Chapmans Limited

ACN 000 012 386

Annual Report - 31 December 2016

Chapmans Limited
Corporate directory
31 December 2016

Directors	Peter Dykes Anthony Dunlop Chris Newport
Company secretary	Elizabeth Hunt
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	Thompson 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

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 2016.

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

Principal activities
The principal activities of the group during the period 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 profit for the consolidated entity after providing for income tax amounted to $911,879 (31 December 2015: $1,703,697).

20FOUR MEDIA HOLDINGS HOLDINGS PTY LIMITED (20FOUR, formerly known as Digital Star Media Holdings Pty Ltd)

20FOUR Media Holdings (20FOUR) is a mobile digital media business established to capitalize on the global market opportunity in sports media content required for the burgeoning mobile sports fan audience markets, increasingly funded by big brand sponsorship dollars. Through it 20FOUR branded mobile App and online platform, 20FOUR allows fans to keep up with their favourite sport stars and access exclusive content free of charge including personal stories and insights, master classes and one-on-one interaction.

The business caters to the rapidly evolving market in which the personal profiles of athletes have significant commercial value, and delivers this asset to market in a way that encourages big brands and media agencies to allocate marketing spend. The model directly solves issues for players around monetizing their values outside of salary cap restrictions and hazardous social media platforms.

The company's business model is based on the traditional media pillars of selling audience reach to big brands with key new media differentiators of:

- Smarter commercial model - Paying much less for exclusive media assets than broadcasters by acquiring sports star mobile and social media rights as opposed to mainstream broadcast rights for games
- Captures larger audiences - Leverages larger, more measurable and engaged audiences than free to air and subscription TV audiences
- New and exclusive content channels - Exclusive athlete generated content plus exclusive sponsored content publishing the off-field stories and journeys of professional athletes

20FOUR is a highly scalable business with an exceptional executive team and board consisting of proven experts in sports and social media sales, marketing and production combined with global talent management.

The business is preparing to launch in Q2 2017 and has plans for an ASX listing.

Enterprise Valuation 30 June 2016	$13.5m
Total Investment to date:	$ 1.2m
Chapmans Investment Valuation 31 Dec 2016	$ 5.3m
Capital Uplift to date:	4.42x or 342%
Equity Holdings:	39.25%
Basis for Valuation:	Recent third party investment
Securities Purchased:	Ordinary Shares

Digital4ge Pty Limited (Digital4ge)

Digital4ge is a specialist early stage mobile technology commercialization business which identifies and secures majority holding equity rights in compelling early stage businesses with scalable and global market potential.

The company's business model is to secure the equity and investment rights for specific qualified opportunities and within 12 – 24 months to develop each opportunity as individually registered spin outs with liquidity and significant capital uplift returns achieved through ASX listings or trade sale options.

Chapmans Limited invested $750,000 in 2014 in exchange for a 15% equity holding with board representation.

REFFIND Limited (ASX:RFN)
Digital4ge developed and listed it first asset, REFFIND Limited in July 2015 by way of IPO on the ASX. At 31 December this year RFN had a market capitalization of approximately $4.8 million with operations in Australia and the United States where it offers an innovative mobile communication solution for enterprises with a focus on employee rewards and engagement. Digital4ge holds approximately 44% of RFN.

Visual Amplifiers Limited (VAMP)
Digital4ge's other key asset is a 60.61% equity holding in Visual Amplifiers Limited (VAMP) which is a social media product placement platform connecting influencers and advertisers.

VAMP provides mass demographic product placement on Instagram for brands through VAMP's influencer briefing and payment platform. The company works as a link among +700 social influencers' on its books with big brand clients by offering services that include talent recruitment, product delivery and payments through to reporting, analytics and optimization.

VAMP influencers post images within brand specified date ranges with a focus on product placement as opposed to product endorsement which strengthens the brands image and generates a higher reach in terms of comments and likes. VAMP has successfully represented Samsung, Ebay, Smirnoff, Vittoria, General Pants, UniQlo, Snapple and many others.

Chapmans Limited also has a $150,000 direct investment in VAMP which is excluded from the below figures.

Enterprise Valuation 31 December 2016	$10.78m pre-tax
Enterprise Valuation 31 December 2016	$ 7.25m post tax
Total Investment to date:	$ 750,000
Investment Valuation 30 June 2016	$ 896,000
Capital Uplift to date:	20%
Equity Holding:	15%
Basis for Valuation:	Net Assets
Securities Purchased:	Ordinary shares

Chapmans Opportunities Limited (COL)

COL is a special purpose investment company established for the purposes of investing in special purpose opportunities. Chapmans has an 80% in COL. COL is managed by Chapmans Limited.

The portfolio valuation of COL's assets are summarised below with a comparison of consolidated post tax values and independently valued post tax values excluding the adjustments for the relevant deferred tax liability and minority interests.

	Fair Market Value	Adjusted "Net Asset" Value
Syn Dynamics Australia Pty Ltd (SDA)	$3,315,000	$1,398,000
Fantasy Sports Global Limited (FSG)	$5,146,000	$2,169,000
Total Value:	$8,461,000	$3,567,000

Syn Dynamics Australia Pty Ltd (SDA)

SDA has developed and patented breakthrough next generation plasma gasification technology with significant market opportunities in the global hazardous waste remediation and renewable energy industries. The technology has been developed over the past 10 years in Europe and Australia and is designed to address the performance, efficiency and scale limitations of existing waste to energy gasification technology with the objective of optimizing conversion, cost and accessibility requirements of the global waste mass markets.

The technology solves chronic storage and insurance costs for heavy industries that generate hazardous and toxic waste while addressing large balance sheet liabilities associated with environmental and public health risks for large waste producers such as oil refineries, petro-chemical manufacturers, mining, metals and pharmaceutical companies.

SDA's plasma gasification is a next generation of gasification, a globally proven and adopted process by which carbon based material is converted into synthetic gas known as 'syngas'. Syngas is a global commodity and has a wide range of uses including various forms of renewable energy such as electricity generation and as a fuel or feedstock for chemical manufacturers.

Compared to other clean tech or brown-to-green technologies, SDA's technology has breakthrough cost, performance and implementation advantages presenting mass scale adoption opportunities in huge addressable global markets.
SDA's four key unique technical and commercial advantages are:-

- Performance & Efficiency - Converts 100% of waste material into clean syngas – competing technologies only convert 30% - 50% and produce residual tars and toxic chemicals such as dioxins hence limiting their adoption.
- Diversity of Application - Ability to treat a wide range of waste materials including liquid and solid hazardous waste, biomass and solid hydrocarbons such as coal

- Scalability - Operates with low energy consumption and can be installed on-site as a fixed or mobile plant able to scale up or scale down as waste stocks increase or decrease over time
- Financial - Plant and processing costs are much lower than other gasification and existing large scale hazardous waste remediation technologies

Enterprise Valuation 31 December 2016	$6.25m
Total Investment to date:	$1.025m
Investment Valuation 31 December 2016	$3.315m
Capital Uplift to date:	$2.29m 3.23x or 223%
Equity Holding:	80%
Basis for Valuation:	Recent investment & milestone achievement
Securities Purchased:	Ordinary shares

Chapmans has invested $1,025,000 through Chapmans Opportunities Limited (COL) for 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. Chapmans has also agreed to invest through COL up to a further $750,000 under a convertible note deed to assist with the completion of further research and development work and engineering process and plant design work required to commercialize the company's technology.

CSIRO R&D and Commercialization Project
In July last year, SDA entered into a strategic 12 months research, development and commercialization agreement with CSIRO who have since commissioned SDA's test batch processing plant at CSIRO's Queensland Centre for Advanced Technology (QCAT). The commercialization project had two key phases consisting of (1) establishing SDA's batch plant operability and testing for core performance features including plasma generation and conversion of carbon electrodes into syngas; and (2) optimizing and characterizing the input and output performance of the plant, ascertaining it's suitability for conversion of a range of waste feedstocks to syngas and working with SDA to finalise the optimal pathway to analysis, design and manufacture for SDA's first commercial in-market plant.

Phase 1 has been successfully completed and Phase 2 is nearing completion with initial benchmark testing of bituminous coal converted into syngas through SDA's reactor. Significant work has been carried out to achieve stable and consistent reactor performance including plasma voltage, sample conversion effectiveness, gas flows and system pressure. Initial sample materials from prospective customers, including hazardous waste materials such as oil and tank bottom sludge, have been received and are now being tested. An additional new Phase 3 is currently being specified by the CSIRO and

SDA project team for the design, development and testing of a 'continuous feed system' required for the first commercial in-market plant.

Intellectual Property
SDA has finalised and submitted a new worldwide patent application for it's core plasma gasification reaction with further patent applications to be filed as part of the company's extensive patent program.

Development of Commercial Opportunities
In December SDA entered into a 50:50 joint venture term sheet with a leading Asia Pacific based corporate with well established operations in the resources, energy and environmental services sectors (the JV Partner). The JV Partner cannot be named at the time of this report due to confidentiality provisions. Under the term sheet SDA and the JV Partner have agreed to develop, refine and implement SDA's technology for the large scale treatment of hazardous waste materials in the JV Partner's existing Asia Pacific territories for their extensive list of mining, oil and gas based customers. Following positive testing results, performance and detailed commercial discussions, SDA and the JV partner plan to install and operate the first commercial plant within the next 12 months before expanding activities throughout the Asia Pacific region.

Fantasy Sports Global Limited (FSG)

FSG is a sports gaming product innovation and technology company focused on the development and operation of state of the art fantasy sports platforms in Australia and key international markets. Fantasy sports are online games where participants assemble imaginary or virtual teams of real players of a professional sport and is as rapidly growing multi-billion dollar industry globally.

FSG has accumulated it's suite of fantasy sports platforms and sports wagering assets through a combination of in-house development and acquisitions. These include Business-to-Business (B2B) and Business-to-Consumer (B2C) offerings. All fantasy sports offerings include a sophisticated actuarial based player performance and metrics system developed by FSG called OneSport which provides a complete turnkey database of player statistics to help users engage more personally and socially by selecting their teams and managing changes based on OneSport's dynamic updates to player values. The algorithms driving OneSport enable fantasy sports players and their teams to be ranked which adds further engagement and loyalty amongst users.

The company has a unique business to business model that optimizes revenues for its OneSport database and separately branded fantasy platforms by leveraging into the large marketing budgets and customer bases of the major global sports betting companies (wholesale customers) as well as white labelling it's products to large companies such as sporting clubs, franchises and large corporates (enterprise customers). FSG's platforms use sports data and live feeds from Sportradar, Perform, Opta, Stats Prozone and Chapion Data which provide global market scale with leading edge sports betting and fantasy sports offerings including pre-match and "live in-game" betting and fantasy gaming on more than 20,000 individual sporting events annually.

Chapmans invested $5m in FSG in June last year through Chapmans Opportunities Limited (COL) which has a 12.30% equity holding in FSG as part of a $10.45m placement, with board representation, exclusive corporate advisory and ASX listing rights.

FSG has since signed its first wholesale supply agreement with the Australian arm of a large global sports betting company under which it's OneSport dynamic player database and fantasy sports platform are to be supplied on a white label basis on a large affiliate revenue share basis. The company expects to replicate this outstanding outcome with many of the largest sports betting companies in Australia and key target international markets including Asia, India and the UK. The company's B2C offerings are based on betting prize pool clip revenues and advertising revenues once reach and scale are achieved.

Enterprise Valuation 30 June 2016	$42.2m
Total Investment to date:	$5.0m
Investment valuation	$5.146m
Capital Uplift to date:	nil
Equity Holding:	12.19%
Basis for Valuation:	Recent third party investment
Securities Purchased:	Ordinary shares

Achievements to Date

- Acquisition of the distressed assets of fantasy sports, data and content business Play Up. This platform has since been relaunched and now offers daily and weekly free-of-charge fantasy sports games on sporting competitions including T20 and One Day International Cricket, the EPL and NBA.
- Acquisition of leading Australian fantasy sports business Top 8 Fantasy Pty Ltd.
- Acquisition of Australian sports wagering and gaming technology company, Favourit Australia Pty Ltd. This acquisition has since provided FSG with a highly valuable Northern Territory sports bookmaker licence which, after the Australian Federal Government's decision to close Norfolk Island's gaming authority, leaving many smaller niche market wagering businesses with Norfolk Island licences, stranded and restricted from operating.
- Acquisition of one such sports wagering business JR's Sportsbook which last year generated revenues of $19.4m.
- Successful sports code and media affiliate deals with the KFC Big Bash, Telstra and others.
- Successful pilot campaigns in India

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

No matter or circumstance has 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:	Capital Mining Limited (27July 2015 to Present) Stirling Products Limited (17 September 2015 to Present)
Former directorships (last 3 years):	YPB Limited (formerly AUV Enterprises Limited) (2 August 2012 to 31 July 2014), SkyFii Limited (formerly) RKS Consolidated Limited (12 February 2013 to 20 November 2014), Medadvisor Limited (formerly Exalt Resources Limited) (30 November 2012 to 30 November 2015)
Interests in shares:	35,775,000 Shares

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:	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:	22,800,000 Shares

Name:	Chris Newport
Title:	Non-Executive Director
Qualifications:	Not Applicable
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

'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

Elizabeth Hunt was appointed Company Secretary in October 2016, replacing Peter Dykes.

Mrs Hunt has over fifteen years' corporate and accounting experience with a particular interest in governance. Mrs Hunt has been involved in the IPO management, corporate advisory and company secretarial services, financial accounting and reporting and ASX and ASIC compliance management.

Mrs Hunt holds a BSc degree in Sustainable Development and has completed a Master of Accounting, the Governance Institute of Australia Certificate in Governance and Risk Management, and is a Graduate of the Australian Institute of Company Directors.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2016, and the number of meetings attended by each director were:

	Attended	Held
Peter Dykes	19	19
Anthony Dunlop	19	19
Chris Newport	19	19

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

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.

Chapmans Limited
Directors' Report
31 December 2016

The key management personnel of the consolidated entity consisted of the following directors of Chapmans Limited:
- Peter Dykes
- Anthony Dunlop
- Chris Newport

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
31 December 2015	$	$	$	$	$	$	$
Non-Executive Directors:							
Bruce Burrell	10,000	-	-	-	-	-	10,000
Chris Newport	26,667	-	-	-	-	-	26,667
Craig Seymour	3,362	-	-	-	-	-	3,362
Executive Directors:							
Peter Dykes	250,000	-	-	23,750	-	-	273,750
Anthony Dunlop	250,000	-	-	23,750	-	-	273,750
	540,029	-	-	47,500	-	-	587,529

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in consultancy agreements. Details of these agreements are as follows:

Name:	Peter Dykes & Anthony Dunlop
Title:	Executive Director
Agreement commenced:	1 January 2015
Term of agreement:	3 years
Remuneration	$250,000 base salary (exclusive of superannuation) for the period 1 January 2015 to 30 June 2016. Base salary (exclusive of superannuation) increased to $360,000 per annum from 1 July 2016. 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 2016.

Chapmans Limited
Directors' Report
31 December 2016

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
Ordinary shares					
Peter Dykes	286,333,333	-	71,416,667	(321,975,000)	35,775,000
Anthony Dunlop	216,500,000	-	11,500,000	(205,200,000)	22,800,000
Chris Newport	-	-	-	-	-
	502,833,333	-	82,916,667	(527,175,000)	58,575,000

* The movement in shareholdings is a consequence of the consolidation of capital approved by shareholders on 16 December 2016. The Company's issued capital was consolidated on a 10-for-1 basis.

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.

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

31 March 2017

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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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 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
Partner
Date: 31 March 2017

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Chapmans Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Note	Consolidated 31 December 2016 $	31 December 2015 (restated) $
Revenue	4	3,254,487	5,801,087
Expenses			
Director remuneration		(1,074,996)	(564,529)
Consultancy fees		(368,223)	(1,889,872)
Depreciation and amortisation expense		(2,013)	(333)
Loss on disposal of assets		(55,444)	(46,500)
Impairment of financial assets		(506,958)	-
Bad debt written off		(22,500)	-
Other expenses		(276,241)	(1,551,801)
Finance costs		(36,232)	(44,355)
Profit before income tax expense		911,879	1,703,697
Income tax expense	7	-	-
Profit after income tax expense for the year attributable to the owners of Chapmans Limited		911,879	1,703,697
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Chapmans Limited		911,879	1,703,697

		Cents	**Cents**
Basic earnings per share	8	0.054	0.197
Diluted earnings per share	8	0.054	0.197

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 2016

	Note	31 December 2016	Consolidated 31 December 2015 (restated)	31 December 2014 (restated)
Assets				
Current assets				
Cash and cash equivalents	9	86,709	11,940	6,418
Trade and other receivables	10	283,410	22,500	200,000
Total current assets		370,119	34,440	206,418
Non-current assets				
Financial assets	11,12	10,036,700	7,066,260	2,845,331
Plant and equipment	13	-	2,013	667
Total non-current assets		10,036,700	7,068,273	2,845,998
Total assets		**10,406,809**	**7,102,713**	**3,052,416**
Liabilities				
Current liabilities				
Trade and other payables	14(a)	150,543	610,019	383,384
Borrowings	15(a)	195,996	754,965	2,689,260
Total current liabilities		346,539	1,364,984	3,072,644
Non-current liabilities				
Borrowings	15(b)	-	372,366	241,805
Total non-current liabilities		-	372,366	241,805
Total liabilities		**346,539**	**1,737,350**	**3,314,449**
Net assets		**10,060,280**	**5,365,363**	**(262,033)**
Equity				
Issued capital	16	21,924,402	18,141,394	14,556,394
Accumulated losses		(11,864,152)	(12,776,031)	(14,479,728)
Total equity		**10,060,280**	**5,365,363**	**76,666**

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

Chapmans Limited
Consolidated Statement of changes in equity
For the year ended 31 December 2016

	Issued capital $	Reserves $	Retained profits $	Total equity $
Restated Balance at 1 January 2015	14,556,394	-	(14,479,728)	76,666
Profit after income tax expense for the year	-	-	1,703,697	1,703,697
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,703,697	1,703,697
Transactions with owners in their capacity as owners:				
Contributions of equity	3,585,000	-	-	3,585,000
Balance at 31 December 2015	18,141,394	-	(12,776,031)	5,365,363

	Issued capital $	Reserves $	Retained Profits $	Total equity $
Balance at 1 January 2016	18,141,394	-	(12,776,031)	5,365,363
Profit after income tax expense for the year	-	-	911,879	911,879
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	911,879	911,879
Transactions with owners in their capacity as owners:				
Contributions of equity	3,816,750	-	-	3,816,750
Transaction costs	(33,712)	-	-	(33,712)
Balance at 31 December 2016	21,924,432	-	(11,864,152)	10,060,280

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 2016

	Note	31 December 2016 $	31 December 2015 $
Cash flows from operating activities			
Receipts from customers		2,740,390	220,506
Payments to suppliers		(2,168,637)	(2,737,518)
Interest received		732	27
Interest and other finance costs paid		(36,232)	(42,760)
Net cash inflow from/(used in) operating activities	9(b)	536,254	(2,559,745)
Cash flows from investing activities			
Payments for investments		(4,137,851)	(295,028)
Proceeds from disposal of investments		1,095,874	754,950
Net cash from/(used in) investing activities		(3,041,977)	459,922
Cash flows from financing activities			
Proceeds from issue of shares		3,133,340	3,585,000
Cost of issue of shares		(21,513)	-
Proceeds from borrowings		2,800,000	1,799,889
Repayment of borrowings		(3,331,334)	(302,324)
Net cash from financing activities		2,580,493	2,105,345
Net increase in cash and cash equivalents		74,769	5,522
Cash and cash equivalents at the beginning of the financial year		11,940	6,418
Cash and cash equivalents at the end of the financial year	9(a)	86,709	11,940

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.

A description of the nature of the consolidated entity'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 March 2017. 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 3.

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 21.

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 2016 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.

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

The Company has been classified under AASB 2013-5 as an Investment Entity whose business purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an Investment Entity, the portfolio investments have been accounted for at fair value through the profit or loss and shown as Financial Assets in the Statement of Financial Position.

Investments held at fair value through profit or loss are initially recognised at fair value. Transaction costs related to acquisitions are expensed to profit and loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in the profit or loss.

Investments are subject to an independent third party valuation on an annual basis.

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 profit or loss” 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.

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%

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 2016. 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.

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 Institutions
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 July 2018 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

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 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Note 3. Change in accounting policy

Given the evolution of the Company's operation during the half year ended 30 June 2016, the directors have determined that the Company should be classified as an Investment Entity on the basis that the Company's business purpose is to invest funds obtained from investors solely for returns from capital appreciation and / or investment income. Accordingly, the Company's portfolio of investments have now been accounted for at fair value through the profit or loss and classified as Financial Assets in the Statement of Financial Position.

In prior years, the portfolio of investments were classified as available-for-sale financial assets and equity accounted investments. Those investments with market prices quoted on the Australian Securities Exchange (ASX) were accounted for at fair value and unlisted investments were accounted for at cost.

Statement of profit or loss and other comprehensive income

	Consolidated		
	2015		**2015**
	$	**$**	**$**
Extract	**Reported**	**Adjustment**	**Restated**
Revenue	961.190	4,839,897	5,801,087
Expenses			
Impairment of Investments	(222,667)	222,667	-
Loss on disposal of assets	-	(46,500)	(46,500)
Other expenses	(2,918,819)	1,397,018	(1,551,801)
Profit/(Loss) before income tax expense	(3,140,525)	6,412,082	1,705,797
Income tax expense	-	-	-
Profit/(Loss) after income tax expense for the half-year attributable to the owners of Chapmans Limited	(3,140,525)	6,412,082	1,705,797
Other comprehensive income for the half-year, net of tax	(96,500)	96,500	-
Total comprehensive income for the half-year attributable to the owners of Chapmans Limited	(3,237,025)	6,509,582	1,705,797

	Cents Reported	**Adjustment**	**Cents Restated**
Basic earnings per share	(0.1247)	0.3217	0.197
Diluted earnings per share	(0.1247)	0.3217	0.197

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

	Consolidated		
	2015		**2015**
	$	**$**	**$**
Extract	**Reported**	**Adjustment**	**Restated**
Assets			
Current assets			
Financial assets	1,338,145	(1,338,145)	-
Total current assets	1,372,585	(1,338,145)	34,440
Non-current assets			
Investments accounted for using the equity method	448,693	(448,693)	-
Financial assets	-	7,066,260	7,066,260
Deferred tax	311,600	(311,600)	-
Total non-current assets	762,306	6,305,967	7,066,260
Total assets	2,134,891	4,967,822	7,102,713
Liabilities			
Current liabilities			
Trade and other payables	363,595	246,424	610,019
Borrowings	924,331	(169,366)	754,965

Other	449,424	(449,424)	-
Total current liabilities	1,737,350	(372,366)	1,364,984
Non-current liabilities			
Borrowings	-	372,366	372,366
Total non-current liabilities	-	372,366	372,366
Total liabilities	1,737,350	-	1,737,350
Net assets	397,541	4,967,822	5,365,363
Equity			
Reserves	(121,500)	121,500	-
Accumulated losses	(17,622,353)	4,846,322	(12,776,031)
Total equity	397,541	4,967,822	5,365,363

Statement of profit or loss and other comprehensive income

		Consolidated	
Extract	**2014 $ Reported**	**$ Adjustment**	**2014 $ Restated**
Expenses			
Change in fair value of investments	-	(154,471)	(154,471)
Loss before income tax expense	(2,135,782)	(154,471)	(2,290,253)
Income tax expense	-	(311,600)	(311,600)
Loss after income tax expense for the half-year attributable to the owners of Chapmans Limited	(2,135,782)	(466,071)	(3,067,924)
Other comprehensive income for the half-year, net of tax	(154,471)	154,471	-
Total comprehensive income for the half-year attributable to the owners of Chapmans Limited	(2,290,253)	(311,600)	(3,067,924)
	Cents Reported	**Cents Adjustment**	**Cents Restated**
Basic earnings per share	(0.0040)	(0.0003)	(0.0043)
Diluted earnings per share	(0.0040)	(0.0003)	(0.0043)

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

		Consolidated	
Extract	**2014 $ Reported**	**$ Adjustment**	**2014 $ Restated**
Equity			
Reserves	(421,071)	421,071	-
Accumulated losses	(14,085,756)	(732,671)	(14,479,728)
Total equity	49,567	27,099	76,666

Note 4. Revenue

	31 December 2016 $	31 December 2015 $
Sales revenue		
Gain on sale of investments	-	171,286
Unrealised gain on fair value of financial assets	513,365	4,730,348
Consulting and advisory fees	2,619,550	570,000
Underwriting fees	120,840	289,509
	2,253,755	5,761,143
Other revenue		
Interest	732	681
Other revenue	-	39,263
	732	39,994
Revenue	3,254,487	5,801,087

Note 5. Expenses

	Consolidated	
	31 December 2016 $	31 December 2015 $
Profit before income tax includes the following specific expenses:		
Compliance fees	57,419	77.736
Other	218,822	1,474,065
Total other expenses	276,241	1,551,801

Note 6. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick (formerly I J Lamb & Co), the auditor of the company:

	Consolidated	
	31 December 2016 $	31 December 2015 $
Audit services – Hall Chadwick		
Audit or review of the financial statements	45,550	-
Audit services – I J Lamb		
Audit or review of the financial statements	-	10,000
	45,550	10,000

Note 7. Income tax expense

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Recognised in the income statement:		
Current tax	-	-
Deferred tax	-	-
Income tax as reported in the statement of profit or loss and other comprehensive income	-	-
Reconciliation of income tax expense to prima facie tax payable		
Profit from ordinary activities before income tax expense	911,879	1,703,697
Prima facie income tax /expense on income from ordinary activities before income tax at 30%	273,564	511,109
Increase in income tax due to:		
- Non-deductible expenses	89,679	17,227
- Movement in recognised temporary differences and tax losses	(2,785)	(528,336)
- Current year capital losses not recognised	50,834	-
Decrease in income tax expense due to:		
- Deductible equity raising costs	(2,023)	-
- Non-assessable income	(409,269)	-
Income tax attributable to operating income	-	-

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%		
Deferred tax assets have not been recognised in respect of the following (30%)		
Deductible temporary differences	8,091	-
Tax revenue losses	749,542	752,327
Tax capital losses	1,230,488	1,179,654
Total unrecognised deferred tax assets (30%)	1,988,121	1,931,981

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.

Note 8. Earnings per share

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Profit after income tax attributable to the owners of Chapmans Limited	911,879	1,703,967
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,683,576,241	865,401,658
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,683,576,241	865,401,658
	Cents	**Cents**
Basic earnings per share	0.054	0.197
Diluted earnings per share	0.054	0.197

Note 9.

(a) Cash and cash equivalents

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Cash at bank	86,709	11,940

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

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Profit after income tax expense for the year	911,879	1,703,697
Adjustments for:		
Depreciation and amortisation	2,013	333
Gain on disposal of financial assets	-	(109,549)
Loss on disposal of investments	55,444	46,500
Impairment of financial assets	506,958	222,667
Unrealised gain on financial assets	(490,865)	(4,953,015)
Receivable written off	22,500	-
Change in operating assets and liabilities:		
Increase/decrease in trade and other receivables	58,973	177,500
Increase/decrease in trade and other payables	(530,648)	352,122
Net cash inflow from operating activities	536,254	(2,559,745)

Note 10. Trade and other receivables

	Consolidated	
	31 December 2016	**31 December 2015**
Current	**$**	**$**
Other receivables	283,410	22,500

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.

The balance of other receivables at 31 December 2016 relates to unpaid amounts in relation to the placement of shares issued in December 2016. The balance is considered recoverable as the Company continues to have holding locks on any shares for which funds are outstanding.

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to nil as at 31 December 2016 ($22,500 as at 31 December 2015). The 31 December 2015 receivable of $22,500 was impaired in full during the current year.

Note 11. Non-current assets – Financial assets

	Consolidated	
	31 December 2016	**31 December 2015 (Restated)**
	$	**$**
Investments in listed companies - at fair value	123,750	438,145
Investments in unlisted companies - at fair value	9,912,950	6,628,115
	10,036,700	7,066,260

Note 12. 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 2016	$	$	$	$
Assets				
Investments	123,750	9,912,950	-	10,036,700
Total assets	123,750	9,912,950	-	10,036,700

	Level 1	Level 2	Level 3	Total
Consolidated - 31 December 2015	$	$	$	$
Assets				
Investments	438,145	6,628,115	-	7,066,260
Total assets	438,145	6,628,115	-	7,066,260

There were no transfers between levels during the financial year.

For Level 2 investments, the following techniques were used.

Investment	Valuation Technique	As at 31 December 2016 $	As at 31 December 2015 $
Digital4ge Pty Ltd	Net assets	896,000	5,778,115
20four Media Holdings Pty Ltd	Price of recent investment	5,300,000	700,000
Visual Amplifiers Limited	Price of recent investment	150,000	150,000
Chapmans Opportunities Limited	Net assets	3,566,950	-
Total		9,912,950	6,628,115

Valuation Techniques

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The “fair value” of financial assets is assumed to be the price that would be received for the financial asset in an orderly transaction between knowledgeable and willing but not anxious market participants acting at arm’s length given current market conditions at the relevant measurement date. Fair value for unquoted or illiquid investments is often estimated with reference to the potential realisation price for the investment or underlying business if it were to be realised or sold in an orderly transaction at the measurement date, regardless of whether an exit in the near future is anticipated and without reference to amounts received or paid in a distressed sale.

The “price of recent investment” methodology refers to the price at which a significant amount of new investment into a company has been made which is used to estimate the value of other investments in the company, but only if the new investment is deemed to represent fair value and only for al limited period following the date of the investment. The methodology therefore requires an assessment at the measurement date of whether any changes or events during the limited period following the date of the recent investment have occurred that imply a change in the investment’s fair value.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Office equipment - at cost	2,013	19,066
Less: Accumulated depreciation	(2,013)	(17,053)
	-	2,013

Note 14. Liabilities - trade and other payables

(a) Current liabilities

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Trade payables	150,543	610,019
	150,543	610,019

Note 15. Borrowings

(a) Current liabilities -

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Director loans	-	34,931
External loans payable	195,996	720,034
	195,996	754,965

Of the balance payable at 31 December 2015, $400,000 was settled via the issue of shares in the Company.

The balance payable at 31 December 2016 has subsequently been repaid.

(b) Non-Current liabilities -

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
External loans payable	-	372,366
	-	372,366

Note 16. Equity - issued capital

	Consolidated			
	31 December 2016 Shares	**31 December 2015 Shares**	**31 December 2016 $**	**31 December 2015 $**
Ordinary shares - fully paid	300,000,057	1,431,666,665	21,924,402	18,141,394

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	31 December 2014	132,250,227		14,556,394
Issue of shares	19 February 2015	67,750,000	$0.010	677,500
Issue of shares	19 February 2015	50,000,000	$0.005	250,000
Issue of shares	1 May 2015	37,500,000	$0.002	75,000
Issue of shares	29 May 2015	600,000,000	$0.002	1,200,000
Issue of shares to directors	3 June 2015	250,000,000	$0.002	500,000
Issue of shares - placement	20 July 2015	127,500,000	$0.003	382,500
Issue of shares - share purchase plan	26 August 2015	166,666,665	$0.003	500,000
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)	-	-
Cost of shares issued		-		(33,712)
		300,000,057		$21,924,402

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 thee 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 2015 Annual Report.

Note 17. 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.

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.

	Average price increase			Average price decrease		
Consolidated - 31 December 2016	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Cash and cash equivalents	5%	4,335	-	(5%)	(4,335)	-
Investments in listed companies	5%	-	6,187	(5%)	-	(6,187)
Investments in unlisted companies	5%	-	495,647	(5%)	-	(495,647)
		4,335	501,834		(4,335)	(501,834)

	Average price increase			Average price decrease		
Consolidated - 31 December 2015	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Cash and cash equivalents	5%	597	-	(5%)	(597)	-
Investments in listed companies	5%	-	21,907	(5%)	-	(21,907)
Investments in unlisted companies	5%	-	331,405	(5%)	-	(331,405)
		597	353,312		(597)	(353,312)

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.

There are no amounts of collateral held as security at 31 December 2016 (2015: 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 2016 ($22,500 as at 31 December 2015).

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.

Consolidated - 31 December 2016	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	-	150,543	-	-	-	150,543
Other payables	-	195,996	-	-	-	195,996
Total non-derivatives		346,539	-	-	-	346,539

Consolidated - 31 December 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	610,019	-	-	-	610,019
Director loans		34,931	-	-	-	34,931
External loans		720,034	-	-	-	720,034
Total non-derivatives		1,364,984	-	-	-	1,364,984

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 18. Contingent liabilities

There are no known contingent liabilities as at 31 December 2016.

Note 19. Commitments

There are no commitments at 31 December 2016.

Note 20. Related party transactions

Parent entity
Chapmans Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Transactions with related parties
Transactions with directors are set out in the remuneration report.

Note 21. 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 2016 $	**31 December 2015 $**
Profit/(loss) after income tax	5,887,344	3,247,318
Total comprehensive income	5,887,344	3,247,318

Statement of financial position

	Parent 31 December 2016 $	Parent 31 December 2015 $
Total current assets	1,371,732	34,440
Total assets	10,428,727	2,151,698
Total current liabilities	346,539	372,366
Total liabilities	346,539	1,737,349
Equity		
Issued capital	21,924,432	18,141,394
Accumulated losses	(11,840,188)	(14,479,728)
Total equity	10,084,244	3,661,666

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2016 (2015: nil).

Capital commitments -Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 31 December 2016 (2015: 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 22. 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 2016 %	Ownership interest 31 December 2015 %
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%

Note 23. Events after the reporting period

No other matter or circumstance has 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.

Note 24. 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 through profit or loss, 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.

Chapmans Limited
Directors' Declaration
31 December 2016

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 2 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 2016 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

31 March 2017

CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

SYDNEY
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Sydney NSW 2000
Australia

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Sydney NSW 2001

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

Opinion

We have audited the financial report of Chapmans Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

(a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*,including:
  i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
  ii. complying with Australian Accounting Standards and the *Corporations Regulations* 2001

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2

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 Consolidated Entity 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 *Corporation 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.

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 of the current period. 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.

CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter

Carrying Value of investments

Refer to Notes 11 and 12 Financial assets and fair value measurement, and Note 2 Critical accounting judgements, estimates and assumptions.

The Company has been classified under AASB 2013-5 as an Investment Entity whose business purpose is to invest funds solely for returns via capital appreciation and/or investment returns.
The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements.
As the Company has been classified as an Investment Entity, the portfolio of investments has been accounted for at fair value through the profit or loss and disclosed as Financial Assets in the Statement of Financial Position.
 	
We focused on this area due to the size of the balance and inherent judgement involved in determining the fair value of investments.
 	
As at 31 December 2016, the investments were valued at $10,036,700.
Of these investments, $123,750 were classified as 'level 1' financial instruments in accordance with the classification under Australian Accounting Standards where quoted prices in active markets are available.
 	
The remaining $9,912,950 were classified as 'level 2' financial instruments in accordance with the classification under Australian Accounting Standards where values are derived from observable prices and/or inputs to valuation models.
 	
The valuation of level 2 securities therefore requires a higher degree of judgement.
 	
Refer to note 11 for details of the investments and note 12 for the level 1 and level 2 classifications.
	Our procedures included amongst others the following:
	• For level 1 financial instruments, we verified fair value by reference to quoted prices in active markets.
	• For level 2 financial instruments, we:
	  ◦ assessed the scope, expertise and independence of the external valuers engaged by the Company;
	  ◦ evaluated the appropriateness of the valuation methodologies selected by the external valuer to determine the fair value of the investments to accepted market practices and our industry experience; and
	  ◦ independently assessed the key inputs adopted by the valuer to available market information relating to similar transactions. We involved our valuation specialist to assess that the market data used by the valuer is reasonable in comparison to a credible external source; and that the reference to market data; revenue growth rates and other business characteristics were reasonable.
	  ◦ challenged management's process for reviewing and adopting the valuations used, and discussed this with those charged with governance.

CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

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 Consolidated Entity's annual report for the year ended 31 December 2016, 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Director's Responsibility 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 Note 1, the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

- 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.

CHAPMANS LIMITED
ACN 000 012 386
AND CONTROLLED ENTITIES

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

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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 10 of the directors' report for the year ended 31 December 2016. 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 2016 complies with s 300A of the *Corporations Act 2001*.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

GRAHAM WEBB
Partner
Date: 31 March 2017

Chapmans Limited
Shareholder information
31 December 2016

The shareholder information set out below was applicable as at 10 March 2017.

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	34
1,001 to 5,000	14
5,001 to 10,000	51
10,001 to 100,000	347
100,001 and over	186
	632
Total Unmarketable parcel $500 (basis price $0.008)	363

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	
	Number held	% of total shares issued
Carrara Wealth Group Pty Ltd	27,467,297	9.16%
Currandooley Pty Ltd	25,024,286	8.34%
Poipu Bay Investments Pty Ltd	23,190,232	7.73%
Aust-Sport Financial Services Pty Ltd	18,779,286	6.26%
Anthony John Dunlop	13,250,000	4.42%
Varney Lee Magill	12,666,263	4.22%
Poipu Bay Investments Pty Ltd	12,543,102	4.18%
Bellring Pty Ltd	11,694,199	3.90%
Ian Brettell Causer	8,991,100	3.00%
Fund Contribution Services Pty Ltd	7,050,000	2.35%
Nicholas Richard Diamond	6,009,700	2.00%
Digital 4ge Pty Ltd	5,500,000	1.83%
Diamond United Investments Pty Ltd	5,116,667	1.71%
Coolabah Capital Pty Ltd	5,000,000	1.67%
Asgard Capital Management Ltd	4,500,000	1.50%
Joseph Charles Dirosato	4,232,143	1.41%
Coolabah Capital Pty Ltd	4,133,333	1.38%
Stirling Products Limited	3,400,000	1.13%
Bellring Pty Ltd	3,057,047	1.02%
Oscars House Pty Ltd	3,000,000	1.00%

Unquoted equity securities
There are no unquoted equity securities.

Chapmans Limited
Shareholder information
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Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Carrara Wealth Group Pty Ltd	27,467,297	9.16%
Currandooley Pty Ltd	25,024,286	8.34%
Poipu Bay Investments Pty Ltd	23,190,232	7.73%
Aust-Sport Financial Services Pty Ltd	18,779,286	6.26%

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.