

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2009**

COMPANY PARTICULARS

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS:	Karl Siegling James Chirnside Geoffrey Wilson
SECRETARY:	Karl Siegling
MANAGER OF THE FUND:	Cadence Asset Management Pty Limited ABN: 68 106 551 062
REGISTERED OFFICE:	Level 11, 131 Macquarie Street Sydney, NSW 2000
DIRECTOR OF THE MANAGER:	Mr Karl Siegling
CONTACT DETAILS:	Level 11, 131 Macquarie Street Sydney, NSW 2000
PRIME BROKER AND CUSTODIAN OF THE FUND:	UBS Nominees Limited Level 16 Chifley Tower 2 Chifley Square Sydney NSW 2000
SHARE REGISTRAR:	Registries Limited Mail Address: GPO Box 3993 Sydney NSW 2001 Telephone: (02) 9290 9600 Fax: (02) 9279 0664
AUDITORS:	Moore Stephens Sydney Level 7 20 Hunter Street Sydney NSW 2000

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MANAGERS' REPORT

SUMMARY OF RESULTS

- Gross Portfolio decreased 15.43% for the year ended 30 June 2009 whilst the All Ordinaries Accumulation Index decreased by 22.15%
- Loss before tax was \$5,543,460
- Operating loss after tax was \$3,728,199
- Fully Franked Dividend of 2.0 cents was declared on 10 August 2009 and paid on 25 August 2009

SHAREHOLDER PERFORMANCE

Performance to 30th June 2009	CDM	All Ords	Outperformance
1 Month	1.39%	3.93%	
1 Year	-15.43%	-22.15%	+6.72%
Annualised return since inception (45 months)	8.94%	0.18%	+8.76%
Inception to date accumulated return (45 months)	37.86%	0.67%	+37.18%

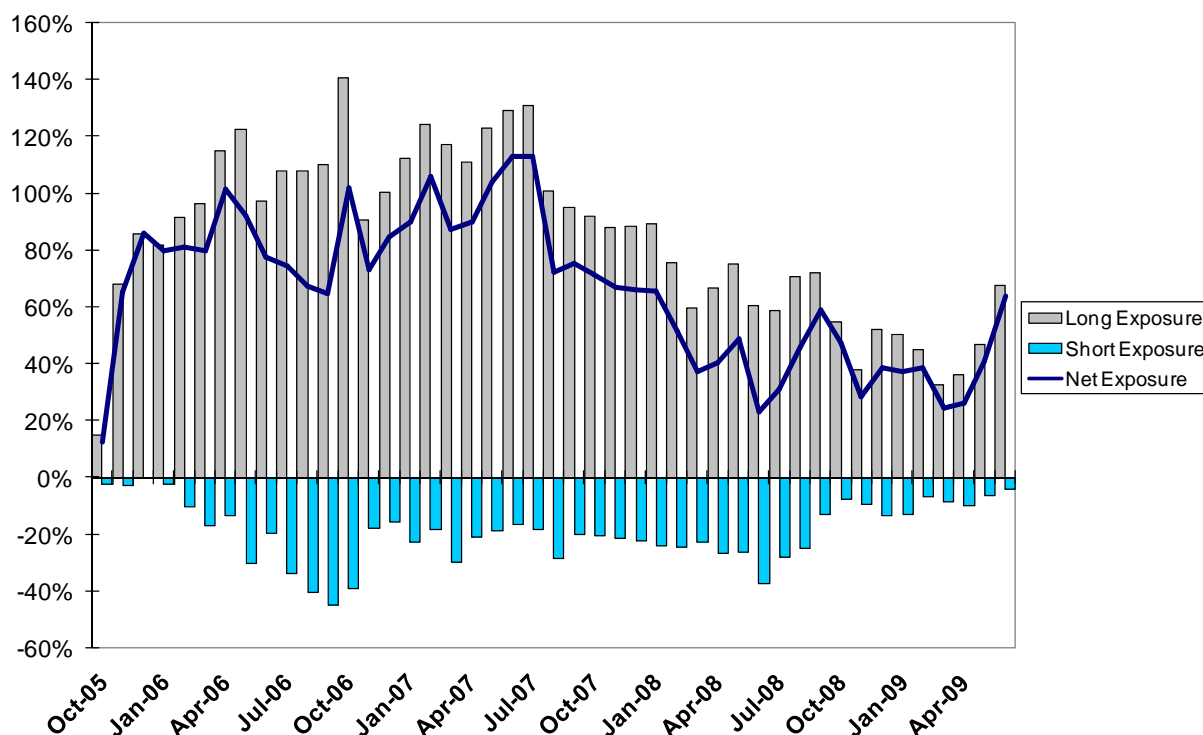
* Before Management and Performance Fees

Cadence Capital Limited produced a gross performance of -15.43% for the year ended 30 June 2009. During the same period the All Ordinaries Accumulation Index decreased by -22.15% and the Small Ordinaries Accumulation Index decreased by -28.58%. We are very disappointed at having generated a negative gross performance for the year however we would like to note that the Company outperformed the All Ordinaries Accumulation Index by 6.72% and outperformed the Small Ordinaries Accumulation Index by 13.15%.

This past financial year was an exceptionally difficult year for all market participants and an environment where protecting capital was the number one priority. During the year the fund operated with reduced gross and net exposure to reduce risk in a very uncertain environment. Towards the end of the financial year volatility in the global financial markets significantly reduced, and as a consequence the fund has increased exposure once again.

Over the past four years the portfolio has consistently outperformed the market despite extremely volatile conditions. It should be noted that this performance has been achieved with lower than market risk and exposure.

PORTFOLIO EXPOSURE ANALYSIS %



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OUTLOOK

We are optimistic about the investment opportunities for the next financial year. We believe that the market will move higher over the 2010 financial year. In our view the move higher will be a combination of a recovery in what is probably an oversold market, and the emergence of stronger earnings across many sectors of the economy. As always the recovery will not be across all stocks or sectors. Stock selection and detailed research will play a key role. The flexibility to buy and short sell stock creates additional opportunities for the Company. We are hopeful that the deleveraging process has subsided, and that the extreme market movements we have witnessed will create many new investment opportunities.

I would also 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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MARKET VALUE OF TOP 20 POSITIONS AS AT 30 JUNE 2009

		Market Value	% of Equity
LONG POSITIONS			
RHG	RHG Ltd	\$3,767,230	14.98%
CUS	Customers Ltd	\$1,765,224	7.02%
RKN	Reckon Ltd	\$1,103,305	4.39%
IGO	Independence Group NL	\$1,092,749	4.35%
HGG	Henderson Group PLC	\$694,802	2.76%
DIO	Dioro Exploration NL	\$600,875	2.39%
RIO	Rio Tinto Ltd	\$485,460	1.93%
CDU	Cudeco Ltd	\$455,112	1.81%
MCC	Macarthur Coal Ltd	\$424,360	1.69%
HSKG	HSK Notes	\$393,163	1.56%
AIQ	Alternative Investment Trust	\$370,295	1.47%
IIN	iiNET Ltd	\$362,264	1.44%
CTP	Central Petroleum Ltd	\$360,000	1.43%
AGO	Atlas Iron Ltd	\$354,005	1.41%
CCQ	Contango Capital Partners Ltd	\$343,193	1.36%
BRU	Buru Energy Ltd	\$328,656	1.31%
MBN	Mirabela Nickel Ltd	\$308,920	1.23%
ICN	Icon Energy Ltd	\$290,500	1.16%
RCG	RCG Corp Ltd	\$288,000	1.15%
		<hr/>	
		\$13,788,113	54.83%
SHORT POSITIONS			
TCL	Transurban Group	\$830,788	3.30%
		<hr/>	
		\$830,788	3.30%
		<hr/>	
Total Top 20 Long and Short Positions – Net Exposure		\$12,957,325	51.53%

MARKET VALUE OF TOTAL PORTFOLIO POSITIONS:

Total Portfolio Long Positions	\$16,051,681	63.83%
Total Portfolio Short Positions	\$939,188	3.73%
Total Portfolio Net Exposure	\$15,112,493	60.10%

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CORPORATE GOVERNANCE STATEMENT

All the best practice recommendations of the Australian Stock Exchange Corporate Governance Council have been applied throughout the financial year, unless otherwise stated. These practices are dealt with under the following headings: Board of Directors and its Committees, Composition of the Board, Remuneration of Directors and Executives, Ethical Standards, The Role of Shareholders, Board's Policy on Dealing in Shares, Independent Professional Advice and Access to Company Information and Conflict of Interest.

BOARD OF DIRECTORS AND ITS COMMITTEES

Subject at all times to any written guidelines issued by the Board of Directors of Cadence Capital Limited, the day-to-day management and investment of funds is carried out by Cadence Asset Management Pty Limited pursuant to a management agreement.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for the appointed Manager and monitoring the achievement of these goals. The Board reviews the reports of its Manager on the financial performance of the Company.

The Company has formed an Audit Committee consisting of:

James Chirnside	Chairman
Karl Siegling	Executive Director

The Audit Committee consists of 2 members and is only 50% independent. Whilst the Company agrees with the benefits of a larger Audit Committee and also of it consisting of a majority of independent Directors, due to both the size of the Board and of the Company, it believes that the current Audit Committee has both the level of expertise and independence that it requires.

The Committee's responsibilities are to:

- (a) oversee the existence and maintenance of internal controls and accounting systems;
- (b) oversee the financial reporting process;
- (c) review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- (d) nominate external auditors; and
- (e) review the existing external audit arrangements.

COMPOSITION OF THE BOARD

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report.

The only independent director of the Company is James Chirnside.

The Board comprises the Chairman and two other non-executive Directors who consider the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise. The performance of each Director is reviewed by the Chairman periodically. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

The Board is 33% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Boards' level of expertise and without burdening shareholders with the potentially significant costs associated with adding further independent Directors. The Chairman is not independent. The Company believes that an independent Chairman does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, it adds value to the Company.

Given the size of the Board a nomination committee has not been formed. The Board as a whole considers the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise.

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CORPORATE GOVERNANCE STATEMENT

REMUNERATION OF DIRECTORS AND EXECUTIVES

The maximum total remuneration of the Directors of the Company has been set at \$55,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

No separate Remuneration Committee has been established by the Company as the Company does not believe that this adds any value to its Corporate Governance.

The Chairman of Cadence Capital Limited is the sole Director of Cadence Asset Management Pty Limited. Further detail is provided in the Directors' Report and Note 17 of the financial statements.

ETHICAL STANDARDS

The Board aims to ensure that all Directors and its Manager act with the utmost integrity and objectivity and endeavour to enhance the reputation of the Company.

THE ROLE OF SHAREHOLDERS

The Board of Directors aim to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the Annual Report, monthly investment update and asset backing data, monthly estimated NTA's and Half-Year Financial Report lodged with the Australian Stock Exchange.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

BOARD'S POLICY ON DEALING IN SHARES

Subject to them not being in possession of undisclosed price sensitive information, Directors may deal in shares of the Company when appropriate. As Cadence Capital Limited is an investment company announcing its estimated NTA's, exposures and its top twenty holdings on a monthly basis, the Board believes the shareholders are generally fully informed.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right to access all relevant information and subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

CONFLICT OF INTEREST

In accordance with the *Corporations Act 2001*, the Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2009

The Directors of Cadence Capital Limited ("the Company") submit herewith their report together with the financial report of Cadence Capital Limited for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company was investing primarily in securities listed on the Australian Stock Exchange. The Company may also take short positions and 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 \$5,543,460 (2008: \$7,508,327) and an operating loss after tax of \$3,728,199 (2008: \$5,025,170).

REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2009, net investments were valued at \$15,112,493 (2008: \$6,847,421).

FINANCIAL POSITION

The net asset value of the Company for the current financial period ended was \$25,146,864 (2008: \$29,268,891).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year ended 2009, the Company continued with its on-market share buy-back program and also announced an Off-Market Equal Access buy-back program on 29 August 2008. During the current financial year 453,570 shares were acquired in the buy-backs for a total consideration of \$393,828.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid in the period from 30 June 2008 to 30 June 2009.

DIRECTORS

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

Karl Siegling
Geoffrey Wilson
James Chirnside

The Directors have been in office during the whole of the financial year and up to the date of this report.

INFORMATION ON DIRECTORS

Karl Siegling (Chairman and Company Secretary)

Karl has over 12 years investment experience in the financial sector both in Australia and overseas. He holds a Bachelor of Commerce and a Law degree from the University of Melbourne and an MBA specialising in Finance and Entrepreneurial Endeavours from INSEAD in France. Karl has also completed the Post Graduate Diploma in Finance with the Securities Institute of Australia.

He commenced work in the Financial Services sector in Australia with Deutsche Morgan Grenfell, trading overnight currencies, bonds and bond options on the Sydney Futures Exchange. Then he worked within the Equities Research Division of Deutsche Morgan Grenfell before moving to the Equities Division of Goldman Sachs in London. Upon returning to Australia, Karl was the Managing Director of eFinancial Capital Limited (a subsidiary of Challenger International Limited), which was a private equity fund with Pooled Development Fund status, focused on investing early stage and expansion capital. The fund invested in financial services and Australian internet based technology companies. For two and a half years Karl worked as a consultant for Wilson Asset Management (International) Pty Limited researching stocks for the Wilson group of funds. He is also the managing director of the manager, Cadence Asset Management Pty Limited.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2009

Geoffrey Wilson (Non-executive Director)

Geoffrey Wilson has had 29 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Geoffrey Wilson is the Chairman of WAM Active Limited (appointed July 2007), WAM Capital Limited (appointed March 1999), Wilson Investment Fund Limited (appointed June 2003) and Australian Stockbrokers Foundation and Ascham Foundation Limited. He is a Director of Australian Leaders Fund Limited (formerly known as Wilson Leaders Fund Ltd) (appointed October 2003), Clime Capital Limited (appointed November 2003), Vietnam Fund Limited (appointed October 2007), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation Limited and, Odyssey House McGrath Foundation. He is also a director of the investment management companies, Wilson Asset Management (International) Pty Limited, Boutique Asset Management Pty Limited and MAM Pty Limited.

Geoffrey Wilson is a former Director of Mariner Wealth Management Limited (currently known as Keybridge Capital Limited) from September 1999 to October 2006.

James Chirside (Non-executive Director)

James Chirside has been exclusively focused in emerging markets and absolute return investment strategies for 19 years in Sydney, Hong Kong, and London. Mr Chirside is a shareholder and Managing Director of Asia Pacific Asset Management, a specialist emerging market and alternative investment firm based in Sydney. Mr Chirside previously worked for Challenger Financial Group in Sydney. Prior to this he managed emerging market hedge funds in Hong Kong for Regent Fund Management - now Charlemagne Capital London. Between 1988 and 1992 Mr Chirside ran a Proprietary trading book for County NatWest Investment Bank in London focused on Country Funds and derivative arbitrage strategies.

James Chirside is also a director of WAM Capital Limited.

COMPANY SECRETARY

Karl Siegling held the position of company secretary at the end of the financial year.

DIRECTORS' MEETINGS	No. eligible to attend	Attended
Karl Siegling	4	4
Geoffrey Wilson	4	4
James Chirside	4	4

AUDIT COMMITTEE MEETINGS	No. eligible to attend	Attended
Karl Siegling	2	2
James Chirside	2	2

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2009

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Cadence Capital Limited.

(a) Remuneration

There are no executives that are paid by the Company. Cadence Asset Management Pty Limited provides day to day management of the Company and is remunerated as outlined in Note 17 – Related Parties Transactions.

	2009 \$	2008 \$
Short-term Benefits Directors Fees:		
- Geoffrey Wilson	15,000	15,000
- James Chirnside	15,000	15,000
Post-employment Benefits Superannuation	-	-
	<u>30,000</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 \$55,000 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.

(c) Shareholdings

As at 30 June 2009, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2008	Acquisitions	Disposals	Off-Market Buy-Back	Balance at 30 June 2009
K. Siegling	2,036,500	398,907	-	(50,913)	2,384,494
G.J. Wilson	2,000,000	-	-	(50,000)	1,950,000
J.M. Chirnside*	950,296	-	-	-	950,296
	<u>4,986,796</u>	<u>398,907</u>	<u>-</u>	<u>(100,913)</u>	<u>5,284,790</u>

* The holdings disclosed by J.M.Chirnside are all made through a Fund managed by an entity associated with him. There are no other Director indirect holdings.

AFTER BALANCE DATE EVENTS

The Board of Directors of Cadence Capital Limited declared a 2.0 cent fully franked dividend on 10th August 2009 payable on 25th of August 2009. The Ex Date for the dividend was 14th August 2009.

The Company is also in the process of signing a new prime brokerage/custodial facility with Citigroup. This will replace the company's existing facility with UBS AG.

K Siegling has increased his indirect holdings in the Company through acquisitions of 152,061 shares at a cost of \$101,645. He currently has an indirect holding of 2,536,555 shares.

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DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2009

No other matters or circumstances have arisen since the end of the financial period which significantly affects or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

The Company will continue to pursue its policy of investment during the next financial year.

ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

During the financial period the Company did pay a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the Corporations Act 2001.

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

During the year Moore Stephens Sydney, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company. Moore Stephens Sydney Pty Limited, a related party of the Company's auditor, performed taxation services for the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 3 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 3 did not compromise the external auditor's independence.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 10 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 28 August 2009

**Auditor's Independence Declaration
to the Directors of Cadence Capital Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cadence Capital Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Moore Stephens Sydney
Chartered Accountants



S.M. Whiddett
Partner

Dated in Sydney, this 28th day of August 2009.

CADENCE CAPITAL LIMITED

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
Proceeds from sale of investments		38,680,545	57,454,148
Cost of investments sold		(44,809,550)	(56,051,660)
Unrealised loss on investments		(64,373)	(8,942,988)
Dividends received		595,991	1,064,897
Dividends paid on short positions		(149,445)	(439,966)
Interest received		838,945	710,872
Finance costs		(100,001)	(24,114)
Realised loss on equity index futures positions		-	(658,600)
Other revenue from ordinary activities	2	12,111	40,673
Performance fees		-	-
Management fees		(227,919)	(324,974)
Assignment fees		(9,871)	(13,717)
Directors fees		(30,000)	(30,000)
Brokerage expenses on share purchases		(141,974)	(122,121)
Other expenses from ordinary activities		(137,919)	(170,777)
Loss before income tax		(5,543,460)	(7,508,327)
Income tax benefit	4a	1,815,261	2,483,157
Loss attributable to members of the Company	12	(3,728,199)	(5,025,170)
Basic earnings per share	14	(13.8) cents	(17.9) cents
Diluted earnings per share	14	(13.8) cents	(17.9) cents

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

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BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 \$	2008 \$
ASSETS			
Cash and cash equivalents	13(a)	8,598,144	21,320,352
Trade and other receivables	6	393,356	1,003,536
Financial assets	7	16,051,681	17,844,779
Deferred tax asset	4(b)	2,232,253	416,359
Current tax asset	4(c)	52,943	-
TOTAL ASSETS		27,328,377	40,585,026
LIABILITIES			
Cash overdrafts	13(a)	908,128	-
Trade and other payables	8	330,390	198,146
Financial liabilities	9	939,188	10,997,358
Current tax liabilities	4(c)	-	117,457
Deferred tax liabilities	4(d)	3,807	3,174
TOTAL LIABILITIES		2,181,513	11,316,135
NET ASSETS		25,146,864	29,268,891
EQUITY			
Issued capital	10	29,254,364	29,648,192
Reserves	11	-	-
Accumulated losses	12	(4,107,500)	(379,301)
TOTAL EQUITY		25,146,864	29,268,891

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 2009

	Note	2009 \$	2008 \$
Total equity as at 1 July 2008		29,268,891	35,114,205
Loss attributable to members of the Company	12	(3,728,199)	(5,025,170)
Shares issued in the year	10	-	809,735
Shares bought back in share buy-back programs during the year	10	(393,828)	(119,679)
Costs of the share issue, net of deferred tax assets	10	-	(13,643)
		25,146,864	30,765,448
Dividends paid or provided for	5	-	(1,496,557)
Total equity as at 30 June 2009 attributable to members of the Company		25,146,864	29,268,891

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		647,647	1,226,730
Interest received		838,945	710,872
Other income received		12,111	43,045
Management fees paid		(212,642)	(348,891)
Performance fees paid		-	(430,412)
Dividends paid on short positions		(231,406)	(336,142)
Brokerage expenses on share purchases		(141,974)	(122,121)
Interest paid		(100,001)	(24,114)
Income tax paid	4(c)	(170,400)	(351,415)
Payments for administration expenses		(160,609)	(153,083)
NET CASH FROM OPERATING ACTIVITIES	13(b)	481,671	214,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of investments		39,204,000	57,303,866
Payments for the purchase of investments		(52,922,179)	(29,247,082)
Realised loss on equity index futures positions		-	(658,600)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(13,718,179)	27,398,184
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		-	507,573
Dividends paid		-	(1,194,395)
Share buy-back		(393,828)	(119,679)
Share issue costs paid		-	(13,643)
NET CASH USED IN FINANCING ACTIVITIES		(393,828)	(820,144)
NET (DECREASE)/INCREASE IN CASH HELD		(13,630,336)	26,792,509
CASH AS AT BEGINNING OF THE FINANCIAL YEAR		21,320,352	(5,472,157)
CASH AS AT END OF THE FINANCIAL YEAR	13(a)	7,690,016	21,320,352

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 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report 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. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs with the exception of "held-for-trading" financial assets and certain other financial assets and liabilities, which have been measured at fair value.

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 Balance Sheet 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 Income Statement.

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 Income Statement immediately.

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 Income Statement.

iv) Valuation

All investments are classified as "held-for-trading" investments and are recognised 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 income statement. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investments (Continued)

v) Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Income Statement.

vi) Unrealised Gains

Unrealised gains are included in the operating result for the year and are transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments.

vii) Investment income

Dividend income is recognised in the Income Statement 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.

viii) Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Income Statement.

ix) Financial Liabilities

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

(b) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax (Continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and fixed interest securities maturing within three months. Bank overdrafts are shown within short-term borrowings in current liabilities in the Balance Sheet.

(d) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets and are initially recognised at fair value. They are subsequently stated at their amortised cost less impairment losses (refer Note 1 (f)).

(e) Trade and Other Payables

Trade and other payables are non-derivative financial liabilities and are stated at their amortised cost.

(f) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible 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 Income Statement.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Balance Sheet.

Cash flows are presented in the Cash Flows Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Segment Reporting

The Company is engaged in investment activities conducted in Australia and derives revenue and investment income from listed, unlisted and fixed interest securities.

(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.

The Directors are of the opinion that there are no key sources of estimation at the balance sheet date and there is no instance of application of judgements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) New Standards and Interpretations not yet Adopted

There are no impending new accounting standards that will result in any material change in relation to amounts recognised in the financial statements.

The financial report was authorised for issue on 28 August 2009 by the Board of Directors.

	2009 \$	2008 \$
2. OTHER REVENUE FROM ORDINARY ACTIVITIES		
Other fees	12,111	40,673
	12,111	40,673
3. AUDITOR'S REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	22,681	26,229
Non-audit Services		
Other services provided by a related practice of the auditor:		
Taxation services	8,200	11,342
	30,881	37,571
4. 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%	(1,663,038)	(2,252,498)
Imputation credit gross up	72,151	105,843
Franking credit offset	-	(352,810)
Franked dividends receivable – prior year	17,099	-
Franked dividends receivable – current year	(968)	(17,099)
Franking credits converted to losses	(240,505)	-
Over provision of prior year income tax	-	33,407
	(1,815,261)	(2,483,157)
Total income tax expense results in a:		
Movement in current tax liabilities	-	(103,918)
Movement in deferred tax liabilities	633	(2,414,779)
Movement in deferred tax assets	(1,815,894)	(315,875)
Movement in equity	-	13,643
Under provision of prior year income tax	-	337,772
	(1,815,261)	(2,483,157)
(b) Deferred Tax Assets		
Provisions	5,790	5,790
Capitalised share issue costs	48,936	76,802
Fair value adjustments	353,078	333,767
Tax losses	1,824,449	-
	2,232,253	416,359

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. TAXATION (Continued)	2009	2008
	\$	\$
Movement in deferred tax assets		
Balance at the beginning of the period	416,359	100,484
Credited to the Income Statement	1,815,894	315,875
	<u>2,232,253</u>	<u>416,359</u>
 (c) Current Tax Liabilities/(Asset)		
Movement in current tax liabilities/ (Asset)		
Balance at the beginning of the period	117,457	221,375
Current year income tax expense on operating profit	-	247,497
Income tax paid	(170,400)	(351,415)
	<u>(52,943)</u>	<u>117,457</u>
 (d) Deferred Tax Liabilities		
Fair value adjustments	-	-
Income provisions	3,807	3,174
	<u>3,807</u>	<u>3,174</u>
 Movement in deferred tax liabilities		
Balance at the beginning of the period	3,174	2,417,953
Charged to the Income Statement	633	(2,414,779)
At reporting date	<u>3,807</u>	<u>3,174</u>
 5. DIVIDENDS		
(a) Dividends paid		
Dividends paid by the Company	-	<u>1,496,557</u>

The Directors have not declared a dividend for 2009. (2008: 2.5 cents)

Dividends paid by the Company for the year ended 30 June 2008	Cents Per Share	Total Amount \$	Date of payment	Tax Rate for franking Credit	% franked
Interim 2008 - Ordinary	2.5	682,912	9 April 2008	30%	100%
Final 2007 - Ordinary	2.0	542,430	18 October 2007	30%	100%
Final 2007 - Special	1.0	271,215	18 October 2007	30%	100%
Total Amount		<u>1,496,557</u>			

(b) Dividend franking account

Balance of franking account at period 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.

377,660

137,157

The franking credit balance does not include an allowance for a dividend. Subsequent to the year end, the franking account would be reduced by \$230,867 (2008: nil) for the declared dividend to be paid out on 25th August 2009. 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.

As at 30 June 2009, the balance of the franking account did not include the tax to be paid on accrued income recognised as a deferred tax liability of \$3,807.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
6. RECEIVABLES		
Trade debtors	370,179	893,633
Income receivable	15,919	67,575
Sundry debtors	7,258	42,328
	<u>393,356</u>	<u>1,003,536</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 not interest bearing and is unsecured.

7. FINANCIAL ASSETS

Long positions - held for trading financial assets:

Listed investments at fair value	16,051,681	17,668,299
Unlisted investments at fair value	-	176,480
Total financial assets	<u>16,051,681</u>	<u>17,844,779</u>

The market values of the top 20 individual investments as at 30 June 2009 are disclosed on page 3 of the Annual Report.

8. TRADE AND OTHER PAYABLES

Trade creditors	242,737	25,919
Sundry creditors - related parties	37,717	41,935
Dividends payable on short positions	21,863	93,219
Sundry creditors - other	28,073	37,073
	<u>330,390</u>	<u>198,146</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 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 management fees payable of \$27,123 (inclusive of GST) (2008: \$11,846) to the manager, Cadence Asset Management Pty Limited, \$10,594 (2008: \$15,089) that was payable to MAM Pty Limited for assignment fees and directors fees payable of nil (2008: \$15,000). Refer to Note 17 for further information on Related Parties.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
9. FINANCIAL LIABILITIES		
Short positions – held for trading financial liabilities:		
Listed investments at fair value	<u>939,188</u>	<u>10,997,358</u>

The Company's financial assets are used as collateral for its financial liabilities.

10. ISSUED CAPITAL

(a) Paid-up Capital

Ordinary shares fully paid	29,579,471	29,973,299
Costs of share issue	(464,437)	(464,437)
Deferred tax asset on capitalised costs of share issue	139,330	139,330
	<u>29,254,364</u>	<u>29,648,192</u>

(b) Movement in ordinary share capital

2009

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
			27,388,020	29,973,299
Balance at the beginning of the year				
Up to 30 June 2009	On-Market Share Buy-Back	\$0.8302	(55,500)	(46,074)
Up to 30 June 2009	Off-Market Share Buy-Back	\$0.8736	(398,070)	(347,754)
			<u>26,934,450</u>	<u>29,579,471</u>

2008

			26,783,953	29,283,243
Balance at the beginning of the year				
July 2007	Options exercised	\$1.16	31,551	36,599
August 2007	Options exercised	\$1.16	34,138	39,600
September 2007	Options exercised	\$1.16	137,238	159,196
October 2007	Options exercised	\$1.16	234,635	272,178
18 October 2007	DRP	\$1.1212	144,430	161,972
9 April 2008	DRP	\$0.95	147,575	140,190
Up to 30 June 2008	Share Buy-Back	\$0.9536	(125,500)	(119,679)
			<u>27,388,020</u>	<u>29,973,299</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, 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.

(c) 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. There are no externally imposed capital requirements.

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.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
11. RESERVES		
Asset revaluation reserve	-	-
	<u>-</u>	<u>-</u>
Movement in Asset Revaluation Reserve		
Opening balance	-	5,481,305
Transfer to retained earnings	-	(5,481,305)
	<u>-</u>	<u>-</u>

This asset revaluation reserve is used to record increments and decrements on the revaluation of the investments, net of potential tax as described in accounting policy Note 1(a) (vi).

12. ACCUMULATED LOSSES

Opening balance	(379,301)	661,121
Loss attributable to members of the Company	(3,728,199)	(5,025,170)
Transfer from asset revaluation reserve	-	5,481,305
Dividends paid (Note 5)	-	(1,496,557)
	<u>(4,107,500)</u>	<u>(379,301)</u>

13. CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	8,598,144	21,320,352
Cash overdrafts	908,128	-
	<u>7,690,016</u>	<u>21,320,352</u>

The weighted average interest rate for cash and cash equivalents as at June 2009 is 3.0% (June 2008 7.7%). Included in cash and cash equivalents are bank bills with a weighted average maturity date subsequent to year end of 10 days. The weighted average interest rate for cash overdrafts as at June 2009 is 3.9%. The Company has a Prime Brokerage lending facility with UBS AG its Prime Broker and Custodian. This at call facility is 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 Custodian, including those transferred to the Custodian in accordance with Prime Brokerage Agreement, and any right which arises after the date of the Charge to receive cash or return of property from UBS AG under the Prime Brokerage Agreement, as security for payments and performance by the Company of all of its obligations to UBS AG under the Prime Brokerage Agreement.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13. CASH FLOW INFORMATION (Continued)

	2009	2008
(b) Reconciliation of Operating Loss after Income Tax	\$	\$
Operating loss after income tax	(3,728,199)	(5,025,170)
Add/(Less) items classified as Investing/Financing Activities:		
Realised loss/(gain) on sale of investments	6,129,005	(1,402,488)
Less non cash items:		
Unrealised loss on investments	64,373	8,942,988
Realised loss on equity index futures positions	-	658,600
Net cash provided by Operating Activities before changes in assets and liabilities:		
Decrease in receivables	86,726	195,046
Increase in deferred tax assets	(1,815,894)	(315,875)
Decrease in trade and other payables	(84,573)	(319,935)
Increase/(decrease) in deferred tax liabilities	633	(2,414,779)
Decrease in current tax liabilities	(170,400)	(103,918)
Net cash from Operating Activities	481,671	214,469

(c) Non-cash Financing Activities

The Company issued 147,575 shares at \$0.95 on 9 April 2008 through its Dividend Reinvestment Plan.

14. EARNINGS PER SHARE

	2009	2008
Loss after income tax used in the calculation of earnings per share	\$ <u>(3,728,199)</u>	\$ <u>(5,025,170)</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>27,080,402</u>	<u>28,107,712</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<u>27,080,402</u>	<u>28,107,712</u>

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

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 sheet date are included under the appropriate note for that instrument.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (Continued)

(b) Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty (prime broker, custodian and brokers) will be unable to pay amounts in full when due.

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

There are risks involved in dealing with custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are pledged as collateral for leverage from a prime broker/custodian, or where the Company's assets are held at a prime broker/custodian, the securities and assets deposited with the prime broker/custodian may be exposed to a credit risk with regards to such parties. In addition, there may be practical or timing problems associated with enforcing the Company's rights to its assets in case of an insolvency of any such party.

The Company maintains a custody account with its prime broker and primary custodian UBS AG. There is no guarantee that UBS AG or any other prime broker/custodian that the Company may use from time to time, will not become insolvent. In an insolvency or liquidation of a prime broker/custodian that has custody of Company 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. Because substantially all of the Company's assets are custodied with a single prime broker and single 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 holds 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 UBS AG.

(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) 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 moved into short-term bank bills.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (Continued)

(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 Balance Sheet.

2009	Weighted Average Interest Rate	Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
Financial assets					
Equities	-	-	-	16,051,681	16,051,681
Balances due from brokers	-	-	-	370,179	370,179
Cash and cash equivalents	3.0%	8,598,144	-	-	8,598,144
Other receivables	-	-	-	23,177	23,177
Total financial assets		8,598,144	-	16,445,037	25,043,181
Financial liabilities					
Equities sold short	-	-	-	939,188	939,188
Balances due to brokers	-	-	-	242,737	242,737
Cash overdrafts	3.9%	908,128	-	-	908,128
Other payables	-	-	-	87,653	87,653
Total financial liabilities		908,128	-	1,269,578	2,177,706
2008					
	Weighted Average Interest Rate	Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
Financial assets					
Equities	-	-	-	17,844,779	17,844,779
Balances due from brokers	-	-	-	893,633	893,633
Cash and cash equivalents	7.70%	21,320,352	-	-	21,320,352
Other receivables	-	-	-	109,903	109,903
Total financial assets		21,320,352	-	18,848,315	40,168,667
Financial liabilities					
Equities sold short	-	-	-	10,997,358	10,997,358
Balances due to brokers	-	-	-	25,919	25,919
Other payables	-	-	-	172,227	172,227
Total financial liabilities		-	-	11,195,504	11,195,504

	2009 \$	2008 \$
Other payables are expected to be paid as follows:		
- Less than 6 months	87,653	172,227
- 6 months to one year	-	-

(iii) Net Fair Values

- Listed investments have been valued at market value at balance sheet date.
- Other assets and other liabilities approximate their carrying value.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (Continued)

(iv) Sensitivity Analysis

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

Interest Rate Sensitivity Analysis

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

	2009	2008
	\$	\$
Change in loss before tax		
- Increase in interest rate by 1%	131,313	88,680
- Decrease in interest rate by 1%	(131,313)	(88,680)
Change in equity		
- Increase in interest rate by 1%	131,313	88,680
- Decrease in interest rate by 1%	(131,313)	(88,680)

Market Risk Sensitivity Analysis

At 30 June 2009, the effect on loss and equity as a result of changes in the market risk, with all other variables remaining constant would be as follows:

	2009	2008
	\$	\$
Change in loss before tax		
- Increase in market price by 2%	299,050	136,948
- Decrease in market price by 2%	(299,050)	(136,948)
Change in equity		
- Increase in market price by 2%	299,050	136,948
- Decrease in market price by 2%	(299,050)	(136,948)

16. 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 period are:

K. Siegling	Chairman and Company Secretary
G.J. Wilson	Non-Executive Director
J. Chirnside	Non-Executive Director

(a) Remuneration

There are no executives that are paid by the Company. Cadence Asset Management Pty Limited, the investment manager of the Company, remunerates Karl Siegling as a consultant and as a director of the Company. The manager also provides day to day management of the Company and is remunerated as outlined in Note 17 – Related Parties Transactions.

	2009	2008
	\$	\$
Short-term Benefits Directors' Fees	30,000	30,000
Post-employment Benefits Superannuation	-	-
	<u>30,000</u>	<u>30,000</u>

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

16. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(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 \$55,000 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.

(c) Shareholdings

As at 30 June 2009, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2008	Acquisitions	Disposals	Off-Market Buy-Back	Balance at 30 June 2009
K. Siegling	2,036,500	398,907	-	(50,913)	2,384,494
G.J. Wilson	2,000,000	-	-	(50,000)	1,950,000
J.M. Chirside*	950,296	-	-	-	950,296
	<u>4,986,796</u>	<u>398,907</u>	<u>-</u>	<u>(100,913)</u>	<u>5,284,790</u>

As at 30 June 2008, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 1 July 2007	Acquisitions	Disposals	Balance at 30 June 2008
K. Siegling	2,000,000	36,500	-	2,036,500
G.J. Wilson	2,000,000	-	-	2,000,000
J.M. Chirside*	901,800	48,496	-	950,296
	<u>4,901,800</u>	<u>84,996</u>	<u>-</u>	<u>4,986,796</u>

As at 30 June 2008 the Company's key management personnel held the following options in the Company:

	Balance at 1 July 2007	Acquisitions	Disposals	Expired 31 March 2008	Balance at 30 June 2008
K. Siegling	2,000,000	-	-	(2,000,000)	-
G.J. Wilson	702,595	-	(114,179)	(588,416)	-
J.M. Chirside*	901,800	-	-	(901,800)	-
	<u>3,604,395</u>	<u>-</u>	<u>(114,179)</u>	<u>(3,490,216)</u>	<u>-</u>

* The holdings disclosed by J.M.Chirside are all made through a Fund managed by an entity associated with him. There are no other Director indirect holdings.

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.

CADENCE CAPITAL LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17. RELATED PARTY TRANSACTIONS

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

Karl Siegling is the sole Director and beneficial owner of Cadence Asset Management Pty Limited, the entity appointed to manage the investment portfolio of Cadence Capital Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of 1% (plus GST) of gross assets per annum, of \$244,596 (inclusive of GST, 2008: \$338,691). As at 30 June 2009, the balance payable to the manager was \$27,123 (inclusive of GST, 2008: \$11,846).

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 2009, no (2008: nil) performance fee was payable to Cadence Asset Management Pty Limited.

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. The amount of the fees assigned to MAM Pty Limited was to be calculated on a sliding scale ranging up to 25% based on the funds raised under the Prospectus less funds invested by Karl Siegling or entities associated with Karl Siegling. Subsequent to the initial capital raising, the assignment rate was 4.05%. At 30 June 2009, an amount of \$10,594 (2008:\$15,089) was payable to MAM Pty Limited.

18. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Board declared a 2.0 cent per share fully franked dividend on 10th August 2009 payable on 25th August 2009. The Ex Date for the dividend was 14th August 2009.

The Company is also in the process of signing a new prime brokerage/custodial facility with Citigroup. This will replace the company's existing facility with UBS AG. Refer to Notes 13(a) and 15(b).

K Siegling has increased his indirect holdings in the Company through acquisitions of 152,061 shares at a cost of \$101,645. He currently has an indirect holding of 2,536,555 shares.

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 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.

19. CONTINGENT LIABILITIES

Estimates of material amounts of contingent liabilities not provided for in the accounts, arising from:

	2009	2008
	\$	\$
Sub-Underwriting agreements entered into during the year of which the offer closes after balance sheet date	1,660,000	-

20. CAPITAL COMMITMENTS

Capital commitments exist for placements entered into before 30 June 2009, which settle after year end.

	1,088,068	-
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CADENCE CAPITAL LIMITED

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DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements and notes set out on pages 11 to 28 and the additional disclosures included in the Directors' Report designated as Remuneration Report, set out on page 8, of the Company are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the Company as at 30 June 2009 and of its performance for the year ended on that date;
2. The Director and the Chief Operating Officer of the Manager, Cadence Asset Management Pty Limited has declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Karl Siegling
Director

Dated at Sydney, this 28 August 2009

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CADENCE CAPITAL LIMITED**

We have audited the accompanying financial report of Cadence Capital Limited (Cadence), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Cadence are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's Opinion

In our opinion the financial report of Cadence Capital Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Cadence's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 8 of the directors' report for the year ended 30 June 2009. The directors of Cadence are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cadence Capital Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



S. M. Whiddett
Partner

Dated in Sydney this 28^h day of August 2009

CADENCE CAPITAL LIMITED

ABN: 17 112 870 096

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial shareholders (as at 31 July 2009)

The following have advised that they are a substantial shareholder of Cadence Capital Limited. The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Substantial ordinary shareholders as at ex-date	No. of shares	% of total
Esselmont Pty Ltd	2,384,494	8.853
MAM Pty Ltd	1,950,000	7.240

On-market buy back

There is a current on-market share buy back in place.

Distribution of shareholders (as at 31 July 2009)

Category	No. of shareholders
1 – 1,000	14
1,001 – 5,000	109
5,001 – 10,000	95
10,001 – 100,000	259
100,001 and over	45
	522

The number of shareholdings held in less than marketable parcels is 13.

Twenty largest shareholders - Ordinary shares (as at 31 July 2009)

Name	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd	2,384,494	8.853
MAM Pty Limited	1,950,000	7.240
Golden Words Pty Ltd	1,000,000	3.713
Aust Executor Trustees Ltd <APAM AE AS FUND>	950,296	3.528
Bannaby Investments Pty Ltd <Super Fund>	907,921	3.371
UBS Wealth Management Australia Nominees Pty Ltd	840,517	3.121
Dirdot Pty Limited <Griffith Super Fund A/C>	702,777	2.609
Mr A. Kavangh & Mr M. Mahoney <Patrician Brothers>	502,414	1.865
Mr J. Flanagan & Mrs T. Flanagan <Flanagan Super Fund>	495,206	1.839
Ms Valerie Mitchell	487,500	1.810
HSBC Custody Nominees (Australia) Limited	420,258	1.560
Mr S. Gubbins & Mrs B. Gubbins <Dunluce Super Fund A/C>	384,036	1.426
Robinson Page Management <Beggs-Page Super Fund>	370,250	1.375
Milstern Nominees Pty Ltd <Millie Phillips SF A/C>A/C>	341,844	1.269
Tree Pot Pty Ltd <Tree Pot A/C>	327,586	1.216
Mr Cameron Douglas Mcfarlane	268,637	0.997
Frank Haschka Pty Ltd <The Fma S/F A/C>	258,862	0.961
Mr M.N.S.Chung & Mrs D.A.L.Chung<M&D Chung S/F No 2>	256,522	0.952
Allspires Pty Ltd <Spires S/F A/C>	253,253	0.940
Ms Thelma Joan Martin-Weber	250,000	0.928
	13,352,373	49.574

CADENCE CAPITAL LIMITED

ABN: 17 112 870 096

ASX ADDITIONAL INFORMATION

STOCK EXCHANGE LISTING

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