CHESAPEAKE CAPITAL LIMITED

ABN: 80 106 213 772

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

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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 2019 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 ($519,102) (2018: loss of $219,921).

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.

Results generated from the investment portfolio during the year were mixed, but overall were disappointing. A net loss after taxation of $519,102 was recorded. This was largely attributable to the write-offs of two investments – Speqs Ltd and Axsess Today Ltd. The investment in Speqs Ltd was part of a pre-IPO capital raising, however, the company did not progress to IPO and has changed its business model, whereas Axsess Today Ltd was trading well above our cost price before trading was suspended and the company fell into administration.

These write downs were particularly painful for a small fund company such as Chesapeake, however, they were offset partially by some reasonable gains in other investments, most particularly Next Science Ltd.

Following this result, net tangible asset backing per share at 30 June 2019 was 19.95 cents.

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 no matter or circumstance has arisen that has significantly affected, or may significantly affect the Company's operations, the results of those operations, of the Company's state of affairs in future financial years.

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
No shares were issued during the reporting period or up to the date of this report on exercise of options.

Shares under options
No options over unissued ordinary shares were outstanding at the end of the financial year.

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 2018 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 Company 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	2,097,000
Ian Macliver	680,000
Aaron Constantine	2,720,000
Bernard Romanin	62,704

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.

	2019 $	**2018 $**
Amounts paid and payable to Pitcher Partners Melbourne for non-audit services:		
Taxation services	2,000	3,121

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 30th day of October 2019.

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 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*.

P A JOSE	PITCHER PARTNERS
Partner	Melbourne

1 November 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Revenue and other income			
Revenue	5	(549,080)	(205,499)
Less: Expenses			
Administrative expenses		(64,900)	(65,247)
Loss before income tax		(613,980)	(270,746)
Income tax benefit	7	94,878	50,825
Net loss from continuing operations		(519,102)	(219,921)
Loss is attributable to:			
Members		(519,102)	(219,921)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(519,102)	(219,921)
Total comprehensive income attributable to:			
Members		(519,102)	(219,921)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	8	956,766	417,652
Other financial assets	9	1,920,437	2,900,770
Other current assets	10	13,716	19,607
Total current assets		2,890,919	3,338,029
Non-current assets			
Deferred tax asset		138,753	
Total assets		3,029,672	3,338,029
Current liabilities			
Payables	11	21,955	13,361
Current tax payable	7	74,745	9,445
Total current liabilities		96,700	22,806
Non-current liabilities			
Deferred tax liabilities	7	-	50,533
Total non-current liabilities		-	50,533
Total liabilities		96,700	73,339
Net assets		2,932,972	3,264,690
Equity			
Share capital	12	17,336,161	17,148,777
Accumulated Losses		(14,403,189)	(13,884,087)
Total equity		2,932,972	3,264,690

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Share Capital $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2017		**16,850,445**	**(13,664,166)**	**3,186,279**
Loss for the year		-	(219,921)	(219,921)
Total comprehensive income 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)**	**3,264,689**
Loss for the year		-	(519,102)	(519,102)
Total comprehensive loss for the year		**-**	**(519,102)**	**(519,102)**
Transactions with owners in their capacity as owners:				
Issue of ordinary shares (net of share issue cost)	12	187,384	**-**	187,384
		-	-	**-**
Balance as at 30 June 2019		**17,336,161**	**(14,403,189)**	**2,932,972**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $	2018 $
Cash flow from operating activities			
Payments to suppliers		(50,415)	(72,629)
Dividends received		-	20,400
Interest received		23,415	3,278
Income tax paid		(29,108)	(35,162)
Net cash used in operating activities	13	(56,108)	(84,113)
Cash flow from investing activities			
Proceeds from sale of investments		1,686,199	1,406,729
Payment for investments		(1,278,361)	(1,222,727)
Net cash provided by investing activities		407,838	184,002
Cash flow from financing activities			
Net proceeds from share issue		187,384	290,000
Net cash provided by financing activities		187,384	290,000
Net increase / (decrease) in cash and cash equivalents		539,114	389,889
Cash and cash equivalents at beginning of year		417,652	27,763
Cash and cash equivalents at end of the year	8	**956,766**	**417,652**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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.

Classification of financial assets

Financial assets recognised by the company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the company's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial assets

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the company for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the company are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the company's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Convertible loans

Convertible loans are debt instruments that can be converted into ordinary shares of the issuer, either by the issuer or the holder, on maturity.

Held for trading equity instruments

Held for trading equity instruments comprise those ordinary shares and options in listed entities that have been acquired by the company principally for the purpose of sale in the near term. Held for trading investments are classified (and measured) at fair value through profit or loss.

A financial asset meets the criteria for held for trading if:

(a) it has been acquired principally for the purpose of sale in the near term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative other than a designated and effective hedging instrument

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) equity instruments measured at fair value;

(b) debt instruments measured at amortised cost;

(c) debt instruments classified at fair value through other comprehensive income; and

(d) receivables from contracts with customers and contract assets.

The company applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the company determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The company considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The company assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The company considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade' credit rating (if available) of BBB or higher, or otherwise is assessed by the company to have a strong financial position and no history of past due amounts from previous transactions with the company.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;

(b) breach of contract;

(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the company has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the company. Recoveries, if any, are recognised in profit or loss.

(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 2019

The company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9 *Financial Instruments* (AASB 9) and AASB 15 *Revenue from Contracts with Customers* (AASB 15).

AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement*. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from 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
- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of previous accounting standard).

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.

Further details of the company's accounting policies in relation to accounting for financial instruments under AASB 9 are contained in note 1(h).

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. Under the previous accounting standard, AASB 118 *Revenue*, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

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

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 input.

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:

	2019	2018
Financial assets	**$**	**$**
Amortised cost		
Cash and cash equivalents	956,766	417,652
Other current assets	13,716	19,607
Convertible loan	200,000	-
Fair value through profit or loss		
Shares in listed entities	1,613,117	1,694,890
Options in listed entites	177	98,738
Shares in unlisted entities	107,143	1,107,142
	2,890,919	3,338,029
Financial liabilities		
Amortised cost		
Payables	21,955	13,361
	21,955	13,361

(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	**2019**	**2018**
+/- 10% price variation	**$**	**$**
Impact on profit after tax	146,237	246,565
Impact on equity	146,237	246,565

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**
2019	**$**	**$**	**$**	**%**	
(i) Financial assets					
Cash at bank	955,309	1,457	956,766	1.18%	Variable
Other current assets	-	13,716	13,716		
Other financial assets	200,000	1,720,437	1,920,437	12%	Fixed
Total financial assets	1,155,309	1,735,610	2,890,919		
(ii) Financial liabilities					
Trade Creditors	-	12,954	12,954	-	
Other Payables	-	9,001	9,001	-	
Total financial liabilities	-	21,955	21,955		
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		

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 2019					
Cash and cash equivalents	956,766	-	-	956,766	956,766
Receivables	13,716	-	-	13,716	13,716
Other financial assets	-	1,920,437	-	1,920,437	1,920,437
Payables	(21,955)	-	-	(21,955)	(21,955)
Net maturities	**948,527**	**1,920,437**	**-**	**2,868,964**	**2,868,964**
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**

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 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**$**	**$**	**$**	**$**
Financial assets				
Financial assets at fair value through profit or loss	1,613,294	-	307,143	1,920,437
Total financial assets	1,613,294	-	307,143	1,920,437

Year ended 30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	**$**	**$**	**$**	**$**
Financial assets				
Financial assets	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 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	107,143	(i)	(i)
Convertible Loan	200,000	(ii)	(ii)

(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 conducted in June 2019 at an issue price 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.

(ii) The convertible loan represents the face value of a loan to Babylon Pump and Power Ltd. As the loan is repayable at face value it has been recorded at this value.

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:

	2019 $	2018 $
Unlisted equity Securities		
Opening balance	1,107,142	535,714
Acquisitions	200,000	500,000
Total gains and losses recognised in profit or loss	(999,999)	71,428
Closing balance	307,143	1,107,142

NOTE 5: REVENUE AND OTHER INCOME

Revenue		
Fair value gains/(losses)on financial assets at fair value through profit and loss	(1,280,929)	75,101
Net gain on sale of financial assets at fair value through profit and loss	708,434	(304,278)
Other	-	20,400
Interest	23,415	3,278
	(549,080)	(205,499)

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	25,706	21,451
Other service – Tax	2,000	3,121
	27,706	24,572

	2019 $	2018 $
NOTE 7: INCOME TAX		
(a) Components of tax expense:		
Current tax	94,408	9,445
Deferred tax	(189,286)	(60,270)
	(94,878)	(50,825)
(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 before tax from continuing operations	(613,980)	(270,746)
Prima facie income tax payable on profit before income tax at 15% (2018: 15%)	(92,097)	(40,612)
Less tax effect of:		
- dividend income	-	(7,413)
- other	(2,781)	(2,782)
	(2,781)	(10,213)
Income tax (benefit)/expense attributable to profit	(94,878)	(50,825)
(c) Current tax		
Current tax relates to the following		
Current tax liabilities		
Opening balance	9,445	35,162
Tax payments	(29,108)	(35,162)
Income tax	94,408	9,445
Current tax liabilities	74,745	9,445
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Accruals	1,350	1,350
Financial assets at fair value through profit or loss	137,403	-
	138,753	1,350
Deferred tax liabilities		
The balance comprises:		
Financial assets at fair value through profit or loss	-	51,883
	-	51,883
Net deferred tax assets/(liabilities)	138,753	(50,533)

NOTE 7: INCOME TAX (Cont'd)

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

	2019 $	2018 $
Decrease / (increase) in deferred tax assets	(137,403)	450
(Decrease) / increase in deferred tax liabilities	(51,883)	(60,720)
	(189,286)	(60,270)

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	956,766	417,652

NOTE 9: OTHER FINANCIAL ASSETS

CURRENT		
Financial assets at fair value through profit or loss classified as held for trading		
Shares in listed entities	1,613,117	1,694,890
Options in listed entities	177	98,738
Shares in unlisted entities	107,143	1,107,142
Total financial assets at fair value through profit or loss	1,720,437	2,900,770
Financial assets at cost		
Convertible loan	200,000	-
Total financial assets	1,920,437	2,900,770

NOTE 10: OTHER CURRENT ASSETS

Prepayments	13,716	11,275
Other current assets	-	8,332
	13,716	19,607

NOTE 11: PAYABLES

CURRENT		
Trade payables	12,954	4,360
Other payables	9,001	9,001
	21,955	13,361

NOTE 12: CONTRIBUTED CAPITAL	**30 June 2019 No of Shares**	**$**	**30 June 2018 No of Shares**	**$**
(a) Issued and paid up capital				
Ordinary Shares fully paid	14,006,894	17,336,161	13,114,594	17,148,777

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

(b) Movements in shares on issue	**30th June 2019**		**30th June 2018**	
	No of Shares	**$**	**No of Shares**	**$**
Beginning of the financial year	13,114,594	17,148,777	11,921,263	16,850,445
Issued during the year				
– Issue of ordinary shares	892,300	187,384	1,193,331	298,332
– Share issue costs	-	-	-	-
End of the financial year	14,006,894	17,336,161	13,114,594	17,148,777

(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.

	2019 No of Shares	**2018 No of Shares**
Beginning of the reporting period	-	9,653,349
Exercised	-	(1,193,331)
Expired	-	(8,460,018)
End of the financial year	-	-

	2019	2018
	$	$
NOTE 13: CASH FLOW INFORMATION		
(a) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	(519,102)	(219,921)
Non-Cash Items		
Profit/(loss) on sale of financial assets at fair value through profit and loss	(708,434)	304,278
Fair value gains/(losses) on financial assets at fair value through profit or loss	1,280,929	(75,101)
Amounts unpaid on shares issued	_	8,332
Changes in assets and liabilities		
Decrease/(increase) in other assets	5,891	(8,642)
Increase/(decrease) in trade and other payables	8,594	(7,072)
Increase/(decrease) in income tax payable	65,300	(25,717)
Decrease in deferred income tax liability	(189,286)	(60,270)
Net cash flow from operating activities	(56,108)	(84,113)

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	
2019	$	$	$	$	$
James Cullen	-	-	-	-	-
Ian Macliver	-	-	-	-	-
Aaron Constantine	-	-	-	-	-
Bernard Romanin	-	-	-	-	-
	-	-	-	-	-
2018					
James Cullen	-	-	-	-	-
Ian Macliver	-	-	-	-	-
Aaron Constantine	-	-	-	-	-
Bernard Romanin	-	-	-	-	-
	-	-	-	-	-

Number of options held by directors

2019 **Directors**	**Balance 1/07/18 Number**	**Granted as remuneration Number**	**Net change other Number**	**Balance 30/06/19 Number**
Jamie Cullen	-	-	-	-
Ian Macliver	-	-	-	-
Aaron Constantine	-	-	-	-
Bernard Romanin	-	-	-	-
	-	-	-	-

NOTE 14: RELATED PARTY TRANSACTIONS (continued)

Number of shares held by directors

2019 Directors	Balance 1/07/18 Number	Granted as remuneration Number	Net change other Number	Balance 30/06/19 Number
James Cullen	1,932,000	-	165,000	2,097,000
Ian Macliver	680,000	-	-	680,000
Aaron Constantine	2,432,000	-	288,000	2,720,000
Bernard Romanin	61,464	-	1,240	62,704
	5,105,464	-	454,240	5,559,704

During the year the company paid an amount of $6,200 (2018 $7,208) in management fees and $8,255 (2018 $6,566) in brokerage fees for services provided by Patersons Securities Limited, a company related to Aaron Constantine.

NOTE 15: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2019 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 state 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 2019 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 day 30th day of October 2019

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 2019, the statement of profit and 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 2019 and of its 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 director's report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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 a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 judgment 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.

P A JOSE	PITCHER PARTNERS
Partner	Melbourne

1 November 2019