

For personal use only

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2008**

COMPANY PARTICULARS

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS:	Karl Siegling James Chirnside Geoffrey Wilson
SECRETARY:	Karl Siegling
MANAGER OF THE FUND:	Cadence Asset Management Pty Limited ABN: 68 106 551 062
REGISTERED OFFICE:	Level 11, 131 Macquarie Street Sydney, NSW 2000
DIRECTOR OF THE MANAGER:	Mr Karl Siegling
CONTACT DETAILS:	Level 11, 131 Macquarie Street Sydney, NSW 2000
PRIME BROKER AND CUSTODIAN OF THE FUND:	UBS Nominees Limited Level 16 Chifley Tower 2 Chifley Square Sydney NSW 2000
SHARE REGISTRAR:	Registries Limited Level 2, 28 Margaret Street, Sydney, NSW 2000
AUDITORS:	Moore Stephens Sydney Level 7 20 Hunter Street Sydney NSW 2000

For personal use only

CONTENTS

Managers' Report	1
Market Value of Investments as at 30 June 2008	3
Corporate Governance Statement	4
Directors' Report to Shareholders	6
Auditor's Independence Declaration	10
Income Statement	11
Balance Sheet	12
Statement of Changes in Equity	13
Cash Flow Statement	14
Notes to the Financial Statements	15
Directors' Declaration	29
Independent Audit Report	30
ASX Additional Information	32

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

MANAGERS' REPORT

SUMMARY OF RESULTS

- Gross Portfolio decreased 17.80% for the year ended 30 June 2008
- Loss before tax was \$7,508,327
- Operating loss after tax was \$5,025,170

SHAREHOLDER PERFORMANCE

Cadence Capital Limited produced a gross performance of -17.80% for the year ended 30 June 2008 in what proved to be a very tough and volatile market environment. During the same period the All Ordinaries Accumulation Index decreased by 12.12% and the Small Ordinaries Accumulation Index decreased by 20.46%. The Company entered the year with a net long exposure of 124% which was substantially reduced over the year to a net long exposure of 23%. Over the past financial year the Company has also moved its exposure into more liquid, larger capitalisation equities with a significant portion held in cash and cash equivalents.

We can pin point the underperformance of the Company during the last financial year to the month of August 2007. Due to a high net long exposure in August 2007 the Company underperformed the All Ordinaries Accumulation Index by 12% and underperformed the Small Ordinaries Accumulation Index by 6%. This underperformance was a direct cause of reducing net exposure early in the month of August and eliminating the Company's opportunity to benefit from the sharp recovery of equity prices when the Federal Reserve Bank of America announced a cut in the discount rate. The Company recovered some of this August underperformance over the balance of the financial year and for the period September 2007 to 30 June 2008 outperformed the All Ordinaries Accumulation Index by 4% and the Small Ordinaries Accumulation Index by 8%.

The Company is currently conservatively positioned with gross exposure at 30 June 2008 of 98% and net long exposure of 23%. As at the 30 June 2008 the Company was holding 77% cash.

During the financial year, the Manager provided a Monthly Newsletter tracking Company performance and portfolio exposure as well as a market commentary. The table for Company performance and a chart of portfolio exposure appear below.

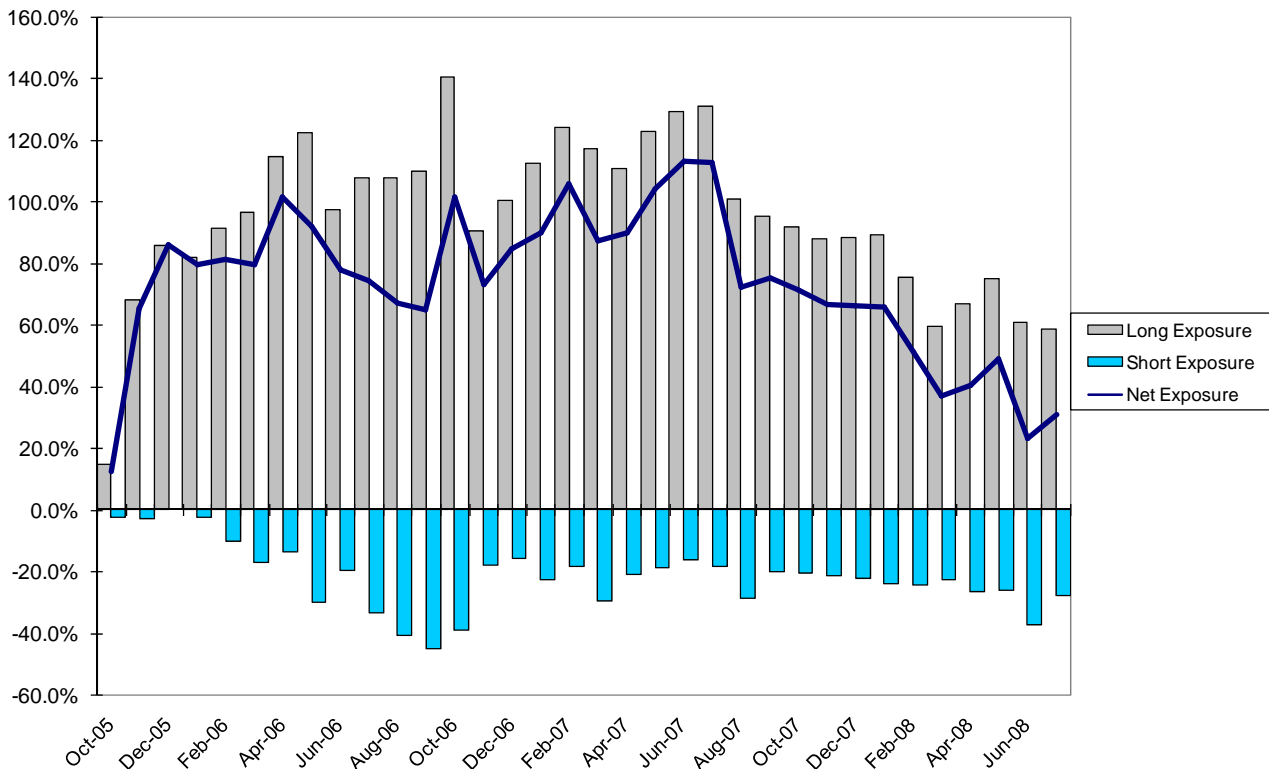
PERFORMANCE

Performance to 30th June 2008	CDM	All Ords
1 Month	-3.45%	-7.32%
3 Months	2.65%	-0.63%
6 Months	-11.18%	-15.22%
1 Year	-17.80%	-12.12%
2 Years (% per Annum)	10.68%	7.01%
Annualised return since inception	19.44%	9.80%
Inception to date accumulated return	63.00%	29.31%
* Before Management and Performance Fees		

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

PORTFOLIO EXPOSURE ANALYSIS %



ON MARKET SHARE BUY-BACK

The Board of Cadence Capital Limited is focused on maximising returns to shareholders and will from time to time be involved in active capital management. The Board implemented an on-market share buy-back program on the 3 January 2008 as it was believed that this would add value to remaining shareholders and increase the net tangible asset backing per share.

OUTLOOK

Despite a year of poor performance, the Manager believes that there are always opportunities in the market. The flexibility to buy and short sell stock creates additional opportunities, as well as enabling the protection of assets in periods of adverse price movements. The current portfolio exposure and market commentary reflects a cautious outlook whilst at the same time positioning the fund for future opportunities.

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

Karl Siegling
Managing Director
Cadence Asset Management Pty Limited

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

MARKET VALUE OF TOP 20 LONG AND SHORT POSITIONS AS AT 30 JUNE 2008

		Market Value	% of Equity
LONG POSITIONS			
RIO	Rio Tinto Ltd	\$1,418,685	4.85%
BKN	Bradken Ltd	\$1,391,351	4.75%
EBI	Everest Babcock & Brown Alternative Investment Trust	\$1,132,045	3.87%
KBC	Keybridge Capital Ltd	\$879,716	3.01%
TLS	Telstra Corp Ltd	\$848,000	2.90%
CCD	Caledon Resources	\$847,000	2.89%
RKN	Reckon Ltd	\$800,945	2.74%
HGI	Henderson Group PLC	\$770,000	2.63%
WBC	Wespac Banking Corp	\$720,000	2.46%
IIN	iiNET Ltd	\$628,584	2.15%
RRA	RR Australia Ltd	\$616,074	2.10%
ESS	Essa Australia Ltd	\$588,727	2.01%
MLB	Melbourne IT Ltd	\$545,625	1.86%
CUS	Customers Ltd	\$517,093	1.77%
		\$11,703,845	39.99%

SHORT POSITIONS

OXR	Oxiana Ltd	\$1,870,979	6.39%
IAG	Insurance Australia Group Ltd	\$1,561,500	5.34%
TCL	Transurban Group	\$1,458,974	4.98%
CBA	Commonwealth Bank of Australia	\$1,301,508	4.45%
MQG	Macquarie Group Ltd	\$967,936	3.31%
JBH	JB Hi-Fi Ltd	\$782,408	2.67%
		\$7,943,305	27.14%

Total Top 20 Long and Short Positions – Net Exposure

\$3,760,540 12.85%

MARKET VALUE OF TOTAL PORTFOLIO POSITIONS:

Total Portfolio Long Positions \$17,844,779 60.97%

Total Portfolio Short Positions \$10,997,358 37.57%

Total Portfolio Net Exposure

\$6,847,421 23.40%

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS AND ITS COMMITTEES

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

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

The Company has formed an Audit Committee consisting of:

James Chirnside	Chairman
Karl Siegling	Executive Director

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

The Committee's responsibilities are to:

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

COMPOSITION OF THE BOARD

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

The only independent director of the Company is James Chirnside.

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

The Board is 33% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Boards' level of expertise and without burdening shareholders with the potentially significant costs associated with adding further independent Directors.

The Chairman is not independent. The Company believes that an independent Chairman does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver behind the business and is a sizeable shareholder, it adds value to the Company.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

CORPORATE GOVERNANCE STATEMENT

REMUNERATION OF DIRECTORS AND EXECUTIVES

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

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

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

ETHICAL STANDARDS

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

THE ROLE OF SHAREHOLDERS

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

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

BOARD'S POLICY ON DEALING IN SHARES

Subject to them not being in possession of undisclosed price sensitive information, Directors may deal in shares of the Company when appropriate. As Cadence Capital Limited is an investment company announcing its estimated NTA's weekly and its results monthly, 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.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

The Directors of Cadence Capital Limited ("the Company") submit herewith their report together with the financial report for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITY

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

OPERATING RESULTS

Investment operations over the year resulted in an operating loss before tax of \$7,508,327 (2007: Operating profit before tax of \$9,053,158) and an operating loss after tax of \$ 5,025,170 (2007: Operating profit after tax of \$6,501,548).

REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2008, net investments were valued at \$6,847,421 (2007: \$43,832,345).

FINANCIAL POSITION

The net asset value of the Company for the current financial period ended was \$29,268,891 (2007: \$35,114,205).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 20 December 2007 the Company announced an on-market share buy-back program. The buy-back program commenced on 3 January 2008 with the company being allowed to buy back up to 2,658,000 of its own shares. At the 30 June 2008 125,500 shares were acquired for a total consideration of \$119,679.

OPTIONS

Under the prospectus dated 9 October 2006 each share subscribed for included one option for the purchase of an additional share at a price of \$1.16. These options expired on 31 March 2008. During the financial year 437,562 (2007: 109,717) of these options were exercised. At 30 June 2008 there were no (2007: 26,473,963) options outstanding.

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared are as follows:

	\$
Fully franked 2008 interim dividend of 2.5 cents per share was paid on 9 April 2008	682,912
Fully franked 2007 final dividend of 3.0 cents per share was paid on 18 October 2007	813,645
Fully franked 2007 interim dividend of 3.0 cents per share was paid on 27 April 2007	<u>800,557</u>
	<u>2,297,114</u>

DIRECTORS

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

Karl Siegling
Geoffrey Wilson
James Chirside

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

INFORMATION ON DIRECTORS

Karl Siegling (Chairman and Company Secretary)

Karl has over 11 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.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

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

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

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

James Chirnside (Non-executive Director)

James Chirnside has been exclusively focused in emerging markets and absolute return investment strategies for eighteen years in Sydney, Hong Kong, and London. 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 for Regent Fund Management - now Charlemagne Capital London. Between 1988 and 1992 Mr Chirnside ran a Proprietary trading book for County NatWest Investment Bank in London focused on Country Funds and derivative arbitrage strategies.

James Chirnside is also a director of WAM Capital Limited.

COMPANY SECRETARY

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

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

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

REMUNERATION REPORT (AUDITED)

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

(a) Remuneration

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

	2008 \$	2007 \$
Short-term Benefits Directors Fees:		
- Geoffrey Wilson	15,000	7,500
- James Chirnside	15,000	7,500
Post-employment Benefits Superannuation	-	-
	<u>30,000</u>	<u>15,000</u>

(b) Compensation Practices

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

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

Directors' base fees are presently limited to a maximum of \$55,000 per annum between the three directors. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Directors' fees are not linked to the performance of the Company.

(c) Shareholdings and Options

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

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

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

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2008

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

AFTER BALANCE DATE EVENTS

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

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

During the financial period the Company did not pay a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the Corporations Act 2001.

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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 did not compromise the external auditor's independence.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 10 of this Annual Report.

Signed in accordance with a resolution of the Board of Directors of the Company:



Karl Siegling
Director

Dated in Sydney, this 29 August 2008

PARTNERS:

Howard Badger CA
Andrew Blackwell CA
Chris Chandran CA
Michael Dundas CA
Martin Fowler CA
Stephen Humphrys FCA
Garry Leyshon FCA
Allan Mortel CA
Wayne Morton FCA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate ICAA)
Scott Whiddett CA

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cadence Capital Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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


Moore Stephens Sydney
Chartered Accountants



C. Chandran
Partner

Dated in Sydney, this 29th day of August 2008.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Proceeds from sale of investments		57,454,148	67,497,154
Cost of investments sold		(56,051,660)	(65,039,498)
Unrealised (loss)/ gain on investments		(8,942,988)	6,961,982
Dividends received		1,064,897	921,442
Dividends paid on short positions		(439,966)	(321,835)
Other revenue from ordinary activities	2	92,945	192,869
Performance fees		-	(384,822)
Management fees		(324,974)	(260,619)
Assignment fees		(13,717)	(27,244)
Finance costs		(24,114)	(48,900)
Directors fees		(30,000)	(15,000)
Brokerage expenses on share purchases		(122,121)	(260,829)
Other expenses from ordinary activities		(170,777)	(161,542)
(Loss)/Profit before income tax		(7,508,327)	9,053,158
Income tax benefit/(expense)	4a	2,483,157	(2,551,610)
(Loss)/Profit attributable to members of the Company	12	(5,025,170)	6,501,548
Basic earnings per share	14	(17.9) cents	34.5 cents
Diluted earnings per share	14	(17.9) cents	33.7 cents

The accompanying notes form part of these financial statements.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
ASSETS			
Cash and cash equivalents	13(a)	21,320,352	13,422
Trade and other receivables	6	1,003,536	1,048,300
Financial assets	7	17,844,779	50,083,313
Deferred tax asset	4(b)	416,359	100,484
TOTAL ASSETS		40,585,026	51,245,519
LIABILITIES			
Cash overdrafts	13(a)	-	5,485,579
Trade and other payables	8	198,146	1,755,439
Financial liabilities	9	10,997,358	6,250,968
Current tax liabilities	4(c)	117,457	221,375
Deferred tax liabilities	4(d)	3,174	2,417,953
TOTAL LIABILITIES		11,316,135	16,131,314
NET ASSETS		29,268,891	35,114,205
EQUITY			
Issued capital	10	29,648,192	28,971,779
Reserves	11	-	5,481,305
(Accumulated losses)/ Retained Earnings	12	(379,301)	661,121
TOTAL EQUITY		29,268,891	35,114,205

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 YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Total equity as at 1 July 2007		35,114,205	7,407,928
(Loss)/ profit attributable to members of the Company	12	(5,025,170)	6,501,548
Shares issued in the year	10	809,735	22,751,873
Shares bought back in the share buy-back program during the year	10	(119,679)	-
Costs of the share issue, net of deferred tax assets	10	(13,643)	(218,533)
		30,765,448	36,442,816
Dividends paid or provided for	5	(1,496,557)	(1,328,611)
Total equity as at 30 June 2008 attributable to members of the Company		29,268,891	35,114,205

The accompanying notes form part of these financial statements.

For personal use only

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		1,226,730	689,074
Interest received		710,872	162,247
Other income received		43,045	35,118
Management fees paid		(348,891)	(240,867)
Performance fees paid		(430,412)	(214,646)
Dividends paid on short positions		(336,142)	(317,435)
Brokerage expenses on share purchases		(122,121)	(260,829)
Interest paid		(24,114)	(48,900)
Income tax paid	4(c)	(351,415)	(272,176)
Payments for administration expenses		(153,083)	(225,748)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	13(b)	214,469	(694,162)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of investments		57,303,866	73,414,285
Payments for the purchase of investments		(29,247,082)	(100,398,132)
Realised loss on equity index futures positions		(658,600)	-
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		27,398,184	(26,983,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		507,573	22,636,873
Dividends paid		(1,194,395)	(1,328,613)
On-market share buy-back		(119,679)	-
Share issue costs paid		(13,643)	(312,190)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(820,144)	20,996,070
NET INCREASE/(DECREASE) IN CASH HELD		26,792,509	(6,681,939)
CASH AS AT BEGINNING OF THE FINANCIAL YEAR		(5,472,157)	1,209,782
CASH AS AT END OF THE FINANCIAL YEAR	13(a)	21,320,352	(5,472,157)

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 YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

Accounting Policies

(a) Investments

i) Classification

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

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

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

ii) Recognition and Initial Measurement

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

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

iii) Derecognition

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

iv) Valuation

All investments are classified as "held-for-trading" investments and are recognised at fair value, being market value, including the potential tax charges that may arise from the future sale of the investments.

v) Impairment

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investments (Continued)

vi) Unrealised Gains and Losses

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

vii) Investment income

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

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

viii) Derivative Instruments

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

(b) Income Tax

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

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

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

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

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

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

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

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

(c) Cash and Cash Equivalents

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (refer Note 1 (f)).

(e) Trade and Other Payables

Trade and other payables are stated at their amortised cost.

(f) Impairment of Assets

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

(g) Goods and Services Tax

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

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

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

(h) Segment Reporting

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

(i) Comparative Figures

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

(j) Critical Accounting Estimates and Judgements

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

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

(k) New Standards and Interpretations not yet Adopted

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

The financial report was authorised for issue on 29 August 2008 by the Board of Directors.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
2. OTHER REVENUE FROM ORDINARY ACTIVITIES		
Interest received	710,872	158,371
Realised loss on equity index futures positions	(658,600)	-
Other fees	40,673	34,498
	92,945	192,869
3. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	26,229	18,000
Non-audit Services		
Other services provided by a related practice of the auditor:		
Accounting services	-	6,500
Taxation services	11,342	6,500
Due diligence services	-	9,250
	37,571	40,250
4. TAXATION		
(a) Current Income Tax Expense		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%	(2,252,498)	2,715,947
Imputation credit gross up	105,843	71,199
Franking credit offset	(352,810)	(237,330)
Over provision of prior year income tax	16,308	1,794
	(2,483,157)	2,551,610
Total income tax expense results in a:		
Movement in current tax liabilities	(103,918)	96,176
Movement in deferred tax liabilities	(2,414,779)	2,155,822
Movement in deferred tax assets	(315,875)	(66,222)
Movement in equity	13,643	218,533
Under provision of prior year income tax	337,772	147,301
	(2,483,157)	2,551,610
(b) Deferred Tax Assets		
Provisions	5,790	1,666
Capitalised share issue costs	76,802	98,818
Fair value adjustments	333,767	-
	416,359	100,484
Movement in deferred tax assets		
Balance at the beginning of the period	100,484	34,262
Credited to the Income Statement	315,875	66,222
	416,359	100,484

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4. TAXATION (Continued)

	2008	2007
	\$	\$
(c) Current Tax Liabilities		
Movement in current tax liabilities		
Balance at the beginning of the period	221,375	125,199
Current year income tax expense on operating profit	247,497	368,352
Income tax paid	(351,415)	(272,176)
	<u>117,457</u>	<u>221,375</u>
(d) Deferred Tax Liabilities		
Fair value adjustments	-	2,349,130
Income provisions	3,174	68,823
	<u>3,174</u>	<u>2,417,953</u>
Movement in deferred tax liabilities		
Balance at the beginning of the period	2,417,953	262,131
Charged to the Income Statement	(2,414,779)	2,155,822
At reporting date	<u>3,174</u>	<u>2,417,953</u>

5. DIVIDENDS

(a) Dividends paid

Dividends paid by the Company	<u>1,496,557</u>	<u>1,328,611</u>
-------------------------------	------------------	------------------

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

Dividends paid by the Company for the year ended 30 June 2007	Cents Per Share	Total Amount \$	Date of payment	Tax Rate for franking Credit	% franked
Interim 2007 - Ordinary	2.0	533,704	27 April 2007	30%	100%
Interim 2007 - Special	1.0	266,852	27 April 2007	30%	100%
Final 2006 - Ordinary	1.5	99,010	6 October 2006	30%	100%
Final 2006 - Special	5.0	330,035	6 October 2006	30%	100%
Interim 2006 - Ordinary	1.5	99,010	6 October 2006	30%	100%
Total Amount		<u>1,328,611</u>			

(b) Dividend franking account

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

<u>137,157</u>	<u>184,078</u>
----------------	----------------

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

5. DIVIDENDS (Continued)

(b) Dividend franking account (Continued)

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

As at 30 June 2008, the balance of the franking account did not include the tax to be paid on accrued income recognised as a deferred tax liability of \$3,174.

	2008	2007
	\$	\$
6. RECEIVABLES		
Trade debtors	893,633	743,351
Income receivable	67,575	229,408
Sundry debtors	42,328	75,541
	<u>1,003,536</u>	<u>1,048,300</u>

Terms and Conditions

Trade debtors relate to outstanding settlements, are non-interest bearing and are secured by the Australian Stock Exchange – National Guarantee Fund. They are settled within 3 days of the purchase being executed. Income receivable relates to accrued income, it is not interest bearing and is unsecured.

7. FINANCIAL ASSETS

Long positions:

Listed investments at fair value	17,668,299	49,774,898
Unlisted investments at fair value	176,480	308,415
Total financial assets	<u>17,844,779</u>	<u>50,083,313</u>

The market values of the top 20 individual investments as at 30 June 2008 are disclosed on page 3 of the Annual Report.

8. TRADE AND OTHER PAYABLES

Trade creditors	25,919	1,263,276
Sundry creditors - related parties	41,935	467,547
Dividends payable on short positions	93,219	-
Sundry creditors - other	37,073	24,616
	<u>198,146</u>	<u>1,755,439</u>

Trade creditors relate to outstanding settlements. They are non-interest bearing and are secured by the Australian Stock 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 no performance fees payable for 2008 (2007: \$412,980, inclusive of GST) and management fees payable of \$11,846 (inclusive of GST) (2007: \$25,329) to the manager, Cadence Asset Management Pty Limited, \$15,089 (2007: \$ 29,238) that was payable to MAM Pty Limited for assignment fees and directors fees payable of \$15,000 (2007: nil). Refer to Note 17 for further information on Related Parties.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. FINANCIAL LIABILITIES	2008	2007
	\$	\$
Short positions:		
Listed investments at fair value	<u>10,997,358</u>	<u>6,250,968</u>

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

10. ISSUED CAPITAL

(a) Paid-up Capital

Ordinary shares fully paid	29,973,299	29,283,243
Costs of share issue	(464,437)	(444,949)
Deferred tax asset on capitalised costs of share issue	139,330	133,485
	<u>29,648,192</u>	<u>28,971,779</u>

(b) Movement in ordinary share capital

2008

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
	Balance at the beginning of the year		26,783,953	29,283,243
July 2007	Options exercised	\$1.16	31,551	36,599
August 2007	Options exercised	\$1.16	34,138	39,600
September 2007	Options exercised	\$1.16	137,238	159,196
October 2007	Options exercised	\$1.16	234,635	272,178
18 October 2007	DRP	\$1.1212	144,430	161,972
9 April 2008	DRP	\$0.95	147,575	140,190
Up to 30 June 2008	Share Buy-Back	\$0.9536	(125,500)	(119,679)
			<u>27,388,020</u>	<u>29,973,299</u>

2007

	Balance at the beginning of the year		6,289,182	6,531,370
1 July 2006	Placements	\$1.2341	171,786	212,000
1 August 2006	Placements	\$1.2121	72,599	88,000
1 September 2006	Placements	\$1.1864	100,307	119,000
Up to 24 November 2006	Options exercised	\$1.0000	6,528,500	6,528,500
24 November 2006	Public offering	\$1.1600	13,421,328	15,568,744
Up to 30 June 2007	Options exercised	\$1.1600	109,717	127,271
27 April 2006	DRP	\$1.1967	90,534	108,358
			<u>26,783,953</u>	<u>29,283,243</u>

Each share on issue on 24 November 2006 received one option for the purchase of one additional share at a price of \$1.16. These options expired on 31 March 2008. During the year 437,562 (2007:109,717) of these options were exercised. At 30 June 2008 none (2007: 26,473,963) of these options remain outstanding. On the initial public offering on the 26 October 2005, each share included one option for the purchase of one additional share at a price of \$1.00. These options expired on 31 October 2006. During 2007, 6,528,500 of these options were exercised. At 30 June 2007, none of these options remained outstanding.

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.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. ISSUED CAPITAL (Continued)

(c) Capital Management

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

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	2008	2007
	\$	\$
11. RESERVES		
Asset revaluation reserve	<u>-</u>	<u>5,481,305</u>

Movement in Asset Revaluation Reserve

Opening balance	5,481,305	606,332
Transfer (to)/ from retained earnings	<u>(5,481,305)</u>	<u>4,874,973</u>
	<u>-</u>	<u>5,481,305</u>

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

12. RETAINED EARNINGS

Opening balance	661,121	363,157
(Loss)/ profit attributable to members of the Company	(5,025,170)	6,501,548
Transfer from/ (to) asset revaluation reserve	5,481,305	(4,874,972)
Dividends paid (Note 5)	<u>(1,496,557)</u>	<u>(1,328,612)</u>
	<u>(379,301)</u>	<u>661,121</u>

13. CASH FLOW INFORMATION

(a) Reconciliation of cash

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

Cash and cash equivalents	<u>21,320,352</u>	<u>13,422</u>
Cash overdrafts	<u>-</u>	<u>5,485,579</u>

The weighted average interest rate for cash and cash equivalents as at June 2008 is 7.7% (June 2007 6.1%). Included in cash and cash equivalents are bank bills with a weighted average maturity date subsequent to year end of 30 days. The weighted average interest rate for cash overdrafts as at June 2007 is 7.0%. The Company has a Prime Brokerage lending facility with UBS AG its Prime Broker. This at call facility is secured by a first charge over the financial assets of the Company.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

13. CASH FLOW INFORMATION (Continued)

	2008	2007
(b) Reconciliation of Operating Profit after Income Tax	\$	\$
Operating (loss)/ profit after income tax	(5,025,170)	6,501,548
Less items classified as Investing/Financing Activities:		
Realised gain on sale of investments	(1,402,488)	(2,457,656)
Less non cash items:		
Unrealised loss on investments	8,942,988	(6,961,982)
Realised loss on equity index futures positions	658,600	-
Deferred tax asset on capital raising costs	-	98,818
Net cash provided by Operating Activities before changes in assets and liabilities:		
Decrease in receivables	195,046	(279,128)
Increase in deferred tax assets	(315,875)	(66,222)
Decrease in trade and other payables	(319,935)	218,462
Decrease in deferred tax liabilities	(2,414,779)	2,155,822
Decrease in current tax liabilities	(103,918)	96,176
Net cash from/ (used in) Operating Activities	214,469	(694,162)

(c) Non-cash Financing Activities

The Company issued 144,430 shares at \$1.1212 each on 18 October 2007 and 147,575 shares at \$0.95 on 9 April 2008 through its Dividend Reinvestment Plan.

14. EARNINGS PER SHARE

	2008	2007
(Loss)/ Profit after income tax used in the calculation of earnings per share	\$ <u>(5,025,170)</u>	\$ <u>6,501,548</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>28,107,712</u>	<u>18,863,102</u>
Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share	<u>28,107,712</u>	<u>19,286,196</u>

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

Financial Risk Management Policies

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

(i) Financial Risk Exposures and Management

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

(a) Terms, Conditions and Accounting Policies

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (Continued)

(b) Credit Risk

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments and cash and cash equivalents, of the Company which have been recognised on the Balance Sheet, is the carrying amount. The Company is not materially exposed to any individual credit risk.

There are no collaterals held as security at 30 June 2008.

(c) Liquidity Risk

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

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

(d) Market Risk

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

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

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

(e) Interest Rate Risk

Any excess cash and cash equivalents of the Company are invested at short-term market interest rates. Floating rate instruments expose the Company to cash flow risk, whereas short term fixed rate instruments expose the Company to interest rate risk.

(ii) Financial instrument composition and maturity analysis

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

2008	Weighted Average Interest Rate	Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
Financial assets					
Equities	-	-	-	17,844,779	17,844,779
Balances due from brokers	-	-	-	893,633	893,633
Cash and cash equivalents	7.70%	21,320,352	-	-	21,320,352
Other receivables	-	-	-	109,903	109,903
Total financial assets		<u>21,320,352</u>	<u>-</u>	<u>18,848,315</u>	<u>40,168,667</u>

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (continued)

Financial liabilities

Equities sold short	-	-	-	10,997,358	10,997,358
Balances due to brokers	-	-	-	25,919	25,919
Other payables	-	-	-	172,227	172,227
Total financial liabilities				11,195,504	11,195,504

2007

	Weighted Average Interest Rate	Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
Financial assets					
Equities	-	-	-	50,083,313	50,083,313
Balances due from brokers	-	-	-	743,351	743,351
Cash and cash equivalents	6.10%	13,422	-	-	13,422
Other receivables	-	-	-	304,949	304,949
Total financial assets		13,422	-	51,131,613	51,145,035
Financial liabilities					
Equities sold short	-	-	-	6,250,968	6,250,968
Balances due to brokers	-	-	-	1,263,276	1,263,276
Cash overdrafts	7.00%	5,485,579	-	-	5,485,579
Other payables	-	-	-	492,163	492,163
Total financial liabilities		5,485,579	-	8,006,407	13,491,986

	2008 \$	2007 \$
Other payables are expected to be paid as follows:		
- Less than 6 months	172,227	492,163
- 6 months to one year	-	-

(iii) Net Fair Values

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

(iv) Sensitivity Analysis

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

Interest Rate Sensitivity Analysis

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

	2008 \$	2007 \$
Change in (loss)/ profit before tax		
- Increase in interest rate by 1%	88,680	18,976
- Decrease in interest rate by 1%	(88,680)	(18,976)
Change in equity		
- Increase in interest rate by 1%	88,680	18,976
- Decrease in interest rate by 1%	(88,680)	(18,976)

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (Continued)

(iv) Sensitivity Analysis (Continued)

Market Risk Sensitivity Analysis

At 30 June 2008, the effect on (loss)/ profit and equity as a result of changes in the market risk, with all other variables remaining constant would be as follows:

	2008 \$	2007 \$
Change in (loss)/ profit before tax		
- Increase in market price by 2%	136,948	876,646
- Decrease in market price by 2%	(136,948)	(876,646)
Change in equity		
- Increase in market price by 2%	136,948	876,646
- Decrease in market price by 2%	(136,948)	(876,646)

16. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

(a) Remuneration

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

	2008 \$	2007 \$
Short-term Benefits Directors' Fees	30,000	15,000
Post-employment Benefits Superannuation	-	-
	<u>30,000</u>	<u>15,000</u>

(b) Compensation Practices

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

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

Directors' base fees are presently limited to a maximum of \$55,000 per annum between the three Directors. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Directors' fees are not linked to the performance of the Company.

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(c) Shareholdings and Options

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

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

As at 30 June 2007, the Company's key management personnel indirectly held the following shares in the Company:

	Balance at 16 February 2006	Acquisitions	Disposals	Balance at 30 June 2007
K. Siegling	1,000,000	1,000,000	-	2,000,000
G.J. Wilson	1,000,000	1,000,000	-	2,000,000
J.M. Chirside*	-	901,800	-	901,800
	<u>2,000,000</u>	<u>2,901,800</u>	<u>-</u>	<u>4,901,800</u>

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

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

As at 30 June 2007 the Company's key management personnel held the following options in the Company:

	Balance at 16 February 2006	Acquisitions	Disposals	Balance at 30 June 2007
K. Siegling	1,000,000	1,000,000	-	2,000,000
G.J. Wilson	1,000,000	1,000,000	1,297,405	702,595
J.M. Chirside*	-	901,800	-	901,800
	<u>2,000,000</u>	<u>2,901,800</u>	<u>1,297,405</u>	<u>3,604,395</u>

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

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

CADENCE CAPITAL LIMITED

A.B.N. 17 112 870 096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

17. RELATED PARTY TRANSACTIONS

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

Karl Siegling is the sole Director and beneficial owner of Cadence Asset Management Pty Limited, the entity appointed to manage the investment portfolio of Cadence Capital Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was paid a management fee of 1% (plus GST) of gross assets per annum, of \$338,691 (inclusive of GST, 2007: \$271,620). As at 30 June 2008, the balance payable to the manager was \$11,846 (inclusive of GST, 2006: \$37,135).

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 2008, no (2007: \$401,066, inclusive of GST) performance fee was payable to Cadence Asset Management Pty Limited.

Cadence Capital Limited has in place an Assignment Deed with Cadence Asset Management Pty Limited and MAM Pty Limited. Geoffrey Wilson is a Director of MAM Pty Limited and entities associated with him hold 80% of its issued share capital. In its capacity as Manager, Cadence Asset Management Pty Limited assigns a percentage of the management and performance fee to MAM Pty Limited. The amount of the fees assigned to MAM Pty Limited was to be calculated on a sliding scale ranging up to 25% based on the funds raised under the Prospectus less funds invested by Karl Siegling or entities associated with Karl Siegling. Subsequent to the initial capital raising, the assignment rate was 4.05%. At 30 June 2008, an amount of \$15,089 (2007:\$29,237) was payable to MAM Pty Limited.

18. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

19. CONTINGENT LIABILITIES

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

	2008	2007
	\$	\$
Sub-Underwriting agreements entered into during the year of which the offer closes after balance sheet date	-	117,471

20. CAPITAL COMMITMENTS

Capital commitments exit for placements entered into before 30 June 2008, which settle after year end.

-	962,630
---	---------

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 set out on pages 11 to 28 and the additional disclosures included in the Directors' Report designated as Remuneration Report, set out on page 8 and 9, of the Company are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the Company as at 30 June 2008 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 29 August 2008

PARTNERS:

Howard Badger CA
 Andrew Blackwell CA
 Chris Chandran CA
 Michael Dundas CA
 Martin Fowler CA
 Stephen Humphrys FCA
 Garry Leyshon FCA
 Allan Mortel CA
 Wayne Morton FCA
 Joe Shannon CA
 Robert Southwell CA
 Spiro Tzannes FCA
 Charlie Viola (Affiliate ICAA)
 Scott Whidden CA

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

We have audited the accompanying financial report of Cadence Capital Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

Independence

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

For personal use only

Auditor's Opinion

In our opinion the financial reports of Cadence Capital Limited are 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 2008 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 9 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

Moore Stephens Sydney
Moore Stephens Sydney
Chartered Accountants

llh
C. Chandran
Partner

Dated in Sydney this 29th day of August 2008

For personal use only

CADENCE CAPITAL LIMITED

ABN: 17 112 870 096

ASX ADDITIONAL INFORMATION

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

SHAREHOLDINGS

Substantial shareholders (as at 31 July 2008)

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

Substantial ordinary shareholders as at ex-date	No. of shares	% of total
Esselmont Pty Ltd	2,036,500	7.439
MAM Pty Ltd	2,000,000	7.306

On-market buy back

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

Distribution of shareholders (as at 31 July 2008)

Category	No. of shareholders
1 – 1,000	15
1,001 – 5,000	118
5,001 – 10,000	97
10,001 – 100,000	262
100,001 and over	47
	<hr/>
	539

The number of shareholdings held in less than marketable parcels is 6.

Twenty largest shareholders - Ordinary shares (as at 31 July 2008)

Name	Number of ordinary shares held	Percentage of issued capital held
Esselmont Pty Ltd	2,036,500	7.439
Mam Pty Limited	2,000,000	7.306
Golden Words Pty Ltd	1,000,000	3.653
Invia Custodian Pty Limited <Apam-Aeof1 A/C>	950,296	3.471
Bannaby Investments Pty Ltd <Super Fund Account>	931,201	3.401
Biloclan Pty Ltd <Pagnin Family Account>	862,069	3.149
Anz Nominees Limited <Cash Income A/C>	560,587	2.048
Mr J. Flanagan & Mrs T. Flanagan <Flanagan Super Fund A/C>	514,904	1.881
Mr A. Kavangh & Mr M. Mahoney <Patrician Brothers A/C>	502,414	1.835
Ms Valerie Mitchell	500,000	1.826
Harveycrest Pty Ltd <Aff1-4 A/C>	431,034	1.574
Dirdot Pty Limited <Griffith Super Fund A/C>	392,777	1.435
Milstern Nominees Pty Ltd <Millie Phillips SF A/C>	341,844	1.249
Clime Investment Management Ltd	340,000	1.242
Tree Pot Pty Ltd <Tree Pot A/C>	327,586	1.197
Robinson Page Management <Beggs-Page Super Fund A/C>	300,000	1.096
Mr S. Gubbins & Mrs B. Gubbins <Dunluce Super Fund A/C>	288,570	1.054
Frank Haschka Pty Ltd <The Fma S/F A/C>	265,500	0.970
Mr M.N.S.Chung & Mrs D.A.L.Chung <M&D Chung S/F No 2>	263,100	0.961
Allspires Pty Ltd <Spires S/F A/C>	259,747	0.949
	<hr/>	
	13,068,129	47.736

CADENCE CAPITAL LIMITED

ABN: 17 112 870 096

ASX ADDITIONAL INFORMATION

STOCK EXCHANGE LISTING

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

For personal use only