegling (Chairman) (Continued)

Karl has been the Chairman and Managing Director of Cadence Asset Management Pty Limited (the Manager), for 19 and a half years. Karl is also a Director of Cadence Capital Limited. Karl has been the Chairman and Managing Director of Cadence Capital Limited for 17 and a half years. Karl has been a Director of the Company for the past 5 years. Karl was previously a Director of Webcentral Group Limited (WCG).

Wayne Davies (Non-Executive Director and Company Secretary)

Wayne Davies has over 20 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 16 years. Wayne Davies previously worked with Theorema Asset Management in London and was a Director of Theorema Europe Fund and Theorema Europe Fund Plus. Wayne has been a Director of Cadence Capital Limited for the past 9 and a half years. Wayne has been a Director of the Company for the past 5 years. Wayne is a member of the Audit & Risk Committee and a member of the Nomination and Remuneration Committee. Wayne has not resigned as a Director from a listed company in the past three years.

Susan Oakes (Non-executive Director)

Susan Oakes has over 30 years financial services industry experience. Susan has worked in trading room roles in Sydney, London and New York. Susan is a former director and business head at Merrill Lynch and has also worked as a risk consultant at the Commonwealth Bank of Australia.

Susan has worked in trading roles at Genesis Proprietary Trading, Phoenix Trading Group, Aliom Holdings Limited & TransMarket Group. Susan possesses extensive experience and knowledge in trading and portfolio management. Susan Oakes holds an MBA from the Australian Graduate School of Management, UNSW, specialising in business risk and is also a graduate member of the Australian Institute of Company Directors (GAICD). Susan has been a Director of the Company for the past 5 years. Susan is the chairman of the Audit & Risk Committee and a member of the Nomination and Remuneration Committee. Susan has not resigned as a Director from a listed company in the past three years.

Jolanta Masojada (Non-executive Director)

Jolanta Masojada is Principal of MasMarket Advisers, providing strategic investor relations and communications advice to listed companies. She has more than 25 years' experience in financial markets and equity research in the media and technology sectors in Australia and the US. Jolanta was formerly Director of Equity Research at Credit Suisse and Deutsche Bank, with previous roles at Macquarie Bank and Pierson Sal. Oppenheim in New York.

Jolanta is a graduate of the University of KwaZulu-Natal and Cambridge University. She is a Non-Executive Director of Bailador Technology Investments (ASX:BTI), a fellow of the Financial Services Institute of Australasia, a graduate of the Australian Institute of Company Directors and a Certified Investor Relations Officer (CIRO) of the Australasian Investor Relations Association (AIRA). Jolanta has been a Director of the Company for the past 1 and a half years. Jolanta is the chairman of the Nomination and Remuneration Committee and a member of the Audit & Risk Committee. Jolanta has not resigned as a Director from a listed company in the past three 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
Wayne Davies	6	6
Susan Oakes	6	6
Jolanta Masojada	6	6

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2023

AUDIT COMMITTEE MEETINGS	No. eligible to attend	Attended
Susan Oakes (Chairperson)	2	2
Jolanta Masojada	2	2
Wayne Davies	2	2

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Cadence Opportunities Fund 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.

	Cash Salary	Superannuation	Total
	\$	\$	\$
2023			
Short-term Employee Benefits - Directors Fees:			
Susan Oakes	27,149	2,851	30,000
Jolanta Masojada	27,149	2,851	30,000
Wayne Davies	13,575	1,425	15,000
	<u>67,873</u>	<u>7,127</u>	<u>75,000</u>
	Cash Salary	Superannuation	Total
	\$	\$	\$
2022			
Short-term Employee Benefits - Directors Fees:			
Susan Oakes	23,864	2,386	26,250
Jolanta Masojada	20,455	2,045	22,500
Wayne Davies	11,932	1,193	13,125
	<u>56,251</u>	<u>5,624</u>	<u>61,875</u>

The following table reflects the Company's performance and Director's remuneration since the Company's inception:

	2023	2022	2021	2020	2019
Operating(loss)/profit after tax(\$)	(1,342,875)	(1,520,202)	5,594,046	1,540,980	293,394
Dividends (cents per share)	14.0	15.0	15.0	6.0	-
NTA after tax (\$ per share)	2.06	2.30	2.44	1.64	1.32
Total directors remuneration(\$)	75,000	61,875	22,500	22,500	11,250
Shareholders equity(\$)	32,180,952	35,008,765	21,965,936	8,429,424	5,853,444

(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 Opportunities Fund Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$467,941 (inclusive of GST) (2022: \$488,153). This is equivalent to 0.125% 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

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2023

REMUNERATION REPORT (Continued)

(b) Director Related Entities Remuneration (Continued)

1.25% of the gross value of the portfolio per annum. As at 30 June 2023, the management fee payable to the Manager was \$35,268 (inclusive of GST) (2022: \$39,741).

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 15% (plus GST) of the amount of the increase in the value of the portfolio.

No performance fee is payable in respect of any performance period, where the portfolio has decreased in value over that period. For the year ended 30 June 2023 no performance fee was earned by Cadence Asset Management Pty Limited (2022: \$nil (inclusive of GST)). As at 30 June 2023, no performance fee was payable to the Manager (2022: \$nil).

Cadence Asset Management Pty Limited employs accounting personnel to provide accounting services to the Company. These services are provided on commercial terms and include a standard charge of \$4,180 (inclusive of GST) per month and an increased charge of \$6,600 (inclusive of GST) is charged for preparing the half year and full year financial statements. As at 30 June 2023, the balance payable to the Manager for these services was \$6,600 (inclusive of GST) (2022: \$6,600).

(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 \$100,000 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.

(d) Shareholdings

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

Shareholdings	Balance at 1 July 2022	Acquisitions	Disposals	Balance at 30 June 2023
Karl Siegling	3,129,811	220,519	-	3,350,330
Wayne Davies	123,276	8,686	-	131,962
Jolanta Masojada	10,824	763	-	11,587
Susan Oakes	32,216	2,270	-	34,486
	<u>3,296,127</u>	<u>232,238</u>	<u>-</u>	<u>3,528,365</u>

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. As at the date of this report Karl Siegling holds 3,353,330 shares in the Company. There have been no other changes in KMP interests between balance date and the date of this report.

End of Remuneration Report.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2023

EVENTS AFTER THE REPORTING PERIOD

The Board have declared a 6.5 cent per share fully franked final dividend payable on the 31 October 2023. The Ex-Date for the dividend is 16 October 2023.

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

During the year Pitcher Partners Sydney, the Company's auditor, did perform 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 (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.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2023

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the year ended 30 June 2023 is provided on the Company's website at <https://cadencecapital.b-cdn.net/wp-content/uploads/2023/09/CDO-Corp-Governance-Statement-September-2023-updated.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 21st September 2023

Pitcher Partners Sydney Partnership

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

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of Cadence Opportunities Fund Limited
ABN 37 627 359 166**

In relation to the independent audit of the financial report of Cadence Opportunities Fund Limited for the year ended 30 June 2023, 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)*.



C I Chandran
Partner

Pitcher Partners
Sydney

21 September 2023

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
INCOME			
Net realised and unrealised loss on investments		(2,415,947)	(2,364,981)
Dividends received		1,318,141	1,342,435
Interest received		433,222	11,226
Other income		14,326	-
Total loss		<u>(650,258)</u>	<u>(1,011,320)</u>
EXPENSES			
Finance costs		(269,720)	(91,527)
Brokerage expenses on share purchases		(273,912)	(594,816)
Directors fees		(75,000)	(61,875)
Dividends on short positions		(235,956)	(58,035)
Stock loan fees		(107,671)	(38,755)
Custody fees		(29,871)	(46,800)
Audit and taxation fees	2	(95,900)	(60,917)
Management fees		(436,036)	(454,870)
ASX Fees		(48,632)	(100,153)
Registry fees		(17,103)	(29,393)
Other expenses from ordinary activities		(65,201)	(36,288)
Total expenses		<u>(1,655,002)</u>	<u>(1,573,429)</u>
Loss before income tax		(2,305,260)	(2,584,749)
Income tax benefit	3(a)	962,385	1,064,547
Loss attributable to members of the Company		<u>(1,342,875)</u>	<u>(1,520,202)</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to members of the Company		<u>(1,342,875)</u>	<u>(1,520,202)</u>
Basic loss per share	12	<u>(8.7) cents</u>	<u>(11.6) cents</u>
Diluted loss per share	12	<u>(8.7) cents</u>	<u>(11.6) cents</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 \$	2022 \$
ASSETS			
Cash and cash equivalents	11(a)	21,196,633	24,024,178
Trade and other receivables	5	519,980	2,857,497
Financial assets at fair value through profit or loss	6	18,085,246	20,843,032
Current tax asset	3(d)	207,104	56,203
Deferred tax asset	3(b)	1,296,957	332,239
TOTAL ASSETS		41,305,920	48,113,149
LIABILITIES			
Cash overdrafts	11(a)	3,956,359	2,502,848
Trade and other payables	7	1,451,512	2,837,412
Financial liabilities at fair value through profit or loss	8	3,717,097	7,764,124
TOTAL LIABILITIES		9,124,968	13,104,384
NET ASSETS		32,180,952	35,008,765
EQUITY			
Issued capital	9(a)	32,734,202	31,920,498
Profits reserve	10	5,551,467	7,850,109
Accumulated losses		(6,104,717)	(4,761,842)
TOTAL EQUITY		32,180,952	35,008,765

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total equity \$
Balance at 1 July 2021		14,848,568	-	7,117,368	21,965,936
		-	(1,520,202)	-	(1,520,202)
Loss for the year		-	(3,241,640)	3,241,640	-
Transfer to profits reserve	10	-	-	-	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued (net of costs)	9(a)	15,908,480	-	-	15,908,480
Shares issued via DRP	9(a)	1,163,450	-	-	1,163,450
Dividends paid	4(a)	-	-	(2,508,899)	(2,508,899)
Balance at 30 June 2022		31,920,498	(4,761,842)	7,850,109	35,008,765
Loss for the year		-	(1,342,875)	-	(1,342,875)
Transfer to profits reserve	10	-	-	-	-
Other comprehensive income for the year		-	-	-	-
Transactions with owners:					
Shares issued via DRP	9(a)	813,704	-	-	813,704
Dividends paid	4(a)	-	-	(2,298,642)	(2,298,642)
Balance at 30 June 2023		32,734,202	(6,104,717)	5,551,467	32,180,952

The accompanying notes form part of these financial statements.

CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from the sale of investments		153,277,915	347,319,175
Payments for the purchase of investments		(156,027,512)	(341,439,805)
Dividends received		1,322,452	1,343,547
Interest received		388,994	11,226
Other income received		14,326	-
Management fees paid		(440,509)	(444,140)
Performance fees paid		-	(1,603,871)
Brokerage expenses on share purchases		(273,912)	(594,816)
Dividends on shorts		(230,028)	(51,928)
Finance costs		(269,720)	(91,527)
Income tax paid		(153,231)	(666,275)
Administration expenses paid		(404,893)	(355,222)
NET CASH (USED IN)/ GENERATED BY OPERATING ACTIVITIES	11(b)	(2,796,118)	3,426,364
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from shares issued		-	15,527,884
Dividends paid		(1,484,938)	(1,345,449)
NET CASH (USED IN)/ PROVIDED BY FINANCING ACTIVITIES		(1,484,938)	14,182,435
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS HELD		(4,281,056)	17,608,799
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE FINANCIAL YEAR		21,521,330	3,912,531
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR	11(a)	17,240,274	21,521,330
NON-CASH TRANSACTIONS:			
Shares issued via dividend reinvestment plan	9(a)	813,704	1,163,450

The accompanying notes form part of these financial statements.

CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cadence Opportunities Fund 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. Significant 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 statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. The Company manages financial assets and financial liabilities at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

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

The financial statements are presented in Australian dollars, which is the Company’s functional and presentation currency.

The financial report was authorised for issue on 21st September 2023 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.

CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Investments (Continued)

ii) Recognition and Initial Measurement (Continued)

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

iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. 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

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income Tax (Continued)

are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

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

(c) Cash and Cash Equivalents

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

CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Comparative Figures

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

(j) Critical Accounting Estimates and Judgements

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

Income tax

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

Recovery of deferred tax assets

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

Other than discussed above, there are no estimates or judgements that have a material impact on the Company's financial results for the period ended 30 June 2023 (2022: none). All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect of their valuation.

(k) Issued Capital

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

(l) Profits Reserve

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

(m) Dividends

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

(n) Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(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 1 July 2022 that has had a material impact on the accounts recognised in the prior periods or will affect the current or future periods.

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective at 30 June 2023. These have not been early adopted in preparing these financial statements and are not expected to have a material impact when adopted.

2. AUDITOR'S REMUNERATION	2023	2022
Remuneration of the auditor of the Company for:	\$	\$
Audit and review the financial report	76,140	53,098
Non-audit Services		
Other services provided by a related practice of the auditor:		
Taxation services	19,760	7,819
	<u>95,900</u>	<u>60,917</u>

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:

Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(691,578)	(775,425)
Imputation credit gross up	120,575	129,590
Franked dividends receivable – current year	(401,917)	(431,967)
Foreign tax gross up	5,890	-
Other	4,645	13,255
	<u>(962,385)</u>	<u>(1,064,547)</u>
Effective tax rate	(41.7%)	(41.2%)

The effective tax rate for FY2023 is -41.7% reflecting the benefit to the Company of franking credits received on dividend income during the year.

Total income tax expense results in a:

Current tax asset	-	(56,203)
Movement in deferred tax assets/liabilities	(962,385)	(1,079,383)
Other	-	71,039
	<u>(962,385)</u>	<u>(1,064,547)</u>

(b) Deferred Tax Asset

Provisions	13,859	11,683
Capitalised share issue costs	51,897	55,244
Fair value adjustment	(335,552)	83,690
Tax losses	1,566,753	181,622
	<u>1,296,957</u>	<u>332,239</u>

Movement in deferred tax asset

Balance at the beginning of the year	332,239	14,572
Credited to the profit or loss	962,385	317,667
Movement relating to under adjustment	2,333	-
	<u>1,296,957</u>	<u>332,239</u>

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. TAXATION (Continued)	2023	2022
	\$	\$
(c) Deferred Tax Liability		
Provisions	-	-
Fair value adjustments	-	-
	<u>-</u>	<u>-</u>
Movement in deferred tax liability		
Balance at the beginning of the year	-	826,189
Credited to the profit or loss	-	(826,189)
	<u>-</u>	<u>-</u>
(d) Current Tax Asset		
Movement in current tax asset		
Balance at the beginning of the year	56,203	(611,359)
Income tax paid	209,434	666,275
Income tax received	(56,203)	-
Prior year under/(over)	(2,330)	1,287
	<u>207,104</u>	<u>56,203</u>

4. DIVIDENDS

(a) Dividends paid

Dividends paid by the Company	<u>2,298,642</u>	<u>2,508,899</u>
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2023

Dividends paid by the Company for the year ended 30 June 2023	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2023 Ordinary	7.5	28 April 23	30%	100%	1,156,095
Final 2022 Ordinary	7.5	28 October 22	30%	100%	1,142,547
Total Amount					<u>2,298,642</u>

2022

Dividends paid by the Company for the year ended 30 June 2022	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2022 Ordinary	7.5	14 April 22	30%	100%	1,129,373
Final 2021 Ordinary	12.0	29 October 21	30%	100%	1,103,621
Final 2021 Special	3.0	29 October 21	30%	100%	275,905
Total Amount					<u>2,508,899</u>

(b) Dividend franking account

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.

1,200,786

1,630,770

Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in (c) and the current tax asset disclosed in Note 3(d) and be increased by any taxation payments made. 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.

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

4. DIVIDENDS (Continued)

(c) Dividends not recognised during the period

Since the end of the year the Directors have declared a fully franked final dividend of 6.5 cents per share payable on 31 October 2023. The Ex-Date for the dividend is 16 October 2023.

5. TRADE AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Trade debtors	462,448	2,824,251
Income receivable	44,228	4,311
GST receivable	13,304	28,935
	<u>519,980</u>	<u>2,857,497</u>

Trade debtors relate to outstanding settlements, are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 2 days of the purchase being executed. Income receivable relates to accrued income, it is non-interest bearing and is unsecured.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Long positions - held for trading financial assets

Listed Investments at fair value	18,085,246	20,655,288
Swap positions at fair value	-	187,744
	<u>18,085,246</u>	<u>20,843,032</u>

7. TRADE AND OTHER PAYABLES

Trade creditors	1,335,558	2,741,771
Dividends payable on shorts	12,035	6,107
Sundry creditors - related parties	41,868	46,341
Sundry creditors - other	62,051	43,193
	<u>1,451,512</u>	<u>2,837,412</u>

Trade creditors relate to outstanding settlements. They are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 2 days of the purchase being executed.

Sundry creditors – related parties, includes fees payable of \$41,868 (inclusive of GST) (2022: \$46,341) to the manager, Cadence Asset Management Pty Limited.

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

8. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Short positions - held for trading financial liabilities:

Listed investments at fair value	<u>3,717,097</u>	<u>7,764,124</u>
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The Company's Financial Assets and Cash are used as collateral for its Financial Liabilities. Refer to Note 13(b) for further information on Credit Risk.

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

9. ISSUED CAPITAL	2023	2022
	\$	\$
(a) Paid-up Capital		
Ordinary shares fully paid	32,942,904	32,129,200
Capitalised share issue costs	(298,146)	(298,146)
Deferred tax asset on capitalised share issue costs	89,444	89,444
	<u>32,734,202</u>	<u>31,920,498</u>

2023 Date	Details	Share Price \$	No. of Shares	Issue value \$
Balance at beginning of the year			15,233,945	32,129,200
28 October 2022	DRP	\$2.2367	180,640	404,015
28 April 2023	DRP	\$2.0918	195,185	409,689
			<u>15,609,770</u>	<u>32,942,904</u>

2022 Date	Details	Share Price \$	No. of Shares	Issue value \$
Balance at beginning of the year			8,984,340	14,869,214
1 July 2021	Placement	\$2.5983	115,459	300,000
1 August 2021	Placement	\$2.5763	97,038	250,000
29 October 2021	DRP	\$2.8210	252,232	711,547
19 November 2021	IPO	\$2.7716	5,609,228	15,546,536
14 April 2022	DRP	\$2.5729	175,648	451,903
			<u>15,233,945</u>	<u>32,129,200</u>

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. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

(b) Capital Management

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

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

On 19 November 2021, the Company completed a successful capital raise of \$15.5 million and listed on the ASX under the ticker CDO.

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

10. PROFITS RESERVE	2023	2022
	\$	\$
Profits Reserve	<u>5,551,467</u>	<u>7,850,109</u>
Movement in Profits Reserve		
Opening balance	7,850,109	7,117,368
Transfer from accumulated losses	-	3,241,640
Dividends paid (Note 4)	<u>(2,298,642)</u>	<u>(2,508,899)</u>
	<u>5,551,467</u>	<u>7,850,109</u>

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

11. CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the year 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	21,196,633	24,024,178
Cash overdrafts	<u>(3,956,359)</u>	<u>(2,502,848)</u>
	<u>17,240,274</u>	<u>21,521,330</u>

The weighted average interest rate for cash and cash equivalents as at June 2023 is 3.96% (June 2022: 0.78%). The weighted average interest rate for cash overdrafts as at June 2023 is 5.97% (June 2022: 2.50%). The Company has Prime Brokerage facilities, including lending, and Custody arrangements with BNP Paribas. 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.

(b) Reconciliation of Operating Loss after Income Tax

Operating loss after income tax	(1,342,875)	(1,520,202)
Movement in fair value on financial assets and liabilities	(1,289,240)	6,581,478
Changes in assets and liabilities:		
Decrease in trade and other receivables	2,337,517	61,732
(Decrease)/ Increase in trade and other payables	(1,385,901)	34,178
Increase in current tax liability	-	(836,063)
Increase in current tax asset	(150,901)	-
Increase in deferred tax asset	(964,718)	(68,570)
Increase in deferred tax liability	-	(826,189)
Net cash (used)/ generated by Operating Activities	<u>(2,796,118)</u>	<u>3,426,364</u>

(c) Non-cash Financing Activities

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

- 195,185 shares at \$2.0918 on 28 April 2023
- 180,640 shares at \$2.2367 on 28 October 2022
- 175,648 shares at \$2.5729 on 14 April 2022
- 252,232 shares at \$2.8210 on 29 October 2021

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

12. EARNINGS PER SHARE	2023	2022
	Cents per	Cents per
	Share	Share
Basic loss per share	(8.7)	(11.6)
	2023	2022
	\$	\$
Loss after income tax used in the calculation of earnings per share	<u>(1,342,875)</u>	<u>(1,520,202)</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>15,388,886</u>	<u>13,097,310</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share	<u>15,388,886</u>	<u>13,097,310</u>
<u>Reconciliation of weighted average number of shares:</u>		
Weighted average number of ordinary shares used in calculation of basic earnings per share	<u>15,388,886</u>	<u>13,097,310</u>
Add:		
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	<u>-</u>	<u>-</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>15,388,886</u>	<u>13,097,310</u>

13. 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, sub-custodian and broker) will be unable to pay amounts in full when due. The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

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

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. 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 BNP Paribas. There is no guarantee that these or any sub-custodian that BNP Paribas 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 BNP Paribas 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 BNP Paribas'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 price 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. The Company monitors its gross and net exposures to the market on a daily basis.

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (Continued)

(e) Foreign Currency Risk (Continued)

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

	2023	2022
<i>United States Dollar</i>		
Investments	USD1,639,489	USD1,659,080
Bank Overdraft	USD(1,692,460)	USD(1,787,036)
	<u>USD(52,971)</u>	<u>USD(127,956)</u>
AUD Equivalent	<u>AUD(79,460)</u>	<u>AUD(185,389)</u>
<i>Canadian Dollar</i>		
Investments	CAD1,117,265	CAD(1,064,010)
(Bank Overdraft)/ Cash	CAD(1,120,104)	CAD701,690
	<u>CAD(2,839)</u>	<u>CAD(362,320)</u>
AUD Equivalent	<u>AUD(3,217)</u>	<u>AUD(407,791)</u>

(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.

2023	Weighted Average Interest Rate	Interest Bearing		Non-interest bearing \$	Total \$
		Less than 90 days \$	More than 1 year \$		
Assets					
Financial assets	-	-	-	18,085,246	18,085,246
Cash and cash equivalents	3.96%	21,196,633	-	-	21,196,633
Trade Debtors(<90 days)	-	-	-	462,448	462,448
Other receivables	-	-	-	57,532	57,532
Total assets		21,196,633	-	18,605,226	39,801,859
Liabilities					
Financial liabilities	-	-	-	3,717,097	3,717,097
Cash overdrafts	5.97%	3,956,359	-	-	3,956,359
Trade Creditors(<90 days)	-	-	-	1,335,558	1,335,558
Other payables	-	-	-	115,954	115,954
Total liabilities		3,956,359	-	5,168,609	9,124,968

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (Continued)

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

2022	Weighted Average Interest Rate	Interest Bearing		Non- interest bearing \$	Total \$
		Less than 90 days \$	More than 1 year \$		
Assets					
Financial assets	-	-	-	20,843,032	20,843,032
Cash and cash equivalents	0.78%	24,024,178	-	-	24,024,178
Trade Debtors(<90 days)	-	-	-	2,824,251	2,824,251
Other receivables	-	-	-	33,246	33,246
Total assets		24,024,178	-	23,700,529	47,724,707
Liabilities					
Financial liabilities	-	-	-	7,764,124	7,764,124
Cash overdrafts	2.50%	2,502,848	-	-	2,502,848
Trade Creditors(<90 days)	-	-	-	2,741,771	2,741,771
Other payables	-	-	-	95,641	95,641
Total liabilities		2,502,848	0	10,601,536	13,104,384

(h) Financial Instruments Measured at Fair Value

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3:** Inputs for the asset or liability are not based on observable market data (unobservable inputs).

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

Investments included in Level 2 of the hierarchy include amounts in relation to 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 2023 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (Continued)

(h) Financial Instruments Measured at Fair Value

30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	18,085,246	-	-	18,085,246
Financial liabilities	(3,717,097)	-	-	(3,717,097)
Total	14,368,149	-	-	14,368,149

30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	20,655,288	187,744	-	20,843,032
Financial liabilities	(7,764,124)	-	-	(7,764,124)
Total	12,891,164	187,744	-	13,078,908

(i) Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and market price 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 (loss)/ profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2023 \$	2022 \$
Change in profit before tax		
- Increase in interest rate by 1%	100,249	(32,070)
- Decrease in interest rate by 1%	(100,249)	32,070
Change in equity		
- Increase in interest rate by 1%	70,174	(22,449)
- Decrease in interest rate by 1%	(70,174)	22,449

Foreign Currency Risk Sensitivity Analysis

At 30 June 2023, 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:

	2023 \$	2022 \$
Change in profit before tax		
- Depreciation of the AUD by 2%	(4,616)	(12,792)
- Appreciation of the AUD by 2%	4,616	12,792
Change in equity		
- Depreciation of the AUD by 2%	(3,231)	(8,955)
- Appreciation of the AUD by 2%	3,231	8,955

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (Continued)

(i) Sensitivity Analysis (Continued)

Market Price Risk Sensitivity Analysis

At 30 June 2023, the effect on profit and equity as a result of changes in the market price risk, with all other variables remaining constant would be as follows:

	2023	2022
	\$	\$
Change in profit before tax		
- Increase in market price by 2%	287,363	190,782
- Decrease in market price by 2%	(287,363)	(190,782)
Change in equity		
- Increase in market price by 2%	201,154	133,547
- Decrease in market price by 2%	(201,154)	(133,547)

14. 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
Susan Oakes	Non-Executive Director
Jolanta Masojada	Non-Executive Director

(a) Remuneration

There are no executives that are paid by the Company. Cadence Asset Management Pty Limited, the investment manager of the Company provides day to day management of the Company and is remunerated as outlined in Note 15 – Related Party Transactions.

	2022	2022
	\$	\$
Short-term Employee Benefits - Directors' Fees	67,873	56,251
Post-employment Benefits - Superannuation	7,127	5,624
	<u>75,000</u>	<u>61,875</u>

(b) Compensation Practices

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

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

Directors' base fees are presently limited to a maximum of \$100,000 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

14. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

As at 30 June 2023, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2022	Acquisitions	Disposals	Balance at 30 June 2023
Shareholdings				
Karl Siegling	3,129,811	220,519	-	3,350,330
Wayne Davies	123,276	8,686	-	131,962
Jolanta Masojada	10,824	763	-	11,587
Susan Oakes	32,216	2,270	-	34,486
	<u>3,296,127</u>	<u>232,238</u>	<u>-</u>	<u>3,528,365</u>

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

As at 30 June 2022, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2021	Acquisitions	Disposals	Balance at 30 June 2022
Karl Siegling	2,739,555	390,256	-	3,129,811
Wayne Davies	113,736	9,540	-	123,276
Jolanta Masojada	-	10,824	-	10,824
Susan Oakes	29,723	2,493	-	32,216
	<u>2,883,014</u>	<u>413,113</u>	<u>-</u>	<u>3,296,127</u>

15. 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 Opportunities Fund Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was entitled to a management fee of \$467,941 (inclusive of GST) (2022: \$488,153). This is equivalent to 0.125% 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 1.25% of the gross value of the portfolio per annum. As at 30 June 2023, the management fee payable to the Manager was \$35,268 (2022: \$39,741).

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 15% (plus GST) of the amount of the increase in the value of the portfolio. No performance fee is payable in respect of any performance period, where the portfolio has decreased in value over that period.

For the year ended 30 June 2023, no performance fee was earned by Cadence Asset Management Pty Limited (2022: \$nil (inclusive of GST)). As at 30 June 2022, no performance fee was payable to the Manager (2022: \$nil).

Cadence Asset Management Pty Limited employs accounting personnel to provide accounting services to Cadence Opportunities Fund Limited. These services are provided on commercial terms and include a standard charge of \$4,180 (inclusive of GST) per month and an increased charge of \$6,600 (inclusive of GST) is charged for preparing the half year and full year financial statements. As at 30 June 2022, the balance payable to the Manager for these services was \$6,600 (2022: \$6,600).

CADENCE OPPORTUNITIES FUND LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

16. EVENTS AFTER THE REPORTING PERIOD

The Board have declared a 6.5 cents per share fully franked final dividend payable on the 31 October 2023. The Ex-Date for the dividend is 16 October 2023.

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.

17. CONTINGENT LIABILITIES

There were no material contingencies as at 30 June 2023 (2022: nil).

18. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Capital commitments exist for placements entered into before 30 June 2023, which settle after year end.	<u>47,897</u>	<u>-</u>

19. 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.

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DIRECTORS' DECLARATION

The Directors of Cadence Opportunities Fund Limited declare that:

1. The financial statements as set out in pages 13 to 33 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 8 to 9 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 2023 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 21st day of September 2023

Pitcher Partners Sydney Partnership

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**Independent Auditor's Report
To the Members of Cadence Opportunities Fund Limited
ABN 37 627 359 166**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cadence Opportunities Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2023, 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 Opportunities Fund 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 2023 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.

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.

Key audit matter	How our audit addressed the matter
Existence and Valuation of Financial Assets and Completeness of Financial Liabilities	
Refer to Note 6: Financial Assets and Note 8: Financial Liabilities	
<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 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 "Level 1" (i.e. where the valuation is based on quoted prices in active markets).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the design and implementation of the investment management processes and controls; ▪ Reviewing and evaluating the independent auditor's report on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Prime Broker; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the auditors' reports relate to and obtaining bridging letter; ▪ Obtaining confirmation of the investment holdings directly from the Prime Broker; ▪ Assessing and recalculating the Company's valuation of individual investment holdings using independent pricing sources and inputs; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Accuracy of Management and Performance Fees	
Refer to Note 7: Trade and other payables and Note 15: Related party transactions	
<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 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"> ▪ Obtaining an understanding of and evaluating the design and implementation of the processes and controls for calculating the management and performance fees; ▪ 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; ▪ 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; ▪ Testing of key inputs including the value of the portfolio and application of the correct fee percentage in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

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 2023 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.

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.

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 9 of the Directors' Report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Cadence Opportunities Fund Limited, for the year ended 30 June 2023, 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

21 September 2023



Pitcher Partners
Sydney

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial shareholders (as at 31 August 2023)

The following shareholder's have advised that they are a substantial shareholder of Cadence Opportunities Fund 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	3,350,330	21.482

Distribution of shareholders (as at 31 August 2023)	No. of shareholders
1 – 1,000	68
1,001 – 5,000	242
5,001 – 10,000	128
10,001 – 100,000	246
100,001 and over	18
	702

The number of shareholdings held in less than marketable parcels is 11.

Twenty largest shareholders - Ordinary shares (as at 31 August 2023)

Name	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd and associates	3,353,330	21.482%
Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	530,000	3.395%
Mr Cameron Mcfarlane <Mcfarlane Super Fund A/C>	454,080	2.909%
Obtainium Pty Limited	373,008	2.390%
Melacca Pty Ltd <Uber Super Fund A/C>	250,000	1.602%
Chillara Investments Pty Ltd <Chillara Investments A/C>	186,667	1.196%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	173,863	1.114%
369 Exponential Pty Limited <369 Exponential A/C>	169,198	1.084%
Mr Neville John Collins & Mrs Judith Mary Collins <NJ Collins P/L Prac>	162,368	1.040%
Lazy Vee Pty Ltd <Lazy Vee Super A/C>	145,328	0.931%
Mr Luke Ormond Keighery & Mrs Angela Keighery <L&A Keighery S/F>	141,379	0.906%
Andonandon Pty Limited <Andonandon Super Fund>	131,962	0.845%
Bryan & Jean Hiscock Superannuation Pty Ltd <Hiscock Super A/C>	120,000	0.769%
Auridium Pty Ltd <Heath Family S/F A/C>	111,059	0.711%
Bayrule Pty Ltd	108,241	0.693%
Mr Kyle Bradley Haynes	100,000	0.641%
Ms Nicole Joan Gallin	100,000	0.641%
Mudspec Pty Ltd <Super Fund A/C>	100,000	0.641%
Glenn Bakyew Pty Ltd <Glenn Bakyew Pty Ltd S/F Ac>	96,578	0.619%
Mr Stephan Stapmanns & Mrs Tina Stapmanns	96,430	0.618%
	<u>6,903,491</u>	<u>44.227%</u>

STOCK EXCHANGE LISTING

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