

**CHESAPEAKE CAPITAL LTD
ABN: 80 106 213 772**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018**

This half-year financial report is to be read
in conjunction with the financial report for
the year ended 30 June 2018

**CHESAPEAKE CAPITAL LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2018**

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CHESAPEAKE CAPITAL LTD

DIRECTORS' REPORT

The directors present their report together with the condensed financial report of Chesapeake Capital Ltd for the half-year ended 31 December 2018 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 \$1,063,407 (2017: loss of \$168,716).

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 entity.

After Balance Date Events

No matters or circumstances have arisen since the end of the half-year that have significant affect or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity 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 28th day of May 2019

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-Year	
		31 Dec	31 Dec
		2018	2017
		\$	\$
Revenue			
Other income/(losses)	4	(1,217,752)	(169,337)
		<u>(1,217,752)</u>	<u>(169,337)</u>
Less: Expenses			
Administrative Fees		34,951	36,196
		<u>34,951</u>	<u>36,196</u>
Profit/(loss) before income tax		<u>(1,252,703)</u>	<u>(205,533)</u>
Income tax benefit		189,296	36,817
Profit/(loss) from continuing operations		<u>(1,063,407)</u>	<u>(168,716)</u>
Other comprehensive income			
Other comprehensive income for the half-year		-	-
Total comprehensive income/(loss) for the half-year		<u>(1,063,407)</u>	<u>(168,716)</u>
Profit/(loss) is attributed to:			
Members		<u>(1,063,407)</u>	<u>(168,716)</u>
Total comprehensive income/(loss) attributable to:		<u>(1,063,407)</u>	<u>(168,716)</u>
Members		<u>(1,063,407)</u>	<u>(168,716)</u>

The accompanying notes form part of these condensed financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018	30 June 2018
CURRENT ASSETS		\$	\$
Cash and cash equivalents	5	137,632	417,652
Other financial assets	3,6	1,926,660	2,900,770
Other current assets		4,510	19,607
Current tax assets		21,226	-
TOTAL CURRENT ASSETS		2,090,028	3,338,029
NON-CURRENT ASSETS			
Deferred tax asset		127,567	-
TOTAL NON-CURRENT ASSETS		127,567	-
TOTAL ASSETS		2,217,595	3,338,029
 CURRENT LIABILITIES			
Trade and other payables		16,312	13,361
Current tax liability		-	9,445
TOTAL CURRENT LIABILITIES		16,312	22,806
NON-CURRENT LIABILITIES			
Deferred tax liability		-	50,533
TOTAL NON-CURRENT LIABILITIES		-	50,533
TOTAL LIABILITIES		16,312	73,339
 NET ASSETS		2,201,283	3,264,690
 EQUITY			
Share capital	7	17,148,777	17,148,777
Accumulated Losses		(14,947,494)	(13,884,087)
TOTAL EQUITY		2,201,283	3,264,690

The accompanying notes form part of these condensed financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Share Capital \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2017	16,850,445	(13,664,166)	3,186,279
<hr/>			
Loss for the half-year as reported in 2017 financial statements	-	(168,716)	(168,716)
Total comprehensive loss for the half- year	-	(168,716)	(168,716)
<hr/>			
Transactions with owners in their capacity as owners:			
Issue of ordinary shares (net of share issue costs)	-	-	-
	-	-	-
<hr/>			
Balance as at 31 December 2017	16,850,445	(13,832,882)	3,017,563
<hr/>			
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

The accompanying notes form part of these condensed financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	31 Dec	31 Dec
	2018	2017
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	-	192
Payments to suppliers	(25,234)	(39,465)
Interest received	8,967	1,162
Dividends received	-	8,800
Income tax paid	(19,476)	-
Net cash used in operating activities	(35,743)	(29,311)
CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	447,391	829,308
Payment for investments	(700,000)	-
Net cash used in investing activities	(252,609)	(829,308)
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from share issue	8,332	-
Net cash provided by financing activities	8,332	-
Net (decrease)/increase in cash and cash equivalents	(280,020)	799,997
Cash and cash equivalents at beginning of half-year	417,652	27,763
Cash and cash equivalents at end of the half-year	137,632	827,760

The accompanying notes form part of these condensed financial statements

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

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 2018 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 2018 and the corresponding half-year.

(b) Summary of the significant accounting policies

New accounting standards and interpretations issued

The Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

The Company adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. AASB 15 provides (other than 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. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Accordingly, in contrast to the approach under AASB 118 *Revenue*, AASB 15 does not prescribe different patterns of revenue recognition depending on whether the entity provides a good or service to the customer.

The Company adopted AASB 15 with no material impact resulting to revenue recognised.

The Company adopted AASB 9 *Financial Instruments*, from 1 July 2018. AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement*. The key changes to the requirements in AASB 139 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;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- 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 Company adopted AASB 9 with no resulting change to the classification and measurement of the Company's payables and borrowings. In relation to impairment of financial assets, the changes to the expected loss approach did not have a material impact to the Company's financial position.

(c) 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.

(d) 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 2018

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 2018				
<i>Recurring Fair Value Measurements</i>				
<i>Financial assets</i>				
Financial assets at fair value through profit and loss	1,190,946	-	535,714	1,726,660
Total financial assets	1,190,946	-	535,714	1,726,660

30 June 2018

Recurring Fair Value Measurements

Financial assets

Financial assets at fair value through profit and loss	1,793,628	-	1,107,142	2,900,770
Total financial assets	1,793,628	-	1,107,142	2,900,770

(b) Valuation techniques and inputs used in level 2 and 3 fair value measurements

31 December 2018	Fair value \$	Valuation technique	Description of valuation technique and inputs used
Unlisted equity securities	535,714	(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 secondary capital raising was completed in March 2017

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

which raised \$1.5 million at an issue price of 30c 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 2018	30 June 2018
	\$	\$
Unlisted equity securities:		
Opening balance	1,107,142	535,714
Acquisitions	-	500,000
Total gains and losses recognised in profit or loss	(571,428)	71,428
Closing balance	<u>535,714</u>	<u>1,107,142</u>

	31 Dec 2018	31 Dec 2017
	\$	\$

NOTE 4: OTHER INCOME/(LOSSES)

Net unrealised (losses)/gains on financial assets at fair value through profit or loss	(1,206,345)	(121,236)
Net realised (losses)/gains on sale of financial assets at fair value through profit or loss	(20,374)	(58,255)
Dividends	-	8,800
Interest	8,581	1,162
Other	386	192
	<u>(1,217,752)</u>	<u>(169,337)</u>

The above note includes the disaggregation of Revenue disclosures in line with AASB15 *Revenue From Contracts with Customers*.

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

	31 Dec 2018 \$	30 Jun 2018 \$
NOTE 5: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash at bank and on hand	137,632	417,652
	<u>137,632</u>	<u>417,652</u>

NOTE 6: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at fair value through profit and loss

Shares in listed entities	1,184,883	1,694,890
Shares in unlisted entities	535,714	1,107,142
Options in listed entities	6,063	98,738
	<u>1,726,660</u>	<u>2,900,770</u>

Financial assets at cost

Convertible loan	200,000	-
Total financial assets	<u>1,926,660</u>	<u>2,900,770</u>

NOTE 7: SHARE CAPITAL

	31 December 2018		30 June 2018	
	No. of Shares	\$	No. of Shares	\$
Issued and paid up capital				
<i>Ordinary shares</i>	13,114,594	17,148,777	11,921,263	16,850,445
Movement in shares on issue				
<i>Ordinary shares</i>				
Opening balance	13,114,594	17,148,777	11,921,263	16,850,445
Issue of ordinary shares (a)	-	-	1,193,331	298,332
Share issue costs	-	-	-	-
Closing balance	<u>13,114,594</u>	<u>17,148,777</u>	<u>13,114,594</u>	<u>17,148,777</u>

(a) Included in cash inflows from financing activities is \$8,332 net proceeds from the issue of shares. This amount represents share issues for the year ended 30 June 2018 which remained unpaid as at 30 June 2018 and recognised as other current assets. The full amount has been received for the half-year ended 31 December 2018.

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

Ordinary shares

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 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

No matters or circumstances have arisen since the end of the financial period that have significant affect or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 4 to 13 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 entity as at 31 December 2018 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 28th day of May 2019