CHESAPEAKE CAPITAL LIMITED

ABN: 80 106 213 772

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

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CHESAPEAKE CAPITAL LIMITED
DIRECTORS' REPORT

The directors present their report together with the financial report of Chesapeake Capital Ltd for the financial year ended 30 June 2018 and auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

James Cullen	Appointed 17 July 2015
Ian Macliver	Appointed 31 August 2015
Aaron Constantine	Appointed 31 August 2015
Bernard Romanin	Appointed 30 May 2008

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

Principal activities

As a Pooled Development Fund (PDF) Company, Chesapeake Capital Ltd ("Chesapeake" or "the Company") is regulated under the PDF Act, which is administered by Innovation Australia (a Federal Government entity). Innovation Australia approved a revised Investment Plan for Chesapeake on 19 February 2015 that allows it to invest in a wide range of emerging listed and unlisted companies across a variety of sectors.

There has been no significant change in the nature of these activities during the financial year.

Results

The loss after income tax attributable to the members of Chesapeake Capital Limited was ($219,921) (2017: profit of $241,874).

Review of operations

During the year Chesapeake continued to seek investments in a concentrated portfolio of companies, both listed and in the pre-IPO stage, through the provision of new equity under the PDF framework.

The result for the year was disappointing as it was negatively impacted by a general sell off in small cap companies in the June quarter which turned a year to date gain at the end of the March quarter into a loss for the full year. This consisted largely of the unwinding of previous gains recorded on certain investments, in particular the investment in AssetOwl Ltd.

Following this result, net tangible asset backing per share at 30 June 2018 was 24.7 cents. This is up 45.3% on the NTA following recapitalisation and restructuring of the company in June 2015 and compares to a 52.1% gain in the Small Ordinaries Index over the same period.

Significant Changes in State of Affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this financial report.

After balance date events

Since the end of the financial year a material decline has occurred in the share price of Axsess Today Ltd, one of the Company's investee companies. Trading in the shares of Axsess Today Ltd was voluntarily placed into suspension by the company on 14 September 2018, pending a review by the board of the company's business strategy. This review will include an assessment of a recent change in the Company's arrears reporting methodology which the board has advised inadvertently triggered a breach of financial covenants with its bank lenders.

Chesapeake Capital's investment in Axsess Today Ltd was made in December 2016 at an issue price of $1.00 per share. At 30 June 2018 the value of those shares had increased to $2.20 per share and accordingly have been reflected in the Company's financial statements at 30 June 2018 at that price. However, subsequent to year end there has been a material decline in the share price of Axsess Today Ltd. The last share price before the date of voluntary suspension was $1.625. This represents a $230,000 reduction in the value of the Company's investment. Because this reduction occurred subsequent to year end it is not reflected in the financial statements at 30 June 2018.

There have been no other significant changes in the state of affairs of the company during the year.

Likely developments

The Company will continue to pursue its operating strategy to create shareholder value through investing in listed and unlisted companies. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the entity.

Environmental regulation
The company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared
No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Share options granted to directors and officers
No options over unissued ordinary shares were granted during or since the end of the financial year.

Shares issued on exercise of options

The following ordinary shares of Chesapeake Capital Limited were issued during or since the end of the financial year as a result of the exercise of options:

Date issued	Number of ordinary shares issued	Amount paid per share
30th June 2018	1,193,331	25 cents

The amounts unpaid on shares issued on exercise of options is $8,332.

Shares Under Options

Unissued ordinary shares of Chesapeake under option at the date of this report are as follows:

Date Options Granted	Opening Balance	Movement	Closing Balance	Issue price of shares	Expiry of options
Total	9,653,349	9,653,349	0	25c	30th June 18

No option holder has any right under the options to participate in any other share issue of the company.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Chesapeake Capital Limited at any time during or since 1 July 2017 is provided below, together with details of the company secretary as at the year end.

James Cullen
B Com, CA, F Fin, FAIC, AIGA, ACIS
Non-Executive Chairman and Joint Company Secretary
Director since 17 July 2015

Mr Cullen is a qualified Chartered Accountant with extensive experience as a chief executive officer and board member of two ASX-listed mining services companies, each commencing in the microcap space and growing significantly in market capitalisation before being taken over.

He has a strong financial and governance background with commercial and practical experience in growing microcap businesses domestically and internationally.

Most recently (from June 2015) Mr Cullen has been CEO of Pacific Energy Ltd, a publicly listed power station developer and operator.

Earlier in his career, Mr Cullen worked in the audit team at PriceWaterhouse Coopers (1984 to 1989) and with 21st Century Film Corporation Inc. and Columbia Pictures Industries Inc (1989 to 1994)

Ian Macliver
B Com, FCA, SF Rin, FAICD
Non-Executive Director
Director since 31 August 2015

Mr Macliver is a qualified Chartered Accountant who founded Grange Consulting Group Pty Ltd ("Grange") in 1995. Grange is a boutique provider of specialist corporate advisory services to listed and unlisted companies. He is Executive Chairman of Grange.

Mr Macliver has been chairman or director of numerous listed and private companies over the past 20 years including Chairman of Western Areas Limited. He has held senior executive positions in a number of listed companies.

He has significant M&A experience, both advisory and practical and extensive due diligence and business valuation experience. He is highly experienced in general corporate finance and debt/equity raisings. Mr Macliver was formerly with Arthur Andersen.

Information on Directors and Company Secretary (continued)

Aaron Constantine
B Com, B Econ, F Fin, MAICD, MSSAA
Non-Executive Director
Director since 31 August 2015

Mr Constantine has been employed by Patersons Securities Limited ("Patersons") for almost 32 years, including Executive Director since 1990, during which time Patersons has grown to become one of Australia's larger independently owned, full service stockbrokers. He has been Head of Corporate Finance since 1999.

Mr Constantine manages a team of 20 which has become the most active arranger (by number of new equity issues) in Australia since 2003 (refer he Thomson Reuters Global Equity Capital Markets Review league tables) and regularly ranks in the top 15 by value.

Mr Constantine has ranked in the East Coles top 10 Best Investment Bankers 2010-2013 (#1 2011) and the top 4 Equity Capital Markets Bankers over the same period (#1 2011). In 2014 he was awarded the Best Independent Investment Banker and Best Independent ECM Banker. He has significant experience in structuring equity investments and executing capital raisings and has extensive merger and acquisition experience.

Bernie Romanin
B App Sci, Grad Dip Marketing
Non-Executive Director and Joint Company Secretary
Director since 30 May 2008

Mr. Romanin has healthcare experience in Diagnostics, Pharmaceuticals and Medical Devices gained over 35 years in Australia and internationally.

Most recently (from January 2016) Mr Romanin has been CEO of GMDx Co Pty Ltd, a Genomic Medicine company.

During almost a decade in the USA with Chiron and Novartis, he has directed market development activities to identify, validate and commercialise new opportunities in diagnostics in the areas of Infectious Diseases (Hepatitis and HIV/AIDS), Oncology, Cardiovascular Disease and Metabolic Disorders.

Mr Romanin has experience in dealing with investors, analysts, brokers and shareholders associated with a public company.

Directors' meetings
The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors	
	Eligible to attend	**Attended**
James Cullen	4	4
Ian Macliver	4	4
Aaron Constantine	4	4
Bernard Romanin	4	4

Directors' interests in shares or options

Directors' relevant interests in shares of Chesapeake Capital Limited or options over shares in the company are detailed below.

Directors' relevant interests	Ordinary shares
James Cullen	1,932,000
Ian Macliver	680,000
Aaron Constantine	2,432,000
Bernard Romanin	61,464

The information includes shares held by the Directors and their related parties.

Indemnification and insurance of directors, officers and auditors

During or since the end of the year, the company has paid premiums in respect of an insurance contract in order to indemnify the directors of the company against liabilities that may arise from their position as officers of the company. Officers indemnified include all directors and executive officers participating in the management of the company.
Further disclosure required under section 300(9) of the corporation's law is prohibited under the terms of the contract.
No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of Chesapeake Capital Limited.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

Non-audit services are approved by the board of directors. Non-audit services were provided by Pitcher Partners Melbourne, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by Chesapeake Capital Limited and have been reviewed and approved by the Directors to ensure they do not impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Chesapeake Capital Limited, acting as an advocate for Chesapeake Capital Limited, or jointly sharing risks and rewards in relation to the operations or activities of Chesapeake Capital Limited.

	2018 $	2017 $
Amounts paid and payable to Pitcher Partners Melbourne for non-audit services:		
Taxation services	3,121	3,773

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.

Signed in accordance with a resolution of the directors.

Director Bernard Romanin

Director James Cullen

Dated this 3rd day of October 2018.

PITCHER PARTNERS

CHESAPEAKE CAPITAL LTD

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CHESAPEAKE CAPITAL LTD

In relation to the independent audit for the year ended 30 June 2018, 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 APES 110 *Code of Ethics for Professional Accountants*.

P A JOSE
Partner

3 October 2018

PITCHER PARTNERS
Melbourne

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Revenue and other income			
Revenue	5	(205,499)	356,253
Less: Expenses			
Administrative expenses		(65,247)	(76,664)
(Loss)/Profit before income tax		(270,746)	279,589
Income tax (expense)/benefit	7	50,825	(37,715)
Net (loss)/profit from continuing operations		(219,921)	241,874
(Loss)/profit is attributable to:			
Members		(219,921)	241,874
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(219,921)	241,874
Total comprehensive income attributable to:			
Members		(219,921)	241,874

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	8	417,652	27,763
Other financial assets	9	2,900,770	3,313,949
Other current assets	10	19,607	10,965
Total current assets		3,338,029	3,352,677
Total assets		3,338,029	3,352,677
Current liabilities			
Payables	11	13,361	20,433
Current tax payable	7	9,445	35,162
Total current liabilities		22,806	55,595
Non-current liabilities			
Deferred tax liabilities	7	50,533	110,803
Total non-current liabilities		50,533	110,803
Total liabilities		73,339	166,398
Net assets		3,264,690	3,186,279
Equity			
Share capital	12	17,148,777	16,850,445
Accumulated Losses		(13,884,087)	(13,664,166)
Total equity		3,264,690	3,186,279

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share Capital $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2016		**16,111,976**	**(13,906,040)**	**2,205,936**
Profit for the year		-	241,874	241,874
Total comprehensive income for the year		**-**	**241,874**	**241,874**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares (net of share issue cost)	12	738,469	-	738,469
		738,469	**-**	**738,469**
Balance as at 30 June 2017		**16,850,445**	**(13,664,166)**	**3,186,279**
Loss for the year		-	(219,921)	(219,921)
Total comprehensive loss for the year		**-**	(219,921)	(219,921)
Transactions with owners in their capacity as owners:				
Issue of ordinary shares (net of share issue cost)	12	298,332	**-**	298,332
		298,332	-	**298,332**
Balance as at 30 June 2018		**17,148,777**	**(13,884,087)**	**3,264,690**

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Cash flow from operating activities			
Receipts from customers		-	9,161
Payments to suppliers		(72,629)	(64,945)
Dividends received		20,400	-
Interest received		3,278	4,154
Income tax paid		(35,162)	-
Net cash used in operating activities	13	(84,113)	(51,630)
Cash flow from investing activities			
Proceeds from sale of investments		1,406,729	788,621
Payment for investments		(1,222,727)	(1,699,750)
Net cash provided by / (used in) investing activities		184,002	(911,129)
Cash flow from financing activities			
Net proceeds from share issue		290,000	738,469
Net cash provided by financing activities		290,000	738,469
Net increase / (decrease) in cash and cash equivalents		389,889	(224,290)
Cash and cash equivalents at beginning of year		27,763	252,053
Cash and cash equivalents at end of the year	8	**417,652**	**27,763**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

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

Chesapeake Capital Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Chesapeake Capital Limited's registered office and principal place of business is c/o Minter Ellison Lawyers, Level 23, South Rialto Towers 525 Collins Street Melbourne VIC 3000. Chesapeake Capital Limited is a for-profit entity for the purpose of preparing the financial report.

The financial report was approved by the directors as at the date of the directors' report.

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

(b) Going Concern

The financial report has been prepared on a going concern basis.

(c) Revenue

Revenue from the rendering of a service is recognised upon delivery of the service to the customers.

Interest revenue is measured in accordance with the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

All revenue is measured net of the amount of goods and services tax (GST**).**

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(e) Impairment of Non-Financial Assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(f) Income tax

The Company Chesapeake Capital Ltd is a registered Pooled Development Fund (PDF). The PDF program was established by the Federal Government in 1993 to encourage investment in small and medium sized Australian enterprises. The PDF Act is administered by the Venture Capital Committee (Committee).

Favourable tax treatment is available for both the Company, and its shareholders: There is no capital gains tax on the sale of shares held by a shareholder in a PDF. Shareholders may elect to treat dividends paid by the company as tax exempt or treat the franked amount of any such dividend as assessable income in order to receive the benefit of the attached franking credits. The Company pays a corporate tax rate of 15% on PDF investment income and 25% on other income.

To maintain its status as a PDF, the Company must comply with the regulations imposed by the Pooled Development Funds Act 1992. The Company has to conduct its investment activities in accordance with the following:

- It must invest 65% of its raised capital within five years of the raising;
- It may only invest in new shares in Australian companies;
- It must invest a minimum of $500,000 in each investment or, if it invests a lesser sum, take a minimum 10% equity in the investee company;
- Investee companies must have less than A$50 million in total assets;
- The funds invested by the Company must be used to establish an eligible business, to substantially expand production capacity or to substantially expand existing markets of an eligible business.

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(h) Financial instruments

Classification

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable fair value performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the Company intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Individual receivables and held-to-maturity investments that are known to be uncollectible are written off to profit or loss by reducing the carrying amount of the asset directly. For other receivables and held-to-maturity investments, estimated impairment losses are recognised in a separate provision for impairment. The entity applies the following criteria as objective evidence that an impairment loss has occurred:

- significant financial difficulties of the debtor;
- payments more than 30 days overdue and failure by the debtor to adequately respond to a follow-up request for payment;
- payment more than 90 days overdue;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the entity, for reasons relating to the debtor's financial difficulty, granting to the debtor a concession the entity would not otherwise consider.

When it is concluded that it is probable the company will not recover the net carrying amount (gross carrying amount less impairment provisions) of an impaired receivable or held-to-maturity investment, the allowance amount attributable to the asset is written off directly against the gross carrying amount of the asset.

An available-for-sale financial asset is considered impaired if there has been a significant or prolonged decline in its fair value below its original cost. If an available-for-sale financial asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. For impaired equity investments, subsequent increases in the fair value of the investment are not reversed through profit or loss. For impaired debt investments, subsequent increases in the fair value of the investment are treated as a reversal of the impairment loss and recognised in profit or loss if the subsequent fair value increase can be objectively related to the previous impairment event.

For available-for-sale financial assets carried at cost because a fair value cannot be reliably determined, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(i) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. 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 in the statement of financial position are shown inclusive of GST.

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

(j) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(k) Rounding of amounts

The company have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the directors' report have been rounded to the nearest dollar.

(l) New and revised accounting standards effective at 30 June 2018

The Company has adopted the following new and revised accounting standards for the first time for their annual reporting period ending 30 June 2018.

AASB 2016-1: Amendments to Australian Accounting Standards – – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 112: Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

This Standard is not expected to significantly impact the Company's financial statements.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2017-2: Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle (applicable to annual reporting periods commencing on or after 1 January 2017).

This Amending Standard clarifies the scope of AASB 12: Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

This Standard is not expected to significantly impact the Company's financial statements.

(m) Accounting standards issued but not yet effective at 30 June 2018

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

The adoption of AASB 9 is not expected to have on initial application a material impact on the Company's financial statement.

AASB 15: Revenue from Contracts with Customers,
AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15,
AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 and AASB 2016-7: Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (applicable to for profit entities for annual reporting periods commencing on or after 1 January 2018 and to not-for-profit entities for annual reporting periods commencing on or after 1 January 2019).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

identify the contact(s) with a customer; identify the performance obligations under the contract(s); determine the transaction price; allocate the transaction price to the performance obligations under the contract(s); and recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

The adoption of AASB 15 is not expected to have on initial application a material impact on the Company's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(c) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 4: Fair Value Measurements for the details of the fair value measure key assumptions and inputs.

NOTE 3: FINANCIAL RISK MANAGEMENT

The company is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Market price risk
- Interest rate risk
- Credit risk
- Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The company holds the following financial instruments:

	2018	2017
Financial assets	**$**	**$**
Cash and cash equivalents	417,652	27,763
Other current assets	19,607	10,965
Fair value through profit or loss		
Held for trading financial assets	2,900,770	3,313,949
	3,338,029	3,352,677
Financial liabilities		
Amortised cost		
Payables	13,361	20,433
	13,361	20,433

(a) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).
The Company's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors. In addition, in order for the company to maintain its status of a PDF the company must comply with the regulations imposed by the Pooled Development Funds Act 1992. Refer Note1 (f).

Sensitivity
Investments in listed securities at fair value through profit or loss are measured at fair value at reporting date based on current bid prices. If security prices were to increase/decrease by 10% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

Listed securities	**2018**	**2017**
+/- 10% price variation	**$**	**$**
Impact on profit after tax	246,565	281,686
Impact on equity	246,565	281,686

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2018	**$**	**$**	**$**	**%**	
(i) Financial assets					
Cash at bank	107,315	310,337	417,652	1.35	Variable
Other current assets	-	19,607	19,607		
Other financial assets	-	2,900,770	2,900,770		
Total financial assets	107,315	3,230,714	3,338,029		
(ii) Financial liabilities					
Trade Creditors	-	4,360	4,360	-	
Other Payables	-	9,001	9,001	-	
Total financial liabilities	-	13,361	13,361		
2017					
(i) Financial assets					
Cash at bank	16,904	10,859	27,763	1.4%	Variable
Other current assets	-	10,965	10,965		
Other financial assets	-	3,313,949	3,313,949		
Total financial assets	16,904	3,335,773	3,352,677		
(ii) Financial liabilities					
Trade Creditors	-	8,433	8,433	-	
Other Payables	-	12,000	12,000	-	
Total financial liabilities	-	20,433	20,433		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then no significant impact on profit for the year and equity is expected.

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Financial risk

The company monitors their financial risk informally on a day to day basis and then formally at monthly Board meetings, where the financial position of the company is discussed in detail.

(d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash is available through the raising of equity.

Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

	< 6 Months $	6-12 Months $	1-5 years $	Total contractual cash flows $	Carrying amount $
Year ended 30 June 2018					
Cash and cash equivalents	417,652	-	-	417,652	417,652
Receivables	19,607	-	-	19,607	19,607
Other financial assets	-	2,900,770	-	2,900,770	2,900,770
Payables	(13,361)	-	-	(13,361)	(13,361)
Net maturities	**423,898**	**2,900,770**	**-**	**3,324,668**	**3,324,668**
Year ended 30 June 2017					
Cash and cash equivalents	27,763	-	-	27,763	27,763
Receivables	10,965	-	-	10,965	10,965
Other financial assets	-	3,313,949	-	3,313,949	3,313,949
Payables	(20,433)	-	-	(20,433)	(20,433)
Net maturities	**18,295**	**3,313,949**	**-**	**3,332,244**	**3,332,244**

NOTE 4: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

The following table provides the fair value classification of those assets and liabilities held by the Company that are measured either on a recurring or non-recurring basis at fair value.

Year ended 30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**$**	**$**	**$**	**$**
Financial assets				
Financial assets at fair value through profit or loss	1,793,628	-	1,107,142	2,900,770
Total financial assets	1,793,628	-	1,107,142	2,900,770

Year ended 30 June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**$**	**$**	**$**	**$**
Financial assets				
Financial assets at fair value through profit or loss	2,778,235	-	535,714	3,313,949
Total financial assets	2,778,235	-	535,714	3,313,949

(b) Valuation techniques and significant unobservable inputs used in level 3 fair value measurements

2018	**Fair value** **$**	**Valuation technique**	**Description of valuation technique and inputs used**
Unlisted equity securities	1,107,142	(i)	(i)

(i) The equity securities included in Level 3 of the hierarchy are investments in equity securities which are unlisted and therefore represent investments in an inactive market without observable inputs for valuation. The unlisted equity securities comprise two separate investments of $500,000 each, one at an issue price of 28 cents per share made in August 2016 and the second at an issue price of 26.25 cents per share made in September 2017. Subsequent to the Company making these investments, each of the investee companies has undertaken a further capital raising, in each case at 30 cents per share. The investments in these companies have been revalued at the most recent capital raising prices.

NOTE 4: FAIR VALUE MEASUREMENTS (Cont'd)

(c) Reconciliation of recurring level 3 fair value movements

For each asset and liability categorised as level 3 provide a reconciliation:

	2018 $	2017 $
Unlisted equity Securities		
Opening balance	535,714	–
Acquisitions	500,000	500,000
Total gains and losses recognised in profit or loss	71,428	35,714
Closing balance	1,107,142	535,714

NOTE 5: REVENUE AND OTHER INCOME

Revenue		
Fair value gains on financial assets at fair value through profit and loss	75,101	235,612
Net gain on sale of financial assets at fair value through profit and loss	(304,278)	107,326
Other	20,400	9,161
Interest	3,278	4,154
	(205,499)	356,253

NOTE 6: PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific expenses:

(a) Expenses

Remuneration of the auditor		
Auditing or reviewing the financial statement	21,451	31,600
Other service – Tax	3,121	3,773
	24,572	35,373

	2018 $	2017 $
NOTE 7: INCOME TAX		
(a) Components of tax expense:		
Current tax	9,445	35,162
Deferred tax	(60,270)	2,553
	(50,825)	37,715
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
(Loss)/profit before tax from continuing operations	(270,746)	279,589
Prima facie income tax payable on profit before income tax at 15% (2017: 15%)	(40,612)	(41,938)
Less tax effect of:		
- dividend income	(7,431)	-
- other	(2,782)	4,223
	(10,213)	4,223
Income tax (benefit)/expense attributable to profit	(50,825)	37,715
(c) Current tax		
Current tax relates to the following		
Current tax liabilities		
Opening balance	35,162	-
Tax payments	(35,162)	-
Income tax	9,445	35,162
Current tax liabilities	9,445	35,162
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Accruals	1,350	1,800
	1,350	1,800
Deferred tax liabilities		
The balance comprises:		
Financial assets at fair value through profit or loss	51,883	112,603
	51,833	112,603
Net deferred tax assets/(liabilities)	(50,533)	(110,803)

NOTE 7: INCOME TAX (Cont'd)

(e) Deferred income tax (revenue)/expense included in income tax expense comprises

	2018 $	2017 $
Decrease / (increase) in deferred tax assets	450	1,487
(Decrease) / increase in deferred tax liabilities	(60,720)	1,066
	(60,270)	2,553

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	417,652	27,763

NOTE 9: OTHER FINANCIAL ASSETS

CURRENT		
Financial assets at fair value through profit or loss classified as held for trading		
Shares in listed entities	1,694,890	2,600,159
Options in listed entities	98,738	178,076
Shares in unlisted entities	1,107,142	535,714
Total financial assets at fair value through profit or loss	2,900,770	3,313,949

NOTE 10: OTHER CURRENT ASSETS

Prepayments	11,275	10,965
Other current assets	8,332	-
	19,607	10,965

NOTE 11: PAYABLES

CURRENT		
Trade payables	4,360	8,433
Other payables	9,001	12,000
	13,361	20,433

NOTE 12: CONTRIBUTED CAPITAL	30 June 2018 No of Shares	$	30 June 2017 No of Shares	$
(a) Issued and paid up capital				
Ordinary Shares fully paid	13,114,594	17,148,777	11,921,263	16,850,445

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue	30th June 2018 No of Shares	$	30th June 2017 No of Shares	$
Beginning of the financial year	11,921,263	16,850,445	8,921,263	16,111,976
Issued during the year				
– Issue of ordinary shares	1,193,331	298,332	3,000,000	750,000
– Share issue costs	-	-	-	(11,531)
End of the financial year	13,114,594	17,148,777	11,921,263	16,850,445

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

(d) Share Options

Options over ordinary shares.

	2018 No of Shares	2017 No of Shares
Beginning of the reporting period	9,653,349	9,653,349
Exercised	(1,193,331)	-
Expired	(8,460,018)	-
End of the financial year	-	9,653,349

	2018	2017
	$	$
NOTE 13: CASH FLOW INFORMATION		
(a) Reconciliation of cash flow from operations with profit after income tax		
(Loss)/profit from ordinary activities after income tax	(219,921)	241,874
Non-Cash Items		
Profit on sale of financial assets at fair value through profit and loss	304,278	(107,326)
Fair value gains on financial assets at fair value through profit or loss	(75,101)	(235,612)
Amounts unpaid on shares issued	8,332	-
Changes in assets and liabilities		
(Increase)/decrease in other assets	(8,642)	1,523
(Decrease)/increase in trade and other payables	(7,072)	10,196
(Decrease)/increase in income tax payable	(25,717)	35,162
(Decrease)/increase in deferred income tax liability	(60,270)	2,553
Net cash flow from operating activities	(84,113)	(51,630)

NOTE 14: RELATED PARTY TRANSACTIONS
Directors and Executives Compensation

(a) Details of Key Management Personnel

(i) Directors

James Cullen	Chairman & Joint Company Secretary - Non-Executive - Appointed 17 July 2015
Ian Macliver	Director – Non-Executive – Appointed 31 August 2015
Aaron Constantine	Director – Non-Executive – Appointed 31 August 2015
Bernard Romanin	Director & Joint Company Secretary - Non Executive - Appointed 30 May 2008

Directors & Executives Remuneration

	Short-Term		**Post-Employment**	**Share-based payments**	**Total**
	Salary Fees	Other	Superannuation	Shares	
2018	$	$	$	$	$
James Cullen	-	-	-	-	-
Ian Macliver	-	-	-	-	-
Aaron Constantine	-	-	-	-	-
Bernard Romanin	-	-	-	-	-
	-	-	-	-	-
2017					
James Cullen	-	-	-	-	-
Ian Macliver	-	-	-	-	-
Aaron Constantine	-	-	-	-	-
Bernard Romanin	-	-	-	-	-
	-	-	-	-	-

Number of options held by directors

2018 **Directors**	**Balance 1/07/17 Number**	**Granted as remuneration Number**	**Net change other Number**	**Balance 30/06/18 Number**
Jamie Cullen	1,554,001	-	(1,554,001)	-
Ian Macliver	720,001	-	(720,001)	-
Aaron Constantine	1,748,000	-	(1,748,000)	-
Bernard Romanin	-	-	-	-
	4,022,002	-	(4,022,002)	-

NOTE 14: RELATED PARTY TRANSACTIONS (continued)

Number of shares held by directors

2018 Directors	Balance 1/07/17 Number	Granted as remuneration Number	Net change other Number	Balance 30/06/18 Number
James Cullen	1,732,000	-	200,000	1,932,000
Ian Macliver	600,000	-	80,000	680,000
Aaron Constantine	1,932,000	-	500,000	2,432,000
Bernard Romanin	6,544	-	54,920	61,464
	4,270,544	-	834,920	5,105,464

(b) Number of shares held at the balance date by Key Management Personnel or Associated Entities:

There are no key management personnel other than directors.

(c) Other dealings with related parties

During the year the company paid an amount of $7,208 (2017 $6,136) in management fees and $6,566 (2017 $148) in brokerage fees for services provided by Patersons Securities Limited, a company related to Aaron Constantine.

NOTE 15: SUBSEQUENT EVENTS

Since the end of the financial year a material decline has occurred in the share price of Axsess Today Ltd, one of the Company's investee companies. Trading in the shares of Axsess Today Ltd was voluntarily placed into suspension by the company on 14 September 2018, pending a review by the board of the company's business strategy. This review will include an assessment of a recent change in the Company's arrears reporting methodology which the board has advised inadvertently triggered a breach of financial covenants with its bank lenders.

Chesapeake Capital's investment in Axsess Today Ltd was made in December 2016 at an issue price of $1.00 per share. At 30 June 2018 the value of those shares had increased to $2.20 per share and accordingly have been reflected in the Company's financial statements at 30 June 2018 at that price. However, subsequent to year end there has been a material decline in the share price of Axsess Today Ltd. The last share price before the date of voluntary suspension was $1.625. This represents a $230,000 reduction in the value of the Company's investment. Because this reduction occurred subsequent to year end it is not reflected in the financial statements at 30 June 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

(a) the company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the company's share of affairs in future financial years.

DIRECTORS DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 1 to 28, are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

    (b) as stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and

    (c) giving a true and fair view of the financial position of the company as at 30 June 2018 and of its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that Chesapeake Capital Limited 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.

Bernard Romanin
Director

James Cullen
Director

Dated this 3rd day of October 2018

CHESAPEAKE CAPITAL LTD
ABN 80 106 213 772

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHESAPEAKE CAPITAL LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Chesapeake Capital Ltd "the Company", which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 Chesapeake Capital Ltd, 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 2018 and of its financial performance for the year 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 are responsible for the other information. The other information comprises the information included in the Company's directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHESAPEAKE CAPITAL LTD

Our opinion on the financial report does not cover the other information and accordingly 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 inconsistent 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* and for such internal control as the directors determine is necessary to enable the preparation of the 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.
- 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.

Peter Jose

P A Jose
Partner

Pitcher Partners

PITCHER PARTNERS
Melbourne

3 October 2018