

**CADENCE CAPITAL LIMITED**  
**APPENDIX 4D**  
**HALF YEAR REPORT**  
for the half year ended 31 December 2006

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
*All comparisons to the half year ended 31 December 2005*

	\$	up/down	% mvmt
Revenue from ordinary activities	5,365,788	up	1468%
Profit from ordinary activities before tax attributable to members	4,548,287	up	1470%
Profit from ordinary activities after tax attributable to members	3,183,802	up	1470%
Net profit for the period attributable to members	3,183,802	up	1470%
<b>Dividend Information</b>	<b>Amt per share</b>	<b>Franked amount per share</b>	<b>Tax rate for franking</b>
2006 Interim Dividend	1.5c	1.5c	30%
2006 Final Dividend	1.5c	1.5c	30%
2006 Final Special Dividend	5.0c	5.0c	30%
2007 Interim Dividend	2.0c	2.0c	30%
2007 Interim Special Dividend	1.0c	1.0c	30%
<b>Interim dividend dates</b>			
Ex dividend date			16 April 2007
Record date			18 April 2007
Payment date			27 April 2007
		<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Net tangible asset backing after tax		\$1.22	\$1.03
Net tangible asset backing (comparative)		\$1.71*	\$1.03*
<i>* NTA pre dilution of \$1.00 strike price options, pre the payment of an 8 cents dividend in October 2006 and pre tax.</i>			
<i>This report is based on the Half Year Financial Report which has been subject to review by the Auditors. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2006 Annual Financial Report.</i>			

# **CADENCE CAPITAL LIMITED**

A.B.N. 17 112 870 096

## **FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

# COMPANY PARTICULARS

## CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

Cadence Capital Limited is a Listed Investment Company. It is an investor in equities and similar securities on the stock market primarily in Australia.

**DIRECTORS:** K. Siegling (Chairman)  
G. Wilson  
J. Chirnside

**SECRETARY:** K. Siegling

**AUDITORS:** Moore Stephens Sydney

**COUNTRY OF INCORPORATION:** Australia

**REGISTERED OFFICE:** Level 11, 131 Macquarie Street  
Sydney NSW 2000

**CONTACT DETAILS:** Mail Address: Level 11, 131 Macquarie St  
Sydney NSW 2000  
Telephone: (02) 8298 2444  
Fax: (02) 8298 2499  
Email: [info@cadencecapital.com.au](mailto:info@cadencecapital.com.au)  
Website: [www.cadencecapital.com.au](http://www.cadencecapital.com.au)

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) refer to [www.asx.com.au](http://www.asx.com.au) or call (02) 8298 2444

**SHARE REGISTRAR:** Registries Limited  
Mail Address: PO Box R67 Royal Exchange  
Sydney NSW 1223  
Telephone: (02) 9290 9600  
Fax: (02) 9279 0664

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

**STOCK EXCHANGE:** Australian Securities Exchange (ASX)  
The home exchange is Sydney.  
ASX code: CDM Ordinary shares  
CDMO Options

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

The Directors present their report together with the financial report of Cadence Capital Limited (the Company) for the half year ended 31 December 2006.

### PRINCIPAL ACTIVITY

The principal activity of the Company is making investments in listed and unlisted companies. No change in this activity took place during the half year or is likely in the future.

### REVIEW OF OPERATIONS AND OPERATING RESULTS

Investment operations over the half year resulted in an operating profit before tax of \$4,548,287 (2005: \$289,773) and an operating profit after tax of \$3,183,802 (2005: \$202,841)

Investments are revalued monthly to market value. For the half year ended 31 December 2006, investments were revalued upwards by \$5,200,678 (2005: \$259,173), after an adjustment for deferred tax on unrealised gains, a net increment of \$3,034,142 (2005: \$181,421) was transferred to an Asset Revaluation Reserve.

Asset backing for each ordinary share at 31 December 2006 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to \$1.22 per share (2005: \$1.03). On a comparable basis the NTA pre dilution of \$1.00 strike price options, pre the payment of an 8 cents dividend in October 2006 and pre tax rose to \$1.71 per share (2005: \$1.03)

Dividends of 8 cents per share have been paid in the period from 31 December 2005 to 31 December 2006.

### DIRECTORS

The names of the Directors in office at any time during or since the end of the half year are as follows:-

Karl P. Siegling – Chairman

Geoff J. Wilson – Non Executive Director

James M. Chirnside – Non Executive Director

The Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

### AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 2.

Signed in accordance with a resolution of the Board of Directors.



K. SIEGLING Director

Dated at Sydney this 28th February 2007

PARTNERS:

Andrew Blackwell CA  
Chris Chandran CA  
Stephen Humphrys FCA  
Garry Leysdon FCA  
Wayne Morton FCA  
Joe Shannon CA  
Robert Southwell CA  
Spiro Tzannes FCA  
Charlie Viola (Affiliate ICAA)  
Bob Webster FCA  
Scott Whiddett CA

## Auditors' Independence Declaration

CONSULTANTS:

Pat Bugden FCA  
Anja Dorrell CA

As auditor for the review of Cadence Capital Limited for the half year ended 31 December 2006 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 review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cadence Capital Limited.



**C CHANDRAN**  
Partner

Dated in Sydney this 28<sup>th</sup> day of February 2007

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	December 2006 \$	December 2005 \$
Proceeds from sale of Investments		20,863,300	1,583,118
Cost of Investments Sold		(20,886,189)	(1,563,271)
Unrealised gain on Investments		5,200,678	259,173
Other revenue from ordinary activities	2	187,999	63,270
Management and performance fees		(594,650)	(32,057)
Brokerage expense on share purchases		(156,375)	(17,630)
Other expenses from ordinary activities		<u>(66,476)</u>	<u>(2,830)</u>
<b>Profit before income tax</b>		4,548,287	289,773
Income tax expense		<u>(1,364,485)</u>	<u>(86,932)</u>
<b>Profit attributable to members of the company</b>	5 (c)	<u>3,183,802</u>	<u>202,841</u>
<b>Basic earnings per share</b>		<u>12.0 cents</u>	<u>3.6 cents</u>
<b>Diluted earnings per share</b>		<u>12.0 cents</u>	<u>1.8 cents</u>

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	December 2006 \$	June 2006 \$
<b>ASSETS</b>			
Cash and cash equivalents		5,789,207	1,209,782
Trade and other receivables		153,408	1,007,079
Financial assets		29,158,512	6,224,579
Deferred tax assets		337,386	34,262
<b>TOTAL ASSETS</b>		<u>35,438,513</u>	<u>8,475,702</u>
<b>LIABILITIES</b>			
Trade and other payables		1,128,807	565,444
Unallocated Application		-	115,000
Current tax liabilities		125,199	125,199
Deferred tax liabilities		1,832,195	262,131
<b>TOTAL LIABILITIES</b>		<u>3,086,201</u>	<u>1,067,774</u>
<b>NET ASSETS</b>		<u>32,352,312</u>	<u>7,407,928</u>
<b>EQUITY</b>			
Issued Capital	4	28,727,078	6,438,439
Reserve	5 (b)	3,640,474	606,332
Retained earnings	5 (c)	<u>(15,240)</u>	<u>363,157</u>
<b>TOTAL EQUITY</b>		<u>32,352,312</u>	<u>7,407,928</u>

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	December 2006 \$	December 2005 \$
<b>Total equity as at 1 July</b>		7,407,928	-
Shares issued in the period	<b>5 (a)</b>	22,516,244	5,050,700
Profit for the half year attributable to members of the company	<b>5 (c)</b>	<u>3,183,802</u>	<u>202,841</u>
		<b>33,107,974</b>	<b>5,253,541</b>
Share issue costs, net of deferred tax asset		(227,607)	(57,859)
Dividends paid or provided for	<b>3</b>	<u>(528,055)</u>	<u>-</u>
<b>Total equity as at 31 December attributable to members of the company</b>		<b><u>32,352,312</u></b>	<b><u>5,195,682</u></b>

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	December 2006 \$	December 2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	95,555	4,500
Interest received	70,959	57,370
Other investment income received	7,124	-
Investment management fees	(46,812)	(7,740)
Investment performance fees	(176,857)	-
Brokerage expense on share purchases	(156,375)	(17,630)
Payments for administration expenses	(78,553)	(6,140)
<b>NET CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(284,959)</u>	<u>30,360</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	21,980,457	1,330,998
Payments for purchases of investments	<u>(38,640,558)</u>	<u>(5,723,667)</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<u>(16,660,101)</u>	<u>(4,392,669)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from public offering	15,568,744	5,070,700
Proceeds from options exercised	6,421,189	-
Proceeds from allotments	304,000	-
Share issue costs	(241,393)	(44,743)
Dividends paid	<u>(528,055)</u>	<u>-</u>
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<u>21,524,485</u>	<u>5,025,957</u>
<b>NET INCREASE IN CASH HELD</b>	4,579,425	663,648
Cash at beginning of the period	<u>1,209,782</u>	<u>-</u>
<b>CASH AT END OF HALF YEAR</b>	<u>5,789,207</u>	<u>663,648</u>

The accompanying notes form part of these financial statements.

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The half year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2006 and any public announcements made by Cadence Capital Limited during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2006 Annual Financial Report.

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.

The half year report does not include full disclosures of the type normally included in an annual financial report.

#### (b) Details of Reporting Period

The current reporting period is the half year ended 31 December 2006. For the Income Statement, Statement of Changes in Equity and the Cash Flow Statement, the previous corresponding period is the period ended 31 December 2005. For the Balance Sheet, the previous corresponding date is 30 June 2006.

#### (c) Segment Reporting

The half year 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.

	December 2006 \$	December 2005 \$
<b>2. OTHER REVENUE</b>		
Dividends	77,850	5,900
Interest	105,268	57,370
Underwriting fees	4,882	-
	<u>187,999</u>	<u>63,270</u>

### 3. DIVIDENDS

All dividends were fully franked and paid in October 2006

1.5 cents interim dividend	99,010	-
1.5 cents final dividend	99,010	-
5.0 cents special dividend	330,035	-
	<u>528,055</u>	<u>-</u>

#### Subsequent Event

Since the end of the half year, the Directors have declared an interim dividend of 2.0 cents per share and a special dividend of 1.0 cents fully franked at 30% payable on 27 April 2007.

The interim and special dividends have not been brought to account in the financial statements for the half year ended 31 December 2006 but will be recognised in subsequent financial reports.

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	December 2006 \$	June 2006 \$
<b>4. ISSUED CAPITAL</b>		
Paid up capital		
26,583,702 shares fully paid (June 2006: 6,289,182)	29,047,614	6,531,370
Cost of share issue	(457,909)	(132,758)
Deferred tax asset on capitalised costs of share issue	137,373	39,827
	<u>28,727,078</u>	<u>6,438,439</u>
	December 2006 \$	December 2005 \$
<b>5. MOVEMENTS IN EQUITY</b>		
<b>(a) Movements in ordinary share capital</b>		
Balance at the beginning of the reporting period	6,438,439	-
5,050,700 ordinary shares issued on 25 November 2005		5,050,700
171,786 ordinary shares issued on 1 July 2006	212,000	-
72,599 ordinary shares issued on 1 August 2006	88,000	-
100,307 ordinary shares issued on 1 September 2006	119,000	-
13,421,328 ordinary shares issued on 24 November 2006	15,568,744	-
Cost of the offer, net of deferred tax	(227,605)	(57,859)
6,528,500 Options exercised during the half year	6,528,500	-
<b>At reporting date</b>	<u>28,727,078</u>	<u>4,992,841</u>
<b>(b) Movements in asset revaluation reserve</b>		
Balance at the beginning of the reporting period	606,332	-
Transfer (to)/from retained earnings	3,034,142	181,421
<b>At reporting date</b>	<u>3,640,474</u>	<u>181,421</u>
<b>(c) Movements in retained earnings</b>		
Balance at the beginning of the reporting period	363,155	-
Profit for period attributable to members of the company	3,183,802	202,841
Transfer (to)/from retained earnings	(3,034,142)	(181,421)
Dividends paid	(528,055)	-
<b>At reporting date</b>	<u>(15,240)</u>	<u>21,420</u>

## 6. EVENTS SUBSEQUENT TO REPORTING DATE

Other than disclosed elsewhere in the financial statement no matters have arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of the operations, or the state of affairs of the Company in future financial years.

# CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

## DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements and notes, as set out on pages 3 to 8, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
  - (b) giving a true and fair view of the financial position of the Company as at 31 December 2006 and of its performance for the half year ended on that date.
2. 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.

Signed in accordance with a resolution of the Board of Directors.



K. SIEGLING Director  
Dated at Sydney this 28th February 2007

## PARTNERS:

Andrew Blackwell CA  
Chris Chandran CA  
Stephen Humphrys FCA  
Garry Leyshon FCA  
Wayne Morton FCA  
Joe Shannon CA  
Robert Southwell CA  
Spiro Tzannes FCA  
Charlie Viola (Affiliate ICAA)  
Bob Webster FCA  
Scott Whiddett CA

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF  
CADENCE CAPITAL LIMITED**

## CONSULTANTS:

Pat Bugden FCA  
Anja Dorrell CA

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Cadence Capital Limited and, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, selected explanatory notes and the directors' declaration .

**Directors' Responsibility for the Half-Year Financial Report**

The company's directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporation Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001. As the auditor of Cadence Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 2 of the financial report has not changed as at the date of providing this auditor's review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cadence Capital Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



**C CHANDRAN**  
Partner



**MOORE STEPHENS SYDNEY**

Dated in Sydney, this 28<sup>th</sup> day of February 2007