

ECS Botanics Pty Ltd

ABN 92 624 153 331

Annual Report - 31 January 2019

ECS Botanics Pty Ltd
Directors' report
31 January 2019

The directors present their report, together with the financial statements, on the company for the year ended 31 January 2019.

This is the first report as the company was incorporated on the 1st of February 2018. As such the company has only operated for 12 months therefore there are no comparative figures.

Directors

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

Alexander Keach (appointed 1 February 2018)
David McCredie (appointed 16 November 2018)
Mark Bernberg (appointed 16 April 2018, resigned 9 May 2018)

Director interests at reporting date

Director	Shareholding
Alexander Keach	14,000,000
David McCredie	-
Mark Bernberg	-

Principal activities

During the financial period the principal continuing activities of the company consisted of:

- Growing hemp seeds and processing hemp foods.

Dividends

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

Review of operations

The loss for the company after providing for income tax amounted to \$296,224.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period

As of the 15th of February 2019 Axxis Technology Group Ltd (ASX:AYG) has signed a binding term sheet with ECS Botanics Pty Ltd for the acquisition of 100% of the issued capital from the shareholders of ECS. Under the binding term sheet, AYG is proposing to issue 287.5m ordinary shares and 131.25m Performance Rights to the shareholders of ECS Botanics Pty Ltd.

No other matter or circumstance has arisen since 31 January 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the period ended 31 January 2019 and up to the date of this report.

Indemnity and insurance of officers

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

ECS Botanics Pty Ltd
Directors' report
31 January 2019

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Alexander Keach
Director

8 March 2019

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF ECS BOTANICS PTY LTD AND
CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the period ended 31 January 2019 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow

N. S. Benbow
Director

Dated this 8th day of March 2019

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

ECS Botanics Pty Ltd
Contents
31 January 2019

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	15
Independent auditor's report to the members of ECS Botanics Pty Ltd	16

General information

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 March 2019.

ECS Botanics Pty Ltd
Statement of profit or loss and other comprehensive income
For the period ended 31 January 2019

	2019
	\$
Revenue	3,620
Total revenue	<u>3,620</u>
Expenses	
Pre-production costs	(32,613)
Depreciation and amortisation expense	(199)
Marketing	(18,712)
Occupancy	(24,854)
Administration	(223,466)
Total expenses	<u>(299,844)</u>
Loss before income tax expense	(296,224)
Income tax expense	<u>-</u>
Loss after income tax expense for the period	(296,224)
Other comprehensive income for the period, net of tax	<u>-</u>
Total comprehensive income for the period	<u><u>(296,224)</u></u>

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

ECS Botanics Pty Ltd
Statement of financial position
As at 31 January 2019

	Note	2019 \$
Assets		
Current assets		
Cash and cash equivalents		1,435,386
Trade and other receivables		27,464
Inventories	4	81,550
Total current assets		<u>1,544,400</u>
Non-current assets		
Property, plant and equipment		42,301
Total non-current assets		<u>42,301</u>
Total assets		<u>1,586,701</u>
Liabilities		
Current liabilities		
Trade and other payables		27,225
Total current liabilities		<u>27,225</u>
Total liabilities		<u>27,225</u>
Net assets		<u>1,559,476</u>
Equity		
Issued capital	5	1,755,200
Capital contributions		100,500
Accumulated losses		<u>(296,224)</u>
Total equity		<u>1,559,476</u>

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

ECS Botanics Pty Ltd
Statement of changes in equity
For the period ended 31 January 2019

	Issued capital \$	Accumulated Loss \$	Total equity \$
Balance at 1 February 2018	-	-	-
Loss after income tax expense for the period	-	(296,224)	(296,224)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(296,224)	(296,224)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity	100,500	-	100,500
Shares issued to Initial owners	1,755,200	-	1,755,200
Balance at 31 January 2019	<u>1,855,700</u>	<u>(296,224)</u>	<u>1,559,476</u>

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

ECS Botanics Pty Ltd
Statement of cash flows
For the period ended 31 January 2019

	2019
	\$
Cash flows from operating activities	
Payments to suppliers and employees (inclusive of GST)	(330,934)
Interest received	<u>3,620</u>
Net cash used in operating activities	<u>(327,314)</u>
Cash flows from investing activities	
Payments for property, plant and equipment	<u>(42,500)</u>
Net cash used in investing activities	<u>(42,500)</u>
Cash flows from financing activities	
Proceeds from issue of shares	1,755,200
Proceeds from equity contribution	<u>50,000</u>
Net cash from financing activities	<u>1,805,200</u>
Net increase in cash and cash equivalents	1,435,386
Cash and cash equivalents at the beginning of the financial period	<u>-</u>
Cash and cash equivalents at the end of the financial period	<u><u>1,435,386</u></u>

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

ECS Botanics Pty Ltd
Notes to the financial statements
31 January 2019

Note 1. General information

The financial statements cover ECS Botanics Pty Ltd as an individual entity. The financial statements are presented in Australian dollars, which is ECS Botanics Pty Ltd's functional and presentation currency.

ECS Botanics Pty Ltd ('Company') is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, Level 15
3 Spring Street
Sydney NSW 2000

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

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

The company recognises revenue as follows:

Interest

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

Other revenue

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

ECS Botanics Pty Ltd
Notes to the financial statements
31 January 2019

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventory is valued depending upon the specific purpose of that inventory class. Costs incurred for inventory held as non-bearer plant inventory is valued at fair value less costs to sell, and where fair value is not readily available, at cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

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

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

Buildings	20 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

Trade and other payables

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

Issued capital

Ordinary shares are classified as equity.

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

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

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

ECS Botanics Pty Ltd
Notes to the financial statements
31 January 2019

Note 2. Significant accounting policies (continued)

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 January 2019. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

Recovery of deferred tax assets

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

Note 4. Current assets - inventories

	2019 \$
Stock on hand - seeds	<u>81,550</u>

Note 5. Equity - issued capital

		2019 Shares	\$
Ordinary shares - fully paid		<u>27,020,000</u>	<u>1,755,200</u>
Details	Date	Shares	Issue price \$
Balance	1 February 2018	-	-
Shares issued to founders at incorporation		20,000,000	\$0.00
Shares issued on capital raise		<u>7,020,000</u>	<u>\$0.25</u>
Balance	31 January 2019	<u>27,020,000</u>	<u>1,755,200</u>

Ordinary shares

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

ECS Botanics Pty Ltd
Notes to the financial statements
31 January 2019

Note 5. Equity - issued capital (continued)

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

Capital and liquidity risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position.

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

The company has no debt during the financial period.

Note 6. Key management personnel disclosures

Directors

The following persons were directors of ECS Botanics Pty Ltd during the financial period:

Director	Shareholding
David McCredie (appointed 16 November 2018)	-
Mark Bernberg (appointed 16 April 2018, resigned 9 May 2018)	-
Alexander Keach (appointed 1 February 2018)	14,000,000

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, during the financial period:

Key Management Personnel	Shareholding
Guy Banducci (Head of Strategy and Business Development)	6,000,000

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2019 \$
Short-term employee benefits	<u>7,420</u>

Note 7. Remuneration of auditors

	2019 \$
Audit services - Audit of the financial statements	<u>8,000</u>

Note 8. Contingent liabilities

The company had no contingent liabilities as at 31 January 2019.

ECS Botanics Pty Ltd
Notes to the financial statements
31 January 2019

Note 9. Commitments

	2019 \$
<i>Lease commitments - operating</i>	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	52,000
One to five years	83,000
	<u>135,000</u>

Operating lease commitments includes contracted amounts for a land and building rental with a related party of Alexander Keach. The lease payments are due monthly with annual increases for CPI on the anniversary of the lease each year. There is also an acquisition right whereby ECS Botanics Pty Ltd has the right to acquire the property at an agreed value being capital costs plus either 8% (if acquired later than 12 months) or 10% (if acquired within 12 months of agreement) per annum compounded annually, or at market price, whichever is higher.

Note 10. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 6.

Transactions with related parties

The following transactions occurred with related parties:

	2019 \$
Payment for other expenses:	
Rent expense paid to commonly controlled entity	21,000

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2019 \$
Current borrowings:	
Loan from Alexander Keach	18,560

Terms and conditions

The loan is non-secured, non-interest bearing, has no equity conversion rights and is payable at call.

Note 11. Events after the reporting period

As of the 15th of February 2019 Axxis Technology Group Ltd (ASX:AYG) has signed a binding term sheet with ECS Botanics Pty Ltd for the acquisition of 100% of the issued capital from the shareholders of ECS. Under the binding term sheet, AYG is proposing to issue 287.5m ordinary shares and 131.25m Performance Rights to the shareholders of ECS Botanics Pty Ltd.

No other matter or circumstance has arisen since 31 January 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

ECS Botanics Pty Ltd
Notes to the financial statements
31 January 2019

Note 12. Reconciliation of loss after income tax to net cash used in operating activities

	2019 \$
Loss after income tax expense for the period	(296,224)
Adjustments for:	
Depreciation and amortisation	199
Owner equity contributions in lieu of supplier payments (note 13)	50,500
Change in operating assets and liabilities:	
Increase in trade and other receivables	(27,464)
Increase in inventories	(81,550)
Increase in trade and other payables	27,225
Net cash used in operating activities	<u>(327,314)</u>

Note 13. Non-cash investing and financing activities

	2019 \$
Contributions of equity*	<u>50,500</u>

*During the year two of the company directors contributed equity into the business to the value of \$100,500. It was agreed between the two parties (being Guy Banducci and Alexander Keach) that they would contribute approximately \$50,000 each. Guy Banducci contributed his portion in cash whilst Alexander Keach decided to instead pay supplier invoices directly on behalf of the company to the value of \$50,500.

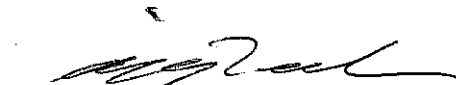
ECS Botanics Pty Ltd
Directors' declaration
31 January 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 January 2019 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Alexander Keach
Director

8 March 2019

ECS Botanics Pty Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ECS Botanics Pty Ltd (the Company), which comprises the statement of financial position as at 31 January 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 January 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 January 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555
williambuck.com

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

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

William Buck

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink, appearing to read 'N. S. Benbow'.

N. S. Benbow

Director

Melbourne, 8th March 2019