

Chapmans Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Chapmans Limited
 ABN: 34 000 012 386
 Reporting period: For the half-year ended 30 June 2018
 Previous period: For the half-year ended 30 June 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	69.7% to	300,936
Loss from ordinary activities after tax attributable to the owners of Chapmans Limited	up	120.3% to	(4,140,625)
Loss for the half-year attributable to the owners of Chapmans Limited	up	120.3% to	(4,140,625)

Dividends

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

Comments

The loss for the group after providing for income tax and non-controlling interest amounted to \$4,140,625 (30 June 2017: \$1,879,875).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.19</u>	<u>0.02</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Name of entities (or group of entities) Chapmans Opportunities Limited
 Date control lost 15 February 2018

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	(90,498)

6. Dividends

Current period

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

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Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report, modified to include a material uncertainty in relation to going concern, is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Chapmans Limited for the half-year ended 30 June 2018 is attached.

12. Signed

Signed _____



Date: 31 August 2018

Peter Dykes
Executive Chairman
Sydney

Chapmans Limited

ABN 34 000 012 386

Interim Report - 30 June 2018

For personal use only

**Chapmans Limited
Directors' report
30 June 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') 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 half-year ended 30 June 2018.

Directors

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

Peter Dykes
Anthony Dunlop
Daler Fayziev (appointed 3 July 2018)
Dato' Muhamad Adlan bin Berhan

Principal activities

The group is a diversified investment company engaged in investments across a diverse range of industries, with a focus and expertise in the mobile and advanced industrial technology sectors.

Dividends

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

Review of operations

The loss for the group after providing for income tax and non-controlling interest amounted to \$4,140,625 (30 June 2017: \$1,879,875).

Significant changes in the state of affairs

On 15 February 2018, the group disposed of its 80% shareholding in Chapmans Opportunities Limited for \$nil consideration. Chapmans Opportunities Limited held 80% of the issued share capital in Syn Dynamics Pty Limited. As part of the disposal, 80% of the issued share capital in Syn Dynamics Pty Limited was transferred to the group, thereby increasing the group's holding from 64% to 80%.

There were no other significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year

On 17 July 2018, the group raised \$830,000 via a placement of 500,000,000 ordinary shares at \$0.00166 per shares

On 15 August 2018, the group raised \$250,000 via a placement of 162,000,000 ordinary shares at \$0.00154 per shares.

On 29 August 2018 the group raised a further \$286,250 via the issue of 232,723,577 shares to Professional and Sophisticated Investors at \$0.00123 per share.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Dykes
Executive Chairman

31 August 2018

To the Board of Directors of Chapmans Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

As lead audit partner for the review of the interim financial statements of Chapmans Limited for the half year ended 30 June 2018 I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Yours sincerely,



Nexia Sydney Audit Pty Ltd



Lester Wills

Director

Date: 31 August 2018

Chapmans Limited
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30 June 2018

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General information

The financial statements cover Chapmans Limited as a group consisting of Chapmans Limited and the entities it controlled at the end of, or during, the half-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 12
95 Pitt Street
Sydney
NSW 2000

A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2018.

Chapmans Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2018

		Consolidated	
	Note	Half-year ended 30 Jun 2018 \$	Half-year ended 30 Jun 2017 \$
Revenue from contracts with customers	4	292,921	993,200
Share of losses of associates accounted for using the equity method	5	-	(784,035)
Interest revenue calculated using the effective interest method		8,015	-
Expenses			
Net fair value loss on financial assets at fair value through profit or loss		(493,200)	(503,960)
Directors remuneration		(578,673)	(618,997)
Consultancy and contractor fees		(100,749)	(173,906)
Depreciation and amortisation expense		(7,386)	-
Loss on disposal of subsidiary		(1,826)	-
Loss on disposal of investments		(1,578,680)	(57,280)
Impairment of receivables		(666,069)	-
Legal and professional fees		(389,654)	(406,635)
Research and development expenses		(388,481)	(355,000)
Other expenses		(206,653)	(247,132)
Finance costs		(1,376)	(3,099)
Loss before income tax expense		(4,111,811)	(2,156,844)
Income tax expense		-	-
Loss after income tax expense for the half-year		(4,111,811)	(2,156,844)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>(4,111,811)</u>	<u>(2,156,844)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		28,814	(276,969)
Owners of Chapmans Limited		(4,140,625)	(1,879,875)
		<u>(4,111,811)</u>	<u>(2,156,844)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		28,814	(276,969)
Owners of Chapmans Limited		(4,140,625)	(1,879,875)
		<u>(4,111,811)</u>	<u>(2,156,844)</u>
		Cents	Cents
Basic earnings per share	17	(0.2871)	(0.5449)
Diluted earnings per share	17	(0.2871)	(0.5449)

Refer to note 2 for detailed information on Restatement of comparatives.

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

Chapmans Limited
Statement of financial position
As at 30 June 2018

Note	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
Assets		
Current assets		
	11,147	41,943
6	199,862	545,095
	-	51,200
	<u>211,009</u>	<u>638,238</u>
Non-current assets		
7	626,509	626,509
8	3,845,415	2,860,008
	-	7,386
	<u>4,471,924</u>	<u>3,493,903</u>
	<u>4,682,933</u>	<u>4,132,141</u>
Liabilities		
Current liabilities		
9	1,188,890	572,437
10	30,000	10,320
	<u>1,218,890</u>	<u>582,757</u>
	<u>1,218,890</u>	<u>582,757</u>
Net assets		
	<u>3,464,043</u>	<u>3,549,384</u>
Equity		
11	31,292,971	27,383,547
12	117,502	-
	<u>(27,611,774)</u>	<u>(23,292,840)</u>
	3,798,699	4,090,707
	<u>(334,656)</u>	<u>(541,323)</u>
	<u>3,464,043</u>	<u>3,549,384</u>

Refer to note 2 for detailed information on Restatement of comparatives.

Chapmans Limited
Statement of changes in equity
For the half-year ended 30 June 2018

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2017	21,924,432	(199,108)	(17,935,967)	3,978,749	7,768,106
Adjustment for correction of error (note 2)	-	-	3,200,000	(3,200,000)	-
Adjustment for change in accounting policy (note 2)	-	199,108	(199,108)	-	-
Balance at 1 January 2017 - restated	21,924,432	-	(14,935,075)	778,749	7,768,106
Loss after income tax expense for the half-year	-	-	(1,879,875)	(276,969)	(2,156,844)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,879,875)	(276,969)	(2,156,844)
Balance at 30 June 2017	<u>21,924,432</u>	<u>-</u>	<u>(16,814,950)</u>	<u>501,780</u>	<u>5,611,262</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2018	27,383,547	100,186	(26,993,221)	3,058,872	3,549,384
Adjustment for correction of error (note 2)	-	-	3,600,195	(3,600,195)	-
Adjustment for change in accounting policy (note 2)	-	(100,186)	100,186	-	-
Balance at 1 January 2018 - restated	27,383,547	-	(23,292,840)	(541,323)	3,549,384
Profit/(loss) after income tax expense for the half-year	-	-	(4,140,625)	28,814	(4,111,811)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,140,625)	28,814	(4,111,811)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 11)	3,909,424	-	-	-	3,909,424
Share-based payments	-	117,502	-	-	117,502
Disposal of subsidiary	-	-	-	(456)	(456)
Acquisition of non-controlling interest	-	-	(178,309)	178,309	-
Balance at 30 June 2018	<u>31,292,971</u>	<u>117,502</u>	<u>(27,611,774)</u>	<u>(334,656)</u>	<u>3,464,043</u>

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

Chapmans Limited
Statement of cash flows
For the half-year ended 30 June 2018

	Consolidated	Consolidated
	Half-year ended 30 Jun 2018 \$	Half-year ended 30 Jun 2017 \$
Note		
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	262,810	999,800
Payments to suppliers and employees (inclusive of GST)	<u>(1,691,924)</u>	<u>(1,254,553)</u>
	(1,429,114)	(254,753)
Interest received	8,015	-
Interest and other finance costs paid	<u>(1,376)</u>	<u>(3,099)</u>
Net cash used in operating activities	<u>(1,422,475)</u>	<u>(257,852)</u>
Cash flows from investing activities		
Payments for investments	(4,150,565)	(1,777,241)
Cash flow from disposal of subsidiary, net of cash disposed	(1,570)	-
Proceeds from disposal of investments	<u>1,093,278</u>	<u>889,751</u>
Net cash used in investing activities	<u>(3,058,857)</u>	<u>(887,490)</u>
Cash flows from financing activities		
Proceeds from issue of shares	4,327,000	899,200
Proceeds from borrowings	423,607	401,565
Share issue transaction costs	(300,071)	-
Proceeds/(repayment) of borrowings	<u>-</u>	<u>(177,758)</u>
Net cash from financing activities	<u>4,450,536</u>	<u>1,123,007</u>
Net decrease in cash and cash equivalents	(30,796)	(22,335)
Cash and cash equivalents at the beginning of the financial half-year	<u>41,943</u>	<u>87,519</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>11,147</u></u>	<u><u>65,184</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

The following Accounting Standards and Interpretations are most relevant to the group:

AASB 9 Financial Instruments

The group has adopted AASB 9 from 1 January 2018. The standard introduced 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 that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are 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 or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, 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 simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The impact on the financial performance and position of the group from the adoption of these Accounting Standards is detailed in note 2.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 has not had a significant impact on the financial report for the half-year ended 30 June 2018.

Going concern

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the half-year ended 30 June 2018, the group made a loss of \$4,111,811 and had net cash outflow from operating activities of \$1,422,475. As at 30 June 2018, the group had net current liabilities of \$1,007,881.

The directors believe the group will be able to realise its assets and settle its liabilities and commitments in the ordinary course of business and at the amounts stated in the financial report. Accordingly, the financial report has been prepared on the going concern basis and does not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the group not continue as a going concern.

In making this assessment the directors note that the company has raised \$1,366,250 by way of 3 separate share placements. Historically the company has been able to raise capital as and when required and is reliant on future capital raisings to undertake its investment activities.

Revenue recognition

The group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Note 1. Significant accounting policies (continued)

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Contract assets

Contract assets are recognised when the group has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Investments and other financial assets

Investments and other 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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Note 1. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Contract liabilities

Contract liabilities are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the group has transferred the goods or services to the customer. The liability is the group's obligation to transfer goods or services to a customer from which it has received consideration.

Refund liabilities

Refund liabilities are recognised where the group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the group does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

Note 2. Restatement of comparatives

Adoption of AASB 9 'Financial Instruments'

The group has adopted AASB 9 from 1 January 2018, using the full retrospective method of adoption and comparatives have been restated resulting in the following changes to the financial report:

- For unlisted investments, the cost option under AASB 139 is no longer available under AASB 9 and therefore the group will fair value these investments at each balance date. During the half-year ended 30 June 2017, the adoption of AASB 9 has not had an impact on the group's unlisted investments as the existing carrying value has been calculated as being equal to the fair value.
- For listed investments, the available-for-sale classification is no longer available under AASB 9. Accordingly, the fair value of listed investments will be reflected through the statement of profit or loss and is no longer recognised in other comprehensive income. During the half-year ended 30 June 2017, the fair value loss of \$509,360 has been recognised in the statement of profit or loss. This was previously recognised as an 'impairment of investment in the profit or loss. As at 1 January 2018 the available-for-sale reserve was derecognised resulting in an increase to retained earnings of \$100,186.

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 2. Restatement of comparatives (continued)

Correction or error

The Directors have been advised by the current auditors that an error relating to the historical accounting treatment of Chapmans Limited's interest in Chapmans Opportunities Limited required correction. The Directors wish to note that the accounting treatment adopted was based on the recommendation of the previous auditor.

During the ended 31 December 2016, Chapmans Opportunities Limited received an equity contribution of \$4,000,000 from its non-controlling interest. There were no changes in ownership as a result of the equity contribution and Chapmans Limited continued to own 80% of Chapmans Opportunities Limited. At the date of the transaction the entire equity contribution was incorrectly recognised in non-controlling interest in equity.

The financial report has been adjusted to reflect the controlling interest's share of the equity contribution in Chapmans Opportunity Limited.

During the year ended 31 December 2017, Chapmans Opportunity Limited had an 80% shareholding in Syn Dynamics Pty Limited, therefore Chapmans Limited indirectly owned 64% of Syn Dynamics Limited. During the year ended 31 December 2017 an incorrect amount was taken up in respect of the non-controlling interest share of Syn Dynamics Limited's profit or loss.

The financial report has been adjusted to reflect:

- (a) the controlling interest's share of the equity contribution in Chapmans Opportunity Limited; and
- (b) the non-controlling interests correct share of Syn Dynamics Limited's profit or loss for the year ended 31 December 2017.

The adjustments have resulted in a decrease in non-controlling interest of \$3,600,195 and a corresponding increase in retained earnings. The errors did not impact the profit or loss or the net asset position of the group.

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 2. Restatement of comparatives (continued)

The impact on the statement of profit or loss and other comprehensive income and statement of financial position is as follows:

Statement of profit or loss and other comprehensive income

	Half-year ended 30 Jun 2017 \$ Reported	Consolidated \$ Adjustment	Half-year ended 30 Jun 2017 \$ Restated
Revenue from contracts with customers	993,200	-	993,200
Share of losses of associates accounted for using the equity method	(784,035)	-	(784,035)
Expenses			
Net fair value loss on financial assets at fair value through profit or loss	-	(503,960)	(503,960)
Directors remuneration	(618,997)	-	(618,997)
Consultancy and contractor fees	(173,906)	-	(173,906)
Impairment of investments	(503,960)	503,960	-
Loss on disposal of investments	(57,280)	-	(57,280)
Legal and professional fees	(406,635)	-	(406,635)
Research and development expenses	(355,000)	-	(355,000)
Other expenses	(247,132)	-	(247,132)
Finance costs	(3,099)	-	(3,099)
Loss before income tax expense	(2,156,844)	-	(2,156,844)
Income tax expense	-	-	-
Loss after income tax expense for the half-year	(2,156,844)	-	(2,156,844)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	<u>(2,156,844)</u>	<u>-</u>	<u>(2,156,844)</u>
Loss for the half-year is attributable to:			
Non-controlling interest	(276,969)	-	(276,969)
Owners of Chapmans Limited	(1,879,875)	-	(1,879,875)
	<u>(2,156,844)</u>	<u>-</u>	<u>(2,156,844)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest	(276,969)	-	(276,969)
Owners of Chapmans Limited	(1,879,875)	-	(1,879,875)
	<u>(2,156,844)</u>	<u>-</u>	<u>(2,156,844)</u>
	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	(0.0071)	(0.5378)	(0.5449)
Diluted earnings per share	(0.0071)	(0.5378)	(0.5449)

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 2. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

On adoption of AASB 9 retained earnings as at 1 January 2017 were increased by \$100,186 as a result transferring the accumulated gain on the group's investment from the available for sale reserve to the profit or loss statement.

On correction of the errors noted above retained earnings at 1 January 2017 were increased by \$3,200,000 and the non-controlling interest was reduced by the corresponding amount.

Statement of financial position at the end of the earliest comparative period

	31 Dec 2017 \$ Reported	Consolidated \$ Adjustment	31 Dec 2017 \$ Restated
Assets			
Current assets			
Cash and cash equivalents	41,943	-	41,943
Trade and other receivables	545,095	-	545,095
Other	51,200	-	51,200
Total current assets	<u>638,238</u>	<u>-</u>	<u>638,238</u>
Non-current assets			
Investments accounted for using the equity method	626,509	-	626,509
Financial assets at fair value through profit or loss	2,860,008	-	2,860,008
Property, plant and equipment	7,386	-	7,386
Total non-current assets	<u>3,493,903</u>	<u>-</u>	<u>3,493,903</u>
Total assets	<u>4,132,141</u>	<u>-</u>	<u>4,132,141</u>
Liabilities			
Current liabilities			
Trade and other payables	572,437	-	572,437
Borrowings	10,320	-	10,320
Total current liabilities	<u>582,757</u>	<u>-</u>	<u>582,757</u>
Total liabilities	<u>582,757</u>	<u>-</u>	<u>582,757</u>
Net assets	<u>3,549,384</u>	<u>-</u>	<u>3,549,384</u>
Equity			
Issued capital	27,383,547	-	27,383,547
Reserves	100,186	(100,186)	-
Accumulated losses	(26,993,221)	3,700,381	(23,292,840)
Equity attributable to the owners of Chapmans Limited	490,512	3,600,195	4,090,707
Non-controlling interest	3,058,872	(3,600,195)	(541,323)
Total equity	<u>3,549,384</u>	<u>-</u>	<u>3,549,384</u>

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 3. Operating segments

Identification of reportable operating segments

The group is organised into one operating segment being the provision of growth capital and advisory services to private and public companies. The group 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 investments. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

Note 4. Revenue from contracts with customers

	Consolidated	
	Half-year ended 30 Jun 2018	Half-year ended 30 Jun 2017
	\$	\$
Consulting and advisory fees	266,551	740,000
Underwriting fees	26,370	253,200
	<u>292,921</u>	<u>993,200</u>

Revenue from contracts with customers

Disaggregation of revenue

All revenue relates to services transferred at a point in time and are generated in Australia.

Note 5. Share of losses of associates accounted for using the equity method

	Consolidated	
	Half-year ended 30 Jun 2018	Half-year ended 30 Jun 2017
	\$	\$
Share of profit - associates	-	(784,035)

Note 6. Current assets - trade and other receivables

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
Trade receivables	146,245	-
Less: Allowance for expected credit losses	(146,245)	-
	<u>-</u>	<u>-</u>
Loans receivable	1,110,992	995,095
Less: Allowance for expected credit losses	(969,824)	(450,000)
	<u>141,168</u>	<u>545,095</u>
BAS receivable	58,694	-
	<u>199,862</u>	<u>545,095</u>

Loans receivable represents short term advances to external parties which are payable within 12 months.

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 7. Non-current assets - investments accounted for using the equity method

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
Investment in associate - MJ Life Sciences Pty Ltd	626,509	626,509

Refer to note 16 for further information on interests in associates.

Note 8. Non-current assets - financial assets at fair value through profit or loss

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
Investments in listed companies - at fair value	-	2,339,958
Investments in unlisted companies - at fair value	3,845,415	520,050
	<u>3,845,415</u>	<u>2,860,008</u>

Refer to note 14 for further information on fair value measurement.

	Half-year ended 30 June 2018 \$
Reconciliation	
Reconciliation of the fair values at the beginning and end of the current financial half-year are set out below:	
Opening fair value	2,860,008
Additions	4,150,565
Disposals	(2,671,958)
Fair value movements	(493,200)
Closing fair value	<u>3,845,415</u>

Note 9. Current liabilities - trade and other payables

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
Trade payables	1,070,737	472,435
Accrued expenses	16,000	83,292
Other payables	102,153	16,710
	<u>1,188,890</u>	<u>572,437</u>

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 10. Current liabilities - borrowings

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
External loans payable	-	10,000
Directors loans	30,000	320
	<u>30,000</u>	<u>10,320</u>

The Director loans' are interest free and payable within 12 months.

Note 11. Equity - issued capital

	Consolidated			
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,819,000,000</u>	<u>1,300,000,000</u>	<u>31,292,971</u>	<u>27,383,547</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2018	1,300,000,000		27,383,547
Issue of shares	13 February 2018	25,000,000	\$0.015	375,000
Issue of shares	16 April 2018	198,750,000	\$0.008	1,590,000
Issue of shares	5 June 2018	295,250,000	\$0.008	2,362,000
Share issue costs		-	\$0.000	(417,576)
Balance	30 June 2018	<u>1,819,000,000</u>		<u>31,292,971</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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.

Share buy-back

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

Note 12. Equity - reserves

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$	\$
Share-based payments reserve	<u>117,502</u>	<u>-</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 12. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share-based payments \$	Total \$
Balance at 1 January 2018	-	-
Share-based payments	117,502	117,502
Balance at 30 June 2018	<u>117,502</u>	<u>117,502</u>

Note 13. Equity - dividends

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

Note 14. Fair value measurement

Fair value hierarchy

The following tables detail the group'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

Consolidated - 30 Jun 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investments in unlisted companies	-	-	3,845,415	3,845,415
Total assets	<u>-</u>	<u>-</u>	<u>3,845,415</u>	<u>3,845,415</u>
Consolidated - 31 Dec 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investments in listed companies	2,339,958	-	-	2,339,958
Investments in unlisted companies	-	-	520,050	520,050
Total assets	<u>2,339,958</u>	<u>-</u>	<u>520,050</u>	<u>2,860,008</u>

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unquoted investments have been valued by an independent expert using the price of recent investments, adjusted for movements in foreign exchange.

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 14. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Investments in unlisted entities \$	Total \$
Balance at 1 January 2018	520,050	520,050
Additions	3,795,365	3,795,365
Disposals	(470,000)	(470,000)
Balance at 30 June 2018	<u>3,845,415</u>	<u>3,845,415</u>

Note 15. Related party transactions

Parent entity

Chapmans Limited is the parent entity.

Associates

Interests in associates are set out in note 16.

Transactions with related parties

Peter Dykes was formerly and Anthony Dunlop is currently a director of Capital Mining Limited, a company which transacts with the group. For the six month period, the group loaned \$9,380 to Capital Mining Limited which has been impaired to \$nil in the period. The investment in Capital Mining Limited has been impaired to \$nil in previous periods.

Anthony Dunlop is currently a director of Reffind Limited, a company which transacts with the group. For the six month period, the group has sold its investment in Reffind. In addition, the group earned \$133,601 in revenue for consulting services provided to Reffind Limited.

Anthony Dunlop is currently a director of 20Four Media Holdings, a company which transacts with the group. For the six month period, the group loaned a further \$480,444 to 20Four Media Holdings which has been impaired to \$nil in the period.

Payables to related parties

Trade payables includes the following related-party balances at 30 June 2018:

- Peter Dykes (Poipu Bay Investments Pty Limited), was owed \$39,600 from the group arising from directors fees;
- Anthony Dunlop, (Coolabah Capital Pty Limited), was owed \$61,600 from the group arising from directors fees; and
- Reffind Limited, a director related entity of Anthony Dunlop, was owed \$37,159 for reimbursement of travel expenses.

Loans to related parties

Loans receivable include the following related party balances:

- loan of \$138,000 receivable from a related party of director, Dato' Muhamad Adlan bin Berhan;
- loan of \$9,830 to Capital Mining Limited, a director related entity; and
- loan of \$930,444 to 20Four Media Holdings, a director related entity.

Loans from related parties

Loans payable include the following related party balances:

- Loan of \$30,000 payable to director, Peter Dykes.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Chapmans Limited
Notes to the financial statements
30 June 2018

Note 16. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 Jun 2018 %	31 Dec 2017 %
20Four Media Holdings Pty Ltd	Australia	39.55%	39.55%
MJ Life Sciences Pty Ltd	Australia	50.00%	50.00%

Note 17. Earnings per share

	Consolidated	
	Half-year ended 30 Jun 2018 \$	Half-year ended 30 Jun 2017 \$
Loss after income tax	(4,111,811)	(2,156,844)
Non-controlling interest	(28,814)	276,969
Loss after income tax attributable to the owners of Chapmans Limited	<u>(4,140,625)</u>	<u>(1,879,875)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,442,058,010</u>	<u>345,000,057</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,442,058,010</u>	<u>345,000,057</u>
	Cents	Cents
Basic earnings per share	(0.2871)	(0.5449)
Diluted earnings per share	(0.2871)	(0.5449)

Note 18. Events after the reporting period

On 17 July 2018, the group raised \$830,000 via a placement of 500,000,000 ordinary shares at \$0.00166 per shares

On 15 August 2018, the group raised \$250,000 via a placement of 162,000,000 ordinary shares at \$0.00154 per shares.

On 29 August 2018 the group raised a further \$286,250 via the issue of 232,723,577 shares to Professional and Sophisticated Investors at \$0.00123 per share.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Chapmans Limited
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Dykes
Executive Chairman

31 August 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHAPMANS LIMITED

We have reviewed the accompanying half-year financial report of Chapmans Limited (the Company and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Chapmans Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Chapmans Limited.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHAPMANS LIMITED

(CONT'D)

Conclusion

Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Chapmans Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which highlights that the Group incurred a net loss of \$4,111,811 and net cash outflows of \$1,422,475 during the half-year ended 30 June 2018. The Group had net current liabilities of \$1,007,881 at period end. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



Nexia Sydney Audit Pty Ltd



Lester Wills

Director

Dated: 31 August 2018

Sydney