

CHESAPEAKE CAPITAL LTD
ABN: 80 106 213 772

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

This half-year financial report is to be read
in conjunction with the financial report for
the year ended 30 June 2019

**CHESAPEAKE CAPITAL LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2019**

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**CHESAPEAKE CAPITAL LTD
DIRECTORS' REPORT**

The directors present their report together with the condensed financial report of Chesapeake Capital Ltd, "the Company" for the half-year ended 31 December 2019 and independent review report thereon.

Directors Names

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

Name	Period of Directorship
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 financial period to the date of this report unless otherwise stated.

Principal activities

As a PDF Company, Chesapeake is regulated under the PDF Act, which is administered by Innovation and Science Australia (a Federal Government entity). Under the Company's approved Investment Plan, it invests in a wide range of emerging listed and unlisted "microcap" companies across a variety of sectors.

Pursuant to the PDF Act, investee companies must have total assets of less than \$50 million. As a compliant PDF Company, Chesapeake and its Shareholders are afforded various tax concessions under Income Tax Assessment Act.

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

Review of Operations

The loss of the Company for the half-year after providing for income tax amounted to \$281,283 (2018: loss of \$1,063,407).

Significant Changes in the State of Affairs

There have been no significant changes in the Company's state of affairs during the half- 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 Company.

**CHESAPEAKE CAPITAL LTD
DIRECTORS' REPORT**

After Balance Date Events

Particulars of matters or circumstances that have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years are as follows:

Global pandemic of coronavirus disease

Subsequent to the half-year reporting date, on 11 March 2020, the World Health Organization declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19'), as a pandemic.

There was a resultant significant decline in the broader Australian sharemarket that has affected both large, mid and small caps. As a result there was a decline in the value of the Company's listed investments, which has been followed by a partial recovery. The pandemic and the Australian Government's response to the pandemic continues to inhibit general activity levels within the community, the economy and the operations of the Company's business. The scale and duration of these developments remain uncertain as at the date of signing these half-year financial statements and may continue to impact the value of the Company's investments.

It is not possible to estimate the impact of the pandemic's short and long-term effects, or the Australian Government's efforts to combat the outbreak and support businesses. As such it is not practicable to provide an estimate of the potential longer term impact of this outbreak on the Company's investments at this time.

These half-year financial statements have been prepared based upon conditions existing at the end of the half-year reporting period, 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 pandemic occurred after 31 December 2019, its impacts are considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to these half-year financial statements in relation to the COVID-19 pandemic.

Except for the COVID-19 and subsequent Government actions, the impacts of which on the business cannot be determined with certainty at this time, no matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**CHESAPEAKE CAPITAL LTD
DIRECTORS' REPORT**

Auditor's Independence Declaration

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

Rounding of amounts to the nearest dollar

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 *26th day April 2020*

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

In relation to the independent auditor's review for the half year ended 31 December 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



P A JOSE
Partner

27 April 2020



PITCHER PARTNERS
Melbourne

CHESAPEAKE CAPITAL LTD

ABN: 80 106 213 772

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Half-Year	
		31 Dec 2019 \$	31 Dec 2018 \$
Revenue			
Other income/(losses)	4	(290,674)	(1,217,752)
		<u>(290,674)</u>	<u>(1,217,752)</u>
Less: Expenses			
Administrative Fees		40,451	34,951
		<u>40,451</u>	<u>34,951</u>
Profit/(loss) before income tax		<u>(331,125)</u>	<u>(1,252,703)</u>
Income tax benefit		49,842	189,296
Profit/(loss) from continuing operations		<u>(281,283)</u>	<u>(1,063,407)</u>
Other comprehensive income			
Other comprehensive income for the half-year		-	-
Total comprehensive income/(loss) for the half-year		<u>(281,283)</u>	<u>(1,063,407)</u>
Profit/(loss) is attributed to:			
Members		<u>(281,283)</u>	<u>(1,063,407)</u>
Total comprehensive income/(loss) attributable to:			
Members		<u>(281,283)</u>	<u>(1,063,407)</u>

The accompanying notes form part of these condensed financial statements

CHESAPEAKE CAPITAL LTD
ABN: 80 106 213 772

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 Dec 2019	30 June 2019
CURRENT ASSETS		\$	\$
Cash and cash equivalents	5	420,520	956,766
Other financial assets	3,6	2,123,461	1,920,437
Other current assets		4,572	13,716
TOTAL CURRENT ASSETS		<u>2,548,553</u>	<u>2,890,919</u>
NON-CURRENT ASSETS			
Deferred tax asset		206,950	138,753
TOTAL NON-CURRENT ASSETS		<u>206,950</u>	<u>138,753</u>
TOTAL ASSETS		<u>2,755,503</u>	<u>3,029,672</u>
CURRENT LIABILITIES			
Trade and other payables		13,193	21,955
Current tax liability		90,621	74,745
TOTAL CURRENT LIABILITIES		<u>103,814</u>	<u>96,700</u>
TOTAL LIABILITIES		<u>103,814</u>	<u>96,700</u>
NET ASSETS		<u>2,651,689</u>	<u>2,932,972</u>
EQUITY			
Share capital	7	17,336,161	17,336,161
Accumulated Losses		<u>(14,684,472)</u>	<u>(14,403,189)</u>
TOTAL EQUITY		<u>2,651,689</u>	<u>2,932,972</u>

The accompanying notes form part of these condensed financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Share Capital \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2018	17,148,777	(13,884,087)	3,264,690
<hr/>			
Loss for the half-year as reported in 2018 financial statements	-	(1,063,407)	(1,063,407)
Total comprehensive loss for the half- year	-	(1,063,407)	(1,063,407)
<hr/>			
Transactions with owners in their capacity as owners:			
Issue of ordinary shares (net of share issue costs)	-	-	-
	-	-	-
<hr/>			
Balance as at 31 December 2018	17,148,777	(14,947,494)	2,201,283
<hr/>			
Balance as at 1 July 2019	17,336,161	(14,403,189)	2,932,972
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Loss for the half-year as reported in 2019 financial statements	-	(281,283)	(281,283)
Total comprehensive loss for the half- year	-	(281,283)	(281,283)
<hr/>			
Transactions with owners in their capacity as owners:			
Issue of ordinary shares (net of share issue costs)	-	-	-
	-	-	-
<hr/>			
Balance as at 31 December 2019	17,336,161	(14,684,472)	2,651,689

The accompanying notes form part of these condensed financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Half-year	
	31 Dec	31 Dec
	2019	2018
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	7,457	-
Payments to suppliers	(40,069)	(25,234)
Interest received	8,253	8,967
Income tax paid	(2,479)	(19,476)
Net cash used in operating activities	(26,838)	(35,743)
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	707,508	447,391
Payment for investments	(1,216,916)	(700,000)
Net cash used in investing activities	(509,408)	(252,609)
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from share issue	-	8,332
Net cash provided by financing activities	-	8,332
Net decrease in cash and cash equivalents	(536,246)	(280,020)
Cash and cash equivalents at beginning of half-year	956,766	417,652
Cash and cash equivalents at end of the half-year	420,520	137,632

The accompanying notes form part of these condensed financial statements

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Chesapeake Capital Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Chesapeake Capital Ltd is a Company limited by shares, incorporated and domiciled in Australia. The address of Chesapeake Capital Ltd's registered office and principal place of business is c/o: Minters Ellison Lawyers, Level 23, South Rialto Towers, 525 Collins Street, Melbourne, VIC, 3000.

Chesapeake Capital Ltd is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors at the date of the directors' report.

(a) Basis of preparation of the half-year financial report

This condensed half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2019 and the corresponding half-year.

(b) Rounding of amounts to the nearest dollar

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.

(c) Comparatives

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

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019**NOTE 2: DIVIDENDS**

No dividend was declared by the Directors.

NOTE 3: FAIR VALUE MEASUREMENTS**(a) Fair Value hierarchy**

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

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

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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

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.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2019				
<i>Recurring Fair Value Measurements</i>				
<i>Financial assets</i>				
Financial assets at fair value through profit and loss	2,016,318	-	107,143	2,123,461
Total financial assets	<u>2,016,318</u>	<u>-</u>	<u>107,143</u>	<u>2,123,461</u>

30 June 2019***Recurring Fair Value Measurements******Financial assets***

Financial assets at fair value through profit

and loss

	1,613,294	-	107,143	1,720,437
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Total financial assets	<u>1,613,294</u>	<u>-</u>	<u>107,143</u>	<u>1,720,437</u>
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(b) Valuation techniques and inputs used in level 2 and 3 fair value measurements

31 December 2019	Fair value \$	Valuation technique	Description of valuation technique and inputs used
Unlisted equity securities	107,143	(i)	(i)

- (i) The unlisted 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 consist of investments in two companies as part of a Pre-Initial Public Offering. Shares in CleanSubSea Limited were acquired at a cost of 28 cents per share in August 2016. A capital raising was completed in June 2019 at an issue price

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019

of 6c per share. The investment has been revalued at this most recent transaction price. Shares in Speqs Limited were acquired at a cost of 26.25 cents per share in September 2017. As a result of a failure in the business strategy of the Company resulting in limited funding options to allow the business to continue, the directors have written the investment down to nil.

(c) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

(d) Reconciliation of recurring level 3 fair value movements

The following table presents the changes in level 3 items for the period for recurring fair value measurements:

	31 Dec 2019	30 June 2019
	\$	\$
Unlisted equity securities:		
Opening balance	107,143	1,107,142
Total gains and (losses) recognised in profit or loss	-	(999,999)
Closing balance	<u>107,143</u>	<u>107,143</u>

	31 Dec 2019	31 Dec 2018
	\$	\$
NOTE 4: OTHER INCOME/(LOSSES)		
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	(269,168)	(1,206,345)
Net realised (losses)/gains on sale of financial assets at fair value through profit or loss	(37,216)	(20,374)
Interest	8,253	8,581
Other	7,457	386
	<u>(290,674)</u>	<u>(1,217,752)</u>

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019

	31 Dec 2019 \$	30 Jun 2019 \$
NOTE 5: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash at bank and on hand	420,520	956,766
	<u>420,520</u>	<u>956,766</u>

NOTE 6: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at fair value through profit and loss

Shares in listed entities	2,016,141	1,613,117
Shares in unlisted entities	107,143	107,143
Options in listed entities	177	177
	<u>2,123,461</u>	<u>1,720,437</u>

Financial assets at cost

Convertible loan	-	200,000
Total financial assets	<u>2,123,461</u>	<u>1,920,437</u>

NOTE 7: SHARE CAPITAL

	31 December 2019		30 June 2019	
	No. of Shares	\$	No. of Shares	\$
Issued and paid up capital				
<i>Ordinary shares</i>	<u>14,006,894</u>	<u>17,336,161</u>	<u>14,006,894</u>	<u>17,336,161</u>
Movement in shares on issue				
<i>Ordinary shares</i>				
Opening balance	14,006,894	17,336,161	13,114,594	17,148,777
Issue of ordinary shares (a)	-	-	892,300	187,384
Share issue costs	-	-	-	-
Closing balance	<u>14,006,894</u>	<u>17,336,161</u>	<u>14,006,894</u>	<u>17,336,161</u>

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 8: SUBSEQUENT EVENTS

Global Pandemic of Coronavirus Disease

Subsequent to the half-year reporting date, on 11 March 2020, the World Health Organization declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19'), as a pandemic.

In order to prevent and contain the transmission of COVID-19, Governments have imposed, amongst others, the following measures on its citizens and visitors: travel restrictions, quarantines, entry bans, temporary closure of businesses and schools, and the cancellation of gathering or events. As a result, there has been an immediate impact on businesses, which has resulted in lower economic activity. There has also been an impact on supply chains and the production of goods throughout the world and this lower economic activity has resulted in reduced demand for many goods and services.

In order mitigate the economic impacts of the COVID-19 pandemic, Governments have begun to implement a range of economic responses to provide financial stimulus and welfare support. As at the date of this report, the COVID-19 pandemic continues to negatively impact global and national economic activity.

The Company currently remains operational in Australia on this basis. A majority of the Company's income is derived from investments held in Australian listed companies who will remain open while Australia remains in Stage 3 Restrictions.

Subsequent to the half-year reporting date and as a result of the COVID-19 pandemic, there was a significant decline in the broader Australian sharemarket that has affected both large, mid and small caps. This led to a decline in the value of the Company's listed investments, which has been followed by a partial recovery. The pandemic and the Australian Government's response to the pandemic continues to inhibit general activity levels within the community, the economy and the operations of the Company's business. The scale and duration of these developments remain uncertain as at the date of signing these half-year financial statements, however they will undoubtedly impact on the Company's earnings, cash flow and financial condition.

In response to the COVID-19 pandemic and Australia being in Stage 3 Restrictions:

- Management has implemented appropriate health and safety responses to ensure the continuity of its business operations;
- Management are closely monitoring the evolving situation as it unfolds and will proactively adapt their approach according to the advice of the Australian Government Department of Health; and
- Management have reviewed and assessed all investments held to determine whether COVID-19 has resulted in major disruption to the business operations of the entity which would result in impairment of the investment. Based on this review, although the entities operations have been disrupted, and as a result, the value of the investment has fallen since the half-year reporting date, all investments held are continuing to trade noting no significant interruptions in operations since the announcement of COVID-19.

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2019

It is not possible to estimate the impact of the pandemic's short and long-term effects, or the Australian Government's efforts to combat the outbreak and support businesses. As such it is not practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Company at this time.

These half-year financial statements have been prepared based upon conditions existing at the end of the half-year reporting period, 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 pandemic occurred after 31 December 2019, its impacts are considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to these half-year financial statements in relation to the COVID-19 pandemic.

Except for the COVID-19 and subsequent Government actions, the impacts of which on the business cannot be determined with certainty at this time, no matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*; including:

- (a) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) Giving a true and fair view of the financial position of the Company as at 31 December 2019 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Chesapeake Capital Ltd 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 directors.



Bernard Romanin
Director



James Cullen
Director

Melbourne

Dated this 26th day April 2020

CHESAPEAKE CAPITAL LTD
ABN 80 106 213 772

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

We have reviewed the accompanying half-year financial report of Chesapeake Capital Ltd "the Company", which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

CHESAPEAKE CAPITAL LTD
ABN 80 106 213 772

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Chesapeake Capital Ltd is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter – Subsequent events: Coronavirus (COVID-19)

We draw attention to Note 8, which describes the impact of the Coronavirus (COVID-19). Our conclusion is not qualified in respect of this matter.



P A JOSE
Partner



PITCHER PARTNERS
Melbourne

27 April 2020