# CHAPMANS LIMITED

## *92nd Annual Report*

## YEAR ENDED 31 DECEMBER 2014

# CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

CONTENTS | PAGE

## CORPORATE GOVERNANCE STATEMENT

The board of the company is committed to having the highest standards of ethical behavior together with an effective system of corporate governance for Chapmans Limited commensurate with the size of the Company and the scope of its business operations.

In accordance with ASX Listing Rule 4.10.3, set out below is the ASX Corporate Governance Council's eight principles of corporate governance (ASX Governance Principles) and described against each is how the board has applied each principle and the recommendations set out within them.

The Company is fully supportive of the 'if not, why not' disclosure based approach to governance adopted by the ASX Governance Principles because, inter alia, they recognize there is no single model of corporate governance and that good corporate governance practice is not restricted to adopting all the recommendations.

The board has adopted and complied with most of the recommendations but there are a number of recommendations that the board, after careful review, have not adopted. Full details of these, together with an explanation of why an alternate and more appropriate approach has been taken by the Board, are set out in the following statement.

**Principle 1: Laying Solid Foundations for Management and Oversight**

Compliance with this Principle requires the Company to establish and disclose the respective roles and responsibilities of both the board and management.

**Role of the Board**

The Company's overall corporate objective, as determined by the board, is to provide shareholders with attractive investment returns principally through enhancement of capital.

In this regard, the Company's primary goals are:

- to be profitable and pay dividends which, over time, grow faster than the rate of inflation; and
- to provide attractive total returns over the medium to long term.

The role of the board supports the corporate objectives of the Company. The board generally sets objectives and goals for the operation of the Company, oversees the Company's management, reviews the Company's performance on a regular basis and monitors its affairs in the best interests of the Company. The board is accountable to its shareholders as owners of the Company.

The board operates under a board charter, which documents the role of the board outlined above and the matters that the board has reserved to itself. Those matters include:

- setting the corporate objectives of the Company and approving business strategies and plans of the Company set in place to meet those objectives:
- approving the expense budget at least annually;
- approving changes to the Company's capital structure and dividend policy;
- appointing and removing the CEO/Managing Director and carrying out succession planning for the CEO/Managing Director as applicable;
- reviewing the performance of the CEO/Managing Director and remuneration and contractual arrangements;
- appointing and removing senior executives on the recommendation of the CEO/Managing Director;
- reviewing the performance and remuneration of senior executives on the review and recommendation of the CEO/Managing Director;
- reviewing the composition of the board, the independence of Directors, the board's performance and for carrying out succession planning for the Chairman and Non-Executive Directors;
- reviewing the performance of management and the Company, including the risk management, internal controls and compliance systems;
- dealing with any matters in excess of any specific delegations that the board may from time to time delegate to the CEO/Managing Director and senior executives;
- approving the communication to shareholders and to the public of the half-year and full-year results and monthly net tangible asset disclosures;

- setting designated authorities for management to implement (in consultation with the Chairman/Managing Director) the decisions of the board In respect to investments.

The Directors meet formally as a board as and when required and usually 6 to 12 times a year.

**Delegation to Board Committees**

The board has not established any Board Committees to assist the board in exercising its authority.

The Company does not have a separate Audit Committee, Remuneration Committee or Nominations Committee.

After careful consideration the board has decided that given the small size of the Company and its operations it was appropriate that the functions of audit, remuneration and nomination committees be reserved for the full board.

**Delegation to Management**

The Managing Director is responsible to the Company for the performance of management and the board acts in close consultation with the Managing Director.

The board is responsible for evaluating the performance of the Managing Director and the Company's senior executives in accordance with the Company's aims and objectives, and remunerating them appropriately. As part of its approach to encouraging enhanced performance, the board has adopted a remuneration structure for the Managing Director and other senior executives which includes a significant component of 'at risk' remuneration designed to encourage and reward high performance. Full details of the remuneration process and the benchmarks used for assessment are given in the Remuneration Report.

**Departure from ASX Recommended Governance Principles**

The board acknowledges that the Company is not fully compliant with Principle 1 and its recommendations.

As stated above the board has, after due consideration, decided that in view of the relative small size of the Company and its operations the functions of separate committees are best reserved for the full board.

**Principle 2: Structuring the Board to Add Value**

Compliance with this Principle requires the Company to have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Directors' Report sets out the details of the skills, experience, and expertise of each Director. The roles of the Chairman and Managing Director are not separate. The role of the Managing Director is set out under Principle 1, above. The role of the Chairman is set out in the board charter, including being responsible for:

- the business of the board, taking into account the issues and the concerns of all Directors and the requirements of the board charter;
- the leadership and conduct of board and Company meetings to be in accordance with the agreed agenda, the Company's Corporate Objective and Principles of Conduct (described under Principle 3, below); and
- encouraging active engagement by Directors and an open and constructive relationship between the board and the Managing Director and senior executives.

The Chairman also has the authority to act and speak for the board between meetings, subject to any agreed consultation processes.

**Appointment and Renewal**

The board consists of an Executive Chairman, Peter Dykes, Executive Director Anthony Dunlop and Non-Executive Directors Bruce Burrell and Craig Seymour.

Details of the term of office held by each Director in office as at the date of this report are as follows:

### CORPORATE GOVERNANCE STATEMENT

| Name of Director | Date Appointed | Non-executive | Independent |
|---|---|---|---|
| Peter Dykes | 8 June 2012 | No | No |
| Anthony Dunlop | 4 November 2013 | No | No |
| Bruce Burrell | 29 September 2011 | Yes | Yes |
| Craig Seymour | 19 February 2015 | Yes | Yes |

The Company's constitution provides that each Director, except for the Managing Director, must seek re-election by shareholders at least every three years if they wish to remain a Director. Any new Director appointed by the board must seek election by shareholders at the next Annual General Meeting of the Company. This complies with the ASX Listing Rules.

All of the Directors have entered into an Agreement with the Company covering the terms of their appointment, the Company's share trading policy, access to documents, Director's indemnity against liability, and Directors' and Officers' insurance.

Each Director of the Company is encouraged to have a financial interest in the Company.

**Nomination Committee**

The Company does not have a Nomination Committee.

After careful consideration the board decided that the functions of a Nomination Committee were best reserved for the full board. The full board periodically reviews board composition, succession planning, and where applicable recommends suitable Directors for appointment by the Directors and approval by shareholders. In reviewing board composition, the Committee takes note of regulatory requirements and recommendations in this area and reviews the mix of skills, experience and diversity the board considers appropriate for the Company's particular circumstances.

The board also reviews the process in place to assess the board's performance. In order to provide a specific opportunity for performance matters to be discussed with each Director, each year the Chairman conducts a formal Director review process. He meets with each Director individually to discuss issues including performance and discusses with each Director the effectiveness of the board as a whole, individual Directors and the Chairman with the intention of providing mutual feedback.

Performance is reviewed against both measurable and qualitative indicators. To assist the effectiveness of these meetings, the Chairman is provided with objective information about each Director (e.g. number of meetings attended, other current directorships etc.) and a guide for discussion to ensure consistency. The Chairman reports on the general outcome of these meetings to the board. Given the nature of the Company's activities, the Board believes that there is sufficient formality in the process of evaluation of the board, individual Directors and the Chairman.

**Independence of Directors**

The board reviews the independence of each of the Non-Executive Directors on an annual basis, taking into account the factors set out in the ASX Governance Principles, including situations where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company.

It is considered that the Executive Directors, Peter Dykes and Anthony Dunlop are not independent, however the Non-Executive Directors, Bruce Burrell and Craig Seymour are independent.

Any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted Directors do not take part in the decision-making on the relevant issue. On this basis, it is believed that their independence on all other issues is not compromised.

To assist Directors to fully meet their responsibilities to bring an independent view, the board has agreed a procedure in appropriate situations for Directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so. The results of the independent professional advice are made available to the Chairman.

**Departure from ASX Recommended Governance Principles**

The board acknowledges that the Company is not fully compliant with Principle 2 and its recommendations.

As stated above the board has, after due consideration, decided that in view of the relative small size of the Company and its operations the functions of separate committees are best reserved for the full board.

**Principle 3: Promotion of Ethical and Responsible Decision-making**

Compliance with this Principle requires that the Company should actively promote ethical and responsible decision-making.

The Company, including its Directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness, and in accordance with legal obligations. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.

The Company has approved and promulgated 2 codes, namely Corporate Principles of Conduct and a Trading Policy for Directors together with the Company's Trading Policy that the Company has for dealing in its own shares by its senior executives and employees. The Corporate Principles of Conduct include the code of conduct for Directors and senior executives and these documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and Directors.

In addition to the consideration by the board of individual Directors' independence, the Corporate Principles of Conduct sets out details of how conflicts of interest should be avoided. The Company's Directors and employees must disclose to the Company any material personal interest that they or any associate may have in a matter that relates to the affairs of the Company. Directors must inform the Company Secretary immediately they become aware of any changes to their shareholdings or directorships. Where a conflict of interest may arise, full disclosure by all interested persons must be made and appropriate arrangements followed, such that interested persons are not included in making the relevant decisions and discussions.

**Diversity**

The Company does not have a formal policy in relation to diversity regarding gender, age, ethnicity or cultural background. The board believes, after careful consideration, that in view of the small size and operations of the Company a meaningful diversity policy cannot be developed at this time.

There are currently only 3 people who contribute to the Company's affairs and each of those is a director of the Company.

At present the three people described comprise 3 males.

Except for a departure regarding diversity policy, the board believes that the Company is fully compliant with Principle 3 and its recommendations.

**Principle 4: Safeguarding Integrity in Financial Reporting**

Compliance with this Principle requires that the Company has a structure to verify and safeguard the integrity of the Company's financial reporting.

The Company has not established an Audit Committee. The functions of an Audit Committee have been reserved for the full board. These functions include overseeing the integrity of the financial reporting process and reports to the board.

The full board is responsible for reviewing:

- the Company's accounting policies;
- the content of financial statements;
- issues relating to the controls applied to the Company's activities;
- the conduct, effectiveness and independence of the external audit;
- risk management and related issues; and compliance issues.

The role of the full board in respect of its oversight of risk management issues is set out under Principle 7 below.

**Written Affirmations**

Pursuant to section 295A of the Corporations Act the board receives from the Managing Director and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration.

**External Audit**

The Company reviews the independence and competence of the Company's external auditor including reviewing any non-audit work to ensure that it does not conflict with audit independence. The full board meets with the external auditor in the absence of management.

**Departure from ASX Recommended Governance Principles**

The board acknowledges that the Company is not fully compliant with Principle 4 and its recommendations.

As stated above the board has, after due consideration, decided that in view of the relative small size of the Company and its operations the functions of separate committees are best reserved for the full board.

**Principle 5: Making Timely and Balanced Disclosure**

Compliance with this Principle requires that the Company promote timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the Company ensures that the market is advised of all information required to be disclosed under the Listing Rules which the Company believes would or may have a material effect on the price or value of the Company's securities.

The Company has developed policies and procedures designed to ensure compliance with ASX Listing Rules and Corporations Act disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is reviewed during the course of each year, taking into account best practice developments in this area.

The Company makes ASX releases on a monthly basis to meet ASX Listing Rule requirements for continuous disclosure. The board has nominated Bruce Burrell, a director, as the person responsible for communications with ASX including responsibility for ensuring compliance with ASX continuous disclosure requirements.

The board believes that the Company is fully compliant with Principle 5 and its recommendations.

**Principle 6: Respecting the Rights of Shareholders**

Compliance with this Principle requires that the Company respect the rights of shareholders and facilitate the effective exercise of those rights.

The Company is owned by its shareholders and the board's primary responsibility is to shareholders and to achieve the Company's Corporate Objectives and thus increase the Company's value.

The main communications with shareholders are the Annual and Half-Year Reports and the Annual General Meeting.

Shareholders are encouraged to attend the annual general meeting at which the external auditor is in attendance and available to answer shareholder questions on the audit and the preparation of the financial reports.

The Company does maintain a website, www.chapmansltd.com.

The board believes that the Company is fully compliant with Principle 6 and its recommendations.

**Principle 7: Recognising and Managing Risk**

Compliance with this Principle requires that the board establish a system of risk oversight and management and internal control.

The board considers that the Company has established and maintains an appropriate and sound system of risk oversight, management and internal control.

The board considers an internal audit function to be not necessary due to the nature and size of the Company's operations.

By its nature as an investment company, the Company will always carry risk because it must invest its capital in activities which are not risk free.

The Company's management is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk, human resource risk.

The board receives from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks. The board has also received reports from management as to the effectiveness of the Company's management of its material business risks.

The board believes that the Company is fully compliant with Principle 7 and its recommendations.

**Principle 8: Remunerating Fairly and Responsibly**

Compliance with this Principle requires that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is defined.

The Company has not established a Remuneration Committee. After careful consideration the board has decided that the functions of a remuneration committee are best reserved for the full board. These functions include to look after remuneration issues relating to the Non-Executive Directors, the Managing Director and other executive directors and senior executives.

Full details regarding the remuneration amounts and policies are disclosed in the Remuneration Report.

The board seeks external advice from consultants to ensure that its policies and practices are in line with external market conditions.

Executives who have been awarded shares and previous Long Term Incentive Plans that have not yet vested are prohibited from entering into transactions in associated products which limit the risk of participation in such plans.

**Departure from ASX Recommended Governance Principles**

The board acknowledges that the Company is not fully compliant with Principle 8 and it's recommendations.

As stated above the board has, after due consideration, decided that in view of the relative small size of the Company and its operations the functions of separate committees are best reserved for the full board.

**Share Trading Policy**

**Policy Introduction**

This policy deals primarily with the sale or purchase of securities in Chapmans Limited (CHP) by its employees, consultants, contractors, directors and officers (collectively referred to herein as Employees).

This policy is designed to:
- inform interested parties, such as shareholders of the CHP policy
- assist Employees to avoid conduct that is known as 'insider trading'
- ensure that when Employees do deal in securities of CHP, those dealings are fair and are seen as fair
- effect proper business controls
- comply with legal requirements

This policy applies to Employees and their nominees, agents or other associates, such as family members, family trusts and family companies.

This policy applies to:
- CHP shares
- other securities that may be issued by CHP such as options
- derivatives and other financial products that can be traded on a financial market including products created by third parties
- products which operate to limit economic risk in security holdings in CHP

This policy is intended to apply in addition to legal requirements.

**Insider Trading provisions in the Corporations Act**

The Corporations Act 2001 prohibits a person from dealing in securities if that person-
- is in possession of information that is not generally available
- knows or should know that the information is not generally available

where that information if available may have a material effect on the CHP share price

Dealing in securities means acquiring, applying for, selling or entering into an agreement to do so.

A person need not be an Employee of CHP to be guilty of insider trading. The prohibition extends to dealings by Employees through nominees, agents or other associates including family, family trusts and family companies.

There may be severe criminal and civil liability and penalties including imprisonment, imposed for breach of insider trading laws.

**Restrictions on Dealing in CHP Securities**

3.1 General Rule

Employees must not buy or sell securities in CHP while they are in possession of inside information, being information about securities in CHP which is not publicly available.

3.2 Specific prohibited dealings

In addition to the general restriction in 3.1 above there are certain periods during the year when Employees may not deal in CHP securities as set out below.

Employees are prohibited from dealing in CHP securities during the 2 weeks prior to and the day following the release of the following:

Full year results to ASX
Half-year results to ASX

These are referred to as the Closed Periods.

In addition the CHP board may impose other periods when Employees are prohibited from trading because price sensitive, non-public information may exist in relation to a matter.
Employees will be notified of these additional periods known as Prohibited Periods by memo or other correspondence from the Chairman or Managing Director.

3.3 Additional restrictions on Designated Personnel

Because the board, the Managing Director and direct reports, the company secretary or chief financial officer (collectively known as Designated Personnel) are likely to be exposed to confidential or non-public information, they are subject to additional restrictions.

Any Designated Personnel wishing to deal in CHP securities must give written notice to the Chairman or Managing Director of their intention prior to dealing in the CHP securities.

The Designated Personnel must not deal in CHP securities until written approval has been given by the Chairman or Managing Director. The Designated Personnel must complete the dealing as soon as possible and in any event, not later than 5 business days after the permission was given and, they must advise in writing the dealing and relevant details to the Chairman or Managing Director within 2 business days after the dealing.

The board may designate other parties as Employees for the purpose of this policy and will notify that person in writing accordingly.

3.4 Dealings in exceptional circumstances

An Employee who is not in possession of inside information may deal in CHP securities during a Prohibited Period if they have prior written approval of the Chairman or Managing Director. Such approval will only be given where:

- the Employee is in severe financial hardship, or
- an exceptional circumstance exists as determined by the Chairman or Managing Director.

3.5 Exceptions

This policy does not apply to:

Dealings in CHP securities already held by an Employee in a superannuation fund in which the Employee is a beneficiary where the transaction decision is made by the trustees or investment manager independently of the Employee.
Dealings by an investment fund or other scheme where the assets are invested at the discretion of a third party.
Acceptance of a takeover offer.
Participating in a pro rata rights issue, a security purchases plan, a dividend reinvestment plan and an equal access share buy-back approved by the board.
The exercise of an option (but not the subsequent sale of a share arising from the exercise) or a right under an employee share purchase scheme or conversion of a converting note in circumstances where CHP has been in an unusually long prohibited period or CHP has had a number of consecutive prohibited periods and the Employee could not reasonably be expected to have exercised at a time when free to do so.

Total prohibition on "Short Term" trading

Employees must not engage in short-term trading of any CHP securities. Short-term is defined as a purchase and sale of the same securities within a six month period.

This prohibition may be excepted by the Chairman or Managing Director in very limited circumstances, for example, employee incentive schemes if exceptional circumstances exist and written approval is obtained.

**Margin Lending**

Designated Personnel must ensure that when arranging finance for themselves or for or through associated parties, where securities of CHP are provided as security collateral that such obligations do not conflict with this policy.

Designated Personnel should ensure that the terms of a margin loan do not require dealings in CHP securities at such times when they are prohibited from dealing in CHP securities.

Margin lending is also subject to the approval requirements set out in 3.3 above.

If a Designated Personnel enters into a margin loan agreement, within 10 days of so entering the following information must be given to the Chairman or Managing Director:

- Number of securities subject to the loan arrangements.
- Trigger events for disposal of those securities.
- Any other relevant information that may be required including the ability of the Designated Personnel to meet margin calls.

Subsequently, the Designated Personnel must advise any changes to the reported information above.

**Derivatives**

Designated Personnel may only enter into transactions involving derivatives (as defined by section 761D of the Corporations Act in respect to CHP securities if the following criteria re satisfied:

- The relevant securities are fully vested.
- The derivative has a maturity date that falls outside a Prohibited Period.
- CHP is not a counter-party to the derivative.

The derivative is used for the purpose of protection of an asset value supporting a loan taken out for the purpose of exercising an option or to protect the value of the security in respect to tax liabilities that may become due and payable.

The approval requirements in section 3.3 above also apply to the use of derivatives.

The Designated Personnel must also provide evidence that the criteria set out above have been satisfied.

The board reserves the right to publicly disclose Derivative positions over CHP securities including where such disclosure is not required under the law.

**Compliance with this Policy**

It is the responsibility of each Employee to comply with this policy.

Any Employee may be asked to confirm compliance with this policy or to provide confirmation of their dealings in CHP securities.

Any breach of this policy is serious and will be dealt with.

# CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### DIRECTORS' REPORT

Your directors present their report, together with the financial statements of Chapmans Limited ('the company') and its controlled entities ('the consolidated group') as at and for the financial year ended 31 December 2014.

**Principal Activities and Significant Changes in Nature of Activities**

The principal activities of the consolidated group during the financial year were general and share investment and evaluation of investment, mineral exploration, property and venture capital projects.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

**Operating Results and Review of Operations for the Year**

**Operating Results**

The consolidated loss of the consolidated group amounted to $2,135,782 (2013: $378,969 loss). Further discussion on the consolidated group's operations is provided below.

**Review of Operations**

i. **Chapmans Corporate Advisory Pty Ltd**

On 31 July 2014, the company incorporated Chapmans Corporate Advisory Pty Ltd, a wholly owned subsidiary. Chapmans Corporate Advisory Pty Limited was established to provide corporate advisory consulting services on a fee for service basis.

ii. **Coal profit share project**

On 2 December 2013, the company entered into a agreement with JatEnergy Limited. Under the terms of the agreement the invested $200,000 to assist JatEnergy Limited via a wholly owned subsidiary and its JV partner to recommence production of a coal asset in Indonesia. On 15 December 2014, the company commenced proceedings against JatEnergy Limited in the district court of NSW for breach of contract.

iii. **Share placements**

On 14 March 2014 the company issued 287.5M shares at $0.002 per share to raise $575,000 in new capital.

On 4 June 2014 the company issued 402.5M shares at $0.002 per share to raise $805,000 in new capital.

On 17 September 2014 the company issued 5.0M shares at $0.02 per share to raise $100,000 in new capital.

On 11 November 2014 the company issued 12.25M shares at $0.01 per share to raise $112,500 in new capital.

iii. **Share portfolio**

The group holds a portfolio of shares in companies listed on the Australian Securities Exchange (ASX) that have a market value of $2,645,331 at 31 December 2014.

During the year share disposals resulted in losses of $271,399 which are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

**Significant Changes in State of Affairs**

The following significant changes in the state of affairs of the company occurred during the financial year:

- The company issued a total of 707,250,000 new shares during the year as set out in note 18 to the financial statements

Changes in controlled entities and divisions:

- During the year Chapmans Corporate Advisory Pty Limited was incorporated.

**Dividends Paid or Recommended**

No dividends were paid or declared for payment during the financial year.

**Events after the Reporting Period**

On February 2015 the Company issued 67,750,000 shares at 1 cent per share and 50,000,000 shares at 0.5 cents per share.

On 20 February 2015 the Company sold its remaining 28,896,750 shares in Tempo Australia Limited for $1,200,000. The funds were used to repay secured debt as detailed in note 16.

**Future Developments, Prospects and Business Strategies**

Future developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

**Environmental Issues**

The consolidated group's operations are not subject to any particular and significant regulation under a law of the Commonwealth or of a State or Territory.

**Information on Directors**

**Peter Dykes**

Peter was appointed as a director on 8 June 2012. Peter has 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.

Peter has Bachelor of Business (Accountancy) and is a Fellow of the Tax Institute of Australia.

Peter is the executive Chairman of the company and holds a relevant interest in 16,915,050 shares in the Company.

During the past three years he has acted and/or is currently a non-executive director of the following Australian listed companies:

- Exalt Resources Limited (30 November 2012 to present);
- Tempo Australia Limited (17 March 2010 to 4 November 2013);
- YPB Limited (formerly AUV Enterprises Limited) (2 August 2012 to 31 July 2014); and
- SkyFii Limited (formerly) RKS Consolidated Limited (12 February 2013 to 20 November 2014).

**Bruce Burrell**

Bruce was appointed as a director on 29 September 2011 and company secretary on May 2013. Bruce has over 30 years experience in the ASX listed public company sector. He is an experienced company director, company secretary and accountant. He is the company secretary of the following listed companies Buccaneer Energy Limited and Metal Storm Limited. He is the executive chairman of the unlisted public company Starlight Holdings Limited.

Bruce holds a master of business administration degree and is a fellow of CPA Australia.

Bruce is the company secretary of the company and holds a relevant interest in 6,898,478 shares in the Company.

During the past three years he has acted and/or is currently a non-executive director of the following Australian listed companies:

- Sunvest Corporation Limited (30 September 1996 to present);
- Longreach Oil Limited (7 October 2011 to 30 September 2013);
- Southern Cross Exploration N L (26 February 2013 to 29 May 2013); and
- Metal Storm Limited (subject to deed of company arrangement) (14 Sept 2012 to present)

### Anthony Dunlop

Anthony was appointed as a director on 4 November 2013. Anthony has 25 years banking, finance and corporate advisory 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, new product development, wholesale funding and risk management.

Anthony is an executive director of Company and holds a relevant interest in 2,500,000 shares in the Company.

During the past three years, Anthony has acted as director of the Australian listed public company;

- SkyFii Limited (formerly) RKS Consolidated Limited (12 February 2013 to 20 November 2014).

### Craig Seymour

Craig was appointed as a director on 19 February 2015. Craig has a Bachelor of Commerce from the University of Tasmania, a Master of Marketing degree from Monash University and is a qualified Chartered Accountant.

Craig is a non-executive director of the company and does not hold any shares in the company.

During the past three years, Craig has not acted as a director of any other Australian listed public company.

### Meetings of Directors

During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | |
|---|---|---|
| | Number eligible to attend | Number attended |
| Peter Dykes | 12 | 12 |
| Bruce Burrell | 12 | 12 |
| Anthony Dunlop | 12 | 12 |

### Indemnifying Officers or Auditor

No indemnities have been given during, or since the end of, the financial year for the officers or auditors of the Group.

### Options

At the date of this report there are no unissued shares of the company under option.

### Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

### Non-audit Services

No non-audit services have been provided during, or since the end of, the financial year by I J Lamb & Co to the Group.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2014 has been received and can be found on page 18 of the financial report.

## REMUNERATION REPORT (AUDITED)

**Remuneration Policy**

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.

### Remuneration Details for the Year Ended 31 December 2014

The following table of benefits and payments details, in respect to the 2014 and 2013 financial years, the components of remuneration for each member of KMP of the consolidated group:

### Table of Benefits and Payments for the Year Ended 31 December 2014

| | Short-term Benefits | | | | Post-employment Benefits | | Long-term Benefits | | Equity-settled Share-based Payments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary, Fees and Leave | Profit Share and Bonuses | Non-monetary | Other | Pension and Superannuation | Other | Incentive Plans | LSL | Shares/ Units | Options/ Rights | Cash-settled Share-based Payments | Termination Benefits | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| *2014* | | | | | | | | | | | | | |
| Peter Dykes | 240,000 | - | - | - | 16,900 | - | - | - | - | - | - | - | 256,900 |
| Anthony Dunlop | 240,000 | - | - | - | 16,900 | - | - | - | - | - | - | - | 256,900 |
| Bruce Burrell | 27,333 | - | - | - | - | - | - | - | - | - | - | - | 27,333 |
| Total | 507,333 | - | - | - | 33,800 | - | - | - | - | - | - | - | 541,133 |
| *2013* | | | | | | | | | | | | | |
| Peter Dykes | 118,700 | - | - | - | - | - | - | - | - | - | - | - | 118,700 |
| Bruce Burrell | 105,500 | - | - | - | - | - | - | - | - | - | - | - | 105,500 |
| Anthony Dunlop | 13,200 | - | - | - | - | - | - | - | - | - | - | - | 13,200 |
| Boris Ganke | 11,432 | - | - | - | - | - | - | - | - | - | - | - | 11,432 |
| Karen Skelton | 41,416 | - | - | - | - | - | - | - | - | - | - | - | 41,416 |
| John Houston | 11,500 | - | - | - | - | - | - | - | - | - | - | - | 11,500 |
| Robert Crossman | 8,000 | - | - | - | - | - | - | - | - | - | - | - | 8,000 |
| Total | 309,748 | - | - | - | - | - | - | - | - | - | - | - | 309,748 |

### Options and Rights Issued as Remuneration

No options or rights were issued as remuneration during the year ended 31 December 2014 (2013: Nil).

This concludes the audited remuneration report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

On behalf of the directors of Chapmans Limited

Peter Dykes

Director

Dated: 31 March 2015

# CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CHAPMANS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

I J Lamb & Co

FCA

I J Lamb

Partner

Date: 31 March 2015

# CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | $ | $ |
| **Continuing operations** | | | |
| Other income | 3 | 960,114 | 1,044,326 |
| Director remuneration | | (541,333) | (432,000) |
| Consultancy fees | | (478,799) | (590,551) |
| Depreciation and amortisation expense | | (333) | (830) |
| Finance costs | | (391,658) | (159) |
| Loss on disposal of shares | | (271,399) | (194,144) |
| Impairment of unlisted investments | | (518,056) | (350) |
| Other expenses | | (894,318) | (196,641) |
| **Profit before income tax** | 4 | (2,135,782) | (378,969) |
| Tax expense | 5 | - | - |
| **Net loss from continuing operations** | | (2,135,782) | (378,969) |
| **Discontinued operations** | | | |
| Profit/(Loss) from discontinued operations after tax | 6 | - | - |
| **Net loss for the year** | 4 | (2,135,782) | (378,969) |
| | | | |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Fair value loss on available-for-sale financial assets, net of tax | 5b | (154,471) | (157,284) |
| **Other comprehensive income for the year** | | (154,471) | (157,284) |
| **Total comprehensive income for the year** | | (2,290,253) | (536,253) |
| Net loss attributable to: | | | |
| Members of the company | | (2,135,782) | (378,969) |
| Non-controlling interest | | - | - |
| | | (2,135,782) | (378,969) |
| Total comprehensive income attributable to: | | | |
| Members of the company | | (2,290,253) | (536,253) |
| Non-controlling interest | | - | - |
| | | (2,290,253) | (536,253) |
| **Earnings per share** | | | |
| From continuing and discontinued operations: | | | |
| Basic and diluted earnings per share (cents) | 9 | ($0.004) | ($0.001) |
| ***From continuing operations:*** | | | |
| Basic earnings per share (cents) | 9 | ($0.004) | ($0.001) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | $ | $ |
| Diluted earnings per share (cents) | 9 | ($0.004) | ($0.001) |
| ***From discontinued operations:*** | | | |
| Basic earnings/(loss) per share (cents) | 9 | - | - |

The accompanying notes form part of these financial statements.

# CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

| | Note | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | 6,418 | 1,918,647 |
| Trade and other receivables | 11 | 200,000 | 33,083 |
| Available for sale financial assets | 12 | 2,645,331 | 649,006 |
| TOTAL CURRENT ASSETS | | 2,851,749 | 2,600,736 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 13 | 667 | 1,000 |
| Investment in profit share venture | 14 | 200,000 | 200,000 |
| Deferred tax assets | 17 | 311,600 | 311,600 |
| TOTAL NON-CURRENT ASSETS | | 512,267 | 512,600 |
| TOTAL ASSETS | | 3,364,016 | 3,113,336 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 383,384 | 565,671 |
| Borrowings | 16 | 2,689,260 | 1,810,345 |
| TOTAL CURRENT LIABILITIES | | 3,072,644 | 2,376,016 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 16 | 241,805 | - |
| TOTAL NON-CURRENT LIABILITIES | | 241,805 | - |
| TOTAL LIABILITIES | | 3,314,449 | 2,376,016 |
| NET ASSETS | | 49,567 | 737,320 |
| **EQUITY** | | | |
| Issued capital | 18 | 14,556,394 | 12,953,894 |
| Reserves | 28 | (421,071) | (266,600) |
| Accumulated losses | | (14,085,756) | (11,949,974) |
| TOTAL EQUITY | | 49,567 | 737,320 |

The accompanying notes form part of these financial statements.

## CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | Share Capital | Other Reserves | Accumulated Losses | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 1 January 2014** | | **12,953,894** | **(266,600)** | **(11,949,974)** | **-** | **737,320** |
| Loss for the year | | - | - | (2,135,782) | | (2,135,782) |
| *Other comprehensive income* | | - | - | - | | - |
| Net change in fair value of available-for-sale financial assets | | - | (154,471) | - | | (154,471) |
| **Total comprehensive income for the year** | | - | (154,471) | (2,135,782) | | (2,290,253) |
| Shares issued | | 1,602,500 | - | - | | 1,602,500 |
| Disposal of subsidiary | | - | - | - | | - |
| **Balance at 31 December 2014** | | 14,556,394 | (421,071) | (14,085,756) | | 49,567 |

| | Note | Share Capital | Other Reserves | Accumulated Losses | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 1 January 2013** | | **11,523,893** | **(20,218)** | **(10,645,130)** | **(126,407)** | **732,138** |
| Loss for the year | | - | - | (378,969) | - | (378,969) |
| *Other comprehensive income* | | | | | | |
| Net change in fair value of available-for-sale financial assets | | - | (157,284) | - | - | (157,284) |
| **Total comprehensive income for the year** | | - | (157,284) | (378,969) | - | (536,253) |
| Shares issued | | 1,430,001 | - | - | - | 1,430,001 |
| Disposal of subsidiary | | - | (89,098) | (925,875) | 126,407 | (888,566) |
| **Balance at 31 December 2013** | | 12,953,894 | (266,600) | (11,949,974) | - | 737,320 |

The accompanying notes form part of these financial statements.

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | $ | $ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 692,961 | 45,500 |
| Interest Received | | 17,153 | - |
| Payments to suppliers and employees | | (2,321,164) | (758,886) |
| GST refunds | | 21,624 | 57,329 |
| Interest paid | | (302,398) | (159) |
| Net cash used in operating activities | 23 | (1,891,824) | (656,216) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Dividends received | | - | 148 |
| Payments for available for sale financial assets | | (3,023,056) | (1,000,834) |
| Proceeds from sale of available for sale financial assets | | 493,681 | 43,479 |
| Net cash used in investing activities | | (2,529,375) | (957,207) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 1,602,500 | 1,430,000 |
| Proceeds from borrowings - unsecured | | 341,815 | 204,793 |
| Proceeds from borrowings - secured | | 564,655 | 1,810,345 |
| Net cash provided by financing activities | | 2,508,970 | 3,445,138 |
| Net increase in cash and cash equivalents held | | (1,912,229) | 1,831,715 |
| Cash and cash equivalents at beginning of financial year | | 1,918,647 | 86,932 |
| Cash and cash equivalents at end of financial year | 10 | 6,418 | 1,918,647 |

The accompanying notes form part of these financial statements.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

These consolidated financial statements and notes represent those of Chapmans Limited ('the company') and Controlled Entities ('the consolidated group').

The separate financial statements of the parent entity, Chapmans Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on by the directors of the Company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Changes in accounting policies**

The group had to change some of its accounting policies as a result of the new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principals of consolidation - new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, and;

*(i) Principals of consolidation - subsidiaries and joint arrangements*

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation - Special Purpose Entities. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to exercise that control.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

b. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Chapmans Limited at the end of the reporting period. Control is achieved when the consolidated group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the consolidated group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the consolidated group has less than a majority of the voting or similar rights of an investee, the consolidated group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The consolidated group's voting rights and potential voting rights.

The consolidated group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the consolidated group's accounting policies.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the consolidated group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The consolidated group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the consolidated group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the consolidated group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

c. **Income Tax**

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. **Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Office equipment | 30% – 40% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases. All other leases are classified as operating leases.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

f. **Financial Instruments**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iii) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

At the end of each reporting period, the consolidated group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. **Impairment of Assets**

At the end of each reporting period, the consolidated group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. **Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the consolidated group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. **Employee Benefits**

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. All other employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

j. **Provisions**

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of 3 months or less.

l. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method.

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

All revenue is stated net of the amount of goods and services tax.

m. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses.

n. **Profit Sharing Arrangements**

Profit sharing arrangements which entitle the consolidated group to a percentage of expected future revenue streams are accounted for at the fair value of the consideration paid, which is calculated as the value of costs incurred by the consolidated group in acquiring the asset.

o. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

p. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

q. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or 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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

r. **Fair value**

The consolidated group measures financial instruments and non-financial assets at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the consolidated group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The consolidated group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the consolidated group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

s. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

t. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

**Key estimates**

(i) *Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the consolidated group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

u. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– *AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances

- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

The consolidated group has not yet assessed the impact of this standard.

— *AASB 2014 -1 Amendments to Australian Accounting Standards [Part A] (applicable for annual reporting periods commencing on or after 1 July 2014)*

Part A of this Standard makes various amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle, including:

— AASB 1 – clarification in the basis of conclusion.
— AASB 2 – amendments to certain definitions contained within the standard.
— AASB 3 – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date and clarification that AASB 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
— AASB 8 – amendments to disclosures.
— AASB 13 – clarification regarding the measurement of short-term receivables and payables and clarification that the scope of the portfolio exception in paragraph 52 of AASB 13 includes all contracts accounted for within the scope of AASB 139 or AASB 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in AASB132.
— AASB 116 and AASB 138 – clarification that when an item of property, plant and equipment or intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
— AASB 124 – clarification that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
— AASB 140 – clarification that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 Business Combinations and investment property as defined in AASB140 Investment Property requires the separate application of both standards independently of each other.

The standard will impact the consolidated group.

- AASB 2014-1 Amendments to Australian Accounting Standards [Part B] (applicable for annual reporting periods commencing on or after 1 July 2014)

Part B of this Standard makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method applied to the gross benefit.

The standard will impact the consolidated group.

— *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 July 2016)*

  This standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset and to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The standard also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

  The standard will impact the consolidated group.

The consolidated group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

NOTE 2: PARENT INFORMATION

| | 2014 | 2013 |
|---|---|---|
| | **$** | **$** |
| The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards. | | |
| **Statement of Financial Position** | | |
| ASSETS | | |
| Current assets | 2,851,749 | 2,600,736 |
| Non-current assets | 512,267 | 512,600 |
| TOTAL ASSETS | 3,364,016 | 3,113,336 |
| LIABILITIES | | |
| Current liabilities | 3,072,644 | 2,376,016 |
| TOTAL LIABILITIES | 3,072,644 | 2,376,016 |
| EQUITY | | |
| Issued capital | 14,556,394 | 12,953,894 |
| Retained losses | (14,085,756) | (11,949,974) |
| Reserves | (421,071) | (266,600) |
| TOTAL EQUITY | (49,567) | 737,320 |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total profit | (2,135,782) | (378,969) |
| Total comprehensive income | (2,290,253) | (536,253) |

**Guarantees**

Chapmans Limited has not entered into any guarantees, in the current or previous financial years, in relation to the debts of its subsidiaries.

**Contractual commitments**

At 31 December 2014, Chapmans Limited had not entered into any contractual commitments.

**Contingent liabilities**

At 31 December 2014, Chapmans Limited has no contingent liabilities.

NOTE 3: REVENUE AND OTHER INCOME

| | | Note | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|---|---|
| a. | **Revenue from continuing operations** | | | |
| | Other revenue: | | | |
| | – interest received | | | |
| | - external parties | | 17,153 | 52,468 |
| | – other revenue | | | |
| | - dividends received | | - | 161 |
| | - gain on disposal of subsidiary | | 38,184 | 991,697 |
| | Total revenue | | 55,337 | 29,115 |

NOTE 4: PROFIT FOR THE YEAR

| | | Note | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|---|---|
| | Profit before income tax from continuing operations includes the following specific expenses: | | | |
| a. | **Expenses** | | | |
| | Rental expense on operating leases: | | | |
| | – minimum lease payments | | 21,677 | 28,664 |
| | Provision for non-recovery of loans | | - | - |
| | Loss on disposal of treasury shares | | - | - |
| | Loss on sale of available for sale investments | | 271,399 | 194,144 |
| | Provision for unlisted investments | | - | - |

NOTE 5: TAX EXPENSE

| | | Note | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|---|---|
| a. | The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows: | | | |
| | Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%) | | (640,735) | (113,691) |
| | Non-deductible expenses | | - | - |
| | Non assessable income | | - | (297,590) |
| | Deferred tax assets not brought to account | | 640,735 | 411,281 |
| | Income tax attributable to entity | | - | - |

NOTE 5: TAX EXPENSE

b. Tax effects relating to each component of other comprehensive income:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Before-tax Amount | Tax (Expense) Benefit | Net-of-tax Amount | Before-tax Amount | Tax (Expense) Benefit | Net-of-tax Amount |
| **Consolidated Group** | | | | | | |
| Financial assets revaluation | (154,471) | - | (154,471) | (157,284) | - | (157,284) |

NOTE 6: DISCONTINUED OPERATIONS

On 21 August 2013, Hallmark Minerals NL appointed William Buck as Administrators of the company under section 436A of the Corporations Act 2001. On 28 November 2013 Hallmark Minerals NL was placed into liquidation.

Financial information relating to the discontinued operation to the date of appointment of administrators is set out below.

| | Consolidated Group | |
|---|---|---|
| | 2014 | 2013 |
| | $ | $ |
| Revenue | - | - |
| Expenses | - | - |
| Loss before income tax | - | - |
| Income tax expense | - | - |
| Loss attributable to members of the parent entity | - | - |

The net cash flows of the discontinued operations, which have been incorporated into the statement of cash flows, are as follows:

| | | |
|---|---|---|
| Net cash inflow/(outflow) from operating activities | - | - |
| Net cash inflow from investing activities | - | - |
| Net cash (outflow)/inflow from financing activities | - | - |
| Net cash increase in cash generated by the discontinued division | - | - |

Gain on disposal of the subsidiary is included in the gain from discontinued operations per the statement of profit or loss and other comprehensive income.

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated group's key management personnel (KMP) for the year ended 31 December 2014.

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to KMP of the company and the consolidated group during the year are as follows:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 541,133 | 309,748 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Total KMP compensation | 541,133 | 309,748 |

**KMP Options and Rights Holdings**

There are no options over ordinary shares held by any KMP of the Group during, or at the end of, the financial year.

**KMP Shareholdings**

The number of ordinary shares in Chapmans Limited held by each KMP of the Group during the financial year is as follows:

| 31 December 2014 | Balance at Beginning of Year | Granted as Remuneration during the Year | Issued on Exercise of Options during the Year | Other Changes during the Year | Balance at End of Year |
|---|---|---|---|---|---|
| Peter Dykes | 23,227,888 | - | - | (6,312,838) | 16,915,050 |
| Bruce Burrell | 58,359,771 | - | - | (51,461,293) | 6,898,478 |
| Anthony Dunlop | - | - | - | 2,500,000 | 2,500,000 |

| 31 December 2013 | Balance at Beginning of Year | Granted as Remuneration during the Year | Issued on Exercise of Options during the Year | Other Changes during the Year | Balance at End of Year |
|---|---|---|---|---|---|
| Peter Dykes | 23,127,888 | - | - | 100,000 | 23,227,888 |
| Bruce Burrell | 43,000,000 | - | - | 15,359,771 | 58,359,771 |
| Anthony Dunlop | - | - | - | - | - |
| Boris Ganke | 1,550,000 | - | - | - | 1,550,000 |
| Robert Crossman | - | - | - | - | - |
| John Houston | - | - | - | - | - |
| Karen Skelton | 2,450,000 | - | - | (1,750,000) | 700,000 |

**Other KMP Transactions**

There have been no transactions involving equity instruments with any KMP during the year (2013: Nil)

NOTE 8: AUDITORS' REMUNERATION

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|
| Remuneration of the auditor for: | | |
| – auditing the financial statements | 10,000 | 10,000 |

NOTE 9: EARNINGS PER SHARE (EPS)

| | Consolidated Group 2014 | Consolidated Group 2013 |
|---|---|---|
| Earnings used in the calculation of basic and diluted EPS from continuing operations | (2,135,782) | (378,969) |
| Earnings used to calculate basic and dilutive EPS from discontinuing operations | - | - |
| | **No.** | **No.** |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 608,835,616 | 303,123,288 |
| Effect of dilution | - | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS | 608,835,616 | 303,123,288 |

NOTE 10: CASH AND CASH EQUIVALENTS

| | Note | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|---|
| Cash at bank and on hand | 26 | 6,418 | 1,918,647 |

| | Note | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|---|
| NOTE 11: TRADE AND OTHER RECEIVABLES | | | |
| CURRENT | | | |
| Trade receivables | | - | 23,083 |
| Deposits | | 100,000 | - |
| Loans – other | | 100,000 | 42,398 |
| Provision for non-recovery of loans | | - | (32,398) |
| | | 200,000 | 33,083 |

**Credit risk**

The consolidated group 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 group.

The following table details the consolidated group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the consolidated group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the consolidated group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross Amount | Past Due and Impaired | Past Due but Not Impaired (Days Overdue) < 30 | 31–60 | 61–90 | > 90 | Within Initial Trade Terms $000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| Trade receivables | - | - | - | - | - | - | - |
| Other receivables | 200,000 | - | - | - | - | - | 200,000 |
| Total | 200,000 | - | - | - | - | - | 200,000 |
| **2013** | | | | | | | |
| Trade receivables | 42,398 | 32,398 | - | - | - | - | 10,000 |
| Other receivables | 23,083 | - | - | - | - | - | 23,083 |
| Total | 65,481 | 32,398 | - | - | - | - | 33,083 |

## CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

NOTE 12: AVAILABLE FOR SALE FINANCIAL ASSETS

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2014** | **2013** |
| | | **$** | **$** |
| CURRENT | | | |
| Shares in listed companies | | 2,645,331 | 649,006 |

NOTE 13: PLANT AND EQUIPMENT

| | Consolidated Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| **Office equipment** | | |
| At cost | 4,063 | 4,063 |
| Accumulated depreciation | (3,396) | (3,063) |
| Total office equipment | 667 | 1,000 |
| Total plant and equipment | 667 | 1,000 |

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

| | Office Equipment |
|---|---|
| | **$** |
| **Consolidated Group:** | |
| Balance at 1 January 2012 | 1,830 |
| Additions | - |
| Disposals | - |
| Depreciation expense | (830) |
| Balance at 31 December 2013 | 1,000 |
| Additions | - |
| Disposals | - |
| Depreciation expense | (333) |
| Balance at 31 December 2014 | 667 |

NOTE 14: INVESTMENT IN PROFIT SHARE VENTURE

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | $ | $ |
| Investment in profit share venture | 14a | 200,000 | 200,000 |

a. **Key terms of the profit share venture**

The key terms of the profit share agreement between the company and JAT Energy Limited are as follows:

- the company paid $200,000 to JAT Energy Limited in order to secure an entitlement to future profits of the coal mining operations of JAT Energy Limited (through its subsidiary PT Barata Energy in Indonesia).
- the distribution of income from the coal mining project will be shared between the company and JAT Energy in the following proportions:
  - 70% Chapmans Limited 30% JAT Energy Limited until Chapmans has received AUD $200,000 then;
  - 30% Chapmans Limited 70% JAT Energy Limited until JAT Energy Limited has received an additional AUD$200,000, or equal to the cumulative income of Chapmans Limited is equal to the cumulative income of JAT Energy Limited, then;
  - Income shared 50/50 between Chapmans Limited and JAT Energy Limited.

NOTE 15: TRADE AND OTHER PAYABLES

| | Note | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|---|
| CURRENT | | | |
| Unsecured liabilities: | | | |
| Trade payables | | 244,126 | 313,111 |
| Sundry payables and accrued expenses | | 139,258 | 252,560 |
| Amounts payable to related parties | 25 | - | - |
| | | 383,384 | 565,671 |

a. **Financial liabilities at amortised cost classified as trade and other payables**

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Trade and other payables: | | | |
| – total current | | 383,384 | 565,671 |
| – total non-current | | - | - |
| Financial liabilities as trade and other payables | 26 | 383,384 | 565,671 |

NOTE 16: BORROWINGS

| | Note | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|---|
| CURRENT | | | |
| Unsecured liabilities: | | | |
| Loans – related parties | | - | - |
| Loans - other | | - | - |
| | | - | - |
| Secured liabilities: | | | |
| Loans - other | 16 | 2,689,260 | 1,810,345 |
| Total current borrowings | 26 | 2,689,260 | 1,810,345 |
| NON CURRENT | | | |
| Secured liabilities: | | | |
| Loans - other | 16 | 241,805 | - |
| Total current borrowings | | 241,805 | - |

NOTE 16: BORROWINGS

a. **Key terms of the commercial loan facility**

The key terms of the commercial loan facility are set out below:

- The original loan term was due to be repaid on 25 February 2015 and is now due and payable on 31 May 2015;
- The interest is the indicator rate published from time to time by ANZ Banking Group Ltd on bank bills with tenor of 90 days plus 1% per annum;
- Interest is payable on 31 May 2015;
- The lender has the right, but not the obligation, to convert all or part of the advanced funds into ordinary shares of the company on the following conditions:
  - Conversion of part or all of the debt into the company's shares will be subject to shareholder approval;
  - Conversion is subject to the Listing Rules of the ASX amended from time to time;
  - The conversion will be at a 15% discount of the volume weighted average price of the company's share price on the last five trading days immediately prior to the notice of conversion.

NOTE 17: TAX

| | Consolidated Group | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| **Deferred tax assets** | | |
| Balance at the beginning of the year | 311,600 | 311,600 |
| Tax benefits utilised during the year | - | - |
| Balance at the end of the year | 311,600 | 311,600 |

NOTE 18: ISSUED CAPITAL

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|
| 132,250,000 (2013: 460,000,000) fully paid ordinary shares | 14,556,394 | 12,953,894 |

The company has authorised share capital amounting to 460,000,000 ordinary shares.

| | | Consolidated Group 2014 No. | Consolidated Group 2013 No. |
|---|---|---|---|
| a. | **Ordinary Shares** | | |
| | At the beginning of the reporting period: | 460,000,000 | 242,500,000 |
| | Shares issued during the year | 707,250,000 | 217,500,000 |
| | Consolidation 10:1 | (1,035,000,000) | - |
| | At the end of the reporting period | 132,250,000 | 460,000,000 |

The following shares were issued during the year:

| Date of issue | Number issued | Issue price |
|---|---|---|
| 14 March 2014 | 287,500,000 | $0.002 |
| 4 June 2014 | 402,500,000 | $0.002 |
| 17 September 2014 | 5,000,000 | $0.02 |
| 11 November 2014 | 12,250,000 | $0.01 |

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value.

b. **Capital Management**

The directors control the capital of the consolidated group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the consolidated group can fund its operations and continue as a going concern.

The consolidated group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The consolidated group is not subject to any externally imposed capital requirements.

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

There have been no changes in the strategy adopted by the directors to control the capital of the consolidated group since the prior year.

NOTE 19: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%)* | |
|---|---|---|---|
| | | **2014** | **2013** |
| Subsidiaries of Chapmans Limited: | | | |
| Hallmark Minerals N L | Australia | - | - |
| Gladstone Development Pty Limited | Australia | 100 | 100 |
| Chapmans Corporate Advisory Pty Ltd | Australia | 100 | - |

* *Percentage of voting power is in proportion to ownership*

b. **Principal Activities**

The principal activities of Hallmark Mineral N L was investing and operating mining related business. The principal activities of Gladstone Development Pty Limited is investing in Property related businesses, including property development.

c. **Disposal of Controlled Entities**

On 21 August 2013, the parent entity disposed of its 72% interest in Hallmark Minerals N L. The total gain recognised in respect of the disposal of Hallmark Minerals N L in the consolidated statement of profit or loss and other comprehensive income amounted to $991,697. No remaining interest in the entity was held by any member of the consolidated entity.

NOTE 20: NON CONTROLLING INTEREST

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2014** | **2013** |
| | | **$** | **$** |
| Share capital | | - | - |
| Reserves | | - | - |
| Retained losses | | - | - |
| | | - | - |

On 21 August 2013, Hallmark Minerals NL appointed William Buck as Administrators of the company under section 436A of the Corporations Act 2001. On 28 November 2013 Hallmark Minerals NL was placed into liquidation.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

| | | Note | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|---|---|
| b. | **Operating Lease Commitments** | | | |
| | Non-cancellable operating leases contracted for but not recognised in the financial statements | | | |
| | Payable – minimum lease payments: | | | |
| | – not later than 12 months | | 9,000 | 9,000 |
| | – between 12 months and five years | | - | - |
| | – later than five years | | - | - |
| | | | 9,000 | 9,000 |

NOTE 21: CAPITAL AND LEASING COMMITMENTS

The Group leases two premises. One office lease expired on 14 October 2013 and the Group did not enter into a new lease. This premises is occupied on a month-to-month arrangement.

The other office lease commenced on 10 March 2014 and expired on 9 September 2014 and the Group did not enter into a new lease. This premises is occupied on a month-to-month arrangement.

NOTE 22: OPERATING SEGMENTS

The consolidated group's operating segments have been identified based on the segments analysed within management reports. Based on this criteria it has been determined that the consolidated group only operates in one segment being the investment segment, which includes general and share investment and evaluation of investment, mineral exploration, property and venture capital projects.

The Group operates as an investment company in Australia.

NOTE 23: CASH FLOW INFORMATION

| | | Consolidated Group 2014 | Consolidated Group 2013 |
|---|---|---|---|
| a. | **Reconciliation of Cash Flow from Operations with Profit after Income Tax** | | |
| | Loss after income tax | (2,135,782) | (378,969) |
| | Non-cash flows in profit: | | |
| | – depreciation | 333 | 830 |
| | – loss on sale of investments | 271,399 | 126,500 |
| | – loss on disposal of treasury shares | - | - |
| | – provision for non-recovery of loans | - | - |
| | – provision for unlisted investments | 518,056 | - |
| | – gain on disposal of subsidiary | - | (991,697) |
| | Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| | – (increase)/decrease in trade and other receivables | (166,917) | 326,644 |
| | – increase/(decrease) in trade payables and accruals | (182,287) | 460,476 |

NOTE 23: CASH FLOW INFORMATION

| | Consolidated Group | |
|---|---|---|
| | 2014 | 2013 |
| – increase/(decrease) in financial liabilities | 878,915 | - |
| - increase/(decrease) in financial assets | (1,075,541) | (200,000) |
| Cash flow from operations | (1,891,824) | (656,216) |

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 19 February 2015 the Company issued 67,750,000 shares at 1 cent per share and 50,000,000 shares at 0.5 cents per share.

On 20 February 2015 the Company sold its remaining 28,896,570 shares in Tempo Australia Limited for $1,200,000. The funds were used to repay secured debt as detailed in Note 16.

NOTE 25: RELATED PARTY TRANSACTIONS

**Related Parties**

a. **The Group's main related parties are as follows:**

(i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the consolidated group is Chapmans Limited, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 7: Key Management Personnel Compensation.

b. **Transactions with related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No transactions occurred with related parties during the year ended 31 December 2014.

NOTE 26: FINANCIAL RISK MANAGEMENT

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2014 | 2013 |
| | | $ | $ |
| **Financial assets** | | | |
| Cash and cash equivalents | 10 | 6,418 | 1,918,647 |
| Loans and receivables | 11 | 200,000 | 33,083 |
| Available-for-sale financial assets: | | | |
| – at fair value: | | | |
| - listed investments | 12 | 2,645,331 | 649,006 |
| – at written down value: | | | |
| - unlisted investments | 12 | - | - |
| Total available-for-sale financial assets | 12 | 2,645,331 | 649,006 |
| **Total financial assets** | | 2,645,331 | 2,600,736 |
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost: | | | |
| – trade and other payables | 15 | 383,384 | 565,671 |
| – borrowings | 16 | 2,689,260 | 1,810,345 |
| **Total financial liabilities** | | 3,072,644 | 2,376,016 |

**Financial Risk Management Policies**

The Board of Directors manage financial risk exposures of the consolidated group. The board monitors the consolidated group'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.

**Specific Financial Risk Exposures and Management**

The main risks the consolidated group 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 group 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.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated group

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.

*Credit risk exposures*

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

NOTE 26: FINANCIAL RISK MANAGEMENT

of any provisions) as presented in the statement of financial position.

There are no amounts of collateral held as security at 31 December 2014 (2013: Nil).

The consolidated group has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 11.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 11.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the consolidated group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated group 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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that commercial loan facilities will be rolled forward.

*Financial liability and financial asset maturity analysis*

| | **Within 1 Year** | | **1 to 5 Years** | | **Over 5 Years** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Consolidated Group** | | | | | | | | |
| **Financial liabilities due for payment** | | | | | | | | |
| Bank loans | 2,689,260 | 1,810,345 | | - | - | - | 2,689,260 | 1,810,345 |
| Trade and other payables | 383,384 | 565,671 | | - | - | - | 383,384 | 565,671 |
| Total expected outflows | 3,072,644 | 2,376,016 | | - | - | - | 3,072,644 | 2,376,016 |
| **Financial assets – cash flows realisable** | | | | | | | | |
| Cash and cash equivalents | 6,418 | 1,918,647 | | - | - | - | 6,418 | 1,918,647 |
| Trade and loan receivables | 200,000 | 33,083 | | - | - | - | 200,000 | 33,083 |
| Total anticipated | 206,418 | 1,951,730 | | - | - | - | 206,418 | 1,951,730 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| inflows | | | | | | | | |
| Net (outflow)/ inflow on financial instruments | (2,866,226) | 424,286 | - | - | - | - | (2,866,226) | 424,286 |

*Financial assets pledged as collateral*

No assets have been pledged as collateral as at the date of this report (2012: Nil).

c. **Market risk**

(i) *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 group has significant borrowings these borrowings are subject to a fixed rate of interest and therefore are not exposed to interest rate risk.

(ii) *Equity price risk*

Equity price risk is the risk that changes in equity prices will affect the consolidated group'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.

d. **Sensitivity analysis**

The following table illustrates sensitivities to the consolidated group's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | **Consolidated Group** | |
|---|---|---|
| | **Profit** | **Equity** |
| | **$** | **$** |
| **Year ended 31 December 2014** | | |
| +/-5% in cash and cash equivalents | - | - |
| +/– 5% in listed investments | - | 132,267 |
| **Year ended 31 December 2013** | 433 | 433 |
| +/-5% in cash and cash equivalents | - | 32,450 |
| +/– 5% in listed investments | | |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

**Fair Values**

**Fair value estimation**

The directors consider that the fair value of financial assets and financial liabilities of the group approximate their carrying amount.

**Financial Instruments Measured at Fair Value**

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the

NOTE 26: FINANCIAL RISK MANAGEMENT

measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

**Consolidated Group**

| **2014** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Financial assets:** | | | | |
| Available-for-sale financial assets: | | | | |
| – listed investments | 2,645,331 | - | - | 2,645,331 |
| | 2,645,331 | - | - | 2,645,331 |
| **2013** | | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets: | | | | |
| – listed investments | 649,006 | - | - | 649,006 |
| | 649,006 | - | - | 649,006 |

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

NOTE 27: RESERVES

a. **Capital Profits Reserve**

The capital profits reserve records capital profits/(losses) from the sale of investments and other items of a capital nature.

b. **Fair Value Revaluation Reserve**

The fair value revaluation reserve records changes in fair value of available-for-sale financial assets.

c. **General Reserve**

The general reserve records the amount set aside for general purposes by a subsidiary since disposed of in a previous financial period.

NOTE 28: RESERVES

d. Analysis of Items of Other Comprehensive Income by Each Class of Reserve

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2014 $ | 2013 $ |
| **Capital profits reserve** | | | |
| Balance at the beginning of the year | | - | (91,200) |
| Transfer loss on sale of treasury shares | | - | - |
| Disposal of subsidiary | 19b | - | 91,200 |
| Balance at the end of the year | | - | - |
| **Fair value revaluation reserve** | | | |
| Balance at the beginning of the year | | (266,600) | (109,316) |
| Change in fair value of listed investments | | (154,471) | (157,284) |
| Balance at the end of the year | | (421,071) | (266,600) |
| **General reserve** | | | |
| Balance at the beginning of the year | | - | 180,298 |
| Disposal of subsidiary | 19b | - | (180,298) |
| Balance at the end of the year | | - | - |
| Total | | (421,071) | (266,600) |

NOTE 27: COMPANY DETAILS

The registered office and principal place of business of the company is:

Level 10
52 Phillip Street
Sydney NSW 2000

Auditor of the company is:

I .J Lamb & Co

Bankers of the company are:

Australian and New Zealand Banking Group

## CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Chapmans Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 54, are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001*.

For and on behalf of the directors

Peter Dykes
Director

Dated this 31 day of March 2015

# CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

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

**Report on the Financial Report**

We have audited the accompanying financial report of Chapmans Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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, 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.

*Directors' 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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Chapmans Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

*Auditor's Opinion*

In our opinion:

a. the financial report of Chapmans Limited 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 2014 and of its performance for the year ended on that date; and

    ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 16 to 17 of the directors' report for the year ended 31 December 2014. 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.

*Auditor's Opinion*

In our opinion the remuneration report of Chapmans Limited for the year ended 31 December 2014 complies with s 300A of the *Corporations Act 2001*.

I J Lamb & Co

FCA

I J Lamb

31 March 2015

## CHAPMANS LIMITED AND CONTROLLED ENTITIES

## ACN 000 012 386

### ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 19 March 2014:

1. **Shareholding**

a. **Distribution of Shareholders**

| Category (size of holding): | Number of shareholders | Number of shares |
|---|---|---|
| 1 – 1,000 | 698 | 130,569 |
| 1,001 – 5,000 | 58 | 139,787 |
| 5,001 – 10,000 | 18 | 158,905 |
| 10,001 – 100,000 | 75 | 3,289,260 |
| 100,001 and over | 81 | 246,281,479 |
| | 930 | 250,000,000 |

b. **Non Marketable Parcels**

There are 857 non-marketable parcels of shares as at 30 March 2015.

c. **Substantial shareholders**

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders – Ordinary Shares**

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|
| 1. Aust-sport Financial Services Pty Limited | 40,092,000 | 16.0 |
| 2. Currandooley Pty Ltd | 40,000,000 | 16.0 |
| 3. Estate of Eslie Koadlow | 27,335,000 | 10.9 |
| 4. Suanbru Pty Ltd | 25,000,000 | 10.0 |
| 5. Poipu Bay Pty Ltd | 15,185,000 | 6.1 |
| 6. PSK Consulting Pty Ltd | 15,000,000 | 6.0 |
| 7. CBN Capital Pty Ltd | 11,959,924 | 4.4 |
| 8. Mr Craig Graeme Chapman | 7,250,000 | 2.9 |
| 9. Pistachio Pty Ltd | 3,500,000 | 1.4 |
| 10. General Investment Services Pty Ltd | 3,400,000 | 1.4 |
| 11. Sunvest Corporation Limited | 3,300,000 | 1.3 |
| 12. Michael Pairidis | 3,200,000 | 1.3 |
| 13. Wecu Investments Pty Ltd | 3,200,000 | 1.3 |

| | | | |
|---|---|---|---|
| 14. | Anda Koadlow | 2,750,000 | 1.1 |
| 15. | Fund Contribution Services Pty Limited | 2,600,000 | 1.0 |
| 16. | BBY Nominees Ltd | 2,502,988 | 1.0 |
| 17. | Anthony Dunlop | 2,500,000 | 1.0 |
| 18. | GA & AM Leaver Investments Pty Ltd | 2,495,300 | 1.0 |
| 19. | First State Pty Ltd | 1,752,000 | 0.7 |
| 20. | Peter James Dykes | 1,730,050 | 0.7 |
| | | 213,752,262 | 85.5 |

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. **Company Secretary**

The name of the company secretary is Bruce David Burrell.

3. **Registered Office**

The address of the principal registered office in Australia is Level 10, 52 Phillip Street, Sydney NSW 2000.
Telephone (02) 9300 3630.

4. **Share Registry**

Security Transfer Registrars Limited
770 Canning Highway, Applecross WA 6153
Telephone: (08) 9315 2333
PO Box 535, Applecross WA 6953

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited (ASX).

The company's ASX code is CHP.

6. **Restricted Securities**

There are no restricted securities on issue by the company

7. **Buy back of shares**

The company does not have a buy-back of shares program in place.