

Appendix 4E
Preliminary Financial Statements to the Australian Securities Exchange

CropLogic Limited

1. Financial Year information – 1 April 2017 to 31 March 2018

2. Key Information – Results for Announcement to the Market

	31 March 2018	31 March 2017	Change	Change
	\$('000)	\$('000)	\$('000)	%
Revenue	\$2,070	\$125	\$1,945	1558%
Loss for the period after tax	\$(3,292)	\$(1,568)	\$(1,724)	110%
Loss attributable to members of the parent entity	\$(3,086)	\$(1,491)	\$(1,595)	107%

Operational Updates

The group has commenced the deployment of sensor technology in the Pacific Northwest region of the United States of America, the rollout follows a successful 2017 growing season and is underpinned by increasing support from major growers in the region.

Appointment of new board members;

- Hon. Chery Edwardes AM as Chair as of 01 March 2018 replacing John Beattie
- Dr Andrew Whitehead as Director as of 06 April 2018

Changes in corporate structure;

- Resignation of MD Jamie Cairns and appointment of CEO, James Cooper Jones
- Appointment of CFO, Daniel Bramich
- Appointment of Company Secretary, Susan Hunter

A change in group strategy away from an acquisition strategy and towards a commercialization strategy via direct sales and / or partnerships

An intention has been signaled to move the head office to Australia and a refocus of the R&D strategy with a reduction in staff and a relocation to Australia

2.1. Dividends

No dividends have been declared or paid during the financial year ended 31 March 2018

These financial statements are in the process of being audited by RSM Australia Partners and are not likely to be subject to dispute or qualification.

	31 March 2018	31 March 2017
Basic Loss per share (Cents/Share)	(3.64)	-*
Diluted Loss per share (Cents/Share)	(3.64)	-*
Net tangible assets per share (Cents/Share)	6.06	-*

* Entity was admitted to the official list of the ASX on 12 September 2017

3. Details of dividends

See items 2.1

4. Dividend Reinvestment Plan and Bonus Share Plan

Not Applicable

5. Details of entities over which control has been gained or lost during the period

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group
CropLogic Australia PTY LTD	Holding company	Australia	100%
Lincoln Agriculture PTY LTD	Holding company	Australia	100%
CLPA Holding Company	Holding company	United States	100%

6. Details of joint venture entities

Not Applicable

7. Any other significant information

Not Applicable

8. Audit Status

These financial statements are in the process of being audited by RSM Australia Partners and are not likely to be subject to dispute or qualification

CropLogic Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2018

		Year ended	
	Note	31-Mar-18	31-Mar-17
		\$	\$
Revenue	4	2,070,083	124,850
Total Revenue		2,070,083	124,850
Operational expenses		(2,361,133)	(301,389)
Research & development		(652,286)	(407,329)
General & administrative expenses		(1,267,223)	(578,369)
Depreciation & amortisation		(305,547)	(160,467)
Investment income		17,467	763
Other gains/(losses)		(208,925)	(4,329)
Finance costs		(43,005)	(36,900)
IPO & capital raising costs expensed through profit and loss		(653,012)	(336,766)
Loss before tax		(3,403,581)	(1,699,936)
Taxation (expense) benefit		111,883	131,845
Loss for the period		(3,291,698)	(1,568,091)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign exchange translation differences for foreign operations		205,700	77,562
Other comprehensive loss for the period		205,700	77,562
Total comprehensive loss for the period		(3,085,998)	(1,490,529)
From continuing operations			
- Basic (cents per share)	5	(3.64)	(16.32)
- Diluted (cents per share)	5	(3.64)	(11.93)

Statement of Financial Position

CropLogic Limited

Condensed consolidated statement of financial position

As at 31 March 2018

	Note	31-Mar-18 \$	31-Mar-17 \$
Equity			
Share capital	7	14,484,972	4,101,789
Retained earnings (losses)		(8,174,740)	(4,883,042)
Reserves		321,148	78,614
Total Equity		6,631,380	(702,639)
Represented by:			
Current assets			
Cash & cash equivalents		2,932,058	79,676
Trade & other receivables		20,867	30,212
Income tax receivable		4,974	197
Inventories		16,318	26,211
Other current assets		80,435	-
Total Current Assets		3,054,652	136,296
Current liabilities			
Trade & other payables		494,414	564,856
Current borrowings		90,287	359,790
Other current liabilities		297,114	319,193
Contingent consideration		390,652	-
Total Current Liabilities		1,272,467	1,243,839
Working Capital		1,782,185	(1,107,543)
Non Current Assets			
Property, plant & equipment		2,431,493	39,323
Intangibles		1,325,658	1,091,925
Goodwill		1,971,893	-
Total Non Current Assets		5,729,044	1,131,248
Non Current Liabilities			
Borrowings		511,309	422,420
Convertible notes		-	303,924
Contingent consideration		368,540	-
Total Non Current Liabilities		879,849	726,344
Net Assets		6,631,380	(702,639)

CropLogic Limited
Condensed consolidated statement of cash flows
For the year ended 31 March 2018

		Year ended	
	Note	31-Mar-18	31-Mar-17
		\$	\$
Cash Flows from Operating Activities			
Cash receipts from customers		2,054,695	135,831
Receipts from government R&D tax incentive		111,883	131,845
Cash paid to suppliers and employees		(4,845,733)	(1,301,661)
Interest Income		17,467	763
Interest paid		(52,876)	(2,030)
Income tax paid		(4,662)	1,715
Net Cash Flows from Operating Activities		(2,719,226)	(1,033,537)
Cash Flows from Investing Activities			
Payments for property, plant, and equipment		(1,354,445)	-
Purchase of businesses		(1,989,585)	-
Payments for capitalised development costs		(329,428)	-
Payments for acquired intangibles		(372,974)	(72,515)
Net Cash Flows from Investing Activities		(4,046,432)	(72,515)
Cash Flows from Financing Activities			
Proceeds from issue of shares	7	8,000,000	356,731
Payment for share issue costs (attributable to equity)		(606,707)	(66,767)
Proceeds from issue of convertible notes, net of costs		2,012,214	320,196
Proceeds from exercise of share options		270,932	-
Proceeds from borrowings		29,773	355,041
Repayment of borrowings		(134,609)	-
Share Capital in Advance		-	8,947
Net Cash Flows from Financing Activities		9,571,603	974,148
Net increase/(decrease) in cash and cash equivalents		2,805,945	(131,904)
Effects of exchange rate changes on the balance of cash held in foreign currencies		46,436	6,473
Cash at the beginning of the year		79,676	205,107
Cash at the End of the Year		2,932,058	79,676

CropLogic Limited

Consolidated statement of changes in equity

For the year ended 31 March 2018

	Note	Issued capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total equity
		\$	\$	\$	\$	\$
Balance at 1 April 2016		3,656,183	(3,314,951)	65,897	(64,845)	342,284
Loss for the period		-	(1,568,091)	-	-	(1,568,091)
Other comprehensive income for the period		-	-	-	77,562	77,562
Total comprehensive income		-	(1,568,091)	-	77,562	(1,490,529)
Transactions with owners in their capacity as owners:						
Contributions of equity (net of transaction costs)	7	445,606	-	-	-	445,606
		445,606	-	-	-	445,606
Balance at 31 March 2017		4,101,789	(4,883,042)	65,897	12,717	(702,639)
Balance at 1 April 2017		4,101,789	(4,883,042)	65,897	12,717	(702,639)
Loss for the period		-	(3,291,698)	-	-	(3,291,698)
Other comprehensive income for the period		-	-	-	205,700	205,700
Total comprehensive income		-	(3,291,698)	-	205,700	(3,085,998)
Transactions with owners in their capacity as owners:						
Contributions of equity (net of transaction costs)	7	10,383,183	-	-	-	10,383,183
Performance rights		-	-	102,731	-	102,731
Employee share options exercised		-	-	(65,897)	-	(65,897)
		10,383,183	-	36,834	-	10,420,017
Balance at 31 March 2018		14,484,972	(8,174,740)	102,731	218,417	6,631,380

These financial statements are to be read in conjunction with the accompanying Notes. These financial statements have not been audited.

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

1 General Information

These financial statements are for CropLogic Limited ("the Company" or "CropLogic") and its subsidiaries (together "the Group"). The Company is a limited liability company incorporated in New Zealand and listed entity on the Australian Stock Exchange. The registered office of the Company is 11 Deans Ave, Addington, Christchurch, New Zealand.

2 Statement of Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). For the purposes of complying with NZ GAAP, the Group is a for-profit entity. These financial statements comply with New Zealand International Financial Reporting Standards (NZ IFRSs) and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS.

The consolidated financial statements have been prepared using the historical cost convention unless otherwise stated below or in the notes.

The consolidated financial statements are presented in Australian Dollars (\$) (the 'presentation currency').

This report should be read in conjunction with any public announcements made by CropLogic during and subsequent to the reporting period.

Application of new and revised New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs)

The Group has adopted all of the mandatory new and revised Standards, Amendments and Interpretations issued by the External Reporting Board (the XRB) that are relevant to their operations and effective for the current year. Those which have a material impact on the Group include:

- NZ IAS 7 Statement of Cash Flows

Impact of the application of the amendments to NZ IAS 7 Statement of Cash Flows

The amendments provide additional disclosure on the changes in liabilities arising from financing activities; specifically a reconciliation the opening and closing financial position for liabilities for which cash flows were or would be classified as financial activities in the statement of cashflows. The Group has included this disclosure in the notes to the financial statements

No other mandatory Standards, Amendments and Interpretations adopted in the current year had a material impact on these financial statements.

3 Segment Information

The Chief Executive Officer and members of the executive team are the Group's chief operating decision makers. They have determined that based on the information they use for the purposes of allocating resources and assessing performance, the Group itself forms two operating segments. These segments are organised as a combination of the differences in geographical locations and services offered.

The operating segments of the Group are composed of the following business operations:

- New Zealand
- United States

The United States segment relates to the operations of ProAg CropLogic LLC, a wholly-owned Company incorporated in March 2017. The assets of Professional Ag Services Inc a US based Company were purchased by the Group during April 2017. There are no comparative figures for prior periods for the United States segment as there were no operations in that geographical location until the acquisition of Professional Ag Services Inc. The US operations run during the potato season which is April to September.

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

Financial Information

The Group's chief operating decision makers primarily uses a measure of adjusted earnings before tax, to assess the performance of the operating segments. However, the decision makers also receive information about the segments' revenue and assets on a monthly basis. The revenue represents revenue generated from both internal and external customers. The accounting policies of the reportable segments are the same as the Group's accounting policies described in the policy notes. Where costs are incurred on behalf of another segment these costs are subsequently recognised in the segment to which they relate. Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

Segment revenue and profit (loss)

	Revenue Year ended		Segment profit Year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
New Zealand	345,231	124,850	(3,075,425)	(1,699,936)
United States	2,011,339	-	(365,001)	-
Profit before tax and eliminations			(3,440,426)	(1,699,936)
Intersegment Eliminations	(286,487)	-	36,845	-
Income tax expense (benefit)			111,883	131,845
Consolidated revenue and loss for the period	2,070,083	124,850	(3,291,698)	(1,568,091)

The following is an analysis of the Group's revenue from its major products and services.

	Year ended	
	31 March 2018	31 March 2017
	\$	\$
Aerial Photography	325,098	-
Hydroprobes	1,482,095	-
Real Time Monitoring	74,516	-
Telemetry Goods and Services	58,744	124,850
Other misc. income	416,117	-
Intersegment Eliminations	(286,487)	-
	2,070,083	124,850

The Group does not have any significant customers from which a substantial portion of revenue is derived.

Revenue from external customers

	Year ended	
	31 March 2018	31 March 2017
New Zealand	58,744	124,850
United States	2,011,339	-

Segment assets and liabilities

For the purpose of monitoring segment performance and allocating resources between segments all assets and liabilities are allocated to reportable segments. The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	31 March 2018	31 March 2017
	\$	\$
Assets		
New Zealand	8,209,036	1,263,520
United States	3,887,779	-
Intersegment Eliminations	(3,313,119)	-
Consolidated assets as per Balance Sheet	8,783,696	1,263,520

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

	31 March 2018	31 March 2017
	\$	\$
Liabilities		
New Zealand	1,194,904	1,970,182
United States	4,135,377	-
Intersegment Eliminations	(3,177,965)	-
Consolidated liabilities as per Balance Sheet	2,152,316	1,970,182

The Group's non-current assets (excluding financial instruments and deferred tax balances) by location of assets are detailed below;

	As at	
	31 March 2018	31 March 2017
Non-current assets		
New Zealand	3,814,193	1,131,248
United States	3,648,322	-
Intersegment Eliminations	(1,733,471)	-
Consolidated non-current assets as per Balance Sheet	5,729,044	1,131,248

4 Revenue

Revenue is measured at the fair value of the consideration received or receivable excluding sales taxes, GST, rebates and other similar allowances.

Rendering of services

Revenue from the rendering of services is recognised when the service is provided. Unearned revenue at year end is recognised in the Statement of Financial Position as income in advance and included with other current liabilities.

Sale of goods

Sales of goods are recognised as revenue when the products pass from the physical control of the Company pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the products are in a form that requires no further treatment by the Company.

	Year ended	
	31 March 2018	31 March 2017
	\$	\$
Sale of services	2,038,158	33,998
Sale of goods	31,925	90,852
	2,070,083	124,850

5 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the net loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares on issue during the year, excluding shares purchased and held as treasury shares (if any).

Diluted EPS is determined by adjusting the net loss attributable to ordinary shareholders and the weighted average number of ordinary shares on issue for the effects of all dilutive potential ordinary shares, which comprise treasury shares and options granted to employees and Directors. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease EPS or increase the loss per share.

	Year ended	
	31 March 2018	31 March 2017
	Cents per share	Cents per share
Basic earnings per share	(3.64)	(16.32)
Diluted earnings per share	(3.64)	(11.93)

Basic and Diluted earnings per share

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

	Year ended	
	31 March 2018	31 March 2017
	\$	\$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss for the year attributable to owners of the Company	(3,291,698)	(1,568,091)
Weighted average number of ordinary shares for the purposes of basic earnings per share	90,525,135	9,608,381

6 Reconciliation of Cash Flows from Operations

	Year ended	
	31 March 2018	31 March 2017
	\$	\$
Profit/(loss) for the period	(3,291,698)	(1,568,091)
(Less)/plus non cash items		
Depreciation & amortisation	305,547	160,467
Loss on disposal of assets	37,064	-
Financial instruments at FVTPL	62,643	-
Net foreign exchange (gains)/losses	146,282	(4,329)
Share based payments	208,952	-
(Less)/plus changes in working capital		
Decrease/(increase) in trade & other receivables	(228,821)	20,160
Decrease/(increase) in current tax receivable	(4,685)	1,716
Decrease/(increase) in stock & work in progress	6,399	7,372
Decrease/(increase) in other current assets	(24,215)	(8,822)
(Decrease)/increase in trade & other payables	77,874	191,276
(Decrease)/increase in other current liabilities	(14,568)	166,714
Net cash inflow/(outflow) from operating activities	(2,719,226)	(1,033,537)

Reconciliation of liabilities arising from financing activities

	2017	Cash flows	Non-cash changes		2018
			Acquisitions	Other	
Related party borrowings (i)	359,790	(45,058)		(290,313)	24,418
Long term borrowings (ii)	422,420	-	-	25,380	447,800
Asset Borrowings (iv)	-	(59,778)	189,156	-	129,378
Convertible notes (i)	303,924	2,012,214	-	(2,316,138)	-
	<u>1,086,134</u>	<u>1,907,378</u>	<u>189,156</u>	<u>(2,581,071)</u>	<u>601,596</u>

(i) Other movements includes conversion of debt to equity and foreign exchange differences

(ii) Other movements in long term borrowings is capitalised interest

(iii) Other movements includes gains or losses through income statements and foreign exchange effects

(iv) Acquisitions includes borrowings through business combinations and new borrowings

7 Issued Capital

	Year ended	
	31 March 2018	31 March 2017
	\$	\$
Issued capital comprises		
123,269,440 fully paid ordinary shares (31 March 2017: 36,584)	14,484,972	878,608
1,125,925 shares held in reserve for performance hurdles (2017: nil)	-	-
0 fully paid convertible preference shares (2017: 142,824)	-	3,223,181
	<u>14,484,972</u>	<u>4,101,789</u>

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

Fully paid ordinary shares	Number of shares	Share capital
		\$
Balance at 1 April 2016	27,474	433,002
Issue of shares	8,435	480,831
Shares issued in lieu of director fees	675	15,819
Share issue costs	-	(51,044)
Balance at 31 March 2017	36,584	878,608
Conversion of preference shares to ordinary shares	142,824	3,223,181
Subdivision of shares	50,413,648	-
Share options exercised	3,303,348	346,242
Conversion of all outstanding convertible notes	24,174,996	2,513,432
Promoter shares associated with the pre-IPO raising	908,040	181,608
Cost of promoter shares associated with the pre-IPO raising	-	(181,608)
Fully paid ordinary shares issued at \$0.20 at initial public offering	40,000,000	8,000,000
Costs directly attributable to the cost of issuing shares in the initial public offering	-	(584,491)
Shares issued to the Lead Manager for the underwrite	3,750,000	750,000
Cost of the shares issued to the Lead Manager for the underwrite	-	(750,000)
Shares issued to management	540,000	108,000
Balance at 31 March 2018	123,269,440	14,484,972

All shares rank equally with regard to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group. The shares have no par value.

In July 2017, the Group undertook a share split. For each existing share and option, 282 additional shares and options were issued for nil consideration.

During the 2018 year the Group received services from suppliers where payment was settled by the issue of ordinary shares. The value of services was measured as the fair value of the shares issued. The fair value of the shares was based on the prices paid for equivalent shares by non-employee third parties at the same time (2017: the Group received services from directors where payment was settled by the issue of ordinary shares. The value of services was measured as the fair value of the shares issued. The fair value of the shares was based on the prices paid for equivalent shares by non-employee third parties at the same time).

Share issue transaction costs during the period of \$1,516,099 (2017: \$51,043) have been netted off against the amount recognised in equity.

Preference Shares	Number of shares	Share capital
		\$
Balance at 1 April 2016	142,824	3,223,181
Balance at 31 March 2017	142,824	3,223,181
Conversion of preference shares to ordinary shares	(142,824)	(3,223,181)
Balance at 31 March 2018	-	-

All preference shares were converted to ordinary shares on a one-for-one basis during the year.

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

Long Term Incentive Plan

On 23 June 2017, the Group issued 1,125,925 performance rights worth \$225,185 in three classes under its long term incentive plan for selected executives: Class A (533,333 shares), Class B (355,555 shares) and Class C (237,037 shares). The performance hurdles are:

- (Class A): The Group's share price, as traded on ASX, increasing to not less than \$0.30 (calculated on a volume weighted average basis over a continuous 30 trading day period) during the first 12 months following the commencement of official quotation of the Group's shares on ASX
- (Class B): The Company's share price, as traded on ASX, increasing to not less than \$0.45 (calculated on a volume weighted average basis over a continuous 30 trading day period) during the period immediately following expiry of the time period specified in the Class A Performance Rights up to 24 months following the commencement of official quotation of the Company's shares on ASX
- (Class C): The Company's share price, as traded on ASX, increasing to not less than \$0.675 (calculated on a volume weighted average basis over a continuous 30 trading day period) during the period immediately following expiry of the time period specified in the Class B Performance Rights up to 36 months following the commencement of official quotation of the Company's shares on ASX

8 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

The Company has a long term incentive scheme for selected executives. Shares are issued and held in trust by the Group until the following performance hurdle classes have been met;

- (Class A): The Group's share price, as traded on ASX, increasing to not less than \$0.30 (calculated on a volume weighted average basis over a continuous 30 trading day period) during the first 12 months following the commencement of official quotation of the Group's shares on ASX
- (Class B): The Company's share price, as traded on ASX, increasing to not less than \$0.45 (calculated on a volume weighted average basis over a continuous 30 trading day period) during the period immediately following expiry of the time period specified in the Class A Performance Rights up to 24 months following the commencement of official quotation of the Company's shares on ASX
- (Class C): The Company's share price, as traded on ASX, increasing to not less than \$0.675 (calculated on a volume weighted average basis over a continuous 30 trading day period) during the period immediately following expiry of the time period specified in the Class B Performance Rights up to 36 months following the commencement of official quotation of the Company's shares on ASX

The weighted average fair value of the share options granted during the financial year is \$0.0912. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of the probability of meeting market conditions attached to the option and behavioural considerations. Expected volatility is based on the market average volatility for newly listed small capitalisation companies.

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

Inputs into the model	Performance rights option series		
	Series 1	Series 2	Series 3
Grant date share price	0.16	0.16	0.12
Exercise price	0.30	0.45	0.68
Expected volatility	90%	90%	90%
Option life	1 year	2 years	3 years
Risk-free interest rate	1.68%	1.68%	1.79%

In addition, 11,714 historical share options were exercised during the current year. These had been issued to a senior executive and expired upon the ASX listing. The options participated in the 1 for 282 share split and were exercised at a price of 8.33c.

Movements in shares options during the year	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the year	11,714	5.63	11,714	5.63
Granted during the year	1,125,925	0.0912	-	-
Exercised during the year	(11,714)	(5.63)	-	-
Balance at the end of the year	1,125,925	0.0912	11,714	5.63

The share options outstanding at the end of the year had a weighted average exercise price of 9.12c and a weighted average remaining contractual life of 434 days.

9 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with NZ IAS 12 Income Taxes and NZ IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

On 28 April 2017 the Group acquired the net assets of a US entity Professional Ag. Services Inc. These were purchased by the Group's US subsidiary entity CropLogic ProAg LLC, which now operates the business. Professional Ag. Services Inc. was a provider of Agronomy Services and the business was acquired with the purpose of acquiring an existing market into which the CropLogic technology and systems could be implemented.

Consideration transferred

	\$
Cash	1,428,762
Contingent Consideration arrangement	1,274,158
	<u>2,702,920</u>

The contingent consideration requires the Group 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, 2020, reduced by 25% of any amount that the gross revenue for the year ended December 31 2019 is less than USD\$1,400,000.

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

The 31 December 2017 revenue target was reached and as such the Group paid USD \$420,000 to satisfy the first milestone.

On acquisition the total portion of consideration contingent on the above factors was \$1,274,158. This was determined by reference to previous period's trading and represented the fair value of the obligation at the date of the transaction. The contingent consideration has been discounted at a rate of 6% which is the acceptable market rate for similar contingency payment plans in listed entities. An undiscounted estimate of the range of outcomes has been shown below. Management is of the opinion that it is highly unlikely that revenue expectations will not be met as gross revenue for the past three years has exceeded the levels set in the contingent payment schedule and as such the high range outcome is the most likely.

Payment Date	Payment Amount	Low	High
31 January 2019	390,652	-	390,652
31 January 2020	368,540	-	368,540

Acquisition-related costs incurred during the year have been excluded from the consideration transferred and have been recognised as an expense in the statement of comprehensive income, within the general and administrative expenses line.

Assets acquired and liabilities assumed at the date of acquisition

Current assets

Trade and other receivables (i)	250,959
---------------------------------	---------

Non-current assets

Plant & equipment	787,683
-------------------	---------

Current liabilities

Current liabilities (i)	(210,900)
Borrowings - short term	(146,743)
	<u>680,999</u>

(i) Trade and other receivables acquired with a fair value of \$250,959 had gross contractual amounts of \$250,959. The best estimate at acquisition date of the contractual cash flows not expected to be collected is \$0. The company had yet to provide \$210,900 of these services to customers and as a result this amount has also been included in current liabilities as revenue in advance when determining net assets acquired. These amounts are translated into AUD at the foreign exchange rate at acquisition date for the purposes of this disclosure.

Goodwill arising on acquisition

Consideration transferred	2,702,920
Less: fair value of identifiable net assets	(680,999)
Goodwill arising on acquisition	<u>2,021,922</u>

Goodwill arose on the acquisition of Professional Ag Services Inc. because the acquisition included the customer lists, customer relationships and various non-compete agreements of Professional Ag Services Inc. and its Directors as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licenced, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition

Consideration paid in cash	<u>1,428,762</u>
----------------------------	------------------

CropLogic Limited

Notes to and forming part of the Financial Statements

For the year ended 31 March 2018

This cash outflow reflects only the cash paid on acquisition in April and May 2017 and does not reflect any subsequent cash outflows relating to the payment of contingent consideration. The amount included in the Investing activities section of the Cashflow Statements includes both cash paid on acquisition and subsequent cash outflows relating to the payment of contingent consideration.

Impact of acquisition on the results of the Group

Included in the loss for the year is a loss of \$365,001 attributable to ProAg CropLogic LLC. Revenue for the year includes \$2,011,339 in respect of ProAg CropLogic LLC. These amounts exclude any inter-entity charges.

Due to the seasonal nature of the business, had the acquisition of Professional Ag Services Inc. been effected at 1 April 2017 there would have been only a \$39,068 increase to Group revenue.

10 Commitments for expenditure

Other than the contingent consideration committed to as outlined in note 9 the Group has no other capital commitments as at 31 March 2018 (2017: In April 2017 CropLogic purchased the assets of Professional Ag Services Inc. as detailed in note 27. The contract includes an earnout arrangement whereby CropLogic has a commitment to pay;

- 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).

11 Contingent liabilities and contingent assets

During the period, CropLogic received \$111,883 from the New Zealand Inland Revenue under the Research and Development Tax Losses "Cash Out" scheme. In total the Group has now received \$243,728. 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 does not intend for any of the above circumstances to occur. Other than this the Group has no contingent liabilities as at 31 March 2018 (2017: nil).

12 Events after the reporting period

The following subsequent events have arisen and/or occurred between 31 March 2018 and the date of this report that could have a significant impact on the operations of the Group, the results of those operations, and the state of affairs of the Group in future years:

- Appointment of Dr Andrew Whitehead as Director as of 06 April 2018
- Resignation of MD Jamie Cairns and appointment of CEO, James Cooper Jones as of 24 April 2018
- Appointment of CFO, Daniel Bramich as of 01 May 2018
- Appointment of Susan Hunter as Company Secretary as of 01 May 2018

A change in group strategy away from an acquisition strategy and towards a commercialization strategy via direct sales and / or partnerships

An intention has been signaled to move the head office to Australia and a refocus of the R&D strategy with a reduction in staff and a relocation to Australia