

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

**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**  
**for the year ended 30 June 2014**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
*All comparisons to the year ended 30 June 2013*

	\$	up/down	% mvmt
Revenue from ordinary activities	30,190,056	up	101 %
Profit from ordinary activities before tax attributable to members	26,423,066	up	102 %
Profit from ordinary activities after tax attributable to members	20,085,487	up	76 %
		<b>Franked amount per share</b>	<b>Tax rate for franking</b>
<b>Dividend Information</b>	<b>Amt per share</b>		
2014 Final dividend per share	5.0c	5.0c	30%
2014 Interim dividend per share	5.0c	5.0c	30%
2013 Final dividend per share	5.0c	5.0c	30%
2013 Special dividend per share	1.0c	1.0c	30%
2013 Interim dividend per share	5.0c	5.0c	30%
<b>Final dividend dates</b>			
The Board have declared a 5.0 cent per share fully franked final dividend payable on 30 <sup>th</sup> September 2014. The Ex Date for the dividend is 17 <sup>th</sup> September 2014 and the Record Date is 19 <sup>th</sup> September 2014.			
The Dividend Re-Investment Plan (“DRP”) is in operation and the recommended Final Dividend of 5.0c per share qualifies. The relevant issue price will be at a 3.0% discount to the price (calculated as the weighted average market price of shares sold on the ASX on the books closing date for the relevant dividend and the 3 trading days preceding that date, less the discount).			
		<b>30 June 2014</b>	<b>30 June 2013</b>
Net tangible asset backing after tax		\$1.41	\$1.36
<i>This report is based on the 2014 Financial Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.2A.</i>			

# CADENCE CAPITAL LIMITED

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

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

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

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## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

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

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

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

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

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

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## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

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

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

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

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cadence Capital Limited ("the Company") is a listed public company, incorporated and domiciled in Australia.

#### **Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for, where applicable, cash flow information, "held-for-trading" financial assets and certain other financial assets and liabilities, which have been measured at fair value.

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

#### **Accounting Policies**

##### **(a) Investments**

###### *i) Classification*

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

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

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

###### *ii) Recognition and Initial Measurement*

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

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

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

# CADENCE CAPITAL LIMITED

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

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

#### (a) Investments (Continued)

##### *iii) Derecognition*

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

##### *iv) Valuation*

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

##### *v) Investment income*

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

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

##### *vi) Derivative Instruments*

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

##### *vii) Financial Liabilities*

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

#### (b) Income Tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

# CADENCE CAPITAL LIMITED

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

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

#### (b) Income Tax (Continued)

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

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

#### (c) Cash and Cash Equivalents

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

#### (d) Trade and Other Receivables

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

#### (e) Trade and Other Payables

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

#### (f) Impairment of Assets

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

#### (g) Goods and Services Tax

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

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



# CADENCE CAPITAL LIMITED

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

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

#### (g) Goods and Services Tax (Continued)

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

#### (h) Segment Reporting

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

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

#### (i) Comparative Figures

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

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

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

##### *Income tax*

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

##### *Recovery of deferred tax assets*

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

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2014. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect of their valuation.

#### (k) Profits Reserve

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

#### (l) New and amended accounting policies adopted

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

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the

# CADENCE CAPITAL LIMITED

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

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

#### (l) New and amended accounting policies adopted (Continued)

measurement date or, in the absence of such a market, the most advantageous market to which the Company has access at that date.

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the entity for the annual reporting period ended 30 June 2014. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to itself, are set out below.

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

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

	2014	2013
	\$	\$
<b>2. AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	38,695	28,850
<b>Non-audit Services</b>		
Other services provided by a related practice of the auditor:		
Taxation services	14,410	8,200
	<b>53,105</b>	<b>37,050</b>

# CADENCE CAPITAL LIMITED

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

### 3. TAXATION

#### (a) Current Income Tax Benefit

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

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

#### Total income tax expense results in a:

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

#### (b) Deferred Tax Assets

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

#### Movement in deferred tax assets

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

#### (c) Current Tax Liabilities

##### Movement in current tax liabilities

Balance at the beginning of the period	-	-
Current year income tax on operating profit	5,583,885	-
Income tax paid	(5,563,314)	-
At reporting date	<b>20,571</b>	-

#### (d) Deferred Tax Liabilities

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

#### Movement in deferred tax liabilities

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

# CADENCE CAPITAL LIMITED

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

### 4. DIVIDENDS

#### (a) Dividends paid

	2014 \$	2013 \$
Dividends paid by the Company	<u>14,406,979</u>	<u>12,077,331</u>

#### 2014

Dividends paid by the Company for the year ended 30 June 2014	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2014 Ordinary	5.0	24 April 14	30%	100%	8,379,173
Final 2013 Ordinary	5.0	30 September 13	30%	100%	6,027,806
<b>Total Amount</b>					<u><b>14,406,979</b></u>

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

#### 2013

Dividends paid by the Company for the year ended 30 June 2013	Cents Per Share	Date of payment	Tax Rate for franking Credit	% franked	Total Amount \$
Interim 2013 Ordinary & special	6.0	30 April 13	30%	100%	6,953,773
Final 2012 Ordinary & special	8.0	29 October 12	30%	100%	5,123,558
<b>Total Amount</b>					<u><b>12,077,331</b></u>

#### (b) Dividend franking account

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

<u>6,644,852</u>	<u>4,911,233</u>
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Subsequent to the reporting period, the franking account would be reduced by the proposed dividend disclosed in (a) above. The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the Company paying tax.

### 5. TRADE AND OTHER RECEIVABLES

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

#### Terms and Conditions

Trade debtors relate to outstanding settlements, are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 3 days of the purchase being executed. Income receivable relates to accrued income, it is non-interest bearing and is unsecured.

### 6. FINANCIAL ASSETS

Long positions - held for trading financial assets:

Investments at fair value	145,120,842	97,967,357
<b>Total financial assets</b>	<u><b>145,120,842</b></u>	<u><b>97,967,357</b></u>

# CADENCE CAPITAL LIMITED

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

### 7. TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Trade creditors	5,821,778	489,416
Sundry creditors - related parties	242,695	196,604
Sundry creditors – other	99,885	40,657
	<b>6,164,358</b>	<b>726,677</b>

Trade creditors relate to outstanding settlements. They are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 3 days of the purchase being executed.

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

Sundry creditors – related parties, includes fees payable of \$149,144 (inclusive of GST) (2013: \$147,767) to the manager, Cadence Asset Management Pty Limited and \$93,551 (2013: \$48,837) that was payable to MAM Pty Limited for assignment fees. Refer to Note 16 for further information on Related Parties.

### 8. FINANCIAL LIABILITIES

Short positions - held for trading financial liabilities:

Listed investments at fair value	7,385,272	2,610,060
Total financial liabilities	<b>7,385,272</b>	<b>2,610,060</b>

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

### 9. ISSUED CAPITAL

#### (a) Paid-up Capital

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

#### 2014

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

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

### 9. ISSUED CAPITAL (Continued)

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

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

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

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

#### (b) Capital Management

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

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

### 10. PROFITS RESERVE

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

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

### 11. ACCUMULATED LOSSES

Opening balance	(3,752,837)	(1,507,140)
Profit attributable to members of the Company	20,085,487	11,382,348
Transfer to profits reserve	(20,085,487)	(13,628,045)
	<b>(3,752,837)</b>	<b>(3,752,837)</b>

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

	2014 \$	2013 \$
<b>12. CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of cash</b>		
Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	96,764,733	66,337,963
Cash overdrafts	(2,938,702)	-
	<b>93,826,031</b>	<b>66,337,963</b>

The weighted average interest rate for cash and cash equivalents as at June 2014 is 2.63% (June 2013: 3.22%). The Company has Prime Brokerage lending facilities and Custody arrangements with Citigroup Global Markets Limited, Citigroup Global Markets Australia Pty Ltd, Deutsche Bank AG and Bank of New York Mellon. These at call facilities are secured by a first charge over the financial assets of the Company.

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

### **(b) Reconciliation of Operating Profit after Income Tax**

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

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

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

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

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

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

# CADENCE CAPITAL LIMITED

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

	2014 \$	2013 \$
<b>13. EARNINGS PER SHARE</b>		
Profit after income tax used in the calculation of earnings per share	<u>20,085,487</u>	<u>11,382,348</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>145,779,738</u>	<u>74,196,194</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<u>146,904,744</u>	<u>74,196,194</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>145,779,738</u>	<u>74,196,194</u>
Add:		
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	<u>1,125,006</u>	<u>-</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>146,904,744</u>	<u>74,196,194</u>

## 14. FINANCIAL RISK MANAGEMENT

### Financial Risk Management Policies

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

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

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

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

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

#### (b) Credit Risk

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

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

There are risks involved in dealing with custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are pledged as collateral for leverage from a prime broker/custodian, or where the Company's assets are held at a prime broker/custodian, the securities and assets deposited with the prime broker/custodian may be exposed to a



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

### 14. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit Risk (Continued)

credit risk with regards to such parties. In addition, there may be practical or timing problems associated with enforcing the Company's rights to its assets in case of an insolvency of any such party.

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

#### (c) Liquidity Risk

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

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

#### (d) Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. By its nature, as an investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

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

#### (e) Foreign Currency Risk

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

#### (f) Interest Rate Risk

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

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

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

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

### 14. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

	<b>2014</b>	<b>2013</b>
Other payables are expected to be paid as follows:	<b>\$</b>	<b>\$</b>
- Less than 6 months	342,580	237,261
- 6 months to one year	-	-

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

### 14. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

#### (iv) Sensitivity Analysis

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

##### *Interest Rate Sensitivity Analysis*

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

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

### 14. FINANCIAL RISK MANAGEMENT (Continued) (iv) Sensitivity Analysis (Continued)

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

#### Market Risk Sensitivity Analysis

At 30 June 2014, the effect on profit and equity as a result of changes in the market risk, with all other variables remaining constant would be as follows:

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

### 15. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Karl Siegling	Chairman and Company Secretary
Wayne Davies	Non-Executive Director
Ronald Hancock	Non-Executive Director
James Chirside	Non-Executive Director

#### (a) Remuneration

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

Short-term Employee Benefits - Directors' Fees	68,650	27,522
Post-employment Benefits - Superannuation	6,350	2,478
	<u>75,000</u>	<u>30,000</u>

#### (b) Compensation Practices

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

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

Directors' base fees are presently limited to a maximum of \$80,000 per annum between the three Directors. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Directors' fees are not linked to the performance of the Company.

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

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

#### (c) Shareholdings

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

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

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

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

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

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

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

	<b>Balance at 1 July 2012</b>	<b>Disposals</b>	<b>Options Exercised</b>	<b>Balance at 30 June 2013</b>
<i>Karl Siegling</i>	3,007,112	-	(3,007,112)	-
	<u>3,007,112</u>	<u>-</u>	<u>(3,007,112)</u>	<u>-</u>

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

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

### 16. RELATED PARTY TRANSACTIONS

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

Karl Siegling is the sole Director and a beneficial owner of Cadence Asset Management Pty Limited, the entity appointed to manage the investment portfolio of Cadence Capital Limited. Wayne Davies is also a beneficial owner of Cadence Asset Management Pty Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$2,203,562 (inclusive of GST, 2013: \$1,115,606). This is equivalent to 0.08333% of the value of the portfolio calculated on the last business day of each month. Over a full year, the monthly management fee will be comparable to a fee of 1% of the gross value of the portfolio per annum. As at 30 June 2014, the balance payable to the manager was \$132,844 (inclusive of GST, 2013: \$102,856).

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

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

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

No performance fee is payable in respect of any performance period, where the portfolio has decreased in value over that period. For the year ended 30 June 2014, a performance fee of \$12,800 (inclusive of GST 2013: \$41,411) was payable to Cadence Asset Management Pty Limited. As at 30 June 2014, the balance payable to the manager was \$12,800 (inclusive of GST, 2013: \$41,411).

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

Cadence Capital Limited has in place an Assignment Deed with Cadence Asset Management Pty Limited and MAM Pty Limited. Geoffrey Wilson is a Director of MAM Pty Limited and entities associated with him hold 80% of its issued share capital. In its capacity as Manager, Cadence Asset Management Pty Limited assigns a percentage of the management and performance fee to MAM Pty Limited. Subsequent to the initial capital raising, the assignment rate was 4.05%. At 30 June 2014, an amount of \$93,551 (2013: \$48,837) was payable to MAM Pty Limited. Geoffrey Wilson resigned from the Board of Cadence Capital Limited on 14<sup>th</sup> February 2013.

### 17. EVENTS AFTER THE REPORTING PERIOD

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

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

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

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

### 18. CONTINGENT LIABILITIES

There were no contingencies as at 30 June 2014 (2013: nil).

### 19. CAPITAL COMMITMENTS

	2014	2013
	\$	\$
Capital commitments exist for placements entered into before 30 June 2014, which settle after year end.	<u>2,553,000</u>	<u>-</u>