

# **CADENCE OPPORTUNITIES FUND LIMITED**

**A.B.N. 37 627 359 166**

**ANNUAL REPORT  
FOR THE PERIOD FROM 6 JULY 2018  
(DATE OF INCORPORATION) TO  
30 JUNE 2019**

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# CADENCE OPPORTUNITIES FUND LIMITED

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## COMPANY PARTICULARS

### CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

**DIRECTORS:** Karl Siegling (Appointed 6 July 2018)  
Wayne Davies (Appointed 6 July 2018)  
Susan Oakes (Appointed 22 August 2018)

**SECRETARY:** Wayne Davies (Appointed 6 July 2018)

**MANAGER OF THE COMPANY:** Cadence Asset Management Pty Limited  
ABN: 68 106 551 062

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

**CONTACT DETAILS:** Level 11, 131 Macquarie Street  
Sydney, NSW 2000  
Telephone: (02) 8298 2450  
Fax: (02) 8298 2499  
Email: info@cadencecapital.com.au  
Website: www.cadencecapital.com.au

For enquiries regarding net asset backing refer to  
cadencecapital.com.au or call (02) 8298 2450

**PRIME BROKER:** Deutsche Bank AG  
Winchester House, 1 Great Winchester Street  
London EC2N 2DB

**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:** Pitcher Partners  
Level 16 Tower 2, Darling Park  
201 Sussex St  
Sydney, NSW 2000

**COUNTRY OF INCORPORATION:** Australia

# CADENCE OPPORTUNITIES FUND LIMITED

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## MANAGERS' REPORT

### SUMMARY OF RESULTS

- Revenue from ordinary activities of \$603,139
- Profit before tax of \$391,275
- Profit after tax of \$293,394
- EPS of 6.6 cents
- Fund gross performance of 9.4%
- Post-tax NTA per share of \$1.3155

### MAIDEN PROFIT

The Company started trading in January 2019 and was not fully invested until April 2019. We are pleased that for the 6 months ended 30 June 2019 Cadence Opportunities Fund Limited ("the Company") delivered a maiden profit before tax of \$391,275 and a \$293,394 profit after tax. The post-tax NTA per share as at 30 June 2019 was \$1.3155 moving up from its issue price of \$1.25 per share.

### SHAREHOLDER PERFORMANCE

Performance* to 30 June 2019	CDO
1 Month	3.4%
YTD	9.4%
Inception to date accumulated return (0.5 years)	9.4%

\* Gross Performance: before Management and Performance Fees

For the financial period ended 30 June 2019, Cadence Opportunities Fund Limited produced a positive gross performance of 9.4%. This performance has been achieved with lower than market exposure with the Company holding on average 36% cash over this period.

### SUMMARY AND OUTLOOK

The Company was established as an active trading version of the proprietary Cadence Capital Investment Process. Since its inception roughly two thirds of the Company's performance has come from trading positions and one third has come from core positions. The fund has capitalized on a range of different trading opportunities, such as, IPO's, placements and arbitrages.

Since the financial year end, the fund has continued its strong performance. The Company continues to find suitable investments that meet the funds criteria. Market uncertainty around future growth and quick changes in investor sentiment are leading to significant swings in markets, which are providing the fund with shorter term trading opportunities on both the long and the short side. At a stock specific level, investors are also becoming increasingly short sighted with regards to earnings momentum, causing share prices to have extreme moves, which again are providing the fund with ample opportunities to implement its strategy.

Record low interest rates and a market recovery have led to increased merger and acquisitions and capital raising activity, and we believe this will continue. The fund will continue to maintain good levels of cash in order to capitalize on market volatility and trading opportunities as discussed above.

As Managers of Cadence Opportunities Fund Limited, we aim to provide shareholders with clear and transparent communication. We do this through monthly investment updates, quarterly webcasts, regular investment news, market insights, as well as annual and half yearly profit announcements. We would encourage you to register to receive regular updates at <https://www.cadencecapital.com.au/newsletter/>.

Please feel free to contact us at [info@cadencecapital.com.au](mailto:info@cadencecapital.com.au) with any feedback to improve our communication and engagement with you.

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 OPPORTUNITIES FUND LIMITED

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## TOP 20 POSITIONS AS AT 30 JUNE 2019

		Exposure \$	% of Equity
<b>LONG AND SHORT POSITIONS</b>			
<b>Long Positions</b>	<b>Company Name</b>		
CIA	Champion Iron Ltd	\$323,376	5.53%
EML	EML Payments Ltd	\$320,716	5.48%
ECX	Eclipx Group Ltd	\$298,680	5.10%
1717 HK	Ausnutria Dairy Corp Ltd	\$293,506	5.02%
BIN	Bingo Industries Ltd	\$254,905	4.36%
CCP	Credit Corp Group Ltd	\$226,613	3.87%
QCOM US	Qualcomm Inc	\$195,051	3.33%
RMC	Resimac Group Ltd	\$192,758	3.29%
EVO	Evolve Education Group Ltd	\$172,500	2.95%
AD8	Audinate Group Ltd	\$172,472	2.95%
SVW	Seven Group Holdings Ltd	\$166,669	2.85%
**	DeepGreen Metals Inc.	\$148,970	2.55%
IRI	Integrated Research Ltd	\$148,500	2.54%
PET	Phoslock Environmental Tech	\$143,550	2.45%
XIP	Xenith IP Group Ltd	\$141,442	2.42%
ALL	Aristocrat Leisure Ltd	\$139,284	2.38%
VOC	Vocus Communications Ltd	\$121,451	2.08%
GBT	GBST Holdings Ltd	\$120,981	2.07%
CCX	City Chic Collective Limited	\$118,125	2.02%
JD US	JD.COM Inc	\$116,500	1.99%
<b>Total Top 20 Long and Short Positions</b>		<b>\$ 3,816,051</b>	<b>65.22%</b>
<b>TOTAL PORTFOLIO POSITIONS:</b>			
Portfolio Net Exposure Long Positions		\$ 5,105,902	87.3%
Portfolio Net Exposure Short Positions		\$ 215,782	3.7%
<b>Total Portfolio Net Exposure</b>		<b>\$ 4,890,120</b>	<b>83.6%</b>

\*\*A Pre-IPO investment in the Materials sector

# CADENCE OPPORTUNITIES FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

The Directors of Cadence Opportunities Fund Limited, submit herewith their first report together with the financial report for the financial period from 6 July 2018 (date of incorporation) to 30 June 2019.

### PRINCIPAL ACTIVITY

The principal activity of the Company is investing primarily in securities listed both in Australia and internationally. 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 period.

### OPERATING RESULTS

The Company started trading in January 2019. Investment operations over the financial period from date of incorporation, 6 July 2018, to 30 June 2019 resulted in an operating profit before tax of \$391,275 and an operating profit after tax of \$293,394.

### REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the period ended 30 June 2019, net investments were valued at \$4,890,120. Further information regarding the performance of the entity during the reporting period is provided in the Manager's Report, which precedes this report.

### FINANCIAL POSITION

The net asset value of the Company for the current financial period ended was \$5,853,444.

### DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended in the current period.

### DIRECTORS

The names of the Directors of Cadence Opportunities Fund Limited who held office during or since the end of the financial period are:

Karl Siegling (Appointed 6 July 2018)  
Wayne Davies (Appointed 6 July 2018)  
Susan Oakes (Appointed 22nd August 2018)

The Directors have been in office since the Company's incorporation on 6 July 2018 to the date of this report unless otherwise stated.

### INFORMATION ON DIRECTORS

#### Karl Siegling (Chairman)

Karl Siegling has 26 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 from INSEAD in France. Karl holds a Post Graduate Diploma in Finance with the Securities Institute of Australia (FINSIA).

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. He then worked within the Equities Research Division of Deutsche Morgan Grenfell before studying an MBA at INSEAD and working as a Summer Associate within 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), focused on investing in early stage and expansion capital for financial services and technology companies. Karl worked as a consultant for Wilson Asset Management, researching stocks, before setting up Cadence Asset Management Pty Limited.

# CADENCE OPPORTUNITIES FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### INFORMATION ON DIRECTORS (Continued)

#### Karl Siegling (Chairman) (Continued)

Karl has been the Chairman and Managing Director of Cadence Asset Management Pty Limited (The Manager) for 15 and a half years.

Karl has been the Chairman and Managing Director of Cadence Capital Limited for 14 and a half years. Karl has been a Director of the Company for the past year.

#### Wayne Davies (Non-Executive Director and Company Secretary)

Wayne Davies has over 17 years funds management experience in Equity Long/Short Funds both in Australia and overseas. He is both a member of the South African Institute of Chartered Accountants and the Chartered Institute of Management Accountants. Wayne Davies is a founding member of the Cadence Asset Management team and has been the Chief Operating Officer of Cadence Asset Management for the past 12 years. Wayne Davies previously worked with Theorema Asset Management in London and was a director of Theorema Europe Fund and Theorema Europe Fund Plus. Wayne has been a Director of Cadence Capital Limited for the past 5 and a half years. Wayne has been a Director of the Company for the past year.

#### Susan Oakes (Non-executive Director)

Susan Oakes has over 30 years financial services industry experience. Susan has worked in trading room roles in Sydney, London and New York. Susan is a former director and business head at Merrill Lynch and has also worked as a risk consultant at the Commonwealth Bank of Australia.

Susan has worked in trading roles at Genesis Proprietary Trading, Phoenix Trading Group, Aliom Holdings Limited & TransMarket Group. Susan possesses extensive experience and knowledge in trading and portfolio management. Susan Oakes holds an MBA from the Australian Graduate School of Management, UNSW, specialising in business risk.

Susan has been a Director of the Company for the past half year.

### COMPANY SECRETARY

Wayne Davies held the position of Company Secretary at the end of the financial period.

DIRECTORS' MEETINGS	No. eligible to attend	Attended
Karl Siegling	2	2
Wayne Davies	2	2
Susan Oakes	2	2

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Cadence Opportunities Fund 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 below.

	Cash Salary	Superannuation	Total
2019	\$	\$	\$
Short-term Employee Benefits - Directors Fees:			
Susan Oakes	6,849	651	7,500
Wayne Davies	3,425	325	3,750
	<u>10,274</u>	<u>976</u>	<u>11,250</u>

# CADENCE OPPORTUNITIES FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### REMUNERATION REPORT (Continued)

#### (b) Director Related Entities Remuneration

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 Opportunities Fund Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was entitled to a management fee of \$36,604 (inclusive of GST). This is equivalent to 0.125% 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 1.25% of the gross value of the portfolio per annum. This management fee is not paid to the Manager but instead is offset against the Loan to the Manager. As at 30 June 2019, outstanding Loan to the Manager was \$232,482.

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

In addition, Cadence Asset Management Pty Limited is to be paid, annually in arrears, a performance fee, being 15% (plus GST) of 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 period ended 30 June 2019, \$89,188 (inclusive of GST) was payable to Cadence Asset Management Pty Limited. As at 30 June 2019, the balance payable to the Manager was \$89,188.

Cadence Asset Management Pty Limited employs accounting personnel to provide accounting services to Cadence Opportunities Fund Limited. These services are provided on commercial terms and include a standard charge of \$550 (inclusive of GST) per month.

#### (c) 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 \$100,000 per annum between the 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.

#### (d) Shareholdings

As at the date of this Report, the Company's key management personnel indirectly held the following shares in the Company:

<b>Shareholdings</b>	<b>Balance at 6 July 2018</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>As at the date of this Report</b>
<i>Karl Siegling</i>	-	1,600,001	-	1,600,001
<i>Wayne Davies</i>	-	100,000	-	100,000
<i>Susan Oakes</i>	-	24,000	-	24,000
	-	1,724,001	-	1,724,001

End of Remuneration Report.



# CADENCE OPPORTUNITIES FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the financial period 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.

### FUTURE DEVELOPMENTS

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

### ENVIRONMENTAL ISSUES

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

### ROUNDING OF AMOUNTS

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar, unless otherwise stated.

### INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

During the year the Company paid 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.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### 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 Pitcher Partners, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company. Related entities of Pitcher Partners, 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 for the following reasons:

- all non-audit services do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

# CADENCE OPPORTUNITIES FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 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 9 of this Annual Report.

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

A handwritten signature in black ink, appearing to read 'K. Siegling', written in a cursive style.

**Karl Siegling**  
Chairman

Dated in Sydney, this 21 October 2019

Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

**Auditor's Independence Declaration  
To the Directors of Cadence Opportunities Fund Limited  
A.B.N. 37 627 359 166**

In relation to the independent audit of the financial report of Cadence Opportunities Fund Limited for the period from 6 July 2018 (date of incorporation) to 30 June 2019, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.



C I Chandran  
Partner

Pitcher Partners  
Sydney

21 October 2019

# CADENCE OPPORTUNITIES FUND LIMITED

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

	Note	2019 \$
<b>INCOME</b>		
Net realised and unrealised gain on investments		543,825
Dividends received		43,513
Interest received		12,392
Other income		3,399
<b>Total Income</b>		<u>603,139</u>
<b>EXPENSES</b>		
Finance costs		(8,772)
Management fees		(34,108)
Performance fees		(83,107)
Brokerage expenses on share purchases		(30,921)
Stock loan fees		(125)
Custody fees		(14,884)
Directors fees		(11,250)
Registry fees		(551)
Other expenses from ordinary activities		(28,146)
<b>Total Expenses</b>		<u>(211,864)</u>
<b>Profit before income tax</b>		<b>391,275</b>
Income tax expense	3	(97,881)
<b>Profit attributable to members of the Company</b>	<b>10</b>	<u><u>293,394</u></u>
<b>Other comprehensive income</b>		
Other comprehensive income for the period, net of tax		<u>-</u>
<b>Total comprehensive income for the period</b>		<u><u>293,394</u></u>
<b>Basic earnings per share</b>		<u><u>6.6 cents</u></u>
<b>Diluted earnings per share</b>		<u><u>6.6 cents</u></u>

The accompanying notes form part of these financial statements.

# CADENCE OPPORTUNITIES FUND LIMITED

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## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$
<b>ASSETS</b>		
Cash and cash equivalents	12(a)	1,641,849
Trade and other receivables	5	788,816
Financial assets at fair value through profit or loss	6	5,105,902
		<hr/>
<b>TOTAL ASSETS</b>		<b>7,536,567</b>
<b>LIABILITIES</b>		
Cash overdrafts	12(a)	1,040,703
Trade and other payables	7	328,757
Financial liabilities at fair value through profit or loss	8	215,782
Deferred tax liabilities	3(c)	97,881
		<hr/>
<b>TOTAL LIABILITIES</b>		<b>1,683,123</b>
		<hr/>
<b>NET ASSETS</b>		<b>5,853,444</b>
<b>EQUITY</b>		
Issued capital	9	5,560,050
Profits reserve	10	293,394
		<hr/>
<b>TOTAL EQUITY</b>		<b>5,853,444</b>

The accompanying notes form part of these financial statements.

# CADENCE OPPORTUNITIES FUND LIMITED

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## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

	Note	Issued Capital \$	Retained Earnings \$	Profits Reserve \$	Total Equity \$
<b>Balance at 6 July 2018</b>		-	-	-	-
Profit for the year	11	-	293,394	-	293,394
Transfer to profits reserve	10	-	(293,394)	293,394	-
Other comprehensive income for the year		-	-	-	-
<b>Transactions with owners:</b>					
Shares issued at placement	9	5,560,050	-	-	5,560,050
<b>Balance at 30 June 2019</b>		<b>5,560,050</b>	<b>-</b>	<b>293,394</b>	<b>5,853,444</b>

The accompanying notes form part of these financial statements.

# CADENCE OPPORTUNITIES FUND LIMITED

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## STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

	Note	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from the sale of investments		8,595,821
Payments for the purchase of investments		(13,300,823)
Dividends received		37,263
Interest received		12,392
Other income received		3,399
Brokerage expenses on share purchases		(30,921)
Interest paid		(8,772)
Payments for other expenses		<u>(267,263)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>12(b)</b>	<b><u>(4,958,904)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from shares issued		<u>5,560,050</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITY</b>		<b><u>5,560,050</u></b>
<b>NET INCREASE IN CASH HELD</b>		<b>601,146</b>
<b>CASH AS AT 6 JULY 2018 (DATE OF INCORPORATION)</b>		<u>-</u>
<b>CASH AS AT END OF THE FINANCIAL PERIOD</b>	<b>12(a)</b>	<b><u><u>601,146</u></u></b>

The accompanying notes form part of these financial statements.

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The financial report was authorised for issue on 21 October 2019 by the Board of Directors.

#### Accounting Policies

##### (a) Investments

###### *i) Classification*

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

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

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

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

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

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

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



# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

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

#### (a) Investments (Continued)

##### *iii) Derecognition*

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

##### *iv) Valuation*

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

##### *v) Investment Income*

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

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

##### *vi) Derivative Instruments*

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

##### *vii) Financial Liabilities*

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

#### (b) Income Tax

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

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

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

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

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

# CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

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

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

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

#### (c) Cash and Cash Equivalents

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

#### (d) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit loss. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

#### (e) Trade and Other Payables

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

#### (f) Impairment

At each reporting date, the Company shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

#### (g) Rounding of Amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the financial report has been rounded to the nearest dollar, unless otherwise stated.

#### (h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

# CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

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

#### (i) Segment Reporting

The Company has only one segment. The Company operates predominately in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its financial assets at fair value through profit or loss, however the Company has foreign exposures as it invests in securities which are listed Internationally.

#### (j) Comparative Figures

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

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

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

#### *Income tax*

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

#### *Recovery of deferred tax assets*

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

There are no estimates or judgements that have a material impact on the Company's financial results for the period ended 30 June 2019. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect of their valuation.

#### (l) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (m) Profits Reserve

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

#### (n) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

#### (o) New and amended standards adopted by the Company

New and revised accounting applicable standards which became effective for the first time in the current reporting period. These policies are:

#### *AASB 9 Financial Instruments (and applicable amendments)*

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting.

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

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

#### (o) New and amended standards adopted by the Company (Continued)

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Company's financial assets and financial liabilities continue to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

#### *AASB 15 Revenue from Contracts with Customers*

AASB 15 became effective for annual period beginning on or after 1 January 2018 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and distributions, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

#### (p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

2019

\$

### 2. AUDITORS' REMUNERATION

Remuneration of the auditor of the Company for:

Auditing or reviewing the financial report 13,500

#### **Non-audit Services**

Other services provided by a related practice of the auditor:

Taxation services 5,600

**19,100**

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 3. 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:

	<b>2019</b>
	<b>\$</b>
Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	107,601
Imputation credit gross up	3,035
Franking credit on dividends received	(11,036)
Franked dividends receivable	(1,719)
	<u><b>97,881</b></u>
Effective tax rate	25.0%

The effective tax rate for FY2019 is 25.0%, reflecting the benefit to the Company of franking credits received on dividend income during the year.

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

Current tax liability	-
Movement in deferred tax liability	97,881
	<u><b>97,881</b></u>

#### (b) Deferred Tax Liabilities

Provisions	(6,837)
Fair value adjustments	169,982
Tax Losses	(65,264)
	<u><b>97,881</b></u>

#### Movement in deferred tax liabilities

Balance at the beginning of the period	-
Charged to the Income Statement	97,881
At reporting date	<u><b>97,881</b></u>

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 4. DIVIDENDS

#### (a) Dividends paid or payable

There were no dividends paid or recommended in the current period.

2019

#### (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.

11,036

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.

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$97,881.

### 5. TRADE AND OTHER RECEIVABLES

Trade debtors	539,048
Income receivable	6,250
GST receivable	11,036
Loan receivable	232,482
	<u>788,816</u>

#### Terms and Conditions

Trade debtors relate to outstanding settlements, are non-interest bearing and are secured by the Australian Securities Exchange – National Guarantee Fund. They are settled within 3 days of the purchase being executed. Income receivable relates to accrued income, it is non-interest bearing and is unsecured. The Loan Receivable is the outstanding loan recorded as a receivable from the Manager as a consequence of the Manager Loan which was provided to the Manager by the Company in accordance with a loan agreement entered into on or around the date of the Prospectus. Trade and other receivables are not past due or impaired and are of a good credit quality.

### 6. FINANCIAL ASSETS

Long positions	
Investments at fair value	5,105,902
	<u>5,105,902</u>

### 7. TRADE AND OTHER PAYABLES

Trade debtors	213,508
Sundry creditors – other	115,249
	<u>328,757</u>

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

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

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

<b>8. FINANCIAL LIABILITIES</b>	<b>2019</b>
	<b>\$</b>
Short positions – Investments at fair value	215,782
	<u><b>215,782</b></u>

### 9. ISSUED CAPITAL

#### (a) Paid-up Capital

4,447,962 ordinary shares fully paid	5,560,050
	<u><b>5,560,050</b></u>

#### (b) Movement in ordinary share capital

Date	Details of issue	Share Price \$	No. of Shares	Issue value \$
15 January 2019	Placement	\$1.25	4,438,041	5,547,550
1 March 2019	Placement	\$1.26	9,921	12,500
			<u><b>4,447,962</b></u>	<u><b>5,560,050</b></u>

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

#### (b) Capital Management

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

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

### 10. PROFITS RESERVE

Profits Reserve	<u><b>291,053</b></u>
-----------------	-----------------------

#### Movement in Profits Reserve

Opening balance	-
Transfer from retained earnings	291,053
	<u><b>291,053</b></u>

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

### 11. RETAINED EARNINGS

Opening balance	-
Profit for the year attributable to members of the Company	291,053
Transfer to profits reserve	(291,053)
	<u><b>-</b></u>

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 12. CASH FLOW INFORMATION

2019

#### (a) Reconciliation of cash

\$

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

Cash and cash equivalents

1,641,849

Cash overdrafts

(1,040,703)

601,146

The weighted average interest rate for cash and cash equivalents as at 30 June 2019 is 0.75%. The weighted average interest rate for cash overdrafts as at 30 June 2019 is 3.26%. The Company has Prime Brokerage facilities, including lending, and Custody arrangements with Deutsche Bank AG. The Prime Brokerage facilities are secured by a first charge over the financial assets of the Company.

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

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

Operating profit after income tax

293,394

Movement in fair value of financial assets and liabilities

(4,890,120)

Proceeds from shares issued

5,560,050

#### Changes in assets and liabilities:

Increase in trade and other receivables

(575,308)

Increase in trade and other payables

115,249

Increase in deferred tax liabilities

97,881

#### Net cash used in operating activities

601,146

### 13. EARNINGS PER SHARE

2019 Cents  
per share

Basic earnings per share

6.6

Profit after income tax used in the calculation of earnings per share

2019

\$

293,394

No.

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share

4,419,433

Weighted average number of ordinary shares and options outstanding during the year used in calculation of diluted earnings per share

4,419,433



# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 13. EARNINGS PER SHARE (CONTINUED)

No.

Reconciliation of weighted average number of shares:

Weighted average number of ordinary shares used in calculation of basic earnings per share

4,419,433

Add:

Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share

-

Weighted average number of shares used in the calculation of diluted earnings per share

4,419,433

### 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, foreign currency risk and market risk.

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

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

#### (b) **Credit Risk**

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

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

There are risks involved in dealing with custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are pledged as collateral for leverage from a prime broker/custodian, or where the Company's assets are held at a prime broker, custodian or sub-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 Prime Brokerage facilities, including lending, and Custody facilities with its prime broker and custodian Deutsche Bank AG and Custody facilities with Bank of New York Mellon. There is no guarantee that these or any sub-custodian that Deutsche Bank AG may use or any other prime broker or custodian that the Company may use from time to time, will not become insolvent. In the event of an insolvency or liquidation of a prime broker or custodian that is being used by the Company, there is no certainty that the Company would not incur losses due to its assets being unavailable for a period of time or ultimately less than full recovery of its assets, or both. As substantially all of the Company's assets may be held by a prime broker, custodian or sub-custodian and in some cases a major Australian bank, such losses could be significant and materially impair the ability of the Company to achieve its investment objective.

# CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Any cash held by Deutsche Bank AG is not treated as client money, but rather held as collateral and is not subject to the client monies protections conferred by the Financial Conduct Authority rules relating to client money. As a consequence, the Company's money is held by the Prime Broker as banker and not as a trustee or agent and the Prime Broker will not be required to place the Fund's money in a segregated client account, and the Company will therefore rank equally with Deutsche Bank AG's other account holders in relation thereto.

#### (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 cash flow 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.

#### (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.

#### (e) Foreign Currency Risk

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.

The Company undertakes certain transactions and holds assets and liabilities denominated in currencies other than Australian Dollar (AUD), the reporting currency of the Company. The Company is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The following table summarises the net amount of assets and liabilities which are denominated in currencies that the Company is significantly exposed to:

<i>United States Dollar:</i>	<b>2019</b>
Net Denominated Net Assets/ (Liabilities)	<b>USD\$</b>
AUD/USD Exchange Rate: \$0.702	<u><u>(USD\$75,817)</u></u>

The maximum exposure to credit risk on financial assets, excluding investments, 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.

#### (f) Interest Rate Risk

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

# CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (g) Financial instrument composition and maturity analysis

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

2019	Weighted Average Interest Rate	Less than 90 days \$	More than 1 year \$	Non-interest bearing \$	Total \$
<b>Assets</b>					
Financial assets	-	-	-	5,105,902	5,105,902
Cash and cash equivalents	0.75%	1,641,849	-	-	1,641,849
Balances owed by brokers	-	-	-	539,048	539,048
Other receivables	-	-	-	249,767	249,767
<b>Total assets</b>		<b>1,641,849</b>	<b>-</b>	<b>5,894,718</b>	<b>7,536,567</b>
<b>Liabilities</b>					
Financial liabilities	-	-	-	215,782	215,782
Cash overdrafts	3.26%	1,040,703	-	-	1,040,703
Balances due to brokers	-	-	-	213,508	213,508
Other payables	-	-	-	115,249	115,249
<b>Total liabilities</b>		<b>1,040,703</b>	<b>-</b>	<b>544,539</b>	<b>1,585,242</b>

**2019**

Other payables are expected to be paid as follows:

	<b>\$</b>
- Less than 6 months	115,249
- 6 months to one year	-

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

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

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

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

Investments included in Level 2 of the hierarchy include amounts in relation to Contracts for Difference, Financial Liabilities, Initial Public Offerings and Placements in which the Company has subscribed to during the year. The fair value of Contracts for Difference and Financial Liabilities have been determined using market inputs of the underlying investments. Initial Public Offerings and Placements are investments that have not listed on the Australian Stock Exchange as at 30 June 2019 and therefore represent investments in an inactive market. In valuing unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the quoted subscription price and the amount of securities subscribed for by the Company under the relevant offers.

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (h) Financial Instruments Measured at Fair Value (Continued)

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	4,956,932	-	148,970	5,105,902
Financial liabilities	(215,782)	-	-	(215,782)
<b>Total</b>	<b>4,741,150</b>	<b>-</b>	<b>-</b>	<b>4,890,120</b>

Level 3 asset class is made of a pre-IPO investment. DeepGreen Metals Inc is valued at the weighted average cost of purchases.

#### (i) Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency 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:

	2019 \$
Change in profit before tax	
- Increase in interest rate by 1%	4,993
- Decrease in interest rate by 1%	(4,993)
Change in equity	
- Increase in interest rate by 1%	3,620
- Decrease in interest rate by 1%	(3,620)

##### *Foreign Currency Risk Sensitivity Analysis*

At 30 June 2019, the effect on profit and equity as a result of changes in the foreign currency risk, with all other variables remaining constant would be as follows:

Change in profit before tax	
- Depreciation of the AUD by 2%	(1,743)
- Appreciation of the AUD by 2%	1,743
Change in equity	
- Depreciation of the AUD by 2%	(1,263)
- Appreciation of the AUD by 2%	1,263

##### *Market Risk Sensitivity Analysis*

At 30 June 2019, the effect on profit and equity as a result of changes in the market risk, with all other variables remaining constant would be as follows:

Change in profit before tax	
- Increase in market price by 2%	97,802
- Decrease in market price by 2%	(97,802)
Change in equity	
- Increase in market price by 2%	70,906
- Increase in market price by 2%	(70,906)

# CADENCE OPPORTUNITIES FUND LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 15. KEY MANAGEMENT PERSONNEL DISCLOSURE

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 (Appointed 6 July 2018)	Chairman
Wayne Davies (Appointed 6 July 2018)	Non-Executive Director and Company Secretary
Susan Oakes (Appointed 22nd August 2018)	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 provides day to day management of the Company and is remunerated as outlined in Note 16 – Related Party Transactions.

	2019
	\$
Short-term Employee Benefits - Directors Fees	10,274
Post-employment Benefits - Superannuation	976
	<u>11,250</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 \$100,000 per annum between the Directors. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Directors' fees are not linked to the performance of the Company.

#### (c) Shareholdings

As at 30 June 2019, the Company's key management personnel held the following shares in the Company:

<i>Shareholdings</i>	<i>Balance at 6 July 2018</i>	<i>Acquisitions</i>	<i>Disposals</i>	<i>As at the date of this Report</i>
<i>Karl Siegling</i>	-	1,600,001	-	1,600,001
<i>Wayne Davies</i>	-	100,000	-	100,000
<i>Susan Oakes</i>	-	24,000	-	24,000
	<u>-</u>	<u>1,724,001</u>	<u>-</u>	<u>1,724,001</u>

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 period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

# CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 6 JULY 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

### 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 Opportunities Fund Limited. In its capacity as Manager, Cadence Asset Management Pty Limited was entitled to a management fee of \$36,604 (inclusive of GST). This is equivalent to 0.125% 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 1.25% of the gross value of the portfolio per annum. This management fee is not paid to the Manager but instead is offset against the Loan to the Manager. As at 30 June 2019, outstanding Loan to the Manager was \$232,482.

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

In addition, Cadence Asset Management Pty Limited is to be paid, annually in arrears, a performance fee, being 15% (plus GST) of 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 period ended 30 June 2019 \$89,188 (inclusive of GST) was payable to Cadence Asset Management Pty Limited. As at 30 June 2019, the balance payable to the Manager was \$89,188.

Cadence Asset Management Pty Limited employs accounting personnel to provide accounting services to Cadence Opportunities Fund Limited. These services are provided on commercial terms and include a standard charge of \$550 (inclusive of GST) per month.

### 17. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial period 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.

As outlined in the Prospectus, and Supplementary Prospectus, the Board will reconsider an ASX listing before 7 December 2020. If the Board does not determine to proceed with a listing of the Company's shares it will pursue opportunities for returning capital to the Company's Shareholders.

### 18. CONTINGENT LIABILITIES

There were no material contingencies as at 30 June 2019.

### 19. CAPITAL COMMITMENTS

No capital commitments exist for placements entered into before 30 June 2019, which settle after year end.

# CADENCE OPPORTUNITIES FUND LIMITED

A.B.N. 37 627 359 166

## DIRECTORS' DECLARATION

The Directors of Cadence Opportunities Fund Limited declare that:

1. The financial statements and notes as set out on pages 10 to 28, 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 2019 and of its performance for the period ended on that date;
2. 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.

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



**Karl Siegling**  
Director

Dated at Sydney, this 21 October 2019

**Independent Auditor's Report  
To the Members of Cadence Opportunities Fund Limited  
A.B.N. 37 627 359 166**

**Report on the Audit of the Financial Report**

We have audited the financial report of Cadence Opportunities Fund Limited ("the Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 6 July 2018 (date of incorporation) to 30 June 2019, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the period then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Other Information*

The directors of the Company are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors report, but does not include the financial report and our auditor's report thereon.



**Independent Auditor's Report  
To the Members of Cadence Opportunities Fund Limited  
A.B.N. 37 627 359 166**

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. In Note 1, the directors also state, in accordance with applicable Australian Accounting Standards and Interpretations that the financial statements comply with International Financial Reporting Standards. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Independent Auditor's Report  
To the Members of Cadence Opportunities Fund Limited  
A.B.N. 37 627 359 166**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



C I Chandran  
Partner



Pitcher Partners  
Sydney

21 October 2019