

2012

Annual
Report



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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 COMPANY:

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

Telephone: (02) 8298 2444

Fax: (02) 8298 2499

Email: info@cadencecapital.com.au

Website: www.cadencecapital.com.au

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

PRIME BROKER AND CUSTODIAN OF THE COMPANY:

Citigroup Global Markets Australia Pty Ltd
Level 21, 2 Park Street
Sydney, NSW, 2000

SHARE REGISTRAR:

Boardroom Pty Limited
Mail Address: GPO Box 3993
Sydney, NSW, 2001
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

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

AUDITORS:

Moore Stephens Sydney
Level 7, 20 Hunter Street,
Sydney, NSW, 2000

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MANAGER'S REPORT

SUMMARY OF RESULTS

- Gross Portfolio increased +5.49% for the year ended 30 June 2012 outperforming the All Ordinaries Accumulation Index by 12.53% and the Small Ordinaries Accumulation Index by 20.10%. This was achieved whilst holding on average 33% in cash.
- Record 8.0 cent per share fully franked full year dividend: 4.0 cent final and 4.0 cent special dividend. The dividends paid for FY 2012 represent a 10.5% fully franked yield based on the 30th June 2012 share price of \$1.19.
- Large Franking Credit balance and Profits Reserve secures medium term fully franked dividend yield.
- Over the past year, consistently ranked by ASX as one of the top three Australian Equities Listed Investment Companies over 1, 3 and 5 years in their LMI Quarterly Updates.
- Fund ranked by E.L & C Baillieu as the Number 1 Australian Equities Listed Investment Company over 3 and 5 years in the Listed Investment Company Sector Report of 18th July 2012.
- Post year end 98% of CDM options were exercised and CDM placement closed oversubscribed.

SHAREHOLDER PERFORMANCE

For the financial year ended 30 June 2012, Cadence Capital Limited produced a gross performance of +5.49% compared to a decrease in the All Ordinaries Accumulation Index of -7.04% and a decrease in the Small Ordinaries Accumulation Index of -14.61%. We are pleased that since its inception almost 7 years ago Cadence Capital Limited has outperformed the All Ordinaries Accumulation Index by 16.34% per annum. It should also be noted that this outperformance has been achieved with lower than market risk and exposure.

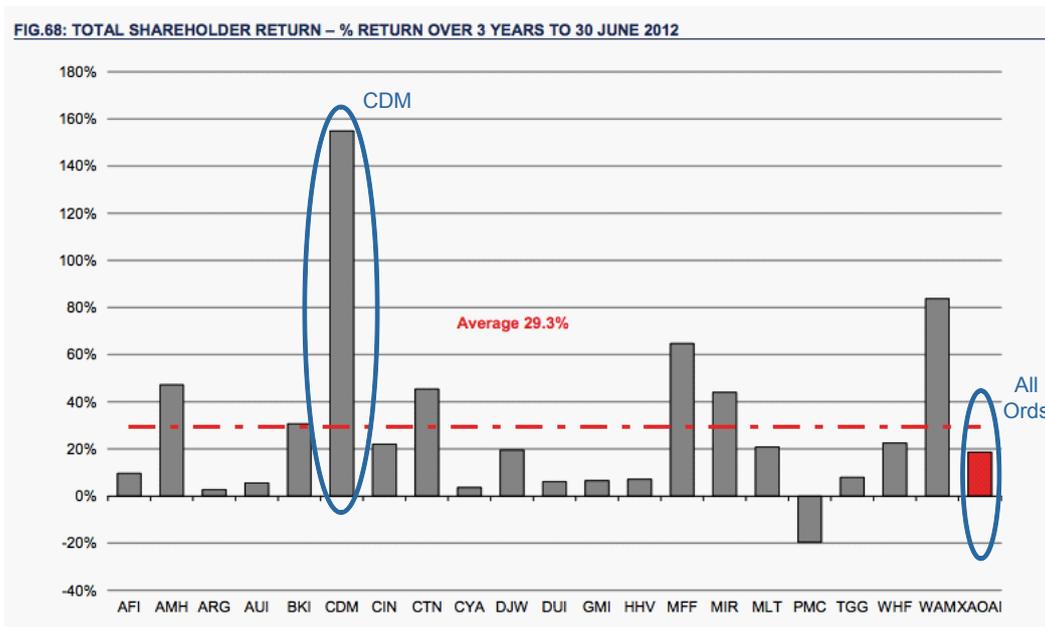
Performance* to 30th June 2012	CDM**	All Ords	Outperformance
1 Month	1.13%	0.25%	+0.88%
1 Year	5.49%	-7.04%	+12.53%
2 Years	92.00%	4.27%	+87.73%
3 Years	134.85%	18.64%	+116.21%
4 Years	98.62%	-7.64%	+106.26%
5 Years	63.28%	-18.83%	+82.11%
Since Inception (81 months)	223.76%	19.44%	+204.32%
Since Inception Annualised (81 months)	19.01%	2.67%	+16.34%

* Before Management and Performance Fees

**These numbers include the franking value of the substantial RHG dividend received in May 2011

Over the past year, Cadence Capital Limited has been consistently ranked by ASX as one of the top three Australian Equities Listed Investment Companies over 1, 3 and 5 years in their LMI Quarterly Updates. Cadence Capital Limited has also recently been ranked by E.L & C Baillieu as the Number 1 Australian Equities Listed Investment Company over 3 and 5 years in its Listed Investment Company Sector Report of 18th July 2012.

Positions that performed well for the Company in 2012 were RHG Ltd, McMillan Shakespeare Ltd, Flexigroup Ltd, Bravura Solutions Ltd and Central Petroleum Ltd. Positions that underperformed for the Company in 2012 were Coffey International Ltd and Firstfolio Ltd. During the year the Company on average held 33% in cash.

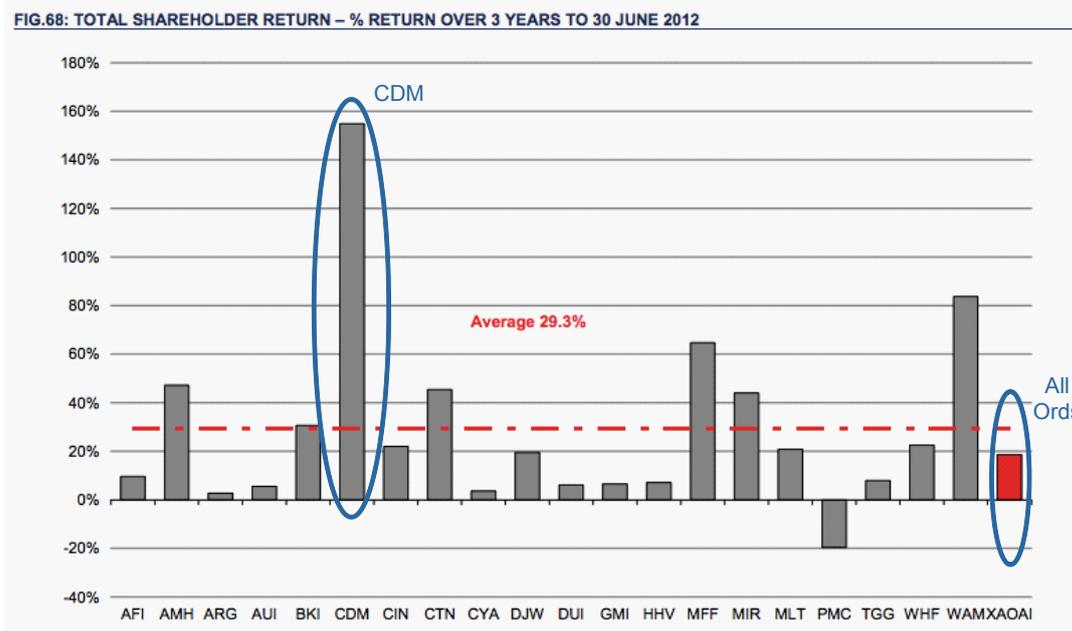


Source: E.L. & C. Baillieu Stockbroking Ltd - Listed Investment Companies - Sector Report - 18 July 2012

DIVIDENDS AND DIVIDEND POLICY

Cadence Capital Limited announced a full year dividend of 8 cents per share made up of 4 cents per share final dividend and 4 cents per share special dividend. Combined with the interim dividend of 4 cents per share plus a 0.5 cent per share special this equates to 12.5 cents of dividends per share over the past year. This equates to 10.5% fully franked yield based on the CDM share price of \$1.19 for the year ended 30th June 2012.

The stated dividend policy of Cadence Capital Limited is to pay a continued and growing ordinary dividend stream over time. More recently the company has paid out special dividends in line with the significant Franking Credits that have accrued. The Franking Credits and Profits Reserve create relative certainty around dividends in the medium term.



Source: E.L. & C. Baillieu Stockbroking Ltd - Listed Investment Companies - Sector Report - 18 July 2012

OPTIONS AND PLACEMENT

Post year end 98% of CDM options were exercised and the CDM placement in September 2012 closed oversubscribed. We believe that both the placement and the option exercise should achieve the following objectives:

- attract new long term investors, particularly investors who value fully franked dividends and capital growth,
- expand the market capitalization and improve liquidity,
- improve the research coverage available to the company and,
- spread the fixed administration costs of the Company across a larger asset base.

THE YEAR AHEAD

The performance of the Australian stock market has proven very poor over the past few years. Hindsight shows that as a risk adjusted investment the All Ordinaries Accumulation Index has been a poor investment. The combination of poor returns and high volatility has been a very poor combination for investments closely replicating the All Ordinaries Accumulation Index.

We believe a strategy with an open mandate, which is able to selectively invest in undervalued companies and avoid or short over valued companies, as well as continuously allocating risk between equities and cash continues to be a compelling method to manage capital in this environment.

The equities market will continue to provide opportunities in individual companies and specific industries with specific earnings profiles. The process of trying to guess where the overall market will trade in light of significant macroeconomic events, uncertainty and ambiguity, will continue to be a difficult and risky process. Fortunately this is not how we manage capital.

We remain committed to our investment strategy as outlined in our Prospectus seven years ago and are pleased that this investment strategy has produced good returns for our shareholders and our own shareholdings within the Company.

I would like to take this opportunity to thank our investors for their continued support.



Karl Siegling
Managing Director
Cadence Asset Management Pty Limited

MARKET VALUE OF TOP 20 POSITIONS AS AT 30 JUNE 2012

ASX	COMPANY NAME	MARKET VALUE	%
RHG	RHG Ltd	\$12,926,525	24.79%
MMS	McMillan Shakespeare Limited	\$3,760,829	7.21%
FXL	Flexigroup Limited	\$2,640,037	5.06%
RKN	Reckon Ltd	\$2,557,082	4.90%
BVA	Bravura Solutions Ltd	\$2,394,520	4.59%
ANZ	Australia & New Zealand Banking Group	\$1,960,075	3.76%
NAB	National Australia Bank Ltd	\$1,515,293	2.91%
MQG	Macquarie Group Limited	\$1,395,862	2.68%
DCG	Decmil Group Limited	\$911,672	1.75%
COF	Coffey International Limited	\$800,461	1.53%
SPT	Spotless Group Ltd	\$669,375	1.28%
CTP	Central Petroleum Ltd	\$620,529	1.19%
RFG	Retail Food Group	\$614,628	1.18%
VMG	VDM Group Limited	\$545,769	1.05%
STB	South Boulder Mines Ltd	\$382,003	0.73%
JKA	Jacka Resources Ltd	\$220,500	0.42%
TIN	Tin International Ltd	\$209,100	0.40%
GMV	Goldfields Money Ltd	\$154,030	0.30%
VMGO	VDM Group Limited Options	\$131,052	0.25%
COM	Comops Limited	\$94,197	0.18%
Total Top 20 Long and Short Positions – Net Exposure %		\$34,503,539	66.16%

MARKET VALUE OF TOTAL PORTFOLIO POSITIONS:

Total Portfolio Long Positions	\$34,898,635	66.91%
Total Portfolio Short Positions	-	-
Total Portfolio Net Exposure	\$34,898,635	66.91%

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 (the "Manager") 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:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors; and
- 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 retire from office and are 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 Board's 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.

CORPORATE GOVERNANCE STATEMENT Contd'

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.

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 15 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 aims 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, quarterly webcasts, monthly investment update and asset backing data, monthly estimated NTA's and Half-Year Financial Report lodged with the Australian Securities 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 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.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012

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 2012.

PRINCIPAL ACTIVITY

The principal activity of the Company was investing primarily in securities listed on the Australian Stock Exchange. The Company may take short positions and may also deal in derivatives for hedging purposes. No significant changes in the nature of these activities occurred during the financial year.

OPERATING RESULTS

Investment operations over the year resulted in an operating profit before tax of \$1,326,553 (2011: operating profit before tax of \$12,433,549) and an operating profit after tax of \$2,763,546 (2011: operating profit after tax of \$13,148,125).

REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2012, net investments were valued at \$34,898,635 (2011: \$29,897,039).

FINANCIAL POSITION

The net asset value of the Company for the current financial period ended was \$52,153,951 (2011: \$40,131,337).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the Company conducted a bonus issue under which one new Cadence Capital Limited option was issued to shareholders for every existing Cadence Capital Limited share held by them at the record date 19th August 2011. The option strike price is \$1.25 and they can be exercised on or before the 15th September 2012. During this financial year 9,108,685 options have been exercised.

DIVIDENDS PAID OR RECOMMENDED

The Board have declared an 8.0 cent per share fully franked dividend (4.0 cents final dividend and 4.0 cents special dividend) payable on 29th October 2012. The Ex Date for the dividend is 15th October 2012.

Dividends paid are as follows:

	\$
Fully franked 2012 interim dividend of 4.0 cents per share was paid on 2 April 2012	1,491,216
Fully franked 2012 special dividend of 0.5 cents per share was paid on 2 April 2012	186,402
Fully franked 2011 final dividend of 3.0 cents per share was paid on 6 October 2011	928,255
Fully franked 2011 special dividend of 3.0 cents per share was paid on 6 October 2011	928,255
Fully franked 2011 interim dividend of 3.0 cents per share was paid on 14 March 2011	819,649

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

DIRECTORS AND DIRECTORS' RELEVANT INTERESTS

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

Karl Siegling	6,976,069 Ordinary shares
Geoffrey Wilson	1,560,000 Ordinary shares
James Chirnside	25,932 Ordinary shares

At the date of this report the Directors held no options as they had already expired.

INFORMATION ON DIRECTORS

Karl Siegling (Chairman and Company Secretary)

Karl has over 16 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.

Geoffrey Wilson (Non-executive Director)

Geoffrey Wilson has had 33 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 Fellow of the Financial Services Institute of Australia.

Geoffrey Wilson is the Chairman of WAM Active Limited (appointed July 2007), WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003) and Australian Stockbrokers Foundation. He is a Director of Australian Leaders Fund Limited (formerly known as Wilson Leader's Fund Ltd) (appointed October 2003), Clime Capital Limited (appointed November 2003), Incubator Capital Limited (appointed Feb 2000), the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Australian Children's Music Foundation, Odyssey House McGrath Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also a Director of investment management companies Wilson Asset Management (International) Pty Limited, MAM Pty Limited, Boutique Asset Management Pty Limited and Boutique Investment Management Pty Ltd.

James Chirnside (Non-executive Director)

James Chirnside has been exclusively focused in emerging markets and absolute return investment strategies for twenty-three years in Sydney, Hong Kong, London and Melbourne. Mr Chirnside is a shareholder and Managing Director of Asia Pacific Asset Management, a specialist emerging market and alternative investment firm based in Sydney. Mr Chirnside previously worked for Challenger Financial Group in Sydney. Prior to this he managed emerging market hedge funds in Hong Kong and London for Regent Fund Management (now Charlemagne Capital). Between 1988 and 1992 Mr Chirnside ran a Proprietary-trading book for County NatWest Investment Bank based in London. Here he was primarily focussed on Country Funds and derivative arbitrage strategies. James Chirnside is also a director of WAM Capital Limited and India Equities Fund Limited.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

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 Chirnside	4	4

AUDIT COMMITTEE MEETINGS

	No. eligible to attend	Attended
Karl Siegling	2	2
James Chirnside	2	2

REMUNERATION REPORT (AUDITED)

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

(a) Remuneration

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

Short-term Benefits - Directors Fees:	2012 \$	2011 \$
Geoffrey Wilson	13,761	13,761
James Chirnside	13,761	13,761
Post-employment Benefits - Superannuation	2,478	2,478
	30,000	30,000

(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.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

REMUNERATION REPORT (AUDITED) contd'

(c) Shareholdings

As at 30 June 2012, the Company's key management personnel indirectly held the following shares in the Company:

Shareholdings	Balance at 1 July 2011	Acquisitions	Disposals	Balance at 30 June 2012
Karl Siegling	3,237,474	637,983	-	3,875,457
Geoffrey Wilson	2,050,000	-	(490,000)	1,560,000
James Chirside	12,966	12,966	-	25,932
	5,300,440	650,949	(490,000)	5,461,389

As at 30 June 2012, the Company's key management personnel indirectly held the following options in the Company:

Optionholdings	Balance at 1 July 2011	Bonus 1:1 Option Issue	Disposals	Options Exercised	Balance at 30 June 2012
Karl Siegling	-	3,237,474	-	(230,362)	3,007,112
Geoffrey Wilson	-	2,050,000	(2,050,000)	-	-
James Chirside	-	12,966	-	(12,966)	-
	-	5,300,440	(2,050,000)	(243,328)	3,007,112

EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Cadence Capital Limited have declared an 8.0 cent per share fully franked final dividend (4.0 cents final dividend and 4.0 cents special dividend) payable on 29th October 2012. The Ex Date for the dividend is 15th October 2012.

The \$ 1.25 CDM options expired on the 15th September 2012. 26,932,680, options were exercised by the date of this report.

On the 21 September 2012 Cadence Capital Limited completed its share placement of \$11.4 million (being the maximum allowable under ASX listing rule 7.1) at \$ 1.37 per share.

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.

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

ENVIRONMENTAL ISSUES

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

INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

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

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

BONUS 1:1 OPTION ISSUE

During the year the Company conducted a bonus issue under which one new Cadence Capital Limited option was issued to shareholders for every existing Cadence Capital Limited share held by them at the record date 19th August 2011. The option strike price was \$1.25 and it was exercisable on or before the 15th September 2012. At the date of this report the number of exercised options was 26,932,680.

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 2 to the financial statements.

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 2 did not compromise the external auditor's independence.

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 13 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 27 September 2012

Level 7, 20 Hunter Street
Sydney NSW 2000

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F +61 (0)2 9233 4636

www.moorestephens.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CADENCE CAPITAL LIMITED**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 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



Scott Whiddett
Partner

Dated in Sydney, this 27th day of September 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	2012 \$	2011 \$
INCOME			
Proceeds from sale of investments		14,668,792	34,709,464
Cost of investments sold		(15,127,951)	(31,458,729)
Realised (loss)/ gain on investments		(459,159)	3,250,735
Unrealised loss on investments		(3,811,648)	(2,659,709)
Dividends received		6,223,972	14,828,052
Interest received		570,461	117,588
Underwriting fees		10,084	7,601
Other revenue from ordinary activities		15,882	-
Total Income		2,549,592	15,544,267
EXPENSES			
Finance costs		-	(24,634)
Management fees		(442,356)	(357,296)
Performance fees		(431,439)	(2,336,856)
Assignment fees		(36,882)	(113,719)
Directors fees		(30,000)	(30,000)
Brokerage expenses on share purchases		(70,047)	(95,875)
Other expenses from ordinary activities		(212,315)	(152,338)
Total Expenses		(1,223,039)	(3,110,718)
PROFIT BEFORE INCOME TAX		1,326,553	12,433,549
Income tax benefit	3(a)	1,436,993	714,576
Profit attributable to members of the Company	11	2,763,546	13,148,125
Other comprehensive income/(loss)			
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,763,546	13,148,125
Basic earnings per share	13	8.3 cents	47.8 cents
Diluted earnings per share	13	8.3 cents	47.8 cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	NOTES	2012 \$	2011 \$
ASSETS			
Cash and cash equivalents	12 (a)	15,155,601	11,423,139
Trade and other receivables	5	233,767	277,641
Financial assets	6	34,898,635	29,897,039
Deferred tax asset	3(b)	3,096,827	1,641,680
TOTAL ASSETS		53,384,830	43,239,499
LIABILITIES			
Trade and other payables	7	1,212,725	3,108,162
Deferred tax liabilities	3(d)	18,154	-
TOTAL LIABILITIES		1,230,879	3,108,162
NET ASSETS		52,153,951	40,131,337
EQUITY			
Issued capital	8	42,642,987	29,849,791
Asset revaluation reserve	9	-	-
Profits reserve	10	11,018,104	-
(Accumulated losses)/ Retained earnings	11	(1,507,140)	10,281,546
TOTAL EQUITY		52,153,951	40,131,337

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	2012 \$	2011 \$
TOTAL EQUITY AS AT 1 JULY 2011		40,131,337	27,506,039
Profit attributable to members of the Company	11	2,763,546	13,148,125
Shares issued in the year through DRP	8	1,407,339	311,788
Shares issued in the year through Options being exercised	8	11,385,857	-
Shares bought back in share buy-back programs during the year	8	-	(14,966)
		<hr/>	<hr/>
		55,688,079	40,950,986
Dividends paid or provided for	4	(3,534,128)	(819,649)
		<hr/>	<hr/>
TOTAL EQUITY AS AT 30 JUNE 2012 ATTRIBUTABLE TO MEMBERS OF THE COMPANY		52,153,951	40,131,337
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		6,128,464	15,064,021
Interest received		570,461	117,588
Other income received		10,084	15,171
Income tax refund	3(c)	-	189,153
Management fees paid		(438,333)	(348,122)
Performance fees paid		(2,328,930)	(313,491)
Brokerage expenses on share purchases		(70,047)	(95,875)
Interest paid		-	(24,634)
Payments for administration expenses		(364,612)	(195,779)
NET CASH FROM OPERATING ACTIVITIES	12(b)	<u>3,507,087</u>	<u>14,408,032</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of investments		14,660,827	34,980,961
Payments for the purchase of investments		(23,694,520)	(33,254,620)
NET CASH (USED IN)/ FROM INVESTING ACTIVITIES		<u>(9,033,693)</u>	<u>1,726,341</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(2,126,789)	(507,861)
Shares issued during the year		11,385,857	-
Share buy-back		-	(14,965)
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES		<u>9,259,068</u>	<u>(522,826)</u>
NET INCREASE IN CASH HELD		<u>3,732,462</u>	<u>15,611,547</u>
CASH AS AT BEGINNING OF THE FINANCIAL YEAR		11,423,139	(4,188,408)
CASH AS AT END OF THE FINANCIAL YEAR	12(a)	<u>15,155,601</u>	<u>11,423,139</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 statements are general purpose financial statements that have 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*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements have been prepared on an accruals basis and are based on historical costs with the exception of cash flow information, “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 Statement of Financial Position 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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income immediately.

Financial assets are classified and measured at fair value with changes in value being recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

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 Statement of Comprehensive Income.

iv) Valuation

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

v) Unrealised Gains

Unrealised gains were previously included in the operating result for the year and were transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments. This will not be done going forward.

vi) Investment income

Dividend income is recognised in the Statement of Comprehensive Income 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.

vii) Derivative Instruments

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

viii) Financial Liabilities

Borrowed stock is classified as financial liabilities at fair value through the Statement of Comprehensive Income. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income 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 as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

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.

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, fixed interest securities maturing within three months and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Statement of Financial Position.

(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 represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remains unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(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 Statement of Comprehensive Income.

(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 Statement of Financial Position.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

(h) Segment Reporting

The financial report is for the individual entity Cadence Capital Limited. It is a publicly listed company limited by shares, incorporated and domiciled in Australia.

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

The Company has a diversified portfolio of investments, with only the Company's investments in RHG Limited, McMillan Shakespeare Limited, Flexigroup Limited and Bravura Solutions Limited comprising more than 10% of the company's income in year to 30 June 2012 (2011: RHG Limited, Bravura Solutions Limited and South Boulder Mines Limited).

(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 Statement of Financial Position date and there is no instance of application of judgements.

(k) Profits Reserve

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

(l) New Standards and Interpretations not yet Effective

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

The financial report was authorised for issue on 27th September 2012 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

2. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company for:

	2012 \$	2011 \$
Auditing or reviewing the financial report	33,902	28,158

Non-audit Services

Other services provided by a related practice of the auditor:

Taxation services	6,888	7,205
Other services	4,645	-
	45,435	35,363

3. TAXATION

(a) Current Income Tax Benefit

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(benefit) as follows:

Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30%	397,966	3,730,065
Imputation credit gross up	781,774	1,935,280
Penalties and fines	86	20
Franked dividends receivable – prior year	24,499	95,290
Franked dividends receivable – current year	(34,997)	(24,499)
Under provision of prior year income tax	(408)	201
Rebates/tax offsets	(2,298,205)	(6,450,933)
Imputation credits converted to a loss	(307,708)	-
	(1,436,993)	(714,576)

Total income tax expense results in a:

Movement in deferred tax liabilities	18,154	(238,290)
Movement in deferred tax assets	(1,455,147)	(476,286)
	(1,436,993)	(714,576)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 Contd'**

	2012 \$	2011 \$
(b) Deferred Tax Assets		
Provisions	5,790	8,310
Capitalised share issue costs	8,984	-
Fair value adjustments	1,703,522	559,622
Tax losses	1,378,531	1,073,748
	3,096,827	1,641,680
Movement in deferred tax assets		
Balance at the beginning of the period	1,641,680	1,165,394
Credited to the Statement of Comprehensive Income	1,455,147	476,286
	3,096,827	1,641,680
(c) Current Tax Asset/(Liabilities)		
Movement in current tax asset/(liabilities)		
Balance at the beginning of the period	-	189,153
Tax refund received	-	(189,153)
	-	-
(d) Deferred Tax Liabilities		
Income provisions	18,154	-
	18,154	-
Movement in deferred tax liabilities		
Balance at the beginning of the period	-	238,290
Debited to the Statement of Comprehensive Income	18,154	(238,290)
At reporting date	18,154	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

	2012 \$	2011 \$
4. DIVIDENDS		
(a) Dividends paid		
Dividends paid by the Company	3,534,128	819,649

2012					
Dividends paid by the Company for the year ended 30 June 2012	Cents per share	Date of payment	Tax for franking credit	% Franked	Total Amount \$
Interim 2012 - Ordinary and special	4.5	2 April 2012	30%	100%	1,677,618
Final 2011 - Ordinary and special	6.0	6 October 2011	30%	100%	1,856,510
Total Amount					3,534,128

The Board have declared an 8 cent per share fully franked dividend (4.0 cents final dividend and 4.0 cents special dividend) payable on 29th October 2012. The Ex Date for the dividend is 15th October 2012.

2011					
Dividends paid by the Company for the year ended 30 June 2011	Cents per share	Date of payment	Tax for franking credit	% Franked	Total amount \$
Interim 2011 - Ordinary	3.0	14 March 2011	30%	100%	819,649
Total Amount					819,649

(b) Dividend franking account

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

7,015,360	5,214,311
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Subsequent to the reporting period the franking account would be reduced by the franking credit attached to the proposed dividend disclosed in (a) above.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the Company paying tax.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

	2012 \$	2011 \$
5. TRADE AND OTHER RECEIVABLES		
Trade debtors	7,965	-
Income receivable	177,171	81,663
Sundry debtors	48,631	195,978
	233,767	277,641

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.

6. FINANCIAL ASSETS

Long positions - held for trading financial assets:

Listed investments at fair value	34,898,635	29,497,039
Placements	-	400,000
Total financial assets	34,898,635	29,897,039

The market values of the top 20 individual investments as at 30 June 2012 are disclosed on page 5 of the Annual Report.

7. TRADE AND OTHER PAYABLES

Trade creditors	646,675	400,000
Sundry creditors - related parties	531,886	2,655,159
Dividends payable on short positions	-	15,882
Sundry creditors – other	34,164	37,121
	1,212,725	3,108,162

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

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

Sundry creditors – related parties, includes fees payable of \$492,305 (inclusive of GST) (2011: \$2,533,119) to the manager, Cadence Asset Management Pty Limited and \$39,581 (2011: \$122,040) that was payable to MAM Pty Limited for assignment fees. Refer to Note 16 for further information on Related Parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

8. ISSUED CAPITAL

(a) Paid-up Capital

	2012 \$	2011 \$
Ordinary shares fully paid	42,968,094	30,174,898
Costs of share issue	(464,437)	(464,437)
Deferred tax asset on capitalised costs of share issue	139,330	139,330
	42,642,987	29,849,791

2012

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
	Balance at the beginning of the year		27,601,814	30,174,898
6 October 2011	DRP	\$1.16199	605,789	703,928
September 2011	Exercise of Options	\$1.2500	3,340,026	4,175,033
February 2012	Exercise of Options	\$1.2500	5,732,759	7,165,949
2 April 2012	DRP	\$1.27656	551,025	703,411
May 2012	Exercise of Options	\$1.2500	35,900	44,875
			37,867,313	42,968,094

2011

Date	Details of the issue	Share Price \$	No. of Shares	Issue Value \$
	Balance at the beginning of the year		27,341,628	29,878,076
July 2010	On-Market Share	\$0.7483	(20,000)	(14,966)
14 March 2011	DRP	\$1.11279	280,186	311,788
			27,601,814	30,174,898

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

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

(b) Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. 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.

9. ASSET REVALUATION RESERVE

Movement in Asset Revaluation Reserve

	2012 \$	2011 \$
Opening balance	-	555,061
Transfer (to) /from retained earnings	-	(555,061)
	-	-

This asset revaluation reserve was previously used to record increments and decrements on the revaluation of the investments, net of potential tax as described in accounting policy Note 1(a) (v). We do not intend retaining the asset revaluation account going forward.

10. PROFITS RESERVE

Profits Reserve	11,018,104	-
Opening balance	-	-
Transfer from retained earnings	11,018,104	-
	11,018,104	-

A Profit Reserve has been created representing amounts allocated from retained earnings that are preserved for future dividend payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

	2012 \$	2011 \$
11. RETAINED EARNINGS		
Opening balance	10,281,546	(2,601,991)
Profit attributable to members of the Company	2,763,546	13,148,125
Transfer (to) profit reserve	(11,018,104)	-
Transfer from asset revaluation reserve	-	555,061
Dividends paid (Note 4)	(3,534,128)	(819,649)
	(1,507,140)	10,281,546

12. CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	15,155,601	11,423,139
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The weighted average interest rate for cash and cash equivalents as at June 2012 is 3.25% (June 2011: 4.50%).

The Company has a Prime Brokerage lending facility with Citigroup Global Markets Limited and Citigroup Global Markets Australia Pty Ltd 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 Citigroup under the Prime Brokerage Agreement, as security for payments and performance by the Company of all of its obligations to Citigroup under the Prime Brokerage Agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

	2012 \$	2011 \$
(b) Reconciliation of Operating Profit after Income Tax		
Operating profit after income tax	2,763,546	13,148,125
Add/ (Less) items classified as Investing/Financing Activities:		
Realised loss/ (gain) on sale of investments	459,159	(3,250,735)
Add non-cash items:		
Unrealised loss on investments	3,811,648	2,659,709
Net cash provided by Operating Activities before changes in assets and liabilities:		
Decrease in receivables	51,839	106,716
(Increase) in deferred tax assets	(1,455,147)	(476,286)
(Decrease)/Increase in trade and other payables	(2,142,112)	2,269,640
(Decrease)/increase in deferred tax liabilities	18,154	(238,290)
Decrease in current tax assets	-	189,153
Net cash from Operating Activities	3,507,087	14,408,032

(c) Non-cash Financing Activities

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

605,789 shares at \$1.16199 on 6 October 2011

551,025 shares at \$1.27656 on 2 April 2012

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

280,186 shares at \$1.11279 on 14 March 2011

13. EARNINGS PER SHARE

Profit after income tax used in the calculation of earnings per share	2,763,546	13,148,125
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	33,236,125	27,493,218
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	33,236,125	27,493,218

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

14. FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

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

(i) Financial Risk Exposures and Management

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

(a) Terms, Conditions and Accounting Policies

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

(b) Credit Risk

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

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 Prime Brokerage lending facility and custody account with its prime broker and primary custodian Citigroup Global Markets Limited and Citigroup Global Markets Australia Pty Ltd. There is no guarantee that Citigroup 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 in some cases a single major Australian bank, such losses could be significant and materially impair the ability of the Company to achieve its investment objective.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

(c) Liquidity Risk

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

The Company monitors its cashflow requirements daily by reference to known transactions to be paid or received.

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

(d) Market Risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature, as an investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

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

(e) Interest Rate Risk

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

(ii) Financial instrument composition and maturity analysis

The tables on the next page reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as the Company's expectations of the settlement period for all other financial instruments.

As such, the amounts may not reconcile to the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

2012	Weighted Average Interest Rate	Interest bearing		Non-interest bearing	Total
		Less than 90 days	More than 1 year		
		\$	\$	\$	\$
Assets					
Financial assets	-	-	-	34,898,635	34,898,635
Cash and cash equivalents	3.25%	15,155,601	-	-	15,155,601
Other receivables	-	-	-	233,767	233,767
Total assets		15,155,601	-	35,132,402	35,132,402
Liabilities					
Balances due to brokers	-	-	-	646,675	646,675
Other payables	-	-	-	566,050	566,050
Total liabilities		-	-	1,212,725	1,212,725

2011	Weighted Average Interest Rate	Interest bearing		Non-interest bearing	Total
		Less than 90 days	More than 1 year		
		\$	\$	\$	\$
Assets					
Financial assets	-	-	-	29,897,039	29,897,039
Cash and cash equivalents	4.50%	11,423,139	-	-	11,423,139
Other receivables	-	-	-	277,641	277,641
Total assets		11,423,139	-	30,174,680	41,597,819
Liabilities					
Balances due to brokers	-	-	-	400,00	400,00
Other payables	-	-	-	2,708,162	2,708,162
Total liabilities		-	-	3,108,162	3,108,162

2012
\$

2011
\$

Other payables are expected to be paid as follows:

- Less than 6 months	566,050	2,708,162
- 6 months to one year	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

(iii) Financial Instruments Measured at Fair Value

The financial assets and liabilities recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	34,620,622	278,013	-	34,898,635
Financial liabilities	-	-	-	-
Total	34,620,622	278,013	-	34,898,635

2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	29,897,039	-	-	29,897,039
Financial liabilities	-	-	-	-
Total	29,897,039	-	-	29,897,039

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

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:

	2012 \$	2011 \$
Change in profit before tax		
- Increase in interest rate by 1%	146,228	16,582
- Decrease in interest rate by 1%	(146,228)	(16,582)
Change in equity		
- Increase in interest rate by 1%	146,228	16,582
- Decrease in interest rate by 1%	(146,228)	(16,582)

Market Risk Sensitivity Analysis

At 30 June 2012, 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:

	2012 \$	2011 \$
Change in profit before tax		
- Increase in interest rate by 2%	488,567	412,949
- Decrease in interest rate by 2%	(488,567)	(412,949)
Change in equity		
- Increase in interest rate by 2%	488,567	412,949
- Decrease in interest rate by 2%	(488,567)	(412,949)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

15. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Karl Siegling	Chairman and Company Secretary
Geoffrey Wilson	Non-Executive Director
James 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 16 – Related Parties Transactions.

	2012 \$	2011 \$
Short-term Benefits - Directors' Fees	27,522	27,522
Post-employment Benefits - Superannuation	2,478	2,478
	<hr/> 30,000	<hr/> 30,000

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

(c) Shareholdings

As at 30 June 2012, the Company's key management personnel indirectly held the following shares in the Company:

Director	Balance at 1st July 2011	Acquisitions	Disposals	Balance at 30 June 2012
Karl Siegling	3,237,474	637,983	-	3,875,457
Geoffrey Wilson	2,050,000	-	(490,000)	1,560,000
James Chirnside	12,966	12,966	-	25,932
	5,300,440	650,949	(490,000)	5,461,389

As at 30 June 2012, the Company's key management personnel indirectly held the following options in the Company:

Director	Balance at 1st July 2011	Bonus 1:1 Option Issue	Disposals	Options Exercised	Balance at 30 June 2012
Karl Siegling	-	3,237,474	-	(230,362)	3,007,112
Geoffrey Wilson	-	2,050,000	(2,050,000)	-	-
James Chirnside	-	12,966	-	(12,966)	-
	-	5,300,440	(2,050,000)	(243,328)	3,007,112

As at 30 June 2011, the Company's key management personnel indirectly held the following shares in the Company:

Director	Balance at 1st July 2011	Acquisitions	Disposals	Balance at 30 June 2012
Karl Siegling	3,102,485	134,989	-	3,237,474
Geoffrey Wilson	2,050,000	-	-	2,050,000
James Chirnside	12,966	-	-	12,966
	5,165,451	134,989	-	5,300,440

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

16. RELATED PARTY TRANSACTIONS

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

Karl Siegling is the sole Director and a beneficial owner of Cadence Asset Management Pty Limited, the entity appointed to manage the investment portfolio of Cadence Capital Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of \$474,724 (inclusive of GST, 2011: \$383,440). This is equivalent to 0.08333% of the value of the portfolio calculated on the last business day of each month. Over a full year, the monthly management fee will be comparable to a fee of 1% of the gross value of the portfolio per annum. As at 30 June 2012, the balance payable to the manager was \$25,796 (inclusive of GST, 2011: \$21,773).

The duties of the manager are to manage the portfolio and to manage and supervise all investments, maintain the corporate and statutory records of the Company, liaise with the ASX with respect to compliance with the ASX listing rules, liaise with ASIC with respect to compliance with the *Corporations Act 2001* and liaise with the share registrar of the company.

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

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

No performance fee is payable in respect of any performance period, where the portfolio has decreased in value over that period. For the year ended 30 June 2012, a performance fee of \$463,007 (inclusive of GST 2011: \$2,507,847) was payable to Cadence Asset Management Pty Limited. As at 30 June 2012, the balance payable to the manager was \$463,007 (inclusive of GST, 2011: \$2,507,847).

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

Cadence Capital Limited has in place an Assignment Deed with Cadence Asset Management Pty Limited and MAM Pty Limited. Geoffrey Wilson is a Director of MAM Pty Limited and entities associated with him hold its issued share capital. In its capacity as Manager, Cadence Asset Management Pty Limited assigns a percentage of the management and performance fee to MAM Pty Limited. Subsequent to the initial capital raising, the assignment rate was 4.05%. At 30 June 2012, an amount of \$39,581 (2011: \$122,040) was payable to MAM Pty Limited.

17. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Cadence Capital Limited have declared an 8.0 cent per share fully franked final dividend (4.0 cents final dividend and 4.0 cents special dividend) payable on 29th October 2012. The Ex Date for the dividend is 15th October 2012.

The \$ 1.25 CDM options expired on the 15th September 2012. 26,932,680 options were exercised by the date of this report.

On the 21 September 2012 Cadence Capital Limited completed its share placement of \$11.4 million (being the maximum allowable under ASX listing rule 7.1) at \$ 1.37 per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 Contd'

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

18. CONTINGENT LIABILITIES

There were no contingencies as at 30 June 2012 (2011: nil).

19. CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2012 (2011: nil).

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DIRECTORS' DECLARATION

The Directors of Cadence Capital Limited declare that:

1. The financial statements and notes set out on pages 14 to 38 and the additional disclosures included in the Directors' Report designated as Remuneration Report, set out on page 10, of the Company are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
- (b) giving a true and fair view of the financial position of the Company as at 30 June 2012 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 27 September 2012

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

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ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE CAPITAL LIMITED ABN 17 112 870 096

Report on the Financial Report

We have audited the accompanying financial report of Cadence Capital Limited (the "company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control 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 control. 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.

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

Moore Stephens Sydney ABN 90 773 984 843. Liability limited by a scheme approved under Professional Standards Legislation*

*Other than for the acts or omissions of financial services licensees. An independent member of Moore Stephens International Limited - members in principal cities throughout the world The Sydney Moore Stephens firm is not a partner or agent of any other Moore Stephens firm.

Independence

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

Auditor's Opinion

In our opinion:

- a) the financial report of Cadence Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 11 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Cadence Capital Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this 27th day of September 2012

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 21 September 2012)

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	6,976,069	12.543
Yarandi Investments Pty Ltd & associated entities	4,616,742	8.301
Berg Family Foundation & associated entities	3,770,794	6.780

Distribution of shareholders (as at 21 September 2012)	No. of shareholders
1 – 1,000	37
1,001 – 5,000	116
5,001 – 10,000	134
10,001 – 100,000	425
100,001 and over	77
	<hr/>
	789

The number of shareholdings held in less than marketable parcels is 12.

ASX ADDITIONAL INFORMATION Contd'

Twenty largest shareholders - Ordinary shares (as at 21 September 2012)

Name	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd	6,976,069	12.543
Yarandi Investments Pty Ltd and associated entities	4,616,742	8.301
Berg Family Foundation & associated entities	3,770,794	6.780
Mr David Teoh	2,481,034	4.461
Bannaby Investments Pty Ltd <Super Fund>	2,110,262	3.794
MAM Pty Limited	1,560,000	2.805
Mr S. Gubbins & Mrs B.Gubbins <Dunluce Super Fund A/C>	1,006,803	1.810
Mr A Kavangh & Mr M Mahoney <Patrician Brother A/C>	1,004,828	1.807
Golden Words Pty Ltd	1,000,000	1.798
Ms Valerie Mitchell	687,500	1.236
UBS Wealth Management Australia Nominees Pty Ltd	679,447	1.222
Mr Aaron Francis Quirk	643,980	1.158
Corfam Pty Ltd	638,500	1.148
Mr Cameron McFarlane <Mcfarlane Super Fund A/C>	600,000	1.079
Mr Victor John Plummer	500,000	0.899
Robinson Page Management <Beggs-Page Super Fund A/C>	500,000	0.899
National Nominees Limited	451,082	0.811
Arazan Pty Ltd <Super Fund A/C>	439,973	0.791
Best and Morgan Pty Ltd <V&M Fernon Super Fund A/C>	379,500	0.682
Rembu Pty Ltd <Donohue Super Fund A/C>	363,104	0.653
	30,409,618	54.675

STOCK EXCHANGE LISTING

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