

**For the Year Ended 31 March 2017**

**CropLogic Limited**

# CropLogic Limited

## Contents of Financial Statements

For the Year Ended 31 March 2017

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## ***Independent auditor's report***

To the shareholders of CropLogic Limited

CropLogic's consolidated financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### ***Qualified opinion***

In our opinion, except for the effects of the matter disclosed below, the consolidated financial statements of CropLogic (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

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### ***Basis for qualified opinion***

The financial statements are required to be prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as defined by the Financial Reporting Act 2013. In complying with NZ GAAP the financial statements must comply with all applicable New Zealand Equivalents to International Financial Reporting Standards. As stated in Note 1(g) to the financial statements, the Group has chosen to classify Redeemable Preference Shares as an Equity Instrument rather than Term Liability. The value of these Redeemable Preference Shares is \$3,570,600.

This constitutes a departure from New Zealand Equivalents to International Financial Reporting Standards as the classification does not comply with NZ IAS 32 Financial Instruments: Presentation as the company does not have the ability to avoid the contractual obligation to deliver economic benefits to holder should they request redemption. If the Redeemable Preference Shares were classified as a liability, this would reduce shareholders equity from a deficit of \$772,750 to a deficit of \$4,343,350, and the liabilities of the company would increase from \$2,155,090 to \$5,725,690

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.



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### *Material Uncertainty Related to Going Concern*

Without modifying our opinion, we draw attention to the disclosures made in Note 1 to the financial statements which indicates that the ability of the Group to continue in operational existence is dependent upon its ability to raise further capital. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the Directors for the consolidated financial statements*

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page7.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx)





*Who we report to*

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Robert Harris.

For and on behalf of:

A handwritten signature in blue ink, appearing to read 'Robert Harris', written over a light blue horizontal line.

Chartered Accountants  
15 June 2017

Christchurch

# CropLogic Limited

## Directory and Disclosures

As at 31 March 2017

<b>Nature of Business</b>	Crop Modelling and Forecasting Agronomy Service
<b>Registered Office</b>	Merritt House, Canterbury Agriculture and Science Centre Gerald Street, Lincoln 7608
<b>Company Number</b>	3184550
<b>Incorporation Date</b>	2 November 2010
<b>Accountants</b>	Deloitte Limited (as trustee for the Deloitte Trading Trust) 151 Cambridge Terrace Christchurch 8013
<b>Auditors</b>	PwC 60 Cashel Street Christchurch 8013

2017 Audit Fees to PwC: \$21,025.  
2017 All other Fees to PwC: Nil

### Directors

	Total Remuneration	
	2017	2016
John Beattie (Chairman)	\$ 37,500	\$ 5,625
Peter Roborgh	\$ -	\$ -
Dr Stephen Hampson	\$ -	\$ -
Steven Wakefield	\$ -	\$ -
Bruce Foulds (resigned 31/12/2015)	\$ -	\$ 61,875
Susanne Clay (resigned 14/11/2016)	\$ -	\$ 10,625

Directors are reimbursed for travel and other incidental expenses incurred in attending board meetings.

### Directors' Interests In Contracts

There have been instances of payments being made to entities in which Directors have an interest in during the financial year. These are documented in the related party note of the financial statements and have been undertaken on an arms length commercial basis.

### Directors' Insurance

The Company has arranged policies of Directors' Liability Insurance together with Deeds of Indemnity which provide cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons, incurred in their position as a Director.

### Interests Register

During the 2017 financial year there were no new particulars noted on the CropLogic Limited interests register.

# CropLogic Limited

## Directory and Disclosures

As at 31 March 2017

### Twenty Largest Shareholders as at 15 May 2017

	Total Shares	% Issued Capital
Powerhouse Ventures Limited	55,964	31.19%
NZVIF Investments Limited	31,265	17.43%
Powerhouse Nominee No.2	23,888	13.31%
Innovative Software Limited (Steven Wakefield)	18,533	10.33%
David Rankin	17,229	9.60%
Peter Roborgh	12,000	6.69%
The New Zealand Institute For Plant and Food Research	6,000	3.34%
Sam Knowles	2,908	1.62%
Bruce Kenneth Foulds	2,475	1.38%
Synco Martijn Reynders	969	0.54%
Canterbury Innovation Incubator Limited	912	0.51%
Matthew Keown	840	0.47%
Lachlan Drummond	416	0.23%
John Peterson	399	0.22%
Bruce Goodfellow	335	0.19%
Richard Bain Lindroos	300	0.17%
Gareth George	269	0.15%
Philip Andrew Holliday	249	0.14%
Westpark Trustees Limited	211	0.12%
Charles Roberts	200	0.11%
Robert Ross Craig	200	0.11%
Simon Shepherd	200	0.11%

As at 15 May 2017, the total number of shares on issue was 36,584 Ordinary Shares and 142,824 Preference Shares.

### Employee Remuneration

There were 3 employees (or former employees) who received remuneration and other benefits in excess of \$100,000 in their capacity as employees in financial year 2017. These are documented in the employees remuneration note of the financial statements .

# CropLogic Limited

## Annual Report

For the Year Ended 31 March 2017

### Approval and Issue of Financial Statements

On this date the Directors approve and issue the annual report including the attached financial statements for CropLogic Limited for the Year Ended 31 March 2017.

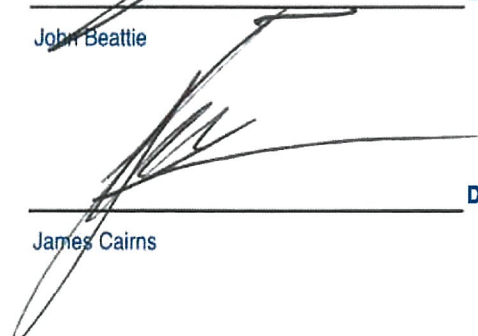
### Auditor

A unanimous resolution was passed by the company to appoint PricewaterhouseCoopers as auditor.

For and on behalf of the Board

  
\_\_\_\_\_  
John Beattie Director

Date 15/6/17

  
\_\_\_\_\_  
James Cairns Director

Date 15/6/17



# CropLogic Limited

## Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 Group \$	2016 Group \$
<b>Operating Revenue</b>			
Sales		132,572	148,189
Other Income		-	-
<b>Total Sales</b>		<b>132,572</b>	<b>148,189</b>
<b>Less Cost of Sales</b>			
Opening Stock		30,437	32,894
Purchases		65,126	52,241
Closing Stock		22,610	30,437
<b>Cost of Sales</b>		<b>72,953</b>	<b>54,698</b>
<b>Gross Surplus from Trading</b>		<b>59,619</b>	<b>93,491</b>
<b>Less Direct Costs</b>			
Customer Service Costs		61,978	15,838
Software Costs		-	-
<b>Total Direct Costs</b>		<b>61,978</b>	<b>15,838</b>
<b>Gross (Deficit) Surplus After Direct Costs</b>		<b>(2,359)</b>	<b>77,653</b>
<b>Less Expenses</b>			
Total Operating Expenses	2	1,798,704	1,394,503
<b>Operating Deficit before Other Income</b>		<b>(1,801,063)</b>	<b>(1,316,850)</b>
<b>Other Income</b>			
Foreign Currency Gains/(Losses)		(4,596)	(275)
Interest Received		810	7,622
<b>Total Other Income</b>		<b>(3,786)</b>	<b>7,347</b>
Taxation Expense (Benefit)		(140,000)	-
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Deficit</b>		<b>(1,664,849)</b>	<b>(1,309,503)</b>

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

# CropLogic Limited

## Consolidated Statement of Movements in Equity

For the Year Ended 31 March 2017

	Share Capital	Accumulated Losses	Share Option Reserve	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 April 2015</b>				
Comprehensive Income/(Deficit)	3,568,289	(2,482,121)	-	1,086,168
Total Comprehensive Income/(Deficit)	-	(1,309,503)	-	(1,309,503)
Transactions with owners in their capacity as owners:	-	(1,309,503)	-	(1,309,503)
Contributions of equity net transaction costs	573,304	-	-	573,304
Employee Share Options	-	-	73,000	73,000
	573,304	-	73,000	646,304
<b>Balance at 31 March 2016</b>	<b>4,141,593</b>	<b>(3,791,624)</b>	<b>73,000</b>	<b>422,969</b>
<b>Balance at 1 April 2016</b>				
Comprehensive Income/(Deficit)	4,141,593	(3,791,624)	73,000	422,969
Total Comprehensive Income/(Deficit)	-	(1,664,849)	-	(1,664,849)
Transactions with owners in their capacity as owners:	-	(1,664,849)	-	(1,664,849)
Contributions of equity net transaction costs	469,130	-	-	469,130
Employee Share Options	-	-	-	-
	469,130	-	-	469,130
<b>Balance at 31 March 2017</b>	<b>4,610,723</b>	<b>(5,456,473)</b>	<b>73,000</b>	<b>(772,750)</b>

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

# CropLogic Limited

## Consolidated Statement of Financial Position

As at 31 March 2017

	Note	2017 Group \$	2016 Group \$
<b>Equity</b>			
Share Capital	8	4,610,723	4,141,593
Accumulated Losses		(5,456,473)	(3,791,624)
Share Option Reserve		73,000	73,000
<b>Total Equity</b>		<b>(772,750)</b>	<b>422,969</b>
<b>Represented by:</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents		87,153	227,215
Trade and Other Receivables		33,091	44,849
Income Tax Receivable	4	215	2,037
Stock & WIP	12	24,270	32,097
<b>Total Current Assets</b>		<b>144,729</b>	<b>306,198</b>
<b>Current Liabilities</b>			
Trade and Other Payables		958,240	236,490
Short Term Loan		393,557	-
Investor Capital Received in Advance		9,500	144,180
NZ Institute for Plant & Food Research		375	375
<b>Total Current Liabilities</b>		<b>1,361,672</b>	<b>381,045</b>
<b>Working Capital</b>		<b>(1,216,943)</b>	<b>(74,847)</b>
<b>Non Current Assets</b>			
Property, Plant & Equipment	7	43,014	76,033
Intangibles	9	1,194,597	871,783
<b>Total Non Current Assets</b>		<b>1,237,611</b>	<b>947,816</b>
<b>Non Current Liabilities</b>			
Loan	10	462,065	450,000
Convertible Notes	11	331,353	-
<b>Total Non Current Liabilities</b>		<b>793,418</b>	<b>450,000</b>
<b>Net Assets</b>		<b>(772,750)</b>	<b>422,969</b>

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

# CropLogic Limited

## Consolidated Statement of Cash Flow

For the year ended 31 March 2017

Note	2017 Group	2016 Group
	\$	\$
<b>Cash Flows from Operating Activities</b>		
<b>Cash was provided from:</b>		
Receipt from Customers	144,232	146,367
Income Tax	141,822	447
Interest Income	810	-
	<u>286,864</u>	<u>146,814</u>
<b>Cash was disbursed to:</b>		
Payments to Suppliers and Employees	1,383,861	1,133,926
Interest Payments	463	-
	<u>1,384,324</u>	<u>1,133,926</u>
<b>Net Cash Flows from Operating Activities</b>	<b>(1,097,460)</b>	<b>(987,112)</b>
<b>Cash Flows from Investing Activities</b>		
<b>Cash was disbursed to:</b>		
Purchase of Fixed Assets	-	33,497
Purchase of Intangible Assets	77,000	-
	<u>77,000</u>	<u>33,497</u>
<b>Net Cash Flows from Investing Activities</b>	<b>(77,000)</b>	<b>(33,497)</b>
<b>Cash Flows from Financing Activities</b>		
<b>Cash was provided from:</b>		
Convertible Note Raise	340,000	-
Share Capital Issue	378,795	741,109
Investor Capital Received in Advance	9,500	-
Loan Advances	377,000	450,000
	<u>1,105,295</u>	<u>1,191,109</u>
<b>Cash was disbursed to:</b>		
Capital Raising Costs	70,897	-
	<u>70,897</u>	<u>-</u>
<b>Net Cash Flows from Financing Activities</b>	<b>1,034,398</b>	<b>1,191,109</b>
 Net Increase (Decrease) in Cash Held	 (140,062)	 170,500
Cash at the Beginning of the Year	227,215	56,715
<b>Cash at the End of the Year</b>	<b><u>87,153</u></b>	<b><u>227,215</u></b>

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.



# CropLogic Limited

## Notes to and forming part of the Financial Statements

For the Year Ended 31 March 2017

### 1 Statement of Accounting Policies

#### Reporting Entity

CropLogic Limited (the "Company") is the reporting entity. CropLogic Group (the "Group") consists of CropLogic Limited and its wholly owned subsidiary company, Indigo Systems Limited. The company and its subsidiary are incorporated and domiciled in New Zealand, registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

#### Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable Financial Reporting Standards as appropriate for profit-orientated entities that report under the Reduced Disclosure Regime.

The Company qualifies for NZ IFRS RDR as it is not large and does not have higher public level accountability. The Company has elected to apply NZ IFRS RDR and has applied disclosure concessions.

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Financial Performance and Statement of Financial Position on a historical cost basis are followed by the company, unless otherwise stated in the Specific Accounting Policies. The information is presented in New Zealand dollars. All values are rounded to the nearest \$.

#### Going Concern

These financial statements have been prepared on a going concern basis. However, the following conditions exist which present a material uncertainty that may cast significant doubt on the validity of this assumption. The Group does not have a fixed revenue base and is unable to generate sufficient revenue to meet its liabilities. The financial performance of the Group for the 12 months to 31 March 2017 is a loss of \$1,664,849, and the financial position of the Group shows negative working capital of \$1,216,943 and negative equity of \$772,750. The cash balance at 31 March 2017 was \$87,153. The Group is unable to fund its future operations without further capital raising.

The Director's are actively seeking additional capital. As disclosed at note 19, subsequent to balance date the Group has raised \$2,100,000 by way of a convertible note offer. In addition to this, the Director's have advanced plans in place to raise further capital through an IPO, which is scheduled for July 2017. Accordingly, the Director's are confident that the Group will have sufficient funding in place to continue its operations and meet its liabilities as they become due, and hence consider the application of the going concern assumption to be appropriate.

#### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Financial Performance and Statement of Financial Position have been applied:

##### (a) Revenue

###### Interest Revenue

Interest revenue is recognised when the right to receive payment has been established. Interest revenue is recorded gross of resident withholding tax.

###### Provision of Goods and Services

Revenue from the sale of goods is recognised when a group entity sells a product to the customer and the risk and reward of owning the item have been transferred. Revenue from the provision of services is recognised when the services are provided.

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

### (b) Trade Receivables

Trade Receivables are recognised at estimated realisable value. Purchases and sales of assets are recognised at trade date.

### (c) Property, Plant & Equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation. Cost includes all expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at date of acquisition. Subsequent costs are capitalised if it is probable that the future economic benefits will flow to the Company and the costs can be measured reliably. All other maintenance costs are recognised as an expense as incurred. Gains and losses on disposal of property, plant and equipment are taken into account in determining the operating result for the year.

Computer Software	40% SL, 48 - 67% DV
Office Equipment	10.5% SL
Computer Equipment	13.5 - 40.0% SL, 15.6 - 67% DV

### (d) Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax asset benefits relating to certain carried forward tax losses and deductible temporary differences are recognised by the Group to the extent that it is probable that taxable profits will be available against which those temporary differences can be recognised. The Group has made the decision not to recognise any deferred tax expense in the Consolidated Financial Statements for this reporting period. This decision has no effect on the amount of losses that can be carried forward by the Group. Refer to Note 4.

### (e) Intangible Assets

Intellectual Property Rights represents patents acquired. Intellectual Property Rights are amortised by the straight line method over the period during which any benefit is expected, not exceeding 10 years.

Telemetry Intellectual Property and related customer relationships reflect the identified value of the telemetry software acquired and associated customer lists. Telemetry Intellectual Property and related customer relationships are amortised by the straight line method over the period during which any benefit is expected, not exceeding 10 years.

Plant and Food Intellectual Property Rights reflect the identified value of the intellectual property rights purchased from Plant and Food. Plant and Food Intellectual Property Rights are amortised by the straight line method over the period during which any benefit is expected, not exceeding 10 years.

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.



# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

### (f) Research and Development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

### (g) Share Capital

The Group has chosen to classify all Redeemable Preference Shares as Equity Instruments rather than Term Liabilities given that the Lead Investor is required to approve all redemptions during the redemption period and has indicated that it would not be willing to do so. This classification does not comply with NZ IAS 32 Financial Instruments: Presentation because the company does not have an unconditional right to avoid delivering cash or other financial asset to settle the Redeemable Preference Shares should the Lead Investor give approval.

### (h) Foreign currencies

Both the functional and presentation currency for the company is New Zealand dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary items that are denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

The gain or loss on translation differences on non-monetary items is recognised in equity, whilst other translation differences to monetary items are recognised in the Statement of Comprehensive Income.

### (i) Consolidations

#### (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. 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 affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. At year end CropLogic Limited had 3 subsidiaries (refer to note 13).

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

### (j) Goods and Services Taxation (GST)

Revenues and expenses have been recognised in the financial statements exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (l) Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### (m) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit or loss over the period of the borrowing using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the borrowings, or where appropriate, a shorter period, to the net carrying amount of the borrowings.

### (n) Financial Assets

Financial assets are classified into the following specific categories: financial assets 'at fair value through profit and loss', 'held-to-maturity' investments, 'available for sale' financial assets and 'loan and receivables'. The classification depends on the nature and purpose of the financial asset and the time of initial recognition. The only category of financial assets held by the Company is loans and receivables.

#### Loan and receivables

Trade receivables, loan and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Company will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. In respect of financial assets carried at amortised cost, with the exception of trade receivables, the impairment loss is reversed through profit or loss in the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Subsequent recoveries of trade receivables previously written off are credited against the allowance account.

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.



# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

### (o) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

#### Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### (p) Employee Share Options

An employee was offered share options to participate in the share capital of CropLogic. The option is equity settled as there is no contractual obligation for the company to deliver anything other than shares.

On issuing of share options, the value of the allotted options is estimated in compliance with the formula of Black & Scholes at the time of allotment and is expensed under share based payments. The amount charged is set off against premium on employee share options (Other Reserves).

The company has a policy for nominated directors to be remunerated for their services to the company in the form of shares. The company will issue ordinary shares funded by services performed which are sufficient to fully satisfy the subscription price for shares issued to them. The ordinary shares shall hold the same rights as other ordinary shareholders with equal rights in distributions.

The directors fees paid in accordance with the share scheme will immediately be used to purchase the issued shares (i.e. there is no vesting period). As such, the fair value of the shares is the nominal value of the shares issued and subsequent directors fees paid as at the grant date.

# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

### (r) Convertible Notes

The component parts of convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to ordinary share capital along with the remainder classified as a liability. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability

### (s) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those from previous financial statements.

# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

2 Operating Expenses	2017 Group	2016 Group
	\$	\$
Audit Fee	21,025	15,290
Bad Debts	908	-
Depreciation & Amortisation	170,205	59,154
Directors' Fees	35,268	98,328
Interest	39,183	12,307
R&D	445,568	579,739
Employee Share Options	-	73,000
Other Operating Expenses	1,086,547	556,685
<b>Total Operating Expenses</b>	<b>1,798,704</b>	<b>1,394,503</b>
3 Tax Reconciliation	2017 Group	2016 Group
	\$	\$
Net Deficit before Income Tax	(1,804,849)	(1,309,503)
<b>Permanent Differences</b>		
Amortisation of Intangibles	106,313	106,313
Capital Raising	364,567	12,018
Directors Fees	-	78,125
Entertainment Expenses	969	461
Legal Fees	16,969	34,813
<b>Total Permanent Differences</b>	<b>488,818</b>	<b>231,730</b>
<b>Timing Differences</b>		
Provision For Doubtful Debts	908	-
Provision For Holiday Pay	29,129	(5,998)
Research & Development Costs Deferred	-	479,227
<b>Total Timing Differences</b>	<b>30,037</b>	<b>473,229</b>
<b>Total Loss</b>	<b>(1,285,994)</b>	<b>(604,544)</b>
4 Income Tax	2017 Group	2016 Group
	\$	\$
<b>Opening Balance</b>	(2,037)	(2,484)
<b>Plus:</b>		
Income Tax Refund	2,037	1,791
<b>Less:</b>		
Resident Withholding Tax Paid	215	1,344
<b>Income Tax (Receivable)</b>	<b>(215)</b>	<b>(2,037)</b>

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.



# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

8 Share Capital	2017 Group	2016 Group
	\$	\$
<b>Ordinary Shares</b>		
Opening Balance	570,993	607,414
<b>Plus:</b>		
Ordinary Shares	522,635	28,976
<b>Less:</b>		
Capital Raising Costs	53,505	65,397
<b>Closing Balance</b>	<b>1,040,123</b>	<b>570,993</b>
<b>Preference Shares</b>		
Opening Balance	3,570,600	2,960,875
<b>Plus:</b>		
Preference Shares Issued	-	609,725
<b>Less:</b>		
Capital Raising Costs	-	-
<b>Closing Balance</b>	<b>3,570,600</b>	<b>3,570,600</b>
<b>Total Closing Share Capital Balance</b>	<b>4,610,723</b>	<b>4,141,593</b>

As at 31 March 2017, the parent company has 179,408 shares on issue, at an average issue price of \$26.7 per share. There are two types of shares which carry different voting rights. As at 31 March 2017, there were 36,584 ordinary shares, and 142,824 preference shares. In the 2017 year, share capital of \$522,975 was issued. This has been offset by \$53,505 of capital raising costs according to NZ IAS 32. There are no externally imposed capital requirements.

9 Intangibles	2017 Group	2016 Group
	\$	\$
Plant & Food IP Rights	429,127	-
Intellectual Property Rights	41,008	51,260
Telemetry Intellectual Property and related customer relationships	724,462	820,523
<b>Total Intangibles</b>	<b>1,194,597</b>	<b>871,783</b>

Plant & Food Intellectual Property Rights have a cost value of \$460,000, and were acquired on 31 May 2016. They provide CropLogic rights to market, promote, distribute and supply the system and method for managing and predicting crop performance in the commodities of Cotton, Soybean, Maize and Wheat in the jurisdiction of the United States of America. They have been amortised on a straight line basis for the year at \$37,047 (2016: \$0). Accumulated amortisation is \$30,873.

Intellectual Property Rights have a cost value of \$102,520, and are amortised on a straight line basis for the year at \$10,252 (2016: \$10,252). Accumulated amortisation is \$61,512.

Telemetry Intellectual Property and related customer relationships of Indigo Systems were acquired in October 2014 at a cost of \$960,612 and are amortised on a straight line basis for the year at \$96,061 (2016: \$96,061). Accumulated amortisation is \$236,150. The Telemetry Asset acquired relates to IP, hardware, proprietary software stack, and backend systems required to manage the communication of data from field-based data acquisition devices to the CropLogic "cloud", where that data is analysed and presented in a usable manner for decision support. Combined with the existing low-power long-range mesh networking technology, this IP is an important part of CropLogic's data acquisition strategy.

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.



## CropLogic Limited

### Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

#### 10 Term Loan - Unsecured

	2017 Group	2016 Group
	\$	\$
<b>Loan - Callaghan Innovation</b>		
Total Outstanding	462,065	450,000
<b>Total Term Loans - Unsecured</b>	<b>462,065</b>	<b>450,000</b>

The loan outstanding to Callaghan Innovation accrues interest daily at 3% per annum. Any unpaid interest shall be capitalised and become part of the loan. This loan has accrued interest of \$13,862.

#### 11 Convertible Notes

	2017 Group	2016 Group
	\$	\$
Liability component at date of issue	322,948	-
Interest charged calculated at an effective interest rate of 15.8% - 15.9%	8,405	-
Liability component at 31 March 2017	<b>331,353</b>	

During the period December 2016 to March 2017, 34 convertible notes with an aggregate principal amount of \$340,000 were issued. Interest is payable quarterly at a rate of 12% per annum on the face value. The notes will automatically convert into fully paid ordinary shares in CropLogic at the earlier of CropLogic being admitted to the Official List of the Australian Securities Exchange Limited ('ASX'); the noteholder exercising its right to convert the notes prior to the expiry of the Term; automatically upon a change of control event resulting in a change of ownership of more than 50% of the issued Shares of CropLogic; or at the option of CropLogic, if the directors of CropLogic complete a capital raising of greater than NZ\$2,000,000 with a single person or entity.

The value at which notes convert to equity is affected by the following factors:

- Where conversion occurs automatically upon CropLogic being admitted to the ASX, the conversion price is at a 20% discount to the price at which shares are offered to the public in the prospectus or product disclosure statement issued in connection with the Issuer's listing on ASX
- Where conversion occurs as a result of the noteholder exercising its right to convert the notes the conversion price will be at \$60 per share
- In the case of a change of control event a 10% discount to the price per Share to be received by the existing CropLogic shareholders
- In the case of CropLogic completing a capital raising of greater than \$2,000,000 with a single person or entity, a 10% discount to the offer price

The term of each convertible note is 2 years from the issue date. On the expiry of the term (if the Notes have not earlier been converted or redeemed), then CropLogic will pay to the noteholder, the issue price of each note together with all unpaid accrued interest. On such payment the notes will be redeemed and cancelled.

#### 12 Inventories

	2017 Group	2016 Group
	\$	\$
Raw Material	20,452	28,475
Work in Progress	1,613	1,144
Finished Goods	545	818
Spare Parts	1,660	1,660
	<b>24,270</b>	<b>32,097</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$65,126 (2016: \$52,241).

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

## CropLogic Limited

### Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

#### 13 Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

Name of Subsidiary	Principal Activity	Place of Incorporation and Operation	Proportion of ownership interest and voting power held by the Group	
			2017 Group	2016 Group
Indigo Systems Limited	Development of a wireless network to be used in vineyard management	New Zealand	100%	100%
CropLogic USA LLC	No activity in 2017	Delaware, USA	100%	100%
ProAg CropLogic LLC	No activity in 2017	Washington, USA	100%	100%

#### 14 Compensation of Key Management Personnel

The remuneration of directors during the year was \$37,500 (2016: \$78,125). The remuneration of other members of key management personnel during the year was \$495,693 (2016: \$446,427). There were 3 employees who received remuneration in excess of \$100,000 in their capacity as employees in the financial year 2017, as set out in the table below.

	2017 Group
<b>Salary bands (\$)</b>	
120,000 - 130,000	1
160,000 - 170,000	1
200,000 - 210,000	1

#### 15 Conflicts of Interest of Directors

Steven Wakefield is a partner at Deloitte. During the 2017 year, the parent purchased \$67,898 (2016: \$33,714) of accounting and advisory services from Deloitte.

Stephen Hampson is the Managing Director at Powerhouse Ventures Ltd (PVL). PVL had a shareholding interest in Indigo Systems, which was acquired by CropLogic in October 2014. Stephen was excused during board discussions relating to this transaction. During the 2017 year, the parent purchased \$108,245 (2016: \$104,230) of services from PVL.

During the year PVL purchased 1,667 shares in CropLogic.

These financial statements are to be read in conjunction with the accompanying Notes and Audit Report. These statements have been audited.

# CropLogic Limited

## Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2017

### 16 Capital Commitments

In April 2017 CropLogic purchased the assets of Professional Ag Services Inc. as detailed in note 18. Under NZ IFRS 3 this will be classified as a business combination. The contract includes an earnout arrangement whereby CropLogic has a commitment to pay;

- USD\$420,000 on or before January 31, 2018, reduced by any amount that the gross revenue for the year ended December 31 2017 is less than USD\$1,400,000; and
- USD\$315,000 on or before January 31, 2019, reduced by 50% of any amount that the gross revenue for the year ended December 31 2018 is less than USD\$1,400,000; and
- USD\$315,000 on or before January 31, 2019, reduced by 25% of any amount that the gross revenue for the year ended December 31 2019 is less than USD\$1,400,000.

(2016: Nil).

### 17 Contingent Liabilities

During the 2017 financial year, CropLogic received \$140,000 from the Inland Revenue under the new Research and Development Tax Losses "Cash Out" scheme. This amount is required to be repaid only if any of the following circumstances occur;

- Disposal or transfer of Research & Development assets unless as part of an amalgamation, or for at least market value creating assessable income for tax purposes;
- CropLogic ceases to be a New Zealand tax resident or becomes a tax resident in a foreign country under a double tax agreement;
- a liquidator is appointed or;
- more than 90% of the company is sold or transferred after the cash is received.

The Group has no other contingent liabilities as at 31 March 2017 (2016: Nil).

### 18 Related Parties

During the year PowerHouse Ventures Limited loaned CropLogic a total of \$377,000. These loans are interest bearing and interest is accrued monthly at rates ranging from 10% - 35% per annum. As at 31 March 2017 CropLogic owed PowerHouse Ventures Limited \$393,557. (2016: Nil). During the financial year CropLogic incurred management cost recharges of \$7,500 (2016: \$104,230) and capital raising fees of \$101,297 (2016: \$0) payable to PowerHouse Ventures Limited.

### 19 Subsequent Events

In April 2017 CropLogic purchased the assets of Professional Ag Services Inc. an agronomy services company located in Pasco, Washington State, USA for an upfront payment totalling USD\$800,000. The contract also includes an earnout arrangement detailed above in note 16.

Between April and May 2017 CropLogic raised a total of \$2,100,000 by way of a convertible note offer. The headline terms of this convertible note were AUD\$10,000 convertible notes with a 9 month term that convert to CropLogic shares at a 45% discount to the Australian Securities Exchange Initial Public Offering listing price per share. As part of this placement, in April 2017 PowerHouse Ventures Limited converted \$302,000 of a loan to CropLogic into convertible notes with the same terms.

### 20 Share Options Granted Under the Company's Employee Share Option Plan

At 31 March 2017 a senior employee held options over 11,714 ordinary shares of the Company. If not exercised, the options will expire on the earlier of 18 March 2020 or on admission of CropLogic to an investment exchange. Share options granted carry no voting rights or rights to dividends. There was no change to the value of these options in the 2017 year (2016: \$73,000 was expensed under share based payments to account for the value of the share options). There are no other

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