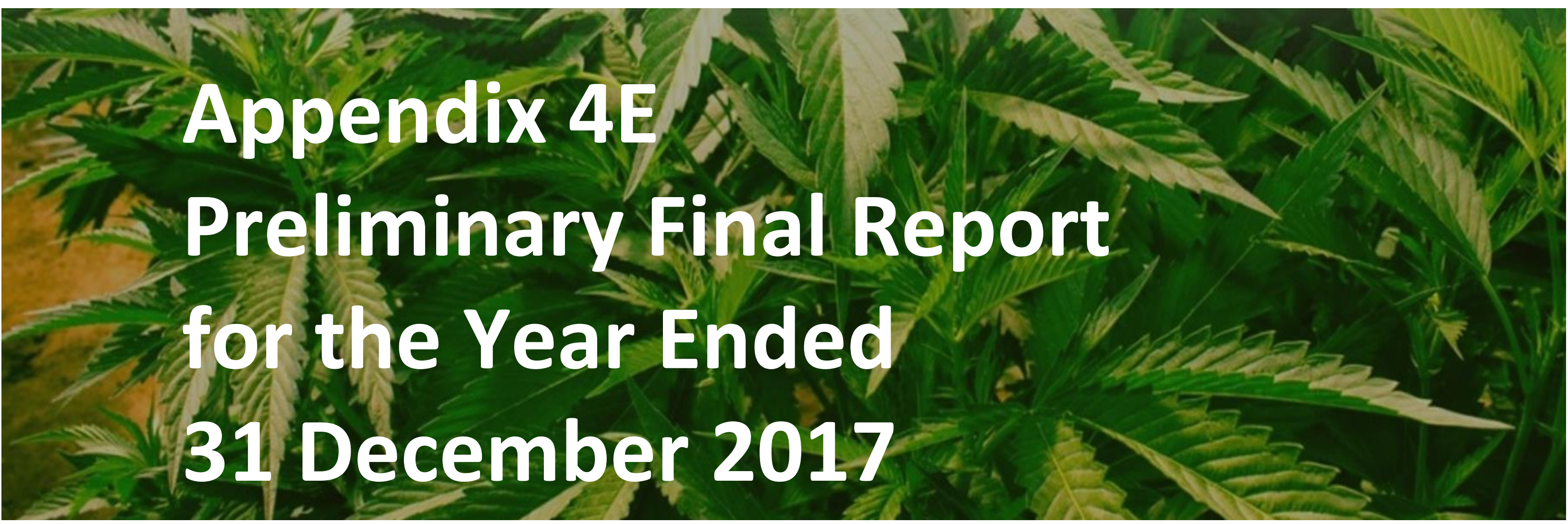
theHydroponicscompany

ACN: 614 508 039



Appendix 4E
Preliminary Final Report
for the Year Ended
31 December 2017

The Hydroponics Company Limited
Appendix 4E Final Report
For the Year Ended 31 December 2017

The following information must be given to ASX under listing rule 4.3A.

ABN:	33 614 508 039
Year ended (reporting period)	31 December 2017
Year ended (previous reporting period)	31 December 2016

Results for announcement to the market

	31 Dec 2017	31 Dec 2016	Movement up/(down)	Movement %
Revenue from ordinary activities	1,843,991	-	1,843,991	NMF
Loss from ordinary activities after tax attributable to members	(2,558,525)	(212,886)	(2,345,639)	(1,101.83)
Net loss attributable to members	(2,565,164)	(212,886)	(2,352,278)	(1,104.95)

The loss has increased due to FY17 being the first full year of operations and business acquisitions being performed. Refer to Note 5 of the accompanying Notes to the Financial Statements for more details on the business acquisitions.

The Group has not proposed to pay dividends in the previous or current reporting period.

Review and results of operation

Refer to the accompanying Financial Statements for the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Financial Statements.

Net tangible assets per security

	31 Dec 2017 Cents per share	31 Dec 2016 Cents per share
Net tangible asset backing per ordinary share	12	3

The Group has not proposed to pay dividends in the previous or current reporting period. There is no dividend reinvestment plan.

Control gained or lost over entities

Refer to Note 5 of the accompanying Financial Statements for details on the Group's acquisitions in the reporting period.

Details of associates and joint venture entities

The Group has no associates or joint ventures.

The Hydroponics Company Limited
Appendix 4E Final Report
For the Year Ended 31 December 2017

Compliance statement

The information provided in this report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.* It also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Hydroponics Company Limited Financial Statements for the period ended 31 December 2017 is currently being subjected to audit by our external auditors. A copy of the Audit Report to the members of The Hydroponics Company Limited will be provided with the full Financial Report.

Jarrod White
Company Secretary

28 February 2018
Sydney

The Hydroponics Company Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2017

	Notes	Year ended 31 Dec 2017 $	Period ended 31 Dec 2016 $
Revenue from continuing operations	3	1,843,991	-
Cost of goods sold		(1,065,903)	-
Gross profit		778,088	-
Other income		58,923	506
Freight and other selling expenses		(93,775)	-
Professional expenses		(346,347)	(128,891)
Corporate and consulting expenses	4	(875,882)	-
Employee benefits expense		(771,708)	(54,250)
Advertising and promotion expenses		(26,613)	-
Patents and trademark expenses		(2,149)	-
Bad debts expense		(240,835)	-
Depreciation and amortisation expense	10	(23,622)	-
Impairment expense		(50,000)	-
Finance expenses		(10,811)	-
Office and occupancy expenses		(127,582)	-
Administration expenses		(466,534)	-
Other expenses		-	(5,726)
Share based payments	17	(359,678)	(24,525)
Loss before income tax		**(2,558,525)**	**(212,886)**
Income tax expense	6	**-**	-
Loss for the period		**(2,558,525)**	**(212,886)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		(6,639)	-
Total comprehensive loss for the period		**(2,565,164)**	**(212,886)**
Earnings per share			
- Basic/diluted losses per share (Cents)	21	(3.09)	(2.50)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

The Hydroponics Company Limited
Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	As at 31 December 2017 $	As at 31 December 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	11,037,689	885,370
Trade and other receivables	8	1,287,060	4,029
Inventory	9	1,156,969	-
Total Current Assets		**13,481,718**	**889,399**
Non-Current Assets			
Trade and other receivables	8	1,169,035	-
Property, plant and equipment	10	638,832	-
Intangible assets	11	1,350,000	-
Goodwill	5	5,307,140	-
Investments at cost		-	114,416
Total Non-Current Assets		**8,465,007**	**114,416**
Total Assets		**21,946,725**	**1,003,815**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	588,825	44,581
Total Current Liabilities		**588,825**	**44,581**
Total Liabilities		**588,825**	**44,581**
Net Assets		**21,357,900**	**959,234**
EQUITY			
Contributed equity	14(a)	17,517,047	1,069,932
Other contributed equity	14(b)	3,742,000	-
Reserves	15	2,845,739	102,188
Accumulated losses		(2,746,886)	(212,886)
Equity		**21,357,900**	**959,234**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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The Hydroponics Company Limited
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2017

	Notes	Contributed equity $	Other contributed equity $	Accumulated losses $	Reserves $	Total $
At 29 August 2016		**-**	**-**	**-**	**-**	**-**
Loss for the period		-	-	(212,886)	-	(212,886)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	-	(212,886)	-	(212,886)
Shares issued in the period	14(a)	1,153,095	-	-		1,153,095
Costs of capital raising		(83,163)	-	-		(83,163)
Options issued		-	-	-	102,188	102,188
Total transactions with owners		**1,069,932**	-	-	102,188	1,172,120
At 31 December 2016		**1,069,932**	**-**	**(212,886)**	**102,188**	**959,234**
At 1 January 2017		**1,069,932**	**-**	**(212,886)**	**102,188**	**959,234**
Loss for the year		-	-	(2,558,525)	-	(2,558,525)
Other comprehensive income		-	-	-	(6,639)	(6,639)
Total comprehensive loss		-	-	(2,558,525)	(6,639)	(2,565,164)
Shares issued in the year	14(a)	21,794,000	-	-	-	21,794,000
Costs of capital raising		(5,346,885)	-	-	-	(5,346,885)
Performance shares issued		-	3,742,000	-	-	3,742,000
Options issued		-	-	-	2,774,715	2,774,715
Options expired/cancelled		-	-	24,525	(24,525)	-
Total transactions with owners		16,447,115	3,742,000	24,525	2,750,190	22,963,830
At 31 December 2017		**17,517,047**	**3,742,000**	**(2,746,886)**	**2,845,739**	**21,357,900**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The Hydroponics Company Limited
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2017

	Note	Year ended 31 Dec 2017 $	Period ended 31 Dec 2016 $
Cash flows from operating activities			
Receipts from customers		1,611,879	-
Payments to suppliers and employees		(3,529,267)	(147,809)
Interest received		50,280	-
Finance costs		(10,811)	-
Net cash outflow from operating activities	18	**(1,877,919)**	**(147,809)**
Cash flows from investing activities			
Payments for plant and equipment		(357,916)	-
Payments for intangible assets		(300,000)	-
Payments for investments		(296,962)	(114,416)
Cash acquired on acquisition of subsidiary		195,765	-
Net cash outflow from investing activities		**(759,113)**	**(114,416)**
Cash flows from financing activities			
Proceeds from shares issued net of issue costs		14,480,838	1,147,595
Loans to related parties		(1,671,949)	-
Net cash inflow from financing activities		**12,808,889**	**1,147,595**
Net increase in cash and cash equivalents		**10,171,857**	**885,370**
Cash and cash equivalents at the beginning of the financial period		885,370	-
Foreign exchange adjustment to cash balance		(19,538)	-
Cash and cash equivalents at end of the year	7	**11,037,689**	**885,370**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

1 Summary of significant accounting policies

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the ‘Group') consisting of The Hydroponics Company Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are reported below. They have been consistently applied unless stated otherwise. All applicable new accounting standards have been adopted for the year ended 31 December 2017 unless otherwise stated and their adoption did not have a significant impact on the financial performance or position of the consolidated entity.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting policies

(a) Principles of Consolidation

A controlled entity is any entity The Hydroponics Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the Consolidated Statement of Financial Position and in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

1 Summary of significant accounting policies (continued)

(b) Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

(c) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

The Group incurred a loss after tax of $2,558,525 (2016: loss of $212,886) and had net cash outflows from operating activities of $1,877,919 for the year ended 31 December 2017 (2016: $147,809). As at that date the Group had net current assets of $12,892,893 (2016: $844,818), total assets of $21,946,725 (2016: $1,003,815) as well as cash and cash equivalents of $11,037,689 as at 31 December 2017 (2016: $885,370).

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has cash and cash equivalents of $11,037,689 as at 31 December 2017. As at that date the Group had net current assets of $12,892,893 and total assets of $21,946,725;
- If required, the Group has the ability to continue to raise additional funds on a timely basis;
- The Group has the ability to scale back a significant portion of its development activities if required.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

(d) Foreign currency translation

(i) Functional currency

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company is Australia dollars (AU$)

1 Summary of significant accounting policies (continued)

The functional currency of CMDV is Canadian dollars (C$).

The functional currency of the Canndeo Limited is Australian dollars (AU$)

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

(ii) Presentation currency

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rates are recognised in the Foreign Currency Translation Reserve.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

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

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

1 Summary of significant accounting policies (continued)

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

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

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

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

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

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

(g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows. There is provision made in the Statement of Cash Flows to disclose the applicable GST refunds/payments that have been remitted to the ATO to accurately show the cash position of The Hydroponics Company Limited.

1 Summary of significant accounting policies (continued)

(h) Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(k) Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

(l) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as 'impairment expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

1 Summary of significant accounting policies (continued)

(m) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

(n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(o) Employee benefits

1. Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

2. Retirement benefit obligations

The Group does not maintain a superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for Canadian resident employees to complying pension funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(p) Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(q) Plant and equipment

Plant and equipment are measured on the cost basis.

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

1 Summary of significant accounting policies (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

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

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

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

(r) Intangible assets

Patents
Patents have a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of 15 years.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(t) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the results attributable to the owners the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

1 Summary of significant accounting policies (continued)

(u) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(v) Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

1 Summary of significant accounting policies (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(w) Research and Development

During the year, Canndeo Ltd, subsidiary of the Group, received a Medicinal Cannabis Licence. The licence provides authorisation for Canndeo to perform research and development of cannabis for medicinal purposes. During the year, Canndeo began the process of building the facilities for research and development of cannabis for the prescribed purposes. At the time of this report, no research and development expenses had been incurred.

(x) Comparative information

Comparative information presented is for the Company from its incorporation on 29 August 2016 to 31 December 2016.

(y) New, revised or amending Accounting Standards and Interpretations adopted

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

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

1 Summary of significant accounting policies (continued)

(z) New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of authorisation of the financial statements the following new standards and interpretations have not been early adopted. The below are a list of the standards and the likely impact.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Likely impact on initial application
ASB 9 'Financial Instruments' (December 2014)	1 January 2018	31 December 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.
AASB 15 Revenue from Contracts with Customers	1 January 2018	31 December 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.
AASB 16 Leases	1 January 2019	31 December 2020	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	31 December 2019	Refer to the section on AASB 15 above.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	31 December 2019	Refer to the section on AASB 15 above.
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	31 December 2019	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2017	31 December 2018	Refer to the section on AASB 15 above.
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017	31 December 2018	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

1 Summary of significant accounting policies (continued)

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	31 December 2018	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.
AASB 2016-03 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	31 December 2019	Refer to the section on AASB 15 above.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	31 December 2018	When these amendments become effective for the first time for the year ending 30 June 2019, there will be no impact on the entity.
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	31 December 2019	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	31 December 2019	When these amendments become effective for the first time for the year ending 30 June 2019, there will be no impact on the entity.
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	31 December 2019	When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	31 December 2018	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	31 December 2019	When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.
IFRS 17 Insurance Contracts	1 January 2021	31 December 2022	The entity is yet to undertake a detailed assessment of the impact of IFRS 17. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2022.
IFRIC 23 Uncertainty Over Income Tax Treatments	1 January 2019	31 December 2020	The entity has not yet assessed the full impact of this Interpretation.

2 Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Recovery of deferred tax assets

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

The Group remained in a development phase during the period and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

Share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of loans to related parties

The Group has reviewed the balance of loans to related parties being $1,169,035. Under the documented terms of those loan arrangements the loans are required to be repaid on the second anniversary of their draw down based on specific share price triggers, the highest being $0.35. As at the date of this report the share price is well in excess of this trigger meaning that the entire balance is expected to be recoverable. The Group further notes that the underlying shares issued to the borrower of this arrangement are escrowed and provide sufficient certainty of the ability of the borrower to make those repayments under the documented agreement.

	For the Year Ending 31 December 2017 $	For the Period Ending 31 December 2016 $
3 Revenue and other income		
Revenue from continuing operations		
Sale of goods – parts and accessories	1,843,991	-
	1,843,991	**-**

4 Corporate and consulting expenses

Consulting fees	815,949	-
Corporate services fees	59,933	-
	875,882	**-**

5 Controlled entities and business combinations

(a) Controlled entities

	Country of Incorporation	Percentage Owned
Crystal Mountain Products Ltd	Canada	100%
Dragon Vision Limited	Hong Kong	100%
0970203 BC Ltd	Canada	100%
- Accounting subsidiaries		
Canndeo Limited	Australia	100%
- Accounting subsidiary		
Canna Clinics Pty Ltd	Australia	100%
- Accounting subsidiary		
Plant Life Sciences Pty Ltd	Australia	100%
- Accounting subsidiary		

(b) Business combinations

On 4 May 2017, The Hydroponics Company Limited wholly acquired the below entities:

- Crystal Mountain and Dragon Vision; and
- Canndeo Limited.

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

5 Controlled entities and business combinations (continued)

Details of the business combinations are as follows.

Crystal Mountain and Dragon Vision

	2017 $
Consideration transferred	
Shares, options and performance shares issued	2,944,200
Other costs of acquisition	174,936
	3,119,136
Goodwill	
Net assets acquired in CMDV at the date of acquisition	1,451,640
Goodwill	**1,667,496**
Assets and liabilities assumed at date of acquisition	
Current assets	2,872,167
Non-current assets	34,193
Total assets	**2,906,360**
Current liabilities	1,454,720
Total liabilities	**1,454,720**
Net assets acquired	**1,451,640**

Canndeo Limited

Consideration transferred	
Shares, options and performance shares issued	3,363,500
	3,363,500
Goodwill	
Net liabilities in CMDV at the date of acquisition	(276,144)
Goodwill	3,639,644
Assets and liabilities assumed at date of acquisition	
Current assets	20,819
Total assets	**20,819**
Non-current liabilities	296,963
Total liabilities	**296,963**
Net liabilities assumed	**(276,144)**

5 Controlled entities and business combinations (continued)

Contribution to the Group's Results

CMDV contributed $1,843,991 and $252,289 to the Group's revenues and profits, respectively from the date of the acquisition to 31 December 2017.

Canndeo contributed $Nil and $554,256 to the Group's revenues and loss, respectively from the date of the acquisition to 31 December 2017.

	For the Year Ending 31 December 2017 $	For the Period Ending 31 December 2016 $
6 Income tax expense		
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(2,558,525)	(212,886)
Tax at the Australian tax rate of 27.5% (2016 – 28.5%)	**(703,594)**	**(60,673)**
Add tax effect of:		
- Other non-allowable items	187,913	6,990
Less tax effect of:		
- Other non-assessable items	(39,893)	-
- Other deductible items	(1,485)	-
Carried forward tax benefit not recognized in the current year	557,059	53,683
Total income tax expense	-	-

The Group has carry forward tax losses of approximately $2,025,669. The benefit of these losses will only be recognised where it is probable that future taxable income will be available against which the benefits of the deferred tax asset can be utilised.

	As at 31 December 2017 $	As at 31 December 2016 $
7 Cash and cash equivalents		
Cash at bank and in hand	11,037,689	885,370
	11,037,689	**885,370**

	As at 31 December 2017 $	As at 31 December 2016 $
8 Trade and other receivables		
CURRENT		
Trade receivables	656,691	-
Provision for bad debts	(304,352)	-
Prepayments	231,265	-
Deposits paid	531,209	-
Trade credit receivable	118,375	-
Other receivables	53,872	4,029
	1,287,060	**4,029**
NON-CURRENT		
Loans to related parties*	1,169,035	-
	1,169,035	**-**
	2,456,095	**4,029**

*Terms of the loans to related parties are disclosed in the Remuneration Report at Note 22(b).

9 Inventory

Finished goods	1,156,969	-
	1,156,969	**-**

10 Property, plant and equipment

Office equipment at cost	70,000	-
Accumulated depreciation – office equipment	(1,189)	-
	68,811	
Software at cost	300,000	-
Accumulated depreciation – software	(20,000)	-
	280,000	
Plant and equipment at cost	200,526	-
Accumulated depreciation – plant and equipment	(11,300)	-
	189,226	-
Buildings and improvements at cost	100,795	-
Accumulated depreciation – buildings and improvements	-	-
Closing balance	100,795	-
	638,832	

At 31 December 2017, the Group had $176,995 and $100,796 of plant and equipment and building and improvements, respectively, that were owned but not yet ready for use. The Group had not commenced depreciation of these assets at year end.

10 Property, plant and equipment (continued)

	Office Equipment	Software	Plant and equipment	Building and improvements	Total
	$	$	$	$	$
Balance at 1 January 2016	-	-	-	-	-
Balance at 31 December 2016	-	-	-	-	-
Acquisitions in the year	70,000	-	181,973	100,795	352,768
Acquisition of subsidiary	-	300,000	9,686	-	309,686
Depreciation expense	(1,189)	(20,000)	(2,433)	-	(23,622)
Balance at 31 December 2017	**68,811**	**280,000**	**189,226**	**100,795**	**638,832**

11 Intangible assets

	As at 31 December 2017 $	As at 31 December 2016 $
Intangible assets purchased	1,400,000	-
Impairment	(50,000)	-
Closing balance	**1,350,000**	-
Balance at beginning of the year	-	-
Additions	1,400,000	-
Impairment	(50,000)	-
Balance at end of year	**1,350,000**	-

12 Trade and other payables

	As at 31 December 2017 $	As at 31 December 2016 $
CURRENT		
Trade payables	512,485	44,581
Payroll liabilities	55,303	-
Accrued expenses	17,958	-
Other payables	2,779	-
	588,825	**44,581**

13 Commitments

The Group leases an office under an operating lease. The future minimum lease payments are as follows:

	Minimum Lease Payments Due			
	Within 1 Year	1-5 Years	After 5 Years	Total
	AUD	AUD	AUD	AUD
31 December 2017	35,648	21,445	-	57,093
31 December 2016	-	-	-	-

Lease expense during the period amounted to $64,537 (2016: $Nil) representing the minimum lease payments.

14 Contributed equity

(a) Share capital

	As at 31 December 2017		As at 31 December 2016	
	No. of Shares	**$**	**No. of Shares**	**$**
At the beginning of the period	35,400,000	1,069,932	-	-
Shares issued during the period	-	-	35,400,000	1,153,095
Issue of shares pursuant to public offer	40,000,000	8,000,000	-	-
Issue of shares to acquire CMDV	9,700,000	1,940,000	-	-
Issue of shares to acquire Canndeo Limited	5,000,000	1,000,000	-	-
Issue of shares to acquire intellectual property	2,750,000	600,000	-	-
Shares issued to advisors in promoters	11,250,000	2,250,000	-	-
Share placement	12,698,414	8,000,000	-	-
Options converted	10,000	4,000	-	-
Share issue expenses	-	(5,346,885)	-	(83,163)
	116,808,414	**17,517,047**	**35,400,000**	**1,069,932**

Ordinary shares
Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

14 Contributed equity (continued)

(b) Performance shares

Performance shares issued and authorised are summarised as follows:

	No. of Shares	$	Class	Probability
Performance shares				
At the beginning of the period	-	-		
Performance shares issued to acquire Canndeo	2,000,000	396,000	A	99%
Performance shares issued to acquire Canndeo	12,000,000	1,800,000	B	75%
Performance shares issued to acquire IP from Pegasus Agriculture	2,500,000	250,000	C	50%
Performance shares issued to acquire IP from Pegasus Agriculture	6,000,000	600,000	D	50%
Performance shares issued to acquire CMDV	2,000,000	396,000	E	99%
Performance shares issued to acquire CMDV	2,000,000	300,000	F	75%
Balance at end of the period	**26,500,000**	**3,742,000**		

The fair value of performance shares is based upon the price of THC at issue date, adjusted for the probability of their performance milestones being achieved. The value of the performance shares, together with the probability of milestones being achieved, is assessed by the directors at least annually.

	As at 31 December 2017 $	As at 31 December 2016 $
15 Reserves		
Options reserve	2,852,378	102,188
Foreign currency translation reserve	(6,639)	-
	2,845,739	**102,188**
(a) Options reserve		
Balance beginning of financial year	102,188	-
Fair value of options issued during the year	2,774,715	102,188
Options expired or cancelled	(24,525)	-
Balance at end of the financial year	**2,852,378**	**102,188**

15 Reserves (continued)

	As at 31 December 2017		As at 31 December 2016	
	No. of Options	**$**	**No. of Options**	**$**
At the beginning of the period	3,125,000	102,188	-	-
Options issued during the period	34,200,000	-	3,125,000	102,188
Issue of options to Vendors	7,100,000	475,700	-	-
Options issued to advisors in promoters	12,875,000	969,812	-	-
Options issued to broker of share placement	3,000,000	945,000	-	-
Share based payments accrued for but not issued	4,120,000	359,678	-	
Options converted	(10,000)	-		
	64,410,000	**2,852,378**	**3,125,000**	**102,188**

(b) Foreign currency translation reserve	**As at 31 December 2017 $**	**As at 31 December 2016 $**
Balance beginning of financial year	-	-
Movement in the financial year	(6,639)	-
Balance at end of the financial year	**(6,639)**	**-**

16 Segment information

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's two (2) main operating segments are:

a) manufacture and distribution of hydroponics **equipment, materials and nutrients**; and
b) development and delivery of **medicinal cannabis**.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The main source of revenue for these operating segments in the year to 31 December 2017 is from distribution of hydroponics equipment, materials and nutrients. The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

Segment performance

	Equipment, Materials and Nutrients 2017 $	**Medicinal Cannabis 2017 $**	**Total 2017 $**
Revenue			
External sales	1,843,991	-	1,843,991
Total segment revenue	1,843,991	-	1,843,991
Segment operating result	137,898	(554,256)	(416,358)
Segment assets	1,982,889	243,079	2,224,968

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

16 Segment information (continued)

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

	For the Year Ending 31 December 2017 $	For the Period Ending 31 December 2016 $
Total reporting segment operating profit	(416,358)	-
Share-based payment expenses	(359,678)	(24,525)
Employee benefit expenses	(486,320)	(54,250)
Other income not allocated	44,710	506
Other expenses not allocated	(1,340,879)	(134,617)
Group operating profit	**(2,558,525)**	**(212,886)**

17 Share based payments

The Group made the below share-based payments in the financial year:

Date	Description	Shares $	Options $	Performance Shares $	Total $
26/04/17	9,700,000 ordinary shares, 4,850,000 Options and 2,000,000 Class E and 2,000,000 Class F performance shares pursuant to the CMDV Share Purchase Agreement.	1,940,000	308,200	696,000	2,944,200
26/04/17	5,000,000 ordinary shares, 2,500,000 Options and 2,000,000 Class A and 12,000,000 Class B performance shares pursuant to the Canndeo Share Purchase Agreement.	1,000,000	167,500	2,196,000	3,363,500
26/04/17	2,500,000 ordinary shares and 2,500,000 Class C and 6,000,000 Class D performance shares pursuant to the IP Acquisition Agreement.	500,000		850,000	1,350,000
26/04/17	500,000 ordinary shares and 250,000 Options to Gleneagle.	100,000	16,750	-	116,750
26/04/17	125,000 ordinary shares and 62,500 Options to Red Leaf.	25,000	4,188	-	29,188
26/04/17	10,625,000 ordinary shares and 15,437,500 Options to promoters.	2,125,000	1,034,313	-	3,159,313
26/04/17	250,000 Options to CYL Trading Pty Ltd.	-	16,750	-	16,750
26/04/17	250,000 ordinary shares to New Fluid Technology Pty Ltd	50,000	-	-	50,000
17/10/17	LTI package of 3,120,000 three-year options vesting 25% on issue, and 25% on each anniversary of the employment agreement for a period of up to three years	-	156,793	-	156,793
13/11/17	LTI package of 1,000,000 three-year options vesting 25% on issue, and 25% on each anniversary of the employment agreement for a period of up to three years	-	215,785	-	215,785
20/12/17	Options issued to broker as part of share placement (Hunter Capital Advisors)	-	945,000	-	945,000

17 Share based payments (continued)

Employee options
The Company is yet to formally establish an employee Long Term Incentive (LTI) plan however will shortly be putting a plan to be approved by shareholders. The LTI is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

The Company has prudently accrued for options issued under contract at balance date with key executives and will be putting those options forward for shareholder approval at a meeting to be held after balance date.

Set out below are summaries of options granted under the proposed plan thus far:

	31 December 2017		31 December 2016	
	Average exercise price per option	**No. of Options**	**Average exercise price per option**	**No. of Options**
At the beginning of the year	-	-	-	-
Granted during the year	0.30	4,120,000	-	-
Balance at end of the year	**0.30**	**4,120,000**	**-**	**-**
Vested and exercisable	0.30	1,030,000	-	-

For options granted during the current financial period, the Black-Scholes valuation model inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
17/10/2017	16/10/2022	$0.235	$0.300	83%	-%	2.34%	$0.1460
13/11/2017	12/11/2022	$0.850	$0.300	83%	-%	2.19%	$0.6955

18 Reconciliation of loss after income tax to net cash outflow from operating activities

	For the Year Ending 31 December 2017 $	For the Period Ending 31 December 2016 $
Loss for the year	(2,558,525)	(212,886)
Depreciation expense	3,622	-
Amortisation expense	20,000	-
Impairment expense	50,000	-
Share-based payments	359,678	24,525
Change in operating assets and liabilities		
Increase in trade and other receivables	(8,733)	(237,515)
Increase in trade and other payables	854,813	454,215
Increase in inventories and trade credit	(598,774)	(176,148)
Net cash outflow from operating activities	**(1,877,919)**	(147,809)

19 Financial risk management

(a) Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and inter-entity loans.

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the Group as it only has a limited number of customers at this stage of its development.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises form default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral security.

The maximum exposure to credit risk at balance date is as follows:

	As at 31 December 2017	As at 31 December 2016
	$	$
Cash and cash equivalents	11,037,689	885,370
Trade and other receivables	1,287,060	4,029

Liquidity risk

The Group's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

Market risk

Foreign exchange risk

Most of the Group's transactions occur in Canada and are predominantly denominated in CAD and USD. Cash and cash equivalents used to fund working capital are mainly held in Canadian and US bank accounts.

The Group is exposed to foreign exchange risk when capital is raised in AUD and then transferred to the Canadian subsidiary. The Group closely monitors foreign currency movements at such times but does not use hedging instruments to manage such risk.

19 Financial risk management (continued)

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into $AUD at the closing rate:

	Short Term Exposure $	Long Term Exposure $
31 December 2017		
Financial assets	1,001,923	1,169,035
Financial liabilities	570,867	-
31 December 2016		
Financial assets	4,029	-
Financial liabilities	44,581	-

The following table illustrates the sensitivity of profit or loss and equity in regards to the Group's financial assets and financial liabilities and the CAD/AUD and HKD/AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the CAD/AUD and HKD/AUD exchange rate for the year. This percentage has been determined based on the average market volatility in exchange rate in the previous twelve (12) months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the AUD had strengthened/weakened against the CAD and HKD by 10% then this would have had the following impact:

	Loss for the Year		Equity	
	+ 10%	**-10%**	**+ 10%**	**-10%**
31 December 2017	(3,072)	3,754	(156,171)	190,875
31 December 2016	-	-	-	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

19 Financial risk management (continued)

(b) Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
	%	$	$	$	$
2017					
Financial Assets					
Cash and cash equivalents	0.50%	-	11,037,689	-	11,037,689
Trade and other receivables	-	2,170,958	-	-	2,170,958
Total financial assets		2,170,958	11,037,689	-	13,208,647
Financial Liabilities					
Trade and other payables	-	570,867	-	-	570,867
Total financial liabilities		570,867	-	-	570,867
2016					
Financial Assets					
Cash and cash equivalents	0.06%	-	885,370	-	885,370
Trade and other receivables	-	4,029	-	-	4,029
Total financial assets		4,029	885,370	-	889,399
Financial Liabilities					
Trade and other payables	-	44,581	-	-	44,581
Total financial liabilities		44,581	-	-	44,581

	Carrying amount	Contractual cash flow due 1 to 3 months	Contractual cash flow due 3 months to 1 year	Contractual cash flow due 1 to 5 years
	$	$	$	$
2017				
Financial Assets				
Trade and other receivables	2,170,958	1,001,923	-	1,169,035
Total	2,170,958	1,001,923	-	1,169,035
Financial liabilities				
Trade and other payables	570,867	-	-	-
Total	570,867	-	-	-

19 Financial risk management (continued)

	Carrying amount $	Contractual cash flow due 1 to 3 months $	Contractual cash flow due 3 months to 1 year $	Contractual cash flow due 1 to 5 years $
2016				
Financial Assets				
Trade and other receivables	4,029	4,029	-	-
Total	4,029	4,029	-	-
Financial liabilities				
Trade and other payables	44,581	44,581	-	-
Total	44,581	44,581	-	-

(c) Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and notes to the financial statements.

d) Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to foreign currency risk at balance date. The effect on profit or loss and equity as a result of changes in the value of the Australian Dollar to the US Dollar and Canadian Dollar with all other variables remaining constant, is not expected to be significant.

20 Auditor's remuneration

	For the Year Ended 31 December 2017 $	For the Period Ended 31 December 2016 $
KS Black & Co		
- Audit and review services	57,181	5,230
- Other services	-	-

21 Earnings per share

	Cents	Cents
Basic earnings per share	(3.09)	(2.50)
Diluted earnings per share	(3.09)	(2.50)
Weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
- Basic earnings per share	82,779,348	8,504,435
- Diluted earnings per share	82,779,348	8,504,435

The loss used to calculate earnings per share was $2,558,525 (2016: loss of $212,886).

The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

22 Related party transactions

(a) Key management personnel

Shareholdings of key management personnel

	Opening balance	Granted as compensation	Acquired	Balance 31/12/2017
Ian Mutton	-	-	254,786	254,786
Hamish MacDonald	-	-	4,009,572*	4,009,572
Alan Beasley	-	-	500,000	500,000
Mary Verschuer	-	-	250,000	250,000
Peter Wallace	-	-	273,810	273,810
John Hall	-	-	800,000	800,000
Steven Xu	-	-	-	-
David Radford	-	-	-	-
Jarrod White	-	-	73,072	73,072
Jason Colquhoun	-	-	9,700,000*	9,700,000
Henry Kinstlinger			3,500,000	3,500,000
Total	**-**	**-**	**19,361,240**	**19,361,240**

*Note these holdings do not include holdings of performance shares that have a separate class of equity

Option holdings of key management personnel

	Opening balance	Acquired	Vested During Period Number	Vested During Period %	Total Balance 31/12/2017
Ian Mutton	-	125,000	-	-	125,000
Hamish MacDonald	-	500,000	-	-	500,000
Alan Beasley	-	250,000	-	-	250,000
Mary Verschuer	-	125,000	-	-	125,000
Peter Wallace	-	125,000	-	-	125,000
John Hall	-	400,000	-	-	400,000
Steven Xu	-	-	-	-	-
David Radford	-	3,120,000^	780,000^	25%	3,120,000
Debbie Ormsby		1,000,000^	250,000^	25%	1,000,000
Jarrod White	-	-	-	-	-
Jason Colquhoun	-	4,850,000	-	-	4,850,000
Total	**-**	**10,495,000**	**1,030,000**	**25%**	**10,495,000**

^Employee options
The Company is yet to formally establish an employee Long Term Incentive (LTI) plan however will shortly be putting a plan to be approved by shareholders. The LTI is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

The Company has prudently accrued for options issued under contract but subject to shareholder approval.

The LTI plan and issue of performance options under that plan will be put forward at shareholder meeting to be held after balance date.

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The Hydroponics Company Limited
Notes to the Financial Statements
For the Year Ended 31 December 2017

Details of remuneration

2017 Name	Salary and fees $	Other fees $	Post-employment benefits $	Share based payments $	Total $
Executive Directors					
Hamish MacDonald	147,000	-	-	-	147,000
Non-Executive Directors					
Ian Mutton - Chairman	26,839	2,360[1]	-	-	29,199
Alan Beasley	58,028	20,550[2]	-	-	78,578
Mary Verschuer	30,250	-	-	-	30,250
Peter Wallace	36,667	-	-	-	36,667
John Hall	84,961[5,6]	-	-	-	84,961
Steven Xu	-	-	-	-	-
Subtotal – Non-Executive Directors	236,745	22,910	-	-	259,655
Key Management Personnel					
David Radford - CEO	115,417	-	4,035	156,793	276,245
Debbie Ormsby	30,661	-	17,050	215,785	263,496
Jarrod White	-	109,524[3]	-	-	109,524
Jason Colquhoun	125,636	-	-	-	125,636
Andrew Beehag	76,000[5]	-	7,220	-	83,220
Henry Kinstlinger	-	190,000[4]	-	-	190,000
Subtotal – Key Management Personnel	347,714	299,524	28,305	372,578	1,048,121
Total	**731,459**	**322,434**	**28,305**	**372,578***	**1,454,776**

Notes:

1. Legal fees paid to Crafers Law Pty Ltd, an entity related to Mr Mutton;
2. Advisory fees paid to Hudson Corporate Ltd and Hudson Pacific Group Limited, entities related to Mr Beasley;
3. Accounting and Company Secretarial and Corporate Accounting fees paid to Traverse Accountants Pty Ltd, an entity related to Mr White;
4. Advisory fees paid to MMR Corporate Services Pty Ltd and Henry Kinstlinger & Associates, entities related to Mr Kinstlinger;
5. Service fees were paid throughout the year to Agri Fibre Industries Pty Ltd. These amounts were are not included in the above fees however it is noted that Messrs Hall and Beehag are shareholders of Agri Fibre Industries, and that Agri Fibre Industries Pty Ltd is a shareholder of THC and the holder of performance shares as noted in the prospectus;
6. Rental payments were made from Canndeo Limited to Crop Management Australia Pty Ltd and Hall Super Fund that are related parties of Mr Hall. These are not included in his remuneration.

All payments to related parties are on arms' length terms and at rates comparable to the market rate or average for these contracts. All contracts have received Board approval and to the extent they were material and subject to the Prospectus, were noted as material contracts in the Prospectus.

(b) Transactions with other related parties

Details of loans made to directors and other key management personnel (and/of their related entities) of the Group are set out below.

	Opening balance	Additions	Total Balance 31/12/2017
Jason Colquhoun^	-	1,010,975	1,010,975
Mike Sigur*	-	150,460	150,460
Total	**-**	**1,161,435**	**1,161,435**

^ Loan made to 0971224 B.C Ltd, and entity controlled by Mr Jason Colquhoun. 0971224 B.C Ltd is also a significant shareholder of the Company.
*Loan to other employee

Key terms of the loans are as follows:

- Agreement completed 30 April 2017;
- Maturity date is 30 June 2019;
- Interest is accruable on the loan at 3% per annum;
- Under the documented terms of those loan arrangements the loans are required to be repaid on the second anniversary of their draw down based on specific share price triggers, the highest being $0.35.

There were no related party transactions aside from those listed above.

23 Contingent assets and liabilities

The Group did not have any contingent assets or liabilities at 31 December 2017 (31 December 2016: Nil).

24 Events occurring after the balance sheet date

Since balance date the company has:

- Closed a successfully oversubscribed Shareholder Purchase Plan (commenced 13 December 2017) raising an additional $3m in capital at the December 2017 placement price of $0.63;
- Announced the appointment of Mr Steven Xu to the Board effective 12 January 2018;
- At the request of Mr A Beasley notified shareholders of a convening of a meeting of shareholders by him under s249CA of the Corporations Act 2001, with the meeting to be held 15 March 2018;
- Called its inaugural Annual General Meeting as circulated to shareholders on 12 February 2018 with the meeting to be held 23 March 2018;
- Announced the near completion of the growing facility at Bundaberg;
- Announced the engagement of due diligence partners to a material transaction in Canada for the acquisition of a business with annualised revenues in excess of CAD$20 million;
- Announced approval to import Endoca medicinal cannabis products granted by the Drug Control Section of the Department of Health;
- Canndeo and BOL Pharma to provide investigational medicinal product in support of Wesley Medical Research clinical trial to investigate potential benefits of medicinal cannabis in the treatment of Tourette's Syndrome;
- Sydney based Systems Implementation Manager, from NAC Canada, to support development of the clinic model in Australia.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

a) The Group's operations in future financial years; or
b) The results of those operations in future financial years; or
c) The Group's state of affairs in future financial years.

25 Parent entity disclosures

	2017	2016
	$	$
The Hydroponics Company Limited		
Financial position		
Assets		
Total current assets	11,346,017	889,399
Total non-current assets	10,596,859	114,416
Total assets	21,942,876	1,003,815
Liabilities		
Total current liabilities	161,772	44,581
Total liabilities	161,772	44,581
Equity		
Contributed equity	17,517,047	1,069,932
Other contributed equity	3,742,000	-
Reserves	2,852,378	102,188
Accumulated losses	(2,330,321)	(212,886)
Total equity	**21,781,104**	**959,234**
Financial performance		
Loss for the year	(2,141,772)	(212,886)
Other comprehensive income	-	-
Total comprehensive loss	**(2,141,772)**	**(212,886)**