

Chapmans Limited

ACN 000 012 386

Annual Report - 31 December 2017

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**Chapmans Limited
Corporate directory
31 December 2017**

Directors	Peter Dykes Anthony Dunlop Chris Newport Dato' Muhamad Adlan bin Berhan (appointed 11 August 2017)
Company secretary	Amanda Wilton-Heald (appointed 2 March 2018)
Registered office & Principal place Of business	Level 10, 52 Phillip Street, Sydney NSW 2000
Share register	Security Transfer Registrars Pty Limited
Auditors	Hall Chadwick
Solicitors	Thomson Geer Lawyers
Bankers	Australia and New Zealand Banking Group Limited
Stock exchange listing	Chapmans Limited shares are listed on the Australian Securities Exchange (ASX code: CHP)
Website	www.chapmansltd.com

Chapmans Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Chapmans Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors

The following persons were directors of Chapmans Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Dykes
Anthony Dunlop
Chris Newport
Dato' Muhamad Adlan bin Berhan (appointed 11 August 2017)

Principal activities

The principal activities of the group during the year were as a specialist investment and finance company providing growth capital and advisory services to private and public companies across a concentrated but diverse range of industries including resources, engineering and technical services and mobile technology.

The company's investment philosophy and approach is based on achieving reliably high returns from a unique mix of high conviction and special situation features characterised by low entry prices, actively managing risks and significant upside opportunities from concentration of investments in known growth industries. All investments are actively managed over shorter to medium term holding periods with medium term equity and debt based investments structured around specific events, assets and opportunities.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$9,977,401 (31 December 2016: loss of \$22,995).

Investment Portfolio Update

- Syn Dynamics Australia Pty Ltd, a cleantech company with breakthrough plasma gasification technology
- 20FOUR Media Holdings Pty Ltd, a sports-focused digital media business
- MJ Life Sciences Pty Ltd, a medicinal cannabis investment company
- REFFIND Limited (ASX:RFN), a Software as a Service (SaaS) company with exposure to blockchain
- Rision Limited (ASX:RNL), a SaaS company providing human resources platforms

Syn Dynamics Australia Pty Ltd (SDA)

After exiting its investment in Fantasy Sports Global subsequent to year end, Chapmans now has an 80% direct holding in SDA, with the remaining 20% held by SDA's founders.

SDA recently entered into a Joint Venture (JV) agreement with leading APAC region waste and environment services company, Total Waste Management. The JV is a significant milestone that brings together SDA's nextgeneration plasma gasification technology with a major waste management operator.

Chapmans has identified SDA as being highly value accretive due to its commercial opportunities, strong progress in R&D, and partnerships with the Commonwealth, Scientific and Industrial Research Organisation (CSIRO) and first-process engineering specialist Advisan Pty Limited.

20FOUR Media Holdings Pty Ltd (20FOUR)

Chapmans currently has a strategic 39.55% direct equity interest in 20FOUR and is currently raising the preASX listing capital to list 20FOUR on the ASX.

20FOUR is a sports-focused digital media business which has identified an untapped market opportunity, particularly in the realm of sports stars, in which the shift of consumer engagement towards short form social content is uncoordinated and poorly commercialised.

20FOUR's audience is large and has huge growth potential. It currently contracts approximately 200 of Australia's leading male and female sports stars for exclusive posts, personal stories and content. 20FOUR is already working with major brands such as Schick, Netflix, Reece, Air New Zealand, and MJ Bale, and has numerous other major brands in the pipeline.

MJ Life Sciences Pty Ltd (MJLS)

Chapmans currently has a 50% equity holding in MJLS and the right to equal board representation. As at 31 December 2017, Chapmans had 2 out of the 5 seats on the board.

MJLS is an Australian special-purpose company established with the aim of becoming a leading global medicinal cannabis holding and investment company. MJLS is a direct investor in Caziwell Inc. ("Caziwell"), owner of the established North American cannabis brand and business Aunt Zelda's. MJLS has convertible note rights of up to 49.99% in Caziwell.

Reffind Limited (REFFIND)

Chapmans made its first strategic investment into blockchain through a \$1 million participation the placement of leading enterprise and loyalty SaaS company REFFIND. This investment represents a 9.33% holding in REFFIND.

REFFIND's exposure to blockchain is through a strategic investment it has agreed to make in Loyyal Corporation ("Loyyal"), a blockchain-based global leader in the loyalty and rewards industry.

Chapmans has identified blockchain as having significant investment potential, and also established a Blockchain Advisory Board to assist it in appraising further investments within the sector.

Rision Limited (Rision)

Chapmans recently invested \$300,000 in Rision Limited in exchange for a 5.79% stake. In addition, Chapmans has advanced \$193,200 and Rision has agreed to issue Chapmans with additional shares and options that, if exercised, will make it Rision's largest shareholder with a holding of 19.8%.

Rision is a SaaS company with platforms that allow organisations to manage their employees and contingent workers. Rision secured a trial with England-based company VCL in late 2016 which converted into an executed contract last March. Rision has been working closely with VCL to develop the Bespoke Platform and VCL plans to expand the rollout of the Rision product across additional sites in 2018.

In order to facilitate Rision's growth, Chapmans has agreed to introduce Rision to its vast network of sophisticated Asia Pacific investors. Chapmans sees Rision as a significant opportunity to engage in its high conviction investment approach to technology company investments.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 9 January 2018, the Company appointed Alex Taylor to its Blockchain Industry Advisory board following the appointment of Blockchain expert Mike Cohen in December 2017.

On 24 January 2018, the Company announced plans to list 20Four Media Holdings Pty Ltd on the ASX in Q2 CY18 via a reverse Takeover Offer (RTO) and the appointment of leading sports executive Ben Buckley to 20Four's board.

On 2 February 2018, the Company invested in Software-as-a-Service (Saas) company Rision Limited as part of a \$1.5 million capital raising arrangement.

On 9 February 2018, the Company entered into a binding term sheet to invest US\$4 million in US-based Securrency, Inc.

On 9 February 2018, the Company completed a placement to raise \$375,000 via the issue of 25million shares to assist in the funding of the Securrency investment.

On 19 February 2018, the Company exited its investment in Fantasy Sports Global (FSG) for a consideration of \$500,000.

On 19 February 2018, the Company acquired an additional 16% of Syn Dynamics Pty Ltd bringing its direct holding % to 80%.

On 2 March 2018, the Company appointed Amanda Wilton-Heald as Company Secretary replacing Elizabeth Hunt

On 12 March 2018, the Company completed all due diligence and executed all documentation to invest US\$4 million in Securrency Inc.

On 26 March 2018, the Company announced an oversubscribed capital raise of \$7.34 million via the issue of 917.5 million shares to fund new and existing investments.

No other matters or circumstances have arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Peter Dykes
Title:	Executive Chairman
Qualifications:	Bachelor of Business (Accountancy) and is a Fellow of the Tax Institute of Australia
Experience and expertise:	Extensive experience in the technology industry including as a founding member of the technology advisory practice of a major accounting firm and founding partner of a private boutique technology advisory business
Other current directorships:	Nil
Former directorships (last 3 years):	Capital Mining Limited (27 July 2015 to 26 September 2017), Medadvisor Limited (formerly Exalt Resources Limited) (30 November 2012 to 30 November 2015)
Interests in shares:	72,862,502 Shares

**Chapmans Limited
Directors' Report
31 December 2017**

Name: Anthony Dunlop
 Title: Executive Director
 Qualifications: Bachelor of Economics and is a Graduate of the Australian Institute of Company Directors (GAICD)
 Experience and expertise: Over 25 years banking and finance, corporate advisory and investment experience In Australia, Hong Kong, China, New Zealand, South Africa and USA. Anthony has held board and group executive roles with extensive experience in debt and equity markets, product innovation and commercialisation, wholesale funding and risk management
 Other current directorships: Capital Mining Limited (27 July 2015 to present), Reffind Limited (23 November 2016 to Present),
 Former directorships (last 3 years): SkyFii Limited (12 February 2013 to 21 April 2016)
 Interests in shares: 35,075,500 Shares

Name: Chris Newport
 Title: Non-Executive Director
 Qualifications: None
 Experience and expertise: Extensive experience and expertise in the mobile technology sector with a focus on mobile application and delivery. Chris is a reputable technology entrepreneur and has developed a range of mobile media and e-commerce assets.
 Other current directorships: Not Applicable
 Former directorships (last 3 years): Not Applicable
 Interests in shares: None

Name: Dato' Muhamad Adlan bin Berhan (appointed 11 August 2017)
 Title: Non-Executive Director
 Qualifications: Not Applicable
 Experience and expertise: Extensive experience as a principal investor, owner and operator across a diversified range of industries in India, Dubai, Malaysia, Australia, Singapore and South East Asia. Industry experience stretches across technology, manufacturing, agriculture, food processing and distribution, property development and construction.
 Other current directorships: Not Applicable
 Former directorships (last 3 years): Not Applicable
 Interests in shares: 40,050,000 Shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Amanda Wilton-Heald was appointed Company Secretary in March 2018, replacing Elizabeth Hunt

Amanda is a Chartered Accountant with over 20 years of accounting, auditing (of both listed and non-listed companies) and company secretarial experience in both Australia and the UK. Amanda has been involved in the listing of junior explorer companies on the ASX and has experience in corporate advisory and company secretarial services.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Attended	Held
Peter Dykes	2	2
Anthony Dunlop	2	2
Chris Newport	2	2
Dato' Muhamad Adlan bin Berhan	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

During the 2017 financial year, a number of circular resolutions and other meetings were held in addition to the 2 full board meetings.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The remuneration policy of Chapmans Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component. The Board of Chapmans Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the company and consolidated group, as well as create goal congruence between KMP and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is to be developed by the board of directors. Professional advice has not been sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.50% of the individual's average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. KMP may be paid a percentage of their salary in the event of redundancy.

All remuneration paid to KMP is valued at cost and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Remuneration of KMP is not based on or linked to the performance of the company.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Chapmans Limited:

- Peter Dykes
- Anthony Dunlop
- Chris Newport
- Dato' Muhamad Adlan bin Berhan (appointed 11 August 2017)

**Chapmans Limited
Directors' Report
31 December 2017**

31 December 2017	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
Chris Newport	60,000	-	-	-	-	-	60,000
Dato' Muhamad Adlan bin Berhan*	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Peter Dykes	401,200	-	-	-	-	-	401,200
Anthony Dunlop	522,000	-	-	-	-	-	522,000
	<u>983,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>983,200</u>

*Appointed 11 August 2017

31 December 2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
Chris Newport	46,996	-	-	-	-	-	46,996
<i>Executive Directors:</i>							
Peter Dykes	305,000	200,000	-	9,500	-	-	514,500
Anthony Dunlop	305,000	200,000	-	9,500	-	-	514,500
	<u>656,996</u>	<u>400,000</u>	<u>-</u>	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>1,075,996</u>

**Chapmans Limited
Directors' Report
31 December 2017**

Name: Anthony Dunlop
Title: Executive Director
Agreement commenced: 1 July 2016
Term of agreement: 2 years
Remuneration: \$360,000 base salary (exclusive of superannuation) for the period 1 January 2017 to 31 March 2017. Base salary (exclusive of superannuation) increased to \$480,000 per annum from 1 April 2017. Bonus at discretion of the Board.

Name: Peter Dykes
Title: Executive Director
Agreement commenced: 1 July 2016
Term of agreement: 2 years
Remuneration: \$360,000 base salary (exclusive of superannuation) for the period 1 January 2017 to 31 March 2017. Base salary (exclusive of superannuation) increased to \$480,000 per annum from 1 July 2017. Bonus at discretion of the Board.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2017.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Dykes	35,775,000	-	37,087,502	-	72,862,502
Anthony Dunlop	22,800,000	-	12,275,500	-	35,075,500
Chris Newport	-	-	-	-	-
Dato' Muhamad Adlan bin Berhan	-	-	40,050,000	-	40,050,000
	<u>58,575,000</u>	<u>-</u>	<u>89,413,002</u>	<u>-</u>	<u>147,988,002</u>

The Company annually evaluates the performance of the Board and individual Directors. These reviews were undertaken during the year.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Chapmans Limited
Directors' Report
31 December 2017**

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

No non-audit services provided during the financial year by the auditor.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Hall Chadwick continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Dykes
Executive Chairman

29 March 2018

CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CHAPMANS LIMITED

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

Graham Webb
Partner
Date: 29 March 2018

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Chapmans Limited
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31 December 2017

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Chapmans Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

		Consolidated	
		31 December	
	Note	31 December	2016
		2017	2016
		\$	\$
Revenue	3	1,673,423	2,741,122
Expenses			
Director remuneration		(1,136,273)	(1,074,996)
Consultancy and contractors fees		(326,479)	(102,029)
Depreciation and amortisation expense		(7,614)	(2,013)
Legal and professional fees		(717,671)	(266,194)
Loss on disposal of financial assets		(156,240)	(55,444)
Impairment of financial assets		(5,177,331)	(506,958)
Impairment of goodwill	12(a)	(1,471,278)	-
Bad debt written off		-	(22,500)
Research and development expenses		(485,000)	-
Other expenses		(714,975)	(373,641)
Finance costs		(4,676)	(36,232)
Share of losses in associates accounted for under the equity method		(1,453,287)	(324,110)
Loss before income tax expense		(9,977,401)	(22,995)
Income tax expense	5	-	-
Loss after income tax expense for the half year		<u>(9,977,401)</u>	<u>(22,995)</u>
Loss after income tax expense for the year attributable to:			
Non-controlling interest		(919,877)	(21,251)
Owners of Chapmans Limited		<u>(9,057,524)</u>	<u>(1,744)</u>
		<u>(9,977,401)</u>	<u>(22,995)</u>
Other Comprehensive income			
Profit/(loss) on revaluation of available-for-sale financial assets		<u>299,294</u>	<u>(77,608)</u>
Total comprehensive loss for the year attributable to:			
Non-controlling interest		(919,877)	(21,251)
Owners of Chapmans Limited		<u>(8,758,230)</u>	<u>(79,352)</u>
		<u>(9,678,107)</u>	<u>(100,603)</u>
		Cents	Cents
Basic earnings per share	6	(0.01676)	(0.00001)
Diluted earnings per share	6	(0.01676)	(0.00001)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Chapmans Limited
Consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated 31 December 2017	Consolidated 31 December 2016
Assets			
Current assets			
Cash and cash equivalents	7(a)	41,943	98,715
Trade and other receivables	8	596,295	408,478
Total current assets		638,238	507,193
Non-current assets			
Intangible assets	12	-	1,471,278
Financial assets	9	2,860,008	6,023,750
Investments accounted for under the equity method	11	626,509	624,583
Plant and equipment	13	7,386	21,616
Total non-current assets		3,493,903	8,141,227
Total assets		4,132,141	8,648,420
Liabilities			
Current liabilities			
Trade and other payables	14	572,437	683,048
Borrowings	15(a)	10,320	196,996
Total current liabilities		582,757	880,044
Total liabilities		582,757	880,044
Net assets		3,549,384	7,768,376
Equity			
Issued capital	16	27,383,547	21,924,432
Accumulated losses		(26,993,222)	(17,935,697)
Reserves	18	100,186	(199,108)
Equity attributable to the owners of Chapmans Limited		490,512	3,789,627
Non-controlling interest	17	3,058,872	3,978,749
Total equity		3,549,384	7,768,376

The above statement of financial position should be read in conjunction with the accompanying notes

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Chapmans Limited
Consolidated Statement of changes in equity
For the year ended 31 December 2017

	Issued capital	Reserves	Non-controlling interest	Retained profits	Total equity
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 January 2016	18,141,394	(121,500)		(17,933,953)	85,941
Loss after income tax expense for the year	-	-	(21,251)	(1,744)	(22,995)
Other Comprehensive income	-	(77,608)	-	-	(77,608)
Total comprehensive income for the year	-	(77,608)	(21,251)	(1,744)	(100,603)
Recognition of Non-controlling interest	-	-	4,000,000	-	4,000,000
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity	3,816,750	-	-	-	3,816,750
Transaction costs	(33,712)	-	-	-	(33,712)
Balance at 31 December 2016	<u>21,924,432</u>	<u>(199,108)</u>	<u>3,978,749</u>	<u>(17,935,697)</u>	<u>7,768,376</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Chapmans Limited
Statement of changes in equity
For the year ended 31 December 2017

	Issued capital	Reserves	Non-controlling interest	Retained profits	Total equity
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 January 2017	21,924,432	(199,108)	3,978,749	(17,935,697)	7,768,376
Loss after income tax expense for the year	-	-	(919,877)	(9,057,524)	(9,977,401)
Other Comprehensive income	-	299,294	-	-	299,294
Total comprehensive income for the year	-	299,294	(919,877)	(9,057,524)	(9,678,107)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity	5,675,000	-	-	-	5,675,000
Transaction costs	(215,885)	-	-	-	(215,885)
Balance at 31 December 2017	<u>27,383,547</u>	<u>100,186</u>	<u>3,058,872</u>	<u>(26,993,221)</u>	<u>3,549,384</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Chapmans Limited
Consolidated Statement of cash flows
For the year ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Receipts from customers	1,170,196	2,740,390
Research & Development grants received	496,559	-
Payments to suppliers	(3,577,093)	(1,889,071)
Interest received	67	732
Interest and other finance costs paid	(4,676)	(36,232)
Net cash inflow from/(used in) operating activities	7(b) (1,914,947)	815,819
Cash flows from investing activities		
Payments for investments	(4,991,497)	(3,325,968)
Payments for equity accounted investments	-	(1,025,000)
Proceeds from disposal of investments	2,115,721	1,040,431
Net cash from/(used in) investing activities	(2,875,776)	(3,310,537)
Cash flows from financing activities		
Proceeds from issue of shares	5,675,000	3,133,340
Cost of issue of shares	(215,885)	(21,513)
Proceeds from borrowings	914,500	2,800,000
Repayment of borrowings	(696,264)	(3,330,334)
Loans to other entities	(943,400)	-
Net cash from financing activities	4,733,951	2,581,493
Net (decrease)/ increase in cash and cash equivalents	(56,772)	86,775
Cash and cash equivalents at the beginning of the financial year	98,715	11,940
Cash and cash equivalents at the end of the financial year	7(a) 41,943	98,715

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information and Significant Accounting Policies

The financial statements cover Chapmans Limited as a consolidated entity consisting of Chapmans Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Chapmans Limited's functional and presentation currency.

Chapmans Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: Level 10, 52 Phillip Street, Sydney NSW 2000.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 March 2018. The directors have the power to amend and reissue the financial statements.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Chapmans Limited ('company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. Chapmans Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

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

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

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

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

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

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

Investments

AASB 128 Investments in Associates and Joint Ventures and AASB 10 Consolidated financial statements will be applied to Chapmans' investments where applicable. AASB 3 Business Combinations will apply to acquisitions where applicable.

For other investments, AASB139 will apply, whereby unlisted investments will be accounted for at cost where no quoted price is available or where fair value cannot be reliably measured.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Financial Instruments

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through equity reserve" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. The depreciation rates used are follows:

Office equipment	30 - 40%
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Chapmans Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

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AASB 2015-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2015-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 January 2018. Based on preliminary analysis the directors anticipate that the adoption of AASB 9 is likely to have a material impact on the Group's Financial Instruments as follows:

- i. For unlisted investments, the cost option under AASB 139 is no longer available under AASB 9 and therefore the Consolidated Entity will need to fair value these investments at each balance date;
- ii. For listed investments, there will be no available for sale category of financial assets under AASB 9. Accordingly, the fair value of listed investments will be reflected through the statement of profit or loss as opposed to other comprehensive income.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January. Based on preliminary analysis the directors anticipate that the adoption of AASB 15 is unlikely to have a material impact on the Group's revenue recognition.

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AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Going concern

For the year ended 31 December 2017, the Company made a loss of \$9,977,401 and had net cash outflows from operating activities of \$1,914,947. As at 31 December 2017, the Company had net current assets of \$55,481.

However subsequent to year-end, the Company has announced a capital raise totalling \$375,000 as announced on 9 February 2018 and a further raise of \$7,340,000 as announced on 26 March 2018. Historically the Consolidated Entity has been able to raise capital as and when required and is reliant on future capital raisings to undertake its investment activities. If the company is unable to raise additional capital as and when required, there is significant uncertainty as to the going concern status of the company.

In addition, the company has realisable assets in the form of shares in Capital Mining Ltd and Reffind Ltd, Rision Ltd and Securrency Inc, which can be sold on market.

Accordingly, directors are of the opinion company is a going concern & can pay its debts as & when they fall due.

Note 3. Revenue

	31 December 2017	31 December 2016
	\$	\$
<i>Sales revenue</i>		
Consulting and advisory fees	740,000	2,619,550
Underwriting fees	430,196	120,840
	<u>1,170,196</u>	<u>2,740,390</u>
<i>Other revenue</i>		
Interest	67	732
Research and Development Grants	496,558	-
Other income	6,602	-
	<u>503,227</u>	<u>732</u>
Revenue	<u><u>1,673,423</u></u>	<u><u>2,741,122</u></u>

Note 4. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick the auditor of the company:

	Consolidated 31 December 2017	Consolidated 31 December 2016
	\$	\$
<i>Audit services – Hall Chadwick</i>		
Audit or review of the financial statements	89,776	45,550
	<u>89,776</u>	<u>45,550</u>

Chapmans Limited
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Note 5. Income tax expense

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
<i>Recognised in the income statement:</i>		
Current tax	-	-
Deferred tax	-	-
Income tax as reported in the statement of profit or loss and other comprehensive income	<u>-</u>	<u>-</u>
<i>Reconciliation of income tax expense to prima facie tax payable</i>		
Loss from ordinary activities before income tax expense	<u>(9,977,401)</u>	<u>(22,995)</u>
Prima facie income tax benefit on loss from ordinary activities before income tax at 27.5% (2016: 30%)	(2,743,785)	(6,899)
Increase in income tax due to:		
- Non-deductible expenses	897,700	99,637
- Movement in unrecognised temporary differences and tax losses	(1,508,001)	(238,782)
- Current year capital losses not recognised	88,712	50,834
- Share of associate loss	399,654	97,233
Decrease in income tax expense due to:		
- Deductible equity raising costs	(13,728)	(2,023)
- Non-assessable income – Research and development rebate	<u>(136,554)</u>	<u>-</u>
Income tax attributable to operating income	<u>-</u>	<u>-</u>

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
<i>Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 27.5% (2016: 30%)</i>		
Deferred tax assets have not been recognised in respect of the following (30%)		
Deductible temporary differences	2,572,216	211,447
Tax revenue losses	1,778,071	1,722,061
Tax capital losses	1,216,659	1,230,488
Total unrecognised deferred tax assets (30%)	<u>5,566,947</u>	<u>3,163,995</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Chapmans Limited
Notes to the financial statements
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Note 6. Earnings per share

	Consolidated	Consolidated
	31 December	31 December
	2017	2016
	\$	\$
Loss after income tax attributable to the owners of Chapmans Limited	<u>(9,057,524)</u>	<u>(1,744)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>540,369,298</u>	<u>1,683,576,241</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>540,369,298</u>	<u>1,683,576,241</u>
	Cents	Cents
Basic earnings per share	(0.01676)	(0.00001)
Diluted earnings per share	(0.01676)	(0.00001)

Note 7.

(a) Cash and cash equivalents

	Consolidated	Consolidated
	31 December	31 December
	2017	2016
	\$	\$
Cash at bank	<u>41,943</u>	<u>98,715</u>

(b) Reconciliation of profit after income tax to net cash used in operating activities

	Consolidated	Consolidated
	31 December	31 December
	2017	2016
	\$	\$
Loss after income tax expense for the year	(9,977,401)	(22,995)
Adjustments for:		
Depreciation and amortisation	7,614	2,013
Loss on disposal of financial assets	156,240	55,444
Impairment of financial assets	5,177,331	506,958
Impairment of goodwill	1,471,278	-
Bad debt written off	-	22,500
Share of loss of associates accounted for under the equity method	1,453,287	324,110
Forgiveness of loans	(6,602)	-
Change in operating assets and liabilities:		
Increase/decrease in trade and other receivables	343,037	484,890
Increase/decrease in trade and other payables	<u>(539,731)</u>	<u>(557,102)</u>
Net cash inflow from operating activities	<u>(1,914,947)</u>	<u>815,818</u>

Chapmans Limited
Notes to the financial statements
31 December 2017

Note 8. Trade and other receivables

	Consolidated	
	31 December 2017	31 December 2016
Current	\$	\$
Other receivables	545,095 ¹	358,478
Prepayments	51,200	50,000
	<u>596,295</u>	<u>408,478</u>

The consolidated entity has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the consolidated entity.

¹Included in this balance are short term advances of \$463,428 provided in respect of the Malaysian Operations. \$325,428 of these advances have been repaid. The remaining \$138,000 is expected to be repaid within the next 12 months.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to nil as at 31 December 2017 (Nil as at 31 December 2016).

Note 9. Financial assets

	Consolidated	
	31 December 2017	31 December 2016
Available for sale financial assets	\$	\$
Investments in listed companies - at fair value	2,339,958	123,750
Unlisted investments		
Investments in unlisted companies - at cost	5,050,050	5,900,000
Less provision for impairment	(4,530,000)	-
	<u>520,050</u>	<u>5,900,000</u>
Total financial assets	<u>2,860,008</u>	<u>6,023,750</u>

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Note 10. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 31 December 2017				
Assets				
Investments	2,339,958	-	520,050	2,860,008
Total assets	2,339,958	-	520,050	2,860,008
Consolidated - 31 December 2016				
Assets				
Investments	123,750	-	5,900,000	6,023,750
Total assets	123,750	-	5,900,000	6,023,750

Note 11. Investments accounted for under the equity method

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Opening balance	624,583	448,693
Additional investments during the year		
20Four Media Holdings Pty Ltd	925,000	500,000
MJ Life Sciences Pty Ltd	628,544	-
Total Investments acquired during the year	<u>1,553,544</u>	<u>500,000</u>
Share of accumulated losses during the year		
20Four Media Holdings Pty Ltd	(1,451,252)	(324,110)
MJ Life Sciences Pty Ltd	(2,035)	-
Total share in accumulated losses during the year	<u>(1,453,287)</u>	<u>(324,110)</u>
Less provision for impairment – 20Four Media Holdings Pty Ltd	(98,331)	-
	<u>626,509</u>	<u>624,583</u>

Associate

Details of the Group's material associate at the end of the reporting period is as follows:

	Principal Activity	Country	Ownership interest		Carrying amount	
			2017 %	2016 %	2017 \$	2016 \$
20Four Media Holdings Pty Ltd	Digital media	Australia	39.55	39.55	Nil	624,583
MJ Life Sciences Pty Ltd ¹	Medicinal Cannabis	Australia	50.00	Nil	626,509	Nil

¹ On 25 September 2017, the Company successfully completed its strategic investment in MJ Life Sciences for a sum of \$628,544 granting the Company a 50% equity holding.

Summarised financial information – 20Four Media Holdings Pty Ltd

Statement of profit and loss and other comprehensive income

	2017	2016
	\$	\$
Loss before income tax expense	3,669,458	819,494
Income tax benefit	-	-
Loss after income tax	<u>3,669,458</u>	<u>819,494</u>
Other comprehensive income	<u>-</u>	<u>-</u>

Note 11. Investments accounted for under the equity method (continued)

Summarised financial information – 20Four Media Holdings Pty Ltd

Statement of financial position

	2017	2016
	\$	\$
Current assets	141,150	183,538
Non-current assets	9,039	55,110
	<u>150,189</u>	<u>238,648</u>
Current liabilities	1,423,909	232,851
Non – current liabilities	-	-
	<u>1,423,909</u>	<u>232,851</u>
Net (liabilities)/assets	<u>(1,273,720)</u>	<u>5,797</u>

Summarised financial information – MJ Life Sciences Pty Ltd

Statement of profit and loss and other comprehensive income

	2017	2016
	\$	\$
Loss before income tax expense	628,519	-
Income tax benefit	-	-
Loss after income tax	<u>628,519</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>

The loss since the acquisition date amounts to \$4,071 and covers the period from 25 September 2017 to 31 December 2017. 50% of this loss has been reflected in the carrying value of this investment.

Statement of financial position

	2017	2016
	\$	\$
Current assets	1,016,600	-
Non-current assets	-	-
	<u>1,016,600</u>	<u>-</u>
Current liabilities	18,800	-
Non – current liabilities	-	-
	<u>997,800</u>	<u>-</u>
Net assets/(liabilities)	<u>997,800</u>	<u>-</u>

Note 12. Intangible assets
(a) Goodwill

The following table shows the movements in goodwill

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Gross Carrying amount		
Balance at the beginning of the period	1,471,278	-
Acquired through a business combination		1,471,278 ¹
Balance at the end of the period	<u>1,471,278</u>	<u>1,471,278</u>
Accumulated impairment		
Balance at beginning of the period	-	-
Impairment loss recognised	<u>(1,471,278)</u>	<u>-</u>
Carrying amount at the end of the period	<u>-</u>	<u>1,471,278</u>

As Syn Dynamics Pty Ltd is not expected to generate any positive EBITDA for at least the next two years, the directors have decided to fully impair the goodwill balance as at 31 December 2017

¹ Effective 31 December 2016, the group via its subsidiary Chapmans Opportunities Ltd acquired 80% of the net assets of Syn Dynamics Pty Ltd. Chapmans has invested \$1,025,000 through Chapmans Opportunities Limited (COL) to acquire an 80% equity holding with board representation and exclusive advisory and ASX listing rights. The remaining 20% equity interest is held by the technology founders through their Swiss based company Syn Dynamics GmbH.

Note 13. Plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Office equipment – at cost	15,000	39,119
Less accumulated depreciation	<u>(7,614)</u>	<u>(17,503)</u>
	<u>7,386</u>	<u>21,616</u>

Note 14. Trade and other payables

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Trade payables	472,435	582,057
Other payables	<u>100,002</u>	<u>100,991</u>
	<u>572,437</u>	<u>683,048</u>

Note 15. Borrowings

(a) Current liabilities

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Director loans	320	-
External loans payable ¹	10,000	196,996
	<u>10,320</u>	<u>196,996</u>

¹The balance payable at 31 December 2016 was subsequently repaid

Note 16. Equity - issued capital

	Consolidated			
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,300,000,000</u>	<u>300,000,057</u>	<u>27,383,547</u>	<u>21,924,432</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2016	1,431,666,665		18,141,394
Issue of shares	7 June 2016	213,333,335	\$0.003	640,000
Issue of shares	27 June 2016	144,500,000	\$0.0035	505,750
Issue of shares	18 October 2016	250,000,000	\$0.003	750,000
Issue of shares	4 November 2016	400,000,000	\$0.002	800,000
Issue of shares	20 December 2016	560,500,000	\$0.002	1,121,000
Share consolidation 10:1		(2,699,999,943)	-	-
Share issue costs		-	-	(33,710)
		<u>-</u>	<u>-</u>	<u>(33,710)</u>
Balance	1 January 2017	300,000,057		21,924,432
Issue of shares	14 June 2017	45,000,000	\$0.002	900,000
Issue of shares	21 August 2017	400,000,000	\$0.005	2,000,000
Issue of shares	22 September 2017	70,000,000	\$0.005	350,000
Issue of shares (Rights issue)	2 November 2017	99,438,179	\$0.005	497,191
Issue of shares	11 November 2017	200,000,000	\$0.005	1,000,000
Issue of shares	8 December 2017	185,561,764	\$0.005	927,809
Share issue costs		-	-	(215,885)
		<u>1,300,000,000</u>	<u>\$27,383,547</u>	<u>\$27,383,547</u>

Chapmans Limited
Notes to the financial statements
31 December 2017

During the year, shares, included above, were issued in lieu of cash repayment of debt.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The directors effectively manage the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The consolidated entity is subject to any externally imposed capital requirements. The capital risk management policy remains unchanged from the 2016 Annual Report.

Note 17. Equity - non-controlling interest

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Issued capital – Chapmans Opportunities Limited	4,000,000	4,000,000
Accumulated losses	(941,128)	(21,251)
	<u>3,058,872</u>	<u>3,978,749</u>

Note 18. Reserves

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Available-for-sale reserve	<u>100,186</u>	<u>(199,108)</u>

Available-for-sale reserve

This reserve is used to recognise increments and decrements in the fair value of available for sale financial assets as disclosed in note 9.

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans with external parties.

The Board of Directors manage financial risk exposures of the consolidated group. The board monitors the consolidated entity's financial risk management policies and exposures and approves financial transactions. It also reviews the effectiveness of internal controls relating to price risk, counterparty credit risk, liquidity risk and interest rate risk. The board meets on a regular basis.

Chapmans Limited
Notes to the financial statements
31 December 2017

The main risks the consolidated entity is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk (equity price risk).

There have been no substantive changes in the types of risks the consolidated entity is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Market risk

Equity price risk

Equity price risk is the risk that changes in equity prices will affect the consolidated entity's value of its holdings of financial instruments.

Inherently, the consolidated group is not free of market price risk because it invests capital in securities whose market prices can fluctuate.

Consolidated - 31 December 2017	% change	Average price increase		Average price decrease	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash and cash equivalents	5%	2,097	-	(5%)	(2,097)
Investments in listed companies	5%	-	116,998	(5%)	-
Investments in unlisted companies	5%	-	26,003	(5%)	-
		<u>2,097</u>	<u>143,000</u>		<u>(2,097)</u> <u>(143,000)</u>

Consolidated - 31 December 2016	% change	Average price increase		Average price decrease	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash and cash equivalents	5%	4,936	-	(5%)	(4,936)
Investments in listed companies	5%	-	7,425	(5%)	-
Investments in unlisted companies	5%	-	295,000	(5%)	-
		<u>4,936</u>	<u>302,425</u>		<u>(4,936)</u> <u>(302,425)</u>

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.

The financial instruments that primarily expose the Group to interest rate risk are cash and cash equivalents. Whole the consolidated entity has significant borrowings these borrowings are subject to a fixed rate of interest and therefore are not exposed to interest rate risk. Refer to the table above for the sensitivity analysis performed

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Chapmans Limited
Notes to the financial statements
31 December 2017

There are no amounts of collateral held as security at 31 December 2017 (2016: Nil).

The consolidated entity has no significant concentrations of credit risk with any single counterparty or group of counterparties.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to nil as at 31 December 2017 (Nil as at 31 December 2016).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Liquidity risk

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated entity manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 31 December 2017	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	472,435	-	-	-	472,435
External loans	-	10,320	-	-	-	10,320
Total non-derivatives		482,755	-	-	-	482,755

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 31 December 2016	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	582,057	-	-	-	582,057
External loans	-	196,996	-	-	-	196,996
Total non-derivatives		779,053	-	-	-	779,053

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Contingent liabilities

There are no known contingent liabilities as at 31 December 2017.

Note 21. Commitments

There are no commitments at 31 December 2017.

Note 22. Related party transactions

Parent entity

Chapmans Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Transactions with related parties

Transactions with directors are set out in the remuneration report.

Peter Dykes and Anthony Dunlop are directors of Syn Dynamics Australia Pty Ltd, a company which transacts with Chapmans Limited. During the year ended 31 December 2017, \$788,754 was loaned to Syn Dynamics Pty Ltd to fund the working capital requirements of the business.

Peter Dykes was formerly and Anthony Dunlop is currently a director of Capital Mining Limited, a company which transacts with Chapmans Limited. For the year ending 31 December 2017, Chapmans invested \$1,312,620 worth of shares in the company. In addition, Chapmans Ltd earned \$717,000 in revenue from consulting and underwriting services from the company.

Anthony Dunlop is currently a director of Reffind Limited, a company which transacts with Chapmans Limited. For the year ending 31 December 2017, Chapmans invested \$1,703,488 worth of shares in the company. In addition, Chapmans Ltd earned \$196,996 in revenue from consulting and underwriting services from the company.

Anthony Dunlop is currently a director of 20Four Media Holdings, a company which transacts with Chapmans Limited. For the year ending 31 December 2017, Chapmans loaned \$450,000 to the company and invested a further \$925,000 in the equity of the company.

As at 31 December 2017, Peter Dykes was owed \$320 from the company arising from reimbursement of corporate costs.

Refer to the remuneration report for details of the remuneration paid or payable to each key management personnel.

Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	31 December 2017	31 December 2016
	\$	\$
(Loss)/profit after income tax	(3,119,257)	111,028
Total comprehensive income	(2,819,963)	111,028

Chapmans Limited
Notes to the financial statements
31 December 2017

Statement of financial position

	Parent	
	31 December 2017	31 December 2016
	\$	\$
Total current assets	263,498	370,118
Total assets	6,645,604	9,066,552
Total current liabilities	287,282	346,538
Total liabilities	287,282	346,538
Equity		
Issued capital	27,383,548	21,924,432
Accumulated losses	(20,799,984)	(13,204,418)
Available-for-sale reserve	100,186	-
Total equity	<u>6,683,750</u>	<u>8,720,014</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2017 (2016: nil).

Capital commitments -Plant and equipment

The parent entity had no capital commitments for plant and equipment as at 31 December 2017 (2016: Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2017	31 December 2016
		%	%
Gladstone Development Pty Limited	Australia	100.00%	100.00%
Chapmans Corporate Advisory Pty Limited	Australia	100.00%	100.00%
ACN 600 838 873 Pty Limited	Australia	100.00%	100.00%
Chapmans Asia Pacific SDN BHD ¹	Malaysia	100.00%	0.00%
Chapmans Opportunities Limited	Australia	80.00%	80.00%
Subsidiary of Chapmans Opportunities Limited			
Syn Dynamics Pty Ltd	Australia	80.00%	80.00%

¹ Incorporated on 19th December 2017.

Note 25. Events after the reporting period

On 9 January 2018, the Company appointed Alex Taylor to its Blockchain Industry Advisory board following the appointment of Blockchain expert Mike Cohen in December 2017.

On 24 January 2018, the Company announced plans to list 20Four Media Holdings Pty Ltd on the ASX in Q2 CY18 via a reverse Takeover Offer (RTO) and the appointment of leading sports executive Ben Buckley to 20Four's board.

On 2 February 2018, the Company invested in Software-as-a-Service (Saas) company Rision Limited as part of a \$1.5 million capital raising arrangement.

On 9 February 2018, the Company entered into a binding term sheet to invest US\$4 million in US-based Securrency, Inc.

On 9 February 2018, the Company completed a placement to raise \$375,000 via the issue of 25million shares to assist in the funding of the Securrency investment.

On 19 February 2018, the Company exited its investment in Fantasy Sports Global (FSG) for a consideration of \$500,000.

On 19 February 2018, the Company acquired an additional 16% of Syn Dynamics Pty Ltd bringing its direct holding % to 80%.

On 2 March 2018, the Company appointed Amanda Wilton-Heald as Company Secretary replacing Elizabeth Hunt

On 12 March 2018, the Company completed all due diligence and executed all documentation to invest US\$4 million in Securrency Inc.

On 26 March 2018, the Company announced an oversubscribed capital raise of \$7.34 million via the issue of 917.5 million shares to fund new and existing investments.

No other matters or circumstances have arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 26. Operating Segments

The Company has one operating segment providing growth capital and advisory services to private and public companies. It earns a revenue from gains on revaluation of financial assets held at fair value, fees from the provision of consulting and advisory services and other returns from investment. This operating segment is based on the internal reports that are reviewed and used by the Directors in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Note 27. Key Management Personnel

The aggregate compensation of the Key Management Personnel of the Company is set out below:

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Short-term key management personnel benefits	983,200	1,075,996

**Chapmans Limited
Directors' Declaration
31 December 2017**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Dykes
Executive Chairman

29 March 2018

CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHAPMANS LIMITED AND CONTROLLED ENTITIES

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
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Ph: (612) 9263 2600
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Opinion

We have audited the financial report of Chapmans Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of Chapmans Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the year ended ; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Group in accordance with 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the company incurred a net loss of \$9,977,401 and had net cash outflows from operating activities of \$1,914,947 during the year ended 31 December 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHAPMANS LIMITED AND CONTROLLED ENTITIES**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

**How Our Audit Addressed
the Key Audit Matter**

Carrying Value of investments

Refer to Note 9 Financial assets and Note 11 Investments accounted for under the equity method.

<p>The company's portfolio of investments includes listed investments that has been accounted for at fair value, unlisted investments that has been accounted for at cost and investments accounted for under the equity method.</p> <p>We focused on this matter due to the size of the balance, which represents 84% of total assets.</p> <p>As disclosed in Note 9 to the financial statements, listed investments amounting to \$2,339,958 were classified as 'level 1' financial instruments in accordance with AASB 13 "Fair value instruments", where quoted prices in active markets are available.</p> <p>As disclosed in Note 9 to the financial statements, unlisted investments amounting to \$520,050 were classified as financial assets in accordance with AASB 139 "Financial Instruments – Recognition and Measurement".</p> <p>As disclosed in Note 11 to the financial statements, investments amounting to \$626,509 were classified as equity accounted investments, in accordance with AASB 128 "Investments in Associates and Joint ventures".</p>	<p>Our procedures included amongst others the following:</p> <ul style="list-style-type: none"> • For listed investments, we verified fair value by reference to quoted prices in active markets and verified additions and disposals to supporting documentation. • For unlisted investments we verified the cost of additional investments and verified disposals to supporting documentation. • For investments accounted for under equity method we verified the cost to supporting documentation and verified the share of loss to the financial report of the investee. • We assessed whether any indicators of impairment existed in relation to the company's investments. Where impairments have been recognised, we assessed the managements' basis and recalculated the impairment charge • We reviewed the adequacy of the disclosures of the company's investments.
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**CHAPMANS LIMITED
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHAPMANS LIMITED AND CONTROLLED ENTITIES**

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially 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 Australia Accounting Standards and the Corporations Act 2001 and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control.

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**CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHAPMANS LIMITED AND CONTROLLED ENTITIES**

- 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 Group'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 director's 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHAPMANS LIMITED AND CONTROLLED ENTITIES

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 31 December 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Chapmans Limited for the year ended 31 December 2017 complies with s 300A of the *Corporations Act 2001*.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

Graham Webb
Partner
Date: 29 March 2018

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Chapmans Limited
Shareholder information
31 December 2017

The shareholder information set out below was applicable as at 10 March 2018.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	44
1,001 to 5,000	13
5,001 to 10,000	41
10,001 to 100,000	921
100,001 and over	820
	<hr/>
	1,839
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Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	% of total shares issued
	Number held	
Citicorp Nominees Pty Ltd	77,553,416	5.85%
Currandooley Pty Ltd	70,419,584	5.31%
Mr Abu Sahid Bin Mohamed	65,000,000	4.91%
Aust-Sport Financial Services Pty Ltd	64,278,930	4.85%
HSBC Custody Nominees	41,730,213	3.15%
Mr Muhamad Adlan Bin Berhan	40,050,000	3.02%
Carrara Wealth Group Pty Ltd	36,967,297	2.79%
Poipu Bay Investments Pty Ltd	35,785,349	2.70%
Greener Gold Pty Ltd	34,300,000	2.59%
Scott Emery Super Pty Ltd	27,000,000	2.04%
Mr Scott Frederick Emery	25,000,000	1.89%
Motte & Bailey Pty Ltd	24,425,000	1.84%
Bacic Holdings Pty Ltd	20,300,000	1.53%
Mr Anthony John Dunlop	19,875,000	1.50%
Poipu Bay Investments Pty Ltd	18,814,653	1.42%
Wecu Investments Pty Ltd	18,595,000	1.40%
Wecu Investments Pty Ltd	18,595,000	1.40%
Stirling Wealth Group Limited	17,269,612	1.30%
Beyo Group Pty Ltd	16,666,667	1.26%
Poipu Investments Pty Ltd	15,400,000	1.16%

Unquoted equity securities

There are no unquoted equity securities.

Chapmans Limited
Shareholder information
31 December 2017

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Ltd	80,005,016	6.04%
Currandooley Pty Ltd	70,419,584	5.31%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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