Vivid Technology Limited

ACN: 120 710 625
and controlled entities

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Dated this 27 September 2018

VIVID TECHNOLOGY LIMITED
AND CONTROLLED ENTITIES
ACN: 120 710 625

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their report, together with the financial report of the consolidated entity consisting of Vivid Technology Ltd and the entities it controlled (the Group), for the financial year ended 30 June 2018 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

The names, qualifications, experience and special responsibilities of each person who has been a director of Vivid Technology Ltd at any time during or since the end of the financial year are provided below, together with details of the company secretary as at the year end. The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Charles Macek B.Ec., M.Admin, FAICD, FCA, FCPA, SF.Fin *(Non-executive Chair)*

Mr Macek joined the Board on 3 December 2015 and was appointed Chair on 1 May 2016. He has a B.Ec. and M.Admin, both from Monash University; and, is a Fellow of the AICD, CPA, ICAA and a Senior Fellow of the Financial Services Institute of Australasia.

He is currently a Director of Windlab Ltd since July 2017; a Director of Sinefa Pty. Ltd.; a member of the Investment Committee at Unisuper Ltd.; and, a member of the ASIC Director Advisory Panel. He had a long executive career in financial services encompassing Australia, New Zealand, UK and Japan. In his non-executive career he has been a Director of Telstra (2001-09) and Wesfarmers (2001-14;) and, is a former Chairman of IOOF and of the Financial Reporting Council; and was Vice-Chairman of the IFRS Advisory Council (2009-14), and was a member of the inaugural ASIC External Advisory Panel.

Leslie Butterfield BSc Civil Eng., AICD, AIPM, AIM *(Non Executive Director)*

Ms Butterfield joined the Board on 1 May 2016. She holds a Bachelor of Science Civil Engineering from Rensselaer Polytechnic Institute, NY. She is currently a Non Executive Director of RKF Engineering and the Australian Literacy and Numeracy Foundation, and until August 2017 was also a Non-Executive Director of UniQuest. Leslie's international and local experience spans project management, business development, corporate advisory, corporate finance, strategic planning and operational management in the construction, technology and telecommunications sectors. She served on the Board of Australia's largest public R&D fund, and was one of a panel of three industry representatives appointed by the nine government ministers to review the progress, strategies and future direction of the National Building Codes Board. Ms Butterfield is the Chair of the Remuneration Committee.

John T. Kopcheff B.Sc (Hons) (Geology and Geophysics), SPE, AIMM *(Non Executive Director)*

Mr Kopcheff was appointed to the Board on 13 July 2006. He is a geologist and geophysicist, and holds a Bachelor of Science (Honours) from the University of Adelaide (1970). He has extensive experience in Australia, South East Asia, USA, South America and the North Sea, in field operations and management, including sales for a division of a major service company to the oil industry, Baker-Hughes.

Mr Kopcheff held the position of Managing Director of Victoria Petroleum Ltd (now Senex Energy Ltd) from August 1984 until late July 2010 and continued on their board as Executive Director until resigning on 22 September 2010. He was also a non executive director of Great Panther Silver Limited from August 2001 through to 30 June 2012 when he resigned from the position. Mr Kopcheff is the Chair of the Audit Committee and a member of the Remuneration Committee.

Directors (continued)

Samuel R. Marks CA, B.Bus. *(Managing Director)*

Mr Marks was appointed as Managing Director on 1 July 2012. Mr Marks has nearly 20 years of global commercial experience across accounting, consulting, corporate finance and corporate roles. He commenced his career with Coopers & Lybrand (PwC) in the Middle Market team, followed by Arthur Anderson (now KordaMentha) in their advisory/insolvency team.

Prior to founding the Toroso Group (subsequently Main Street Capital) in 2009, Mr Marks completed 7 years within General Electric based in Australia and the United States and was responsible for leading and executing projects across the US, UK, Europe, Australia, China and Hong Kong.

Mr Marks is a Chartered Accountant with a Bachelor of Business and is Six Sigma qualified through General Electric. He is also a director of The Melbourne Foundation, a not-for-profit organisation which provides education opportunities for financially disadvantage youths. Mr Marks has not held any other directorships of listed companies during the three year period prior to 30 June 2018.

Philip Zajac B.Comm, F.Fin *(Non Executive Director)*

Mr Zajac was appointed to the Board on 4 September 2014, and has over 30 years of commercial experience in the finance industry. He is currently an executive director of the Erdi Group of companies, a director of Erdi Fuels Pty Ltd, and a non-executive director of NewCO2Fuels Ltd (Israel).

Mr Zajac is involved in the development, ownership and management of eight hotels in Victoria, Sydney and Brisbane, along with the design and construction of affordable student housing and apartments. He also runs an extensive philanthropy programme across Australia and overseas. No other directorships of listed companies were held at any time during the three years prior to 30 June 2018.

Mr Zajac is also a member of the Audit Committee and of the Remuneration Committee.

Company Secretary & CFO

Chris Hayes, B.Bus(Acc), Grad Dip (Info Sys), CPA (Company Secretary)

Mr Hayes was appointed to the role of Company Secretary and CFO effecive 1 May 2018. Mr Hayes is an experienced CFO, Company Secretary and Finance Executive with over 20 years of local and international experience.

Company Secretary

Robert Smith, B.Bus(Acc), CA *(Company Secretary)*

Mr. Smith resigned as Company Secretary and CFO effective 24 April 2018. He has previously held senior financial roles both within industry and within public practice.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

Principal activities

The principal activities of the consolidated entity during the financial year were the sales and installation of energy efficient technology solutions and investment in futher energy efficiency technologies, along with other renewable energy research and development projects. There has been no significant change in the nature of these activities during the financial year.

Review of operations

A review of the operations of the consolidated entity during the financial year and the results of those operations are as follows:

Results

The consolidated loss after income tax attributable to the members of Vivid Technology Limited was $5,395,230 (2017: $5,459,242 loss). The result reflects the Group's continued investment in growth initiatives, driving opportunities for commercial success and increase in its capabilities in the energy efficiency and smart data business unit.

The result reaffirms the Group's foreshadowed investment in the development of long term partner and client relationships across our service portfolios; research & development with a focus on technology cost reduction; evolution of new and enhanced product range; and expansion opportunities, including overseas markets.

Total Revenues grew by 128% from $3,609,490 in 2017 to $8,239,648 in 2018, whilst Sales Revenue attributable to Energy Efficiency product sales grew by 211% from $2,334,837 in 2017 to $7,270,494 in 2018.

Additional investment was made into the Group's Technology Investment in NewCO2Fuels, as it moved into a commercialisation phase, post the signing of an agreement with Sinopec Engineering Group during the period.

Operational highlights for the year are outlined below, including a review of the activities of each business unit and key drivers of results.

The Group's core focus continues to be the delivery of intelligent energy efficiency, smart data and carbon reduction technology. The Group's principal activities are operating businesses focused on the sales and installation of energy efficient technology solutions in the Industrial and Commercial sectors, investments in further energy efficiency technologies, along with other renewable energy research and development projects. These activities are represented primarily by the following business units:

Review of Operations (continued)

- **Energy Efficiency** - delivering intelligent energy efficiency technology to industrial and commercial businesses, that are continuing to feel the pressures of increasing energy prices and volatile market conditions. Being at the forefront of installing intelligent systems that create "Industry 4.0 ready" businesses and deliver rich site specific data and reporting. These activities are conducted via wholly-owned subsidiaries Vivid Industrial Pty Ltd ("Vivid Industrial") and Ilum-a-Lite Pty Ltd ("Vivid Ilumalite").
- **Technology Investment** - represented by the company's investment in NewCO2Fuels Limited, a company that is commercialising its CO_2-to-fuels technology. This technology enables the production of fuel from CO_2 emissions and improves the energy efficiency of industrial processes. The group's investment is held via a 50% interest in NCF Global, which owns 66% of NewCO2Fuels.

Market Dynamics

Increasing power costs, energy policy uncertainty and profitability pressures continued to characterise current market dynamics which are creating opportunities for Vivid Technology to deliver technology driven solutions to these market pressures. With an increased need for site specific data, businesses are also starting to transition to intelligent lighting platforms rather than non-communicative lighting devices.

During the year, Vivid Technology continued to execute on its Strategic Plan be a leader in this transition, challenging incumbent models by demonstrating tangible results through its market leading energy efficient technology including its Internet of Things ("IoT") enabled intelligent lighting platform and "Lighting-as-a-Service" (LaaS) offering.

Customers

Vivid Technology continued to sell and market its intelligent lighting platform and range of energy efficient lighting solutions to new customers, resulting in a 220% growth in Sales Revenue across a range of market segments including Logistics, FMCG, Health, Retail and Facilities Management.

The Group also sustained its focus to build strong partnerships with existing customers and extend existing customer portfolios. This reflects ongoing validated project successes and the Group's capability to deliver tangible lighting energy savings in excess of 85%. Validated project success has also led to an increase in the number of referrals from existing customers as well as public recognition from customers.

Review of Operations (continued)

While most sales were generated from Australian based sites, the Group strengthened its capability across international markets in FY18. In Southeast Asia, the Group expanded its presence, building on its established partners in Hong Kong and Vietnam. Vivid Technology is also verifying opportunities in European markets, with initial sites in an advanced investigation stage.

Channel Partnerships

Over the last year Vivid Technology furthered its working relationship with Industry Partners as part of its corporate strategy to broaden market adoption and increase channels to market.

Subsequent to the end of the financial year, the Group announced a new channel partnership with Origin Energy (ORG:ASX), where Vivid Technology will look to deploy its award-winning *intelligent IoT lighting platform MATRIXX®, as a "lighting-as-a-service" offering marketed and sold by Origin Energy* under the "LightingFlex" brand.

The Origin partnership will expand Vivid Technology's sales reach capability of its MATRIXX® intelligent IoT lighting platform and LaaS solution, to companies across Australia.

Revenue Models

The LaaS product "LightingFlex" provides customers *lighting-as-a-service* over an agreed number of years, delivered by the MATRIXX® intelligent IoT lighting platform, fully installed, managed and monitored without any upfront cost for an agreed contract term. At completion of this term, customers will have the option to either upgrade or buy the current MATRIXX® intelligent IoT lighting platform outright for a nominal price.

The LaaS model was also enhanced during the year with Vivid Technology providing 10-year Service Level Agreements (SLAs) to key blue-chip customers. This model is seeing Vivid Technology be paid to service, monitor and maintain intelligent lighting systems for customers, who purchase the systems outright, yet want Vivid to optimise their system and provide key analytics to assist their business operational improvements.

Financing

As Vivid Technology evolved from a start-up to scale-up, the business has focused on funding its operations via a combination of debt and equity. During the FY18 year, the Group established a debt facility via Moneytech, which was utilised to the extent of an initial $0.5m revolving facility. With a run rate of ~$2m of revenue at the end of FY17, this facility was sufficient, with room to grow.

As the sales order book grew to just under $10m at the end of FY18, there was a need to replace Moneytech with a larger more flexible facility which was drawn to $1.5m in July'18, post year end. This new facility may have the potential to increase, and along with the additional funding requirements currently under investigation for the LaaS / *LightingFlex* model, the Group will continue to review the optimal funding structures to both grow the business and reduce the potential dilution to shareholders by taking the assets off balance sheet as applicable.

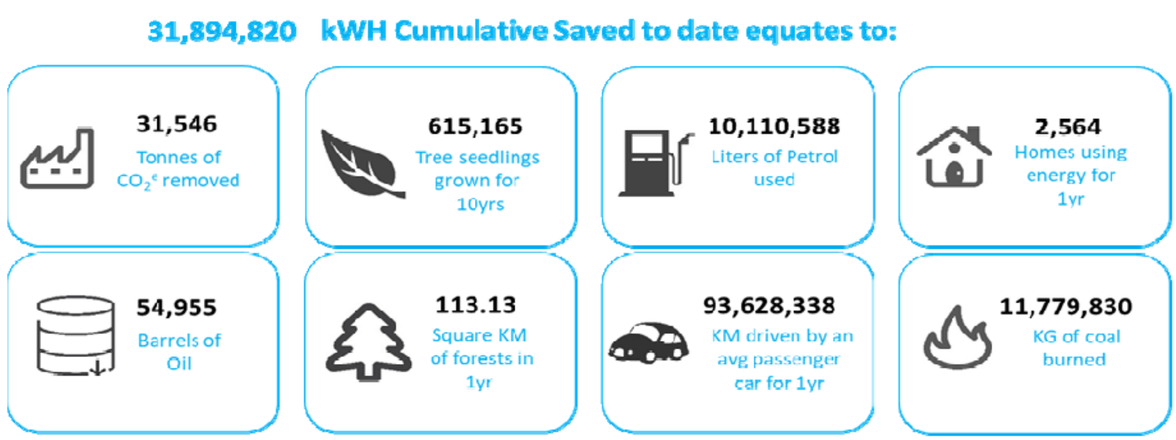
Review of Operations (continued)

Revenue

The Group had a very solid performance on revenue growth during the year, booking increased revenue of 220% over the last year, up from $2,271,521 in 2017 to $7,259,322 in 2018. This growth highlighted the continuing success of Vivid Technology sales and business development activities across the period, from a combination of both new and recurring customers. The graph below provides an indication of the year on year performance since 2015 for sales revenue related to the energy efficiency segment.

Metrics

Since inception, Vivid Technology had cumulatively over 1.3 million meters^2 of client area under light (AUL) installed to 30 June 2018, representing the area illuminated by Vivid Technology's lighting across a customer's premises in aggregate. These energy efficiency savings reflected a saving of over 31.8 million kWh removing over 31 thousand tonnes of CO2e in the process. These savings reflected the tangible impact the Group's technology has had, both financially and environmentally for our customers.



Review of Operations (continued)

Sustainable Impact Certification

Vivid Technology achieved B Corp™ Certification during FY18, further demonstrating the Group's core values as a long-term sustainable business, across its financial and environmental focus.

In achieving certification Vivid Technology became the 5th listed Australian company to achieve B Corp™ certification and joins over 2,500 progressive companies around the globe including yogurt giant Danone, Patagonia, Seventh Generation and Unilever's Ben & Jerry's.

The certification highlights Vivid Technology as a sustainable impact investment opportunity, given its capability in developing, effective, disruptive, positive energy saving and carbon reducing technologies for customers while creating shareholder value through reduced costs.

Industry Awards

During FY18, Vivid Technology continued to attract accolades for both its innovative intelligent technology and service-based approach to delivering tangible energy savings for our customers.

Amatil (Coca-Cola Amatil), recognised Vivid Technology's contribution by shortlisting the company for 3 award categories. Vivid Technology was recognised alongside other companies such as IBM, Telstra and KPMG. Vivid Technology was awarded the "Rookie Partner of the Year Award", validating Vivid Technology's

The Energy Efficiency Council recognised Vivid Technology's MATRIXX® platform as the *"Best Innovation in Energy Efficiency 2017"*. The awards are Australia's highest profile honours dedicated to excellence in energy efficiency. The award recognised the unique Australian designed and manufactured, MATRIXX® technology, which demonstrated its capability as a highly effective "industrial internet of things" lighting platform, consistently generating benchmarked energy savings in excess of 85%, significantly reducing energy cost and life-cycle environmental impact.

Frost & Sullivan recognised Vivid Technology for its leading technological cleantech capability by awarding the "*Frost & Sullivan's Excellence Award for 2018 Australia Smart Lighting Solution Company of the Year*". Other winners for 2018 included Jones Lang Laselle for Australia Facilities Management Company of the Year, Schneider Electric, Australia UPS Services Company of the Year. This is the second time that Vivid Technology has been awarded this accolade and highlights the company's success in smart lighting solutions.

Research and development

Vivid Technology continues to invest in research and development of products and services for industrial and commercial lighting applications, with a focus on energy savings and connectivity capabilities.

Review of Operations (continued)

A collaboration with CSIRO on advanced manufacturing materials and technology led to improvements in manufacturing lead times and flexibility, and enhanced product outcomes for customers. This enabled Vivid Technology to leverage specialist capability while retaining the benefit of the technology.

The centralised lighting systems deployed by the Group were also further enhanced to incorporate connectivity with additional elements of building management systems, and increased data and reporting capabilities. As part of the IoT revolution, developments in lighting control systems also lead directly to enhanced maintenance and support capability, reduced site attendance requirements, and increased insight into lighting, energy, and building usage patterns. At the end of the financial year, the Group also launched a battery back-up range which enables an emergency lighting system to run in parallel with the MATRIXX® platform

Vivid Technology remains a technology company which will continually invest in the future of its product range. The investments are focused on revenue generating opportunities both on the current and new potential products.

Technology Investment

NewCO2Fuels (NCF) is an Israeli start-up company that has developed a technology to produce clean synthetic fuel using abundant industrial waste (CO_2) and H_2O as feedstock.

Its focus during the year was on progressing the commercialisation of this technology, with negotiations underway with key potential global partners.

NCF's efforts culminated during the year in finalising the commercialisation agreement with Sinopec Engineering Group Co Ltd (SEG) in China. SEG is a wholly owned subsidiary of Sinopec Group, ranked #3 in the Fortune 500, 2018. Additional opportunities continued to be investigated, including commercialisation partners in key regions across the globe. The focus on China, which represents a significant portion of the addressable market for NCF's technology, saw the signing of two key commercialisation documents as follows:

- Sinopec Engineering Group Co Ltd (SEG): The SEG Commercialisation agreement is focused on taking NCF's technology from proof of concept, to a full-scale pilot facility in China. This next stage would see the technology built in an operating environment, to enable rapid scale up of deployed modules in a short period of time following achievement of key operational milestones; and
- Blooming (Beijing) Technology Co. Ltd (BBT): The relationship with Blooming established a key partner as a sales and marketing agent for the Chinese market, to begin developing new opportunities to sell the NCF solution to key emitters of (CO_2), developing sustainable and viable NCF plants in joint responsibility with the SEG team

Further opportunities continue to grow across Asia, Europe and the United States, along with key partnerships being pursued in Australia.

Vivid Technology's 33% effective economic interest in NCF is represented by its 50% ownership of NCF Global Pty Ltd, a company that owns 66% of NCF. The other 50% of NCF Global is owned by Erdi Fuels Pty Ltd, which is also a significant shareholder in Vivid Technology.

Review of Operations (continued)

The Group's share of associate's loss for the year was $434,388 (2017: $353,689), resulting from increased costs associated with its drive to commercialisation.

Support of ongoing NCF commercialisation activity led to advances of $339,501 to NCF Global, and contributed to the increase in travel and legal costs within the Group. During the financial year, the Group recorded cost reimbursements totalling $202,589 (2017: $534,140) from Erdi Fuels Pty Ltd in relation to its investment in NCF Global. The Directors believe these transactions to be on an arms-length basis. The opportunity to derive value from NCF is emphasized by investment values observed in unrelated similar stage companies in adjacent renewable fuels industries, along with early stage negotiations currently underway with potential investors in NCF post signing of the SEG Commercialisation agreement.

Outlook

The Directors and Executive Management of the Group are excited about the year ahead and committed to building on the solid foundations established over the prior years to realise the full potential of the Group. During the coming financial year, Vivid Technology is seeking to monetise its investment in NCF, following the significant advances made in commercialising the technology, along with progressing our planned strengthening of Vivid Technology's balance sheet to enable growth for the LaaS model and its targeted expansion into new markets.

Vivid Technology has now built and proven a world-leading, award-winning technology, both on energy savings and as a platform that enables buildings to become Industry 4.0 transformed and future proof. With the established blue-chip customer base providing repeat orders and references to new customers, along with the new paths to monetise the current technology and data, Vivid Technology has more insight and visibility into its pipeline than ever before. Due to this sales pipeline insight and the building of multiple long-term annuity income streams, Vivid Technology is planning on strong double-digit growth in revenue for the coming year.

Capital Strategy

The Group continues to develop its capital strategy to enable the business to target growth and take advantage of opportunities provided by customer demand for its full service lighting and technology solutions. This capital strategy involves combining equity and debt facilities to provide flexibility for growth. During the financial year, the Group established a Trade Finance Facility with Moneytech with $0.5m initially available from a facility up to $1.0m at an interest rate of 9.48%, secured by a registered first ranking security over the assets of the Group. Subsequent to year end this facility was replaced.

In July 2017 the Group issued 43,247,134 fully paid ordinary shares for 4.5 cents per share pursuant to a non-renounceable 1 for 10 entitlement offer, proceeds from which totalled $1.95 million before costs. In June 2017 the Group had already successfully completed a share placement of 70,000,000 shares raising $3.1m before costs.

Review of Operations (continued)

Capital Strategy (continued)

In July 2017, the company issued a total of 9,472,000 unlisted incentive options to third parties in connection with the entitlement offer and for services provided to the company, as follows:

No. of options	Exercise price	Issue date	Expiry date
3,000,000	6.5 cents	28 July 2017	30 June 2020
472,000	12.5 cents	28 July 2017	28 July 2020
3,000,000	7.5 cents	28 July 2017	30 June 2021
3,000,000	10.0 cents	28 July 2017	30 June 2021

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the year other than those listed in the review of operations above.

After balance date events

Subsequent to the end of the financial year, on 31 July 2018, the Group entered into a $1.5m fully drawn convertible loan facility. The new loan facility provides the Group with added flexibility to manage its working capital requirements and has been utilised to repay the existing Trade Finance Facility with Moneytech, with net incremental funds available of $0.98m which are being utilised for working capital purposes.

Additionally, the Group also established a secondary convertible loan facility and on 27 September 2018, announced that it had received commitments for a further $1.3m in fully drawn convertible loans with sophisticated parties, out of a total potential facility of $2.0m, taking the total funds raised under the convertible loan facilities offered to $2.8m. The Board has approved raising up to $3.5m under the convertible facilities.

Likely developments

The Group's focus in the 2019 financial year will be on its Energy Efficiency and Technology Investment business units. Objectives for Vivid Industrial include a strong focus on sales growth and execution of opportunities within the sales pipeline, which are both expected to be assisted by the introduction of internally developed lighting products and expansion into further regions outside Australia and New Zealand. Objectives for NewCO2Fuels include commercialisation of its CO_2-to-fuels technology and aligning to strategic partners who can assist in the development and growth of this technology.

Dividend paid, recommended or declared

No dividends were paid, declared or recommended since the start of the financial year.

Environmental regulation

The company holds interests in geothermal exploration permits and licenses in Victoria. All of these permits and licences impose regulations regarding environmental issues. Similarly, our energy efficiency business is subject to planning regulations and approvals which incorporate appropriate environmental regulations. The consolidated entity is not aware of any significant breaches of environmental regulations during the financial year.

Share options

Details of any options over unissued ordinary shares granted by Vivid Technology Ltd during or since the financial year end to directors and Key Management Personnel are provided in the Remuneration Report which forms part of this Directors' Report.

No ordinary shares of Vivid Technology Ltd were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

Details of options outstanding over unissued ordinary shares of Vivid Technology Ltd are as follows: -

Issuing entity	Number of	Class of shares	Exercise	Expiry Date
Vivid Technology Limited	3,000,000	Ordinary shares	10 cents	30/09/2018
Vivid Technology Limited	100,000	Ordinary shares	12.5 cents	30/09/2018
Vivid Technology Limited	2,000,000	Ordinary shares	7.5 cents	30/09/2018
Vivid Technology Limited	13,600,000	Ordinary shares	12.5 cents	23/12/2018
Vivid Technology Limited	350,000	Ordinary shares	12.5 cents	31/03/2019
Vivid Technology Limited	500,000	Ordinary shares	15 cents	30/06/2019
Vivid Technology Limited	500,000	Ordinary shares	20 cents	30/06/2019
Vivid Technology Limited	1,500,000	Ordinary shares	12.5 cents	1/07/2019
Vivid Technology Limited	7,500,000	Ordinary shares	12.5 cents	12/12/2019
Vivid Technology Limited	5,550,000	Ordinary shares	12.5 cents	1/02/2020
Vivid Technology Limited	3,000,000	Ordinary shares	6.5 cents	30/06/2020
Vivid Technology Limited	472,000	Ordinary shares	12.5 cents	28/07/2020
Vivid Technology Limited	3,000,000	Ordinary shares	10 cents	30/06/2021
Vivid Technology Limited	3,000,000	Ordinary shares	7.5 cents	30/06/2021

Details of option movements and issues during the year can be found in note 18 to the financial statements.

Directors' meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to attend	*Attended*	*Eligible to attend*	*Attended*	*Eligible to attend*	*Attended*
L Butterfield	14	13	-	-	3	3
J Kopcheff	14	14	4	4	3	3
C Macek	14	13	-	-	-	-
S Marks	14	14	-	-	-	-
P Zajac	14	13	4	3	3	3

Directors' interests in shares or options

Directors' relevant interests in shares of Vivid Technology Ltd or options over shares in the company (or a related body corporate) are detailed below.

Directors' relevant interests in:		***Ordinary shares of Vivid Technology Ltd***		***Options over ordinary shares of Vivid Technology Ltd***	
		2018	**2017**	**2018**	**2017**
R Annells[1]	Direct	-	-		-
	Indirect	-	6,312,883	-	2,000,000
L Butterfield	Direct	-	-	-	-
	Indirect	1,008,334	666,667	1,000,000	1,000,000
J Kopcheff	Direct	2,777,291	2,524,810	-	-
	Indirect	3,341,432	2,928,572	1,000,000	1,000,000
C Macek	Direct	-	-	1,500,000	1,500,000
	Indirect	4,000,000	2,000,000	-	-
S Marks	Direct	95,000	-	5,000,000	5,000,000
	Indirect	1,239,013	1,126,375	10,000,000	20,000,000
P Zajac	Direct	420,000	200,000	-	-
	Indirect	1,336,666	1,033,333	1,000,000	1,000,000

1 Mr Annells ceased to be a Director of Vivid Technology Limited on 29 November 2016. The closing balances shown are as of that date.

Indemnification and insurance of directors, officers and auditors

The Group has, during and since the end of the financial year, in respect of any person who has, is or has been an officer of the company or a related body corporate, paid a premium in respect of Directors and Officer liability insurance which indemnifies Directors, Officers and the Group of any claims made against the Directors, Officers of the Group and the Group, subject to conditions contained in the insurance policy. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

• all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and

• the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group or any of its related entities, acting as an advocate for the Group or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of the Group or any of its related entities.

	2018	2017
	$	$
Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:		
Other assurance services	846	1,855
Taxation services	11,500	16,950
	12,346	18,805
Amounts paid and payable to non-related auditors of group entities for non-audit services:		
Other assurance services	-	-
Taxation services	-	-
	-	-
Total auditors' remuneration for non-audit services	12,346	18,805

REMUNERATION REPORT (AUDITED)

The directors present the consolidated entity's 2018 remuneration report which details the remuneration information for Vivid Technology Ltd's executive directors, non-executive directors and other key management personnel.

A. Details of key management personnel

(i) Directors

Charles Macek	Chair - non executive Director - non executive
Leslie Butterfield	Director - non executive
John Kopcheff	Director - non executive
Samuel Marks	Managing Director
Philip Zajac	Director - non executive

(ii) Executives

Urbain du Plessis	Chief Operating Officer - Energy Efficiency
Mark Rutherford *	Managing Director - Ilum-a-Lite
Christopher Hayes	CFO and Company Secretary (Appointed 1 May 2018)
Robert Smith	CFO and Company Secretary (Resigned 24 April 2018)

* Subsequent to balance date Mark Rutherford whom has been Managing Director of Ilum-a-Lite since prior to its acquisition by the Group, retired from the Company effective 13 August 2018.

B. Remuneration policies

The Board of Directors of Vivid Technology Ltd is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including salary packaging.

For executives, the Group provides a remuneration package that incorporates both cash–based remuneration and share–based remuneration. Bonuses are granted when Key Performance Indicators (KPI's), which are stipulated within services agreements, are met in part or full (as assessed appropriate by the Board), and vest in full when granted.

The Group operates an Employee Option Plan, under which the issue of options provides an effective way for the directors to give employees an opportunity to share in the success of the Group, provide an incentive for employees to achieve the long term objectives of the Group and improve its performance, and enhance the ability of the Group to attract and retain key employees at a lower rate of remuneration that might otherwise be required. As part of annual remuneration reviews, consideration is given to individual employee performance towards achieving the Group's objectives when deciding whether or not to award options as an incentive. Following consideration of these criteria, any employee options issued have no future performance criteria but vesting is usually subject to continued employment for a further period. Options may also be issued to directors from time to time where appropriate subject to approval from shareholders in each instance.

The Group determines the maximum amount for non-executive director remuneration by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

B. Remuneration policies (continued)

Service agreements

Details of service agreements entered into by the Group with key management personnel are:

Service agreements - Executive Directors

Samuel Marks
An Executive Service Agreement is in place setting out the terms of Mr Marks' employment as Managing Director. Key terms are:

Remuneration package	Base salary plus superannuation and salary packaged benefits commensurate with the role.
Term	Minimum period of employment ending on 31 December 2018.
Termination	Can be terminated by the Group with six months' notice or by the executive with three months' notice.
Termination payments	Base salary payment for the duration of the applicable notice period, plus any statutory entitlements owing, such as outstanding annual leave entitlements and superannuation contributions.
Remuneration reviews	Subject to annual review by the Board during the term of the agreement.
Bonuses	Any bonuses are at the discretion of the Board and subject to Board approval, and any equity-based incentives (including options) are at the discretion of the Board and subject also to Shareholder approval.
Other	In the event of a change of control of the Group, the executive is entitled to a termination payment in lieu of any remaining term of the agreement, subject to shareholder approval for any amounts exceeding one years' base salary.

Service agreements - Senior Executives

Service agreements are also in place for Senior Executives:

Remuneration package	Base salary plus superannuation and salary packaged benefits commensurate with the role.
Term	No fixed period of employment.
Termination	Can be terminated by either party with notice periods ranging between four and eight weeks' notice (or, in the case of the Managing Director of Ilum-a-Lite, twelve months')
Termination payments	Base salary payment for the duration of the applicable notice period, plus any statutory entitlements owing, such as outstanding annual leave entitlements and superannuation contributions.
Remuneration reviews	Subject to annual review by the Board during the term of the agreement.
Bonuses	May be achieved subject to agreed Key Performance Indicators set and assessed by the Group in relation to objectives suitable to each executive's role and chosen for alignment of interests. Where appropriate, these bonuses include components that are related to the Group's performance. KPIs for operational and sales executives focus on business planning, risk and compliance, revenue targets, and profitability. KPIs for the Managing Director of Ilum-a-Lite relate to the profitability of Ilum-a-Lite in each relevant financial year. KPIs for finance and governance executives focus on governance, compliance, reporting and financial management.

C. Details of key management personnel remuneration

(a) Directors' remuneration

		Short-Term			Post employment	Share-Based Payments		Total	Total performance related	Options as % of total
		Salary & Fees $	Cash Bonus $	Non Monetary $	Superannuation $	Equity Options* $	Shares issued $	$	%	%
R Annells[1]										
	2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2017	20,694	-	-	-	-	-	20,694	-	-
L Butterfield[2]										
	2018	**50,000**	**-**	**-**	**4,750**	**-**	**-**	**54,750**	**-**	**-**
	2017	50,000	-	-	4,750	18,849	-	73,599	-	25.61%
J Kopcheff										
	2018	**50,000**	**-**	**-**	**4,750**	**-**	**-**	**54,750**	**-**	**-**
	2017	50,000	-	-	4,750	-	-	54,750	-	-
C Macek[3]										
	2018	**85,000**	**-**	**-**	**8,075**	**-**	**-**	**93,075**	**-**	**-**
	2017	85,000	-	-	8,075	28,274	-	121,349	-	23.30%
S Marks										
	2018	**300,000**	**-**	**19,331**	**30,336**	**-**	**-**	**349,667**	**-**	-
	2017	300,000	-	19,331	27,014	84,821	-	431,166	-	19.67%
P Zajac										
	2018	**50,000**	**-**	**-**	**4,750**	**-**	**-**	**54,750**	**-**	**-**
	2017	50,000	-	-	4,750	-	-	54,750	-	-
Total Directors' remuneration										
	2018	**535,000**	**-**	**19,331**	**52,661**	**-**	**-**	**606,992**		
	2017	555,694	-	19,331	49,339	131,944	-	756,308		

* The values shown in the column headed 'equity options' represents the accounting value of the options as detailed in note 18(a).

Notes:

1 R Annells retired as a Director of Vivid Technology Ltd on 29 November 2016.

Refer to part E(b) of this Remuneration Report for further information regarding share based payments.

C. Details of key management personnel remuneration (continued)

(b) Executives' remuneration

		Short-Term			Post employment	Share-Based Payments		Total	Total performance related	Options as % of total
		Salary & Fees $	Cash Bonus $	Non Monetary $	Superannuation $	Equity Options* $	Shares issued $	$	%	%
U du Plessis										
	2018	**178,622**	**-**	**4,026**	**17,352**	**-**	**-**	**200,000**	**-**	**-**
	2017	170,107	-	12,541	17,352	19,750	-	219,750	-	8.99%
M Rutherford[1]										
	2018	**195,001**	**-**	**-**	**17,100**	**-**	**-**	**212,101**	**-**	**-**
	2017	184,538	-	-	23,771	6,583	-	214,892	-	3.06%
C Hayes[3]										
	2018	**37,709**	**-**	**-**	**3,524**	**-**	**-**	**41,233**	**-**	**-**
	2017	-	-	-	-	-	-	-	-	-
R Smith[2]										
	2018	**199,855**	**-**	**-**	**15,541**	**-**	**-**	**215,396**	**-**	**-**
	2017	200,000	46,080	-	19,706	5,267	-	271,053	17.00%	1.94%
Total Executives' remuneration										
	2018	**611,187**	**-**	**4,026**	**53,517**	**-**	**-**	**668,730**		
	2017	554,645	46,080	12,541	60,829	31,600	-	705,695		

* The values shown in the column headed 'equity options' represents the accounting value of the options as detailed in note 18(a).

Notes:

1 Subsequent to the end of the reporting period, Mr Rutherford retired from the company effective 13 August 2018
2 Robert Smith resigned as CFO and Company Secretary effective 24 April 2018
3 Chris Hayes was appointed as CFO and Company Secretary effective 1 May 2018

Refer to part E(b) of this Remuneration Report for further information regarding share based payments.

D. Relationship between remuneration and company performance

Consequences of company performance on shareholder wealth:

	2018	2017	2016	2015	2014
Revenue ($'000)	8,240	3,609	3,300	1,174	3,143
Loss before tax ($'000)	5,395	5,459	4,817	5,986	226
Change in share price (%)	-25%	-12%	-12%	+17%	+132%
Dividends paid to shareholders ($)	-	-	-	-	-
Return of capital ($)	-	-	-	-	-

The non-executive directors' remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholders.

REMUNERATION REPORT (AUDITED)

E. Key management personnel's bonuses and share-based compensation

(a) Details of compensation Options

	Grant Date	Granted Number	Value per option at grant date	Vest Number During the Year	Year in which option may be vested	Vest	Value Exercised During the Year	Forfeited	Terms and conditions for each grant			
									Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
		$	$			%	$	%	$			
Directors												
R Annells[1]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
L Butterfield												
2018	-						-	-	-	-	-	-
2017	12/12/2016	1,000,000	0.019	1,000,000	2016/17	100%	-	-	0.125	12/12/2019	12/12/2016	12/12/2019
J Kopcheff												
2018	-	-	-	-		-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
C Macek												
2018	-	-	-	-		-	-	-	-	-	-	-
2017	12/12/2016	1,500,000	0.019	1,500,000	2016/17	100%	-	-	0.125	12/12/2019	12/12/2016	12/12/2019
S Marks												
2018	-			-			-	-	-	-	-	-
2017	12/12/2016	5,000,000	0.019	-	2017/18	0%	-	-	0.125	12/12/2019	12/12/2017	12/12/2019
P Zajac												
2018	-	-	-	-		-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-

1 R Annells retired as a Director of Vivid Technology Ltd on 29 November 2016.

REMUNERATION REPORT (AUDITED)

E. Key management personnel's bonuses and share-based compensation (continued)

(a) Details of compensation Options (continued)

	Grant Date	Granted Number	Value per option at grant date	Vest Number During the Year	Year in which option may be vested	Vest	Value Exercised During the Year	Forfeited	Terms and conditions for each grant			
									Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
		$	$			%	$	%	$			
Executives												
U du Plessis												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	21/03/2017	1,500,000	0.013	1,500,000	2016/17	100%	-	-	0.125	1/02/2020	30/06/2017	1/02/2020
M Rutherford[1]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	21/03/2017	500,000	0.013	500,000	2016/17	100%	-	-	0.125	1/02/2020	30/06/2017	1/02/2020
C Hayes[3]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
R Smith[2]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	21/03/2017	500,000	0.013	-	2017/18	0%	-	-	0.125	1/02/2020	1/02/2018	1/02/2020
Total Directors and Executives												
2018	-	-	-	-	-	**0%**	-	-				
2017	-	10,000,000	-	4,500,000	-	45%	-	-				

1 Subsequent to the end of the reporting period, Mr Rutherford retired from the company effective 13 August 2018.

2 Robert Smith resigned as CFO and Company Secretary effective 24 April 2018

3 Chris Hayes was appointed as CFO and Company Secretary effective 1 May 2018

The service and performance criteria in relation to the grant of options, together with other details are described in (b).

E. Key management personnel's bonuses and share-based compensation (continued)

(b) Details concerning bonuses and share-based compensation of directors and executives (consolidated)

(i) Grant of options to Non-executive Directors

There were no bonuses or share based payments issued to Non-Executive Directors during the reporting period.

In the prior reporting period, following approval from shareholders at the Company's Annual General Meeting (AGM) in November 2016, 2,500,000 unlisted options were issued to Non-executive Directors, in relation to their remuneration as Directors of the Company. The options are options to subscribe for shares in the capital of Vivid Technology Ltd at an exercise price of 12.5 cents, expire on 12 December 2019, and vested at grant date. Each recipient has also entered into a voluntary non-exercise agreement, undertaking not to exercise those options prior to 12 December 2017.

(ii) Grant of options to Managing Director

There were no bonuses or share based payments issued to the Managing Director during the reporting period.

In the prior reporting period, following approval from shareholders at the Company's Annual General Meeting (AGM) in November 2016, 5,000,000 unlisted options were issued to Mr Samuel Marks, in relation to his employment as Managing Director. The options are options to subscribe for shares in the capital of Vivid Technology Ltd (comprising 5,000,000 at an exercise prices of 12.5 cents), expire on 12 December 2019 and vested on 12 December 2017.

(iii) Grant of options to Senior Executives

There were no bonuses or share based payments issued to Senior Executives during the reporting period.

In the prior reporting period, 2,500,000 unlisted options were issued to Key Management Personnel during the financial year in relation to employment with the Company. The options are options to subscribe for shares in the capital of Vivid Technology Ltd (comprising 2,500,000 at an exercise price of 12.5 cents), which expire on 1 February 2020. 2,000,000 options vested on 30 June 2017 and 500,000 options vested on 1 February 2018.

(c) Shares issued on exercise of compensation options

No compensation options were exercised during the year.

F. Key management personnel's equity holdings

(a) Number of options held by key management personnel

2018	Balance 1/7/2017	Granted as remu-neration	Options exercised	Options Expired (i)	Balance 30/6/2018	Total vested 30/6/2018	Total exercisable 30/6/2018
Directors							
L Butterfield	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
J Kopcheff	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
C Macek	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000
S Marks	25,000,000	-	-	(10,000,000)	15,000,000	15,000,000	15,000,000
P Zajac	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Executives							
U du Plessis	5,500,000	-	-	(3,000,000)	2,500,000	2,500,000	2,500,000
M Rutherford[1]	500,000	-	-	-	500,000	500,000	500,000
C Hayes[3]	-	-	-	-	- -	-	-
R Smith[2]	3,500,000	-	-	(2,000,000)	1,500,000	1,500,000	1,500,000
	39,000,000	-	-	(15,000,000)	24,000,000	24,000,000	24,000,000

1 Subsequent to the end of the reporting period, Mr Rutherford retired from the company effective 13 August 2018.
2 Robert Smith resigned as CFO and Company Secretary effective 24 April 2018
3 Chris Hayes was appointed as CFO and Company Secretary effective 1 May 2018

(i) The expired otions were granted as follows: S Marks 10,000,000 - (5,000,000: 20/12/2012, 5,000,000: 18/12/2014); U du Plessis: 3,000,000: 1/10/2012; R Smith: 2,000,000: 4/4/2014)

2017	Balance 1/7/2016	Granted as remu-neration	Options exercised	Options Expired	Balance 30/6/2017	Total vested 30/6/2017	Total exercisable 30/6/2017
Directors							
R Annells[1]	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
L Butterfield	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
J Kopcheff	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
C Macek	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000
S Marks	20,000,000	5,000,000	-	-	25,000,000	20,000,000	20,000,000
P Zajac	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Executives							
U du Plessis	4,500,000	1,500,000	-	(500,000)	5,500,000	5,500,000	5,500,000
M Rutherford	-	500,000	-	-	500,000	500,000	500,000
R Smith	3,000,000	500,000	-	-	3,500,000	3,000,000	3,000,000
	31,500,000	10,000,000	-	(500,000)	41,000,000	35,500,000	35,500,000

1 R Annells retired as a Director of Vivid Technology Ltd on 29 November 2016.

F. Key management personnel's equity holdings (continued)

(b) Number of shares held by key management personnel

2018

	Balance 1/7/2017	Issued as remuneration	On exercise of options	Net change other (purchases /disposals)	Balance 30/6/2018
Directors					
L Butterfield	666,667	-	-	341,667	1,008,334
J Kopcheff	5,453,382	-	-	665,341	6,118,723
C Macek	2,000,000	-	-	2,000,000	4,000,000
S Marks	1,126,375	-	-	207,638	1,334,013
P Zajac	1,233,333	-	-	523,333	1,756,666
Executives					
U du Plessis	-	-	-	-	-
M Rutherford[1]	9,167,405	-	-	(1,027,460)	8,139,945
C Hayes[3]	-	-	-	-	-
R Smith[2]	-	-	-	-	-
	19,647,162	-	-	2,710,519	22,357,681

1 Subsequent to the end of the reporting period, Mr Rutherford retired from the company effective 13 August 2018.
2 Robert Smith resigned as CFO and Company Secretary effective 24 April 2018
3 Chris Hayes was appointed as CFO and Company Secretary effective 1 May 2018

2017

	Balance 1/7/2016	Issued as remuneration	On exercise of options	Net change other (purchases /disposals)	Balance 30/6/2017
Directors					
R Annells[1]	6,312,883	-	-	-	6,312,883
L Butterfield	666,667	-	-	-	666,667
J Kopcheff	5,453,382	-	-	-	5,453,382
C Macek	2,000,000	-	-	-	2,000,000
S Marks	1,126,375	-	-	-	1,126,375
P Zajac	933,333	-	-	300,000	1,233,333
Executives					
U du Plessis	-	-	-	-	-
M Rutherford	3,281,348	-	-	5,886,057	9,167,405
R Smith	-	-	-	-	-
	19,773,988	-	-	6,186,057	25,960,045

1 R Annells retired as a Director of Vivid Technology Ltd on 29 November 2016.

G. Loans to key management personnel

There are no loans made by Vivid Technology Ltd to key management personnel.

H. Other transactions with key management personnel

An amount of $31,596 excluding GST (2017: $31,596) was invoiced by Virtual and Illumination Engineering Services (VIES) to the Group of which $5,793 remained unpaid at 30 June 2018. VIES is a business associated with Mr U. du Plessis, a member of the key management personnel of the Group in respect of research and development services provided by it to the Group. The Directors believe these transactions to be on an arms-length basis.

End of Remuneration Report.

Rounding of amounts

The parent entity and consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the Directors' Report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the directors.

Charles Macek
Chairman

Samuel R Marks
Managing Director

Vivid Technology Ltd
Dated this 27th day of September 2018
Melbourne

VIVID TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
ACN: 120 710 625

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF VIVID TECHNOLOGY LIMITED

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Vivid Technology Limited and the entities it controlled during the year.

B POWERS
Partner

27 September 2018

PITCHER PARTNERS
Melbourne

An independent Victorian Partnership ABN 27 975 255 196
Level 13, 664 Collins Street, Docklands VIC 3008
Liability limited by a scheme approved under Professional Standards Legislation

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Revenue and other income			
Sales revenue	2(a)	7,259,322	2,271,521
Other income	2(b)	980,326	1,337,969
		8,239,648	3,609,490
Less: Expenses			
Employee benefits expense	3(a)	(4,194,202)	(3,963,916)
Costs incurred in the sale of inventories		(5,231,989)	(1,677,723)
Depreciation and amortisation	3(b)	(88,771)	(68,884)
Finance costs	3(d)	(78,395)	(115,941)
Accounting and audit expenses		(254,988)	(136,340)
Marketing and promotion expenses		(365,575)	(169,434)
Rent and occupancy expenses		(291,074)	(270,136)
Consulting expenses		(412,299)	(321,102)
Impairment expense	3(c)	-	(82,859)
Administrative expenses	3(e)	(1,836,950)	(1,477,397)
Other expenses	3(f)	(446,247)	(431,311)
TOTAL EXPENSES		(13,200,490)	(8,715,043)
Share of net losses of associates accounted for using the equity method	26	(434,388)	(353,689)
LOSS BEFORE INCOME TAX EXPENSE		(5,395,230)	(5,459,242)
Income tax expense	4	-	-
NET LOSS FROM CONTINUING OPERATIONS	3	(5,395,230)	(5,459,242)
Loss for the year		(5,395,230)	(5,459,242)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,395,230)	(5,459,242)
Loss is attributable to:			
Members of the parent		(5,395,230)	(5,459,242)
Non-controlling interest		-	-
		(5,395,230)	(5,459,242)
Loss per share for loss attributable to the equity holders of the parent entity:			
Basic loss per share (cents per share)	5	(1.14)	(1.53)
Diluted loss per share (cents per share)	5	(1.14)	(1.53)

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

VIVID TECHNOLOGY LIMITED
AND CONTROLLED ENTITIES
ACN: 120 710 625

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	6	605,747	1,514,246
Receivables	7	1,123,678	791,067
Inventories	8	1,024,746	1,593,369
Other financial assets	29	54,124	54,124
Other current assets	9	393,152	225,351
TOTAL CURRENT ASSETS		3,201,447	4,178,157
Non-current assets			
Receivables	7	1,126,533	686,076
Equity accounted investments	26	1,137,797	1,572,185
Property, plant and equipment	10	198,107	168,141
Intangible assets	11	2,120,622	2,108,009
TOTAL NON-CURRENT ASSETS		4,583,059	4,534,411
TOTAL ASSETS		7,784,506	8,712,568
Current liabilities			
Payables	12	2,827,948	1,614,929
Borrowings	14(a)	575,788	35,000
Income in advance	2(c)	1,309,708	573,618
Provisions	13	423,845	295,905
TOTAL CURRENT LIABILITIES		5,137,289	2,519,452
Non-current liabilities			
Provisions	13	146,254	156,491
Borrowings	14(b)	55,753	66,111
TOTAL NON-CURRENT LIABILITIES		202,007	222,602
TOTAL LIABILITIES		5,339,296	2,742,054
NET ASSETS		2,445,210	5,970,514
Equity			
Share capital	15	36,855,596	35,205,628
Reserves	16	610,316	677,458
Accumulated losses	16	(34,980,365)	(29,872,235)
EQUITY ATTRIBUTABLE TO THE OWNERS OF VIVID TECHNOLOGY LIMITED		2,485,547	6,010,851
Non-controlling interests		(40,337)	(40,337)
TOTAL EQUITY		2,445,210	5,970,514

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

Consolidated entity	Share Capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total Equity $
Year ended 30 June 2018					
BALANCE AT 1 JULY 2017	35,205,628	677,458	(29,872,235)	(40,337)	5,970,514
Loss for the year	-	-	(5,395,230)	-	(5,395,230)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	(5,395,230)	-	(5,395,230)
Transactions with owners in their capacity as owners:					
Contributions	1,946,121	-	-	-	1,946,121
Costs of raising capital	(296,153)	165,600	-	-	(130,553)
Transfers from reserves	-	(287,100)	287,100	-	-
Equity based payments	-	54,358	-	-	54,358
	1,649,968	(67,142)	287,100	-	1,869,926
BALANCE AT 30 JUNE 2018	36,855,596	610,316	(34,980,365)	(40,337)	2,445,210
Year ended 30 June 2017					
BALANCE AT 1 JULY 2016	27,747,113	454,175	(24,470,731)	(40,337)	3,690,220
Loss for the year	-	-	(5,459,242)	-	(5,459,242)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	(5,459,242)	-	(5,459,242)
Transactions with owners in their capacity as owners:					
Contributions	6,965,320	-	-	-	6,965,320
Costs of raising capital	(470,387)	-	-	-	(470,387)
Shares issued in connection with	963,582	-	-	-	963,582
the acquisition of Ilum-a-Lite Pty Ltd	-	-	-	-	-
Transfer from reserves	-	(57,738)	57,738	-	
Equity based payments	-	281,021	-	-	281,021
	7,458,515	223,283	57,738	-	7,739,536
BALANCE AT 30 JUNE 2016	35,205,628	677,458	(29,872,235)	(40,337)	5,970,514

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Cash flow from operating activities			
Receipts from customers		8,651,293	4,711,034
Payments to suppliers and employees		(12,006,617)	(9,640,947)
Research and development rebates received		624,787	627,086
Interest received		7,246	9,340
Borrowing costs paid		(78,395)	(115,516)
NET CASH USED IN OPERATING ACTIVITIES	6(a)	(2,801,686)	(4,409,003)
Cash flow from investing activities			
Purchase of property, plant and equipment		(53,924)	(33,410)
Payment for acquisition, net of cash acquired		-	(963,582)
Loans to related entities	27(b)	(339,501)	(567,103)
Proceeds from disposal of listed investments		-	22,580
Payments for bonds and deposits		(54,124)	(54,124)
Proceeds from matured bonds and deposits		54,124	54,124
NET CASH USED IN INVESTING ACTIVITIES		(393,425)	(1,541,515)
Cash flow from financing activities			
Proceeds from issues of ordinary shares		1,946,121	6,965,320
Capital raising costs		(130,553)	(360,766)
Proceeds from borrowings	14(c)	2,335,489	1,150,000
Repayment of borrowings	14(c)	(1,864,445)	(1,616,101)
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,286,612	6,138,453
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(908,499)	187,935
Foreign exchange differences on cash holdings			15
Cash and cash equivalents at beginning of year		1,514,246	1,326,296
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	605,747	1,514,246

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

NOTE 1: ABOUT THIS REPORT

The financial report covers Vivid Technology Ltd and controlled entities as a consolidated entity. Vivid Technology is a company limited by shares, incorporated and domiciled in Australia. The address of Vivid Technology's registered office and principal place of business is Level 14, 500 Collins Street, Melbourne, Victoria, 3000. Vivid Technology is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors as at the date of the Directors’ report.

(a) Basis of preparation

This financial report is a general purpose financial report that:

- has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*
- has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.
- presents reclassified and repositioned comparative information where necessary for consistency with current year presentation and disclosures.

The consolidated financial statements of Vivid Technology Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Notes to the financial statements

The notes to the financial statements are arranged in the following sections:

Included within the notes where applicable are:

ACCOUNTING POLICIES including significant accounting policies that are relevant to understanding the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

ESTIMATION AND JUDGEMENT areas indicating key decisions in applying the entity's accounting policies. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the relevant assets and liabilities.

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS that are issued but not yet effective, including anticipated impacts where applicable.

NOTE 1: ABOUT THIS REPORT (continued)

(c) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with the current year's disclosures.

(d) Going Concern

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss for the year of $5,395,230 (2017: $5,459,242). The Group's current ratio, which considers the current total assets of the Group relative to the Group's current total liabilities showed a deficiency of $1,935,842 (2017: surplus $1,658,705).

The Directors have concluded that the going concern basis is appropriate, based on analysis of the Group's internal cash flow forecasts which include expected future cash flows over the next 12 months. These forecasts contain certain assumptions in relation to the short term development of the business, including the expected future revenue and profitability of its energy efficiency segment, and are based on currently available information including management assessments of probable future orders and other information.

The cash flow forecast assumes that planned capital funding initiatives are successfully completed as planned. The Directors are of the opinion that the Group is capable of achieving the planned initiatives to be able to meet its cash flow requirements over the next 12 months.

Executed capital funding

Subsequent to year end, on 31 July 2018, the Group entered into a $1.5 million fully drawn convertible loan facility. The new loan facility provides the Group with added flexibility to manage its working capital requirements and has been utilised to repay the existing Trade Finance Facility with Moneytech, with net incremental funds available of $0.98 million which are being utilised for working capital purposes.

On 27 September 2018, the Group announced that it had received commitments for a further $1.3 million in fully drawn convertible loans with sophisticated parties, out of a total potential facility of $2.0 million, taking the total funds raised under the convertible loan facilities offered to $2.8 million. The Board has approved raising up to $3.5 million under the convertible facility.

Planned capital funding

In addition to the convertible facility, the Board has approved plans to raise an additional $5.0 million over the next twelve months as part of the Group's Capital Management Strategy of which approximately $2.0 million would be required in the next quarter to meet current plans and commitments.

NOTE 1: ABOUT THIS REPORT (continued)

(d) Going Concern (continued)

The Group has progressed with its capital management strategy including discussions with several sophisticated parties for a combination of debt and direct equity raising initiatives.

If the Group is unable to secure required funding to trade as forecast or the actual outcomes differ significantly from the assumptions used, the Group may need to take measures to conserve and secure cash flow. Such measures may include adjusting its operating capital requirements and costs, raising additional capital, and other funding initiatives such as expanding revenue streams and commercialisation of other energy efficiency technologies.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the consolidated entity be unable to trade as forecast or to secure sufficient funding to continue as a going concern. If the going concern basis of accounting is found to no longer be appropriate, the recoverable amount of the assets shown in the Consolidated Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ significantly from those reflected.

SECTION A: PERFORMANCE

NOTE 2: REVENUE AND OTHER INCOME

Revenue and other income from continuing operations

	Notes	2018 $	2017 $
(a) Sales revenue			
Sales of goods and rendering of associated services		7,259,322	2,271,521
(b) Other income			
Interest		148,339	71,067
Rental income		4,364	4,400
Research and development tax concession rebate		624,787	627,086
Net foreign exchange gain		(13,925)	13,760
Gain on sale of investments		-	18,655
Doubtful debts recovered		-	6,853
Other income		216,761	596,148
		980,326	1,337,969
(c) Income in advance			
Sales revenue in advance		1,309,708	573,618

Sales revenue received in advance relates to customers prepaying contract revenues fully in advance of work due to be completed. Income that is received in advance is a liability as the Group has not yet earned it and it has an obligation (a liability) to deliver the related goods or services in the future.

ACCOUNTING POLICIES

Revenue from the sale of goods or services is recognised when the goods or services are provided to the customer which includes delivery of goods and subsequent installation. This represents the point when the significant risks and rewards of ownership have passed to the buyer and the costs of the transaction can be measured reliably.

Rebate income is recognised at fair value when conditions are met and there is reasonable certainty of receipt.

All revenue is measured net of the amount of goods and services tax (GST).

NOTE 2: REVENUE AND OTHER INCOME (continued)

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

AASB 15: Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition to depict the transfer of goods or services to customers in amounts that reflect the consideration the entity expects to be entitled to. This involves identifying the performance obligations in relation to customer contracts, and recognising revenue allocated to each performance obligation when it is satisfied.

The effective date is for annual reporting periods beginning on or after 1 January 2018. The consolidated entity has decided not to early adopt AASB 15 at 30 June 2018.

Management has completed a review of the types of contracts entered into during the year, and the categories of revenue received. Upon completing the review management has not identified any adjustments that would be required to the revenue that has been recognised to date under existing Standards. Management is satisfied that the processes and systems used to identify, record and report contract balances are adequate.

There will be a number of additional or enhanced disclosures included in the financial report upon adoption of AASB 15. These include: -

- Disaggregation of revenue between distinct revenue/contract types;
- Opening and closing balances of receivables, contract assets and contract liabilities arising from contracts with customers, revenues recognised in the reporting period that was included in the contract liability balance at the beginning of the period, and revenue recognised in the period from performance obligations satisfied in previous periods;
- Performance obligations, including those relating to payment terms and the nature of goods and services that typically need to be transferred to recognise revenue, obligations in relation to returns and refunds, and warranties;
- The aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the reporting date, and an explanation of the expected timing of recognition of revenue and satisfaction of performance obligations;
- Significant judgements and estimates used in applying the Standard; and
- Assets recognised from the costs to obtain or fulfil a contract with a customer.

The extent of the disclosures will depend upon the types of contracts that the Group enters into during the year, and in particular those spanning multiple years.

NOTE 3: LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations before income tax has been determined after the following specific expenses:

	Notes	2018 $	2017 $
(a) Employee benefits expense			
Share-based payments expense	(i)	48,789	281,021
Directors' fees	(ii)	234,999	258,943
Superannuation guarantee contributions		339,160	305,999
Other employee benefits		3,571,254	3,117,953
		4,194,202	3,963,916

(i) Share-based payments expenses represents the non-cash notional value of equity options - refer to note 18(c).

(ii) For further information on Directors' fees, refer to part (E)(b) of the Remuneration Report within the Directors' Report.

	Notes	2018 $	2017 $
(b) Depreciation and amortisation of non-current assets			
Plant and equipment	10(a)	41,835	37,456
Office equipment	10(a)	1,049	1,137
Computer equipment	10(a)	15,440	16,759
Leasehold improvements	10(a)	2,151	3,021
Software licences	11	28,296	10,511
		88,771	68,884
(c) Impairment expense			
Impairment of trade receivables	7(a)	-	82,859
(d) Finance costs expensed			
Interest and other finance costs on loans and finance leases		78,395	115,941
(e) Administrative expense			
Travel and accommodation		464,164	451,443
Share registry costs		97,378	155,251
Legal fees		215,555	76,314
Insurance premiums		132,087	112,166
General and office expenses		927,766	682,223
		1,836,950	1,477,397
(f) Other expenses			
Writedowns of inventory to net realisable value	9	111,699	99,584
Product research		263,739	287,549
Warranty expenses		70,809	44,178
		446,247	431,311

	Notes	2018 $	2017 $

NOTE 3: LOSS FROM CONTINUING OPERATIONS (continued)

ACCOUNTING POLICIES

Revenues, expenses and purchased 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.

NOTE 4: INCOME TAX

(a) Components of tax expense

	Notes	2018 $	2017 $
Current tax		-	-
Deferred tax		-	-
Under/(over) provision in prior years		-	-
		-	-

(b) Prima facie tax payable

The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:

	Notes	2018 $	2017 $
Profit/(loss) before tax from continuing operations		(5,395,230)	(5,459,242)
Total profit/(loss) before income tax		(5,395,230)	(5,459,242)
Prima facie income tax benefit on loss before income tax at 27.5% (2017: 27.5%):		(1,483,688)	(1,501,292)
Add/(less) tax effect of:			
Deferred tax assets not brought to account	4(c)	1,618,578	1,657,632
Non deductible and non assessable items		(134,890)	(156,340)
Income tax expense attributable to loss		-	-

(c) Deferred tax assets not brought to account

	Notes	2018 $	2017 $
Tax losses and temporary differences		8,518,572	6,899,994

ACCOUNTING POLICIES

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 4: INCOME TAX (continued)

Tax consolidation

Vivid Technology Limited and its wholly-owned Australian resident entities formed a tax-consolidated Group with effect from 1 July 2012. Vivid Technology Limited is the head entity of the tax-consolidated group. The members of the tax-consolidated Group are identified in note 24.

The members of the tax-consolidated Group have entered into a tax funding agreement, stipulating that amounts are recognised as payable to or receivable by the Group and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated Group in accordance with the agreement. Under the terms of the tax funding agreement, Vivid Technology Limited and each of the entities in the tax-consolidated Group will agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax-consolidated Group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated Group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

ESTIMATION AND JUDGEMENT: DEFERRED TAX ASSETS

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets arising from tax losses are not recognised at balance date as realisation of the benefit is not probable.

NOTE 5: LOSS PER SHARE

	Notes	2018 $	2017 $
(a) Loss per share attributable to equity holders of the parent			
Reconciliation of loss used in calculating loss per share:			
Net loss attributable to equity holders of the parent entity		(5,395,230)	(5,459,242)
Net loss used in calculating basic and diluted loss per share		(5,395,230)	(5,459,242)
Weighted average number of ordinary shares used in calculating basic earnings per share		474,296,650	355,977,463
Effect of dilutive securities:			
Share options		-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		474,296,650	355,977,463

Due to losses incurred all potential ordinary shares that could potentially dilute basic loss per share in the future were considered to be anti-dilutive and therefore not included in the calculation of diluted loss per share. Accordingly basic and diluted loss per share equate.

SECTION B: OPERATING ASSETS AND LIABILITIES

	Notes	2018 $	2017 $

NOTE 6: CASH AND CASH EQUIVALENTS

	Notes	2018 $	2017 $
Cash at bank		604,136	1,513,635
Cash on hand		1,611	611
		605,747	1,514,246

ACCOUNTING POLICIES

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(a) Reconciliation of cash flow from operations to loss after income tax

	Notes	2018 $	2017 $
Loss from ordinary activities after income tax		(5,395,230)	(5,459,242)
Non-cash items			
Depreciation of property, plant and equipment		60,475	58,373
Amortisation of intangible assets		28,296	10,511
Unrealised gain on fair value of investments held		-	(18,655)
Share of associates' loss		434,388	353,689
Impairment of trade receivables		-	82,859
Share based payments expense	3	48,789	281,021
Service based expenses		5,570	
Exchange difference on translation of foreign currency		-	15
Writedowns of inventory to net realisable value		111,699	99,584
Interest income not received in cash		(141,093)	(61,727)
Changes in assets and liabilities			
Decrease/(increase) in receivables		(288,384)	409,346
Decrease/(increase) in other assets		(167,801)	403,557
Decrease in inventory		456,924	115,816
Increase/(decrease) in payables		1,190,888	(862,421)
Increase in income in advance		736,090	561,001
Increase/(decrease) in employee benefits		66,008	(381,059)
Increase/(decrease) in warranty provision		51,695	(1,671)
Net cash flows used in operating activities		(2,801,686)	(4,409,003)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

NOTE 7: RECEIVABLES

	Notes	2018 $	2017 $
Current			
Trade receivables		932,668	748,869
Less: provision for impairment	(a)	(87,464)	(103,383)
		845,204	645,486
Receivables from other related parties		38,221	-
Other receivables		240,253	145,581
		1,123,678	791,067
Non current			
Trade receivables		-	40,136
Loan receivable from associate		1,126,533	645,940
		1,126,533	686,076

ACCOUNTING POLICIES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost.

Loans and receivables are assessed for impairment at each reporting date. Where this requires determining the present value of future cash flows, consideration is given to anticipated methods of realisation of future cash flows, estimates of the amounts of future cash flows, and appropriate discount rates.

(i) Trade receivables
Trade receivables are non-interest bearing and usually have 30 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired, having regard to trading terms, payment history and communications with the counterparty. The impairment losses have been included within Impairment Expense within profit or loss.

(ii) Loan receivable from associate
The loan receivable from NCF Global Pty Ltd (an associate of the group), is an unsecured loan bearing interest at 15% per annum with no contracted repayment date. An impairment loss is recognised when there is objective evidence that the loan receivable is impaired. No impairment loss was recorded during the year.

(iii) Other receivables
Other receivables includes amounts receivable from the Australian Taxation Office.

	Notes	2018 $	2017 $

NOTE 7: RECEIVABLES (continued)

(a) Provision for impairment

Movements in the provision for impairment were:	2018 $	2017 $
Opening balance at 1 July	103,383	27,377
Charge for the year	-	82,859
Recovery of amounts previously provided	-	(6,853)
Amounts written off	(15,919)	-
Closing balance at 30 June	87,464	103,383

Provisions are made against trade receivables when there is objective evidence that full recovery of the amount is doubtful. Amounts are written off when there is objective evidence that the receivable is not recoverable.

(b) Trade receivables ageing analysis at 30 June is:

	Gross $	Impairment $
Balances as at 30 June 2018:		
Not past due	415,875	-
Past due 1-30 days	217,002	-
Past due 31-60 days	203,943	-
Past due 61-90 days	-	-
Past due more than 91 days	95,848	87,464
	932,668	87,464
Balances as at 30 June 2017:		
Not past due	678,289	-
Past due 1-30 days	7,333	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due more than 91 days	103,383	103,383
	789,005	103,383

Amounts past due have been reviewed on a systematic basis. Amounts are provided for where there is evidence that the amount may not be recoverable. Where no provision has been made it is expected that the amount is fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

NOTE 8: INVENTORIES

	Notes	2018 $	2017 $
Inventories at cost:			
- on hand		991,965	1,593,369
- in transit		32,781	-
		1,024,746	1,593,369
Write downs of inventories to net realisable value recognised as an expense during the year:		111,699	99,584

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value.

NOTE 9: OTHER ASSETS

	2018 $	2017 $
Prepayments	95,825	221,651
Accrued income	297,327	3,700
	393,152	225,351

NOTE 10: PROPERTY PLANT AND EQUIPMENT

	2018 $	2017 $
Plant and equipment		
At cost	264,392	205,237
Accumulated depreciation	(117,439)	(75,604)
	146,953	129,633
Office equipment		
At cost	20,290	20,290
Accumulated depreciation	(13,173)	(12,124)
	7,117	8,166
Computer equipment		
At cost	128,710	100,900
Accumulated depreciation	(94,952)	(79,512)
	33,758	21,388
Leasehold improvements		
At cost	228,336	224,860
Accumulated amortisation	(218,057)	(215,906)
	10,279	8,954
Total plant and equipment	198,107	168,141

NOTE 10: PROPERTY PLANT AND EQUIPMENT (continued)

ACCOUNTING POLICIES

Cost and valuation

All classes of plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amounts are calculated using either the prime cost or diminishing balance method over their estimated useful lives commencing from when the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The weighted average remaining lease term is 1.34 years.

The useful lives for each class of assets are:

	2018	2017
Plant and equipment	5 years	5 years
Computer equipment	3 years	3 years
Office equipment	6 years	6 years
Leasehold improvements	10 years	10 years

Impairment

Assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. Recoverable amounts represented by value in use calculations are based on projected cash flows determined based on management expectations of future business performance.

NOTE 10: PROPERTY PLANT AND EQUIPMENT (continued)

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	Notes	2018 $	2017 $
Plant and equipment			
Carrying amount at beginning of year		129,633	139,656
Additions		59,155	27,433
Depreciation		(41,835)	(37,456)
Carrying amount at end of year		146,953	129,633
Office equipment			
Carrying amount at beginning of year		8,166	9,303
Depreciation		(1,049)	(1,137)
Carrying amount at end of year		7,117	8,166
Computer equipment			
Carrying amount at beginning of year		21,388	25,994
Additions		27,810	12,153
Depreciation		(15,440)	(16,759)
Carrying amount at end of year		33,758	21,388
Leasehold improvements			
Carrying amount at beginning of year		8,954	11,975
Additions		3,476	-
Amortisation		(2,151)	(3,021)
Carrying amount at end of year		10,279	8,954

NOTE 11: INTANGIBLE ASSETS

	Notes	2018 $	2017 $
Goodwill at cost		2,012,138	2,012,138
Software licences and development costs, at cost		166,624	125,715
Accumulated amortisation		(58,140)	(29,844)
		108,484	95,871
		2,120,622	2,108,009

NOTE 11: INTANGIBLE ASSETS (continued)

(a) Reconciliations

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current financial year

	Notes	2018 $	2017 $
Goodwill			
Carrying amount at beginning of year		2,012,138	2,012,138
Arising on acquisition of entity		-	-
Carrying amount at end of year		2,012,138	2,012,138
Software licences and development costs			
Carrying amount at beginning of year		95,871	10,928
Additions		40,909	95,454
Additions through acquisition of entity		-	-
Amortisation		(28,296)	(10,511)
Carrying amount at end of year		108,484	95,871

ACCOUNTING POLICIES

Goodwill

Goodwill arose due to the to the Group's acquisition of Ilum-a-Lite Pty Ltd in the prior year, and relates to the Energy Efficiency segment and cash generating unit ('CGU').

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Goodwill is recognised initially at the excess of the aggregate of the consideration transferred, over the net fair value of the identifiable assets acquired and liabilities assumed. Acquisition related costs are expensed as incurred. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

Software licenses

Software licences that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life of the asset. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development

Expenditure on research activities is recognised as an expense when incurred.

	Notes	2018 $	2017 $

NOTE 11: INTANGIBLE ASSETS (continued)

ESTIMATION AND JUDGEMENT: GOODWILL

The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 5% for cash flows in years two to five, a terminal value growth rate of 3% and a post-tax discount rate of 16% (2017:15.4%) to determine value-in-use.

No reasonable change in the key assumptions of the value in use calculations would result in impairment.

NOTE 12: PAYABLES

	Notes	2018 $	2017 $
Trade payables		1,911,597	904,205
Amounts payable to related parties		26,969	-
Accrued inventory purchases		82,496	32,697
Other payables		806,886	678,027
		2,827,948	1,614,929

Trade payables are non-interest bearing and usually have 30 day terms.

NOTE 13: PROVISIONS

	Notes	2018 $	2017 $
Current			
Employee benefits		298,845	222,600
Warranty	(a)	125,000	73,305
		423,845	295,905
Non-current			
Employee benefits		131,254	141,491
Restoration costs		15,000	15,000
		146,254	156,491
Aggregate employee benefits liability		430,099	364,091

(a) Movements in provision for warranty

	2018 $	2017 $
Carrying amount at the beginning of the year	73,305	74,976
Provision made during the year	51,695	-
Provision used during the year	-	(1,671)
Carrying amount at the end of the year	125,000	73,305

NOTE 13: PROVISIONS (continued)

ACCOUNTING POLICIES

Provisions are recognised when the consolidated entity has a legal or constructive obligation as a result of past events, and it is probable that a reliably measurable outflow of economic benefits will result.

Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Bonus plan

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(iii) Long-term employee benefit obligations

The provision for other long-term employee benefits includes obligations for long service leave not expected to be settled wholly within twelve months, measured at the present value of estimated future leave payments relating to employment up to the reporting date (taking into account future remuneration levels, service duration and turnover) discounted at relevant market rates. Any remeasurements for changes in assumptions are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

NOTE 13: PROVISIONS (continued)

(iv) Retirement benefit obligations

The consolidated entity makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(v) Warranty provisions

The consolidated entity provides for the estimated cost of the warranty upon recognition of the sale of goods and services. The costs are estimated based on historic costs incurred and on estimated future costs related to current sales. Warranty costs are charged against the warranty provision.

ESTIMATION AND JUDGEMENT: PROVISIONS

Employee benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

Provision for warranty

The warranty provision relates to potential obligations for goods and services sold prior to balance date, based on management estimates of potential in-service defect rates and rectification costs. The extent and timing of any resulting outflows of economic benefits will depend on actual defect rates and rectification costs.

SECTION C: CAPITAL STRUCTURE AND OBJECTIVES

NOTE 14: BORROWINGS

	Notes	2018 $	2017 $
(a) Current			
Trade finance facility (secured)	(i)	460,635	-
Lease liability (unsecured)	(ii)	54,795	35,000
Loans payable (unsecured)	(iii)	60,358	-
		575,788	35,000
(b) Non-current			
Lease liability (unsecured)	(ii)	55,753	66,111

(i) Trade finance facility

During the financial year, the Group entered into a a Trade Finance Facility with a maximum limit of up to $0.5m based on aggregate agreed payables from time to time. The facility was secured by a general security agreement over all the assets of the Group. The prevailing interest rate of the facility was 9.65% calculated on the rolling daily drawn balance of the facility.

(ii) Lease liability

Finance lease commitments relate to capitalised software licenses and development costs.

	2018 $	2017 $
Minimum lease payments:		
Not later than one year	61,438	38,821
Later that one year and not later than five years	62,788	73,328
Total minimum lease payments	124,226	112,149
Future finance charges	(13,678)	(11,038)
Present value of minimum lease payments	110,548	101,111
Represented by:		
Current liability	54,795	35,000
Non current liability	55,753	66,111
	110,548	101,111

(iii) Loans payable

Unsecured finance facility covering the Group's annual insurance premiums.

NOTE 14: BORROWINGS (continued)

(c) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the statement of cash flows. Changes in the carrying amount of such liabilities, which comprise lease liabilities, are summarised below:

2018	Trade finance facility $	Lease liability $	Short term loan $	Total $
Balance at beginning of the year	-	101,111	-	101,111
Agreements for purchase of software in the year	-	59,386	-	59,386
Cash received from financing arrangements	2,214,773	-	120,716	2,335,489
Repayments made during the year	(1,754,138)	(49,949)	(60,358)	(1,864,445)
Balance at the end of the year	460,635	110,548	60,358	631,541

2017	Trade finance facility $	Lease liability $	Short term loan $	Total $
Balance at beginning of the year	-	6,084	451,240	457,324
Agreements for purchase of software in the year	-	109,888	-	109,888
Cash received from financing arrangements	-	-	1,150,000	1,150,000
Repayments made during the year	-	(14,861)	(1,601,240)	(1,616,101)
Balance at the end of the year	-	101,111	-	101,111

ACCOUNTING POLICIES

Leases

Finance leases

Leases of fixed assets or intangible assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

The lease liability relates to capitalised software licenses and development costs, which are shown in the balance sheet as assets at note 11. The leases have an interest rate of 6.85% and a term of 3 years.

Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, and finance charges in respect of finance leases. Borrowing costs are expensed as incurred.

	Notes	2018	2017
		$	$

NOTE 14: BORROWINGS (continued)

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

AASB 16: Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. AASB 16 applies to annual periods beginning on or after 1 January 2019. The application of AASB 16 is not expected to have a material impact on the consolidated financial statements in relation to obligations or commitments present at balance date. The Group has one existing lease which extends beyond 12 months from 30 June 2018. That fair value of the lease would be capitalised and the future value of repayments recorded as a liability under AASB 16. The fair value of the lease is estimated to be similar to the total lease value. Therefore, the treatment of this lease in accordance with AASB 16 would not significantly impact the results of the consolidated entity as amortisation costs would be similar to the lease payment amounts.

NOTE 15: SHARE CAPITAL

(a) Issued and paid up capital

	2018 $	2017 $
475,718,474 (2017: 432,471,340) ordinary shares fully paid	36,855,596	35,205,628

The Group does not have a limited amount of authorised capital and issued shares do not have a par value.

ACCOUNTING POLICY

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(b) Terms and conditions of share capital

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as ensuring there are sufficient funds to meet commitments, which is performed via monitoring of historical and forecast performance.

NOTE 15: SHARE CAPITAL (continued)

(d) Movements in shares on issue

	Number of shares		$	
	2018	2017	2018	2017
Beginning of the financial year	432,471,340	299,555,628	35,205,628	27,747,113
Shares issued during the year:				
- Placement (i)	43,247,134		1,946,121	
- Placement	-	50,870,937		3,815,320
- Placement	-	70,000,000		3,150,000
- Issued in connection with the acquisition of Ilum-a-Lite	-	12,044,775		963,582
Transaction costs of equity issued	-	-	(296,153)	(470,387)
End of the financial year	475,718,474	432,471,340	36,855,596	35,205,628

(i) 43,247,134 fully paid ordinary shares were issued for $0.045 per share pursuant to a non-renounceable entitlement offer.

(e) Share options

Options over ordinary shares:

(i) Options issued to directors and employees

The issue of options provides an effective way for the directors to give employees an opportunity to share in the success of the Group, provide an incentive for employees to achieve the long term objectives of the Group and improve its performance, and enhance the ability of the Group to attract and retain key employees at a lower rate of remuneration that might otherwise be required.

As part of annual remuneration reviews, consideration is given to individual employee performance towards achieving the Group’s objectives when deciding whether or not to award options as an incentive. Following consideration of these criteria, any employee options issued have no future performance criteria but vesting is usually subject to continued employment for a further period.

Details of options issued to directors and employees are provided in note 18(a).

(ii) Options issued to Consultants and Contractors

Each option entitles the holder to acquire one fully paid ordinary share in the Group at a price of 12.5 cents per share at any time up to and including 23 December 2018 subject to standard terms and conditions attached to Vivid Technology Ltd. 4,600,000 options were issued during the 2016 financial year, and remained exercisable at balance date.

In July 2017, the Group issued a total of 9,472,000 unlisted incentive options to third parties in connection with the entitlement offer and for services provided to the Group, as follows:

No. of options	Exercise	Issue date	Expiry date
4,600,000	12.5 cents	15 April 2016	23 December 2018
3,000,000	6.5 cents	28 July 2017	30 June 2020
472,000	12.5 cents	28 July 2017	28 July 2020
3,000,000	7.5 cents	28 July 2017	30 June 2021
3,000,000	10.0 cents	28 July 2017	30 June 2021

No options were exercised or expired during the current or prior year.

NOTE 16: RESERVES AND ACCUMULATED LOSSES

	Notes	2018 $	2017 $
Third party options reserve	(a)	220,340	54,740
Employee equity benefits reserve	(b)	692,497	925,239
Transactions with non-controlling interests reserve	(c)	(302,521)	(302,521)
Total reserves		610,316	677,458
Accumulated losses	(d)	34,980,365	29,872,235

(a) Third party options reserve

(i) Nature and purpose of reserve

This reserve represents the fair value of options granted to third parties as detailed in Note 15(e)(ii).

ACCOUNTING POLICIES

From time to time share options are granted to third parties for services rendered. The fair value of the equity to which third parties become entitled is determined by reference to the value of services provided, and recognised as an expense over the period(s) when the services were provided.

(ii) Movements in reserve

	2018 $	2017 $
Balance at beginning of year	54,740	54,740
Issue of options to third parties	165,600	-
Balance at end of year	220,340	54,740

(b) Employee equity benefits reserve

(i) Nature and purpose of reserve

This reserve represents the fair value of options granted to employees and directors as detailed in Notes 18(a).

(ii) Movements in reserve

	2018 $	2017 $
Balance at beginning of year	925,239	701,956
Issue of options to directors and employees	54,358	281,021
Transfer to accumulated losses on expiry of options	(287,100)	(57,738)
Balance at end of year	692,497	925,239

(c) Transactions with non-controlling interests reserve

(i) Nature and purpose of reserve

The transactions with non-controlling interests reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control.

NOTE 16: RESERVES AND ACCUMULATED LOSSES (continued)

(d) Accumulated losses

	Notes	2018 $	2017 $
Balance at beginning of year		29,872,235	24,470,731
Transfer from employee equity benefits reserve on expiry of options		(287,100)	(57,738)
Net loss attributable to members of the parent		5,395,230	5,459,242
Balance at end of year		34,980,365	29,872,235

NOTE 17: DIVIDENDS

No dividends have been paid or provided for in respect of the financial year.

NOTE 18: SHARE BASED PAYMENTS

(a) Employee option plan

The Group operates an Employee Option Plan, under which the issue of options provides an effective way for the directors to give employees an opportunity to share in the success of the Group, provide an incentive for employees to achieve the long term objectives of the Group and improve its performance, and enhance the ability of the Group to attract and retain key employees at a lower rate of remuneration that might otherwise be required. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Vivid Technology Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

No employee share options weregranted during the current financial reporting period or subsequent to year end.

ACCOUNTING POLICIES

The consolidated entity operates a share-based payment employee share option plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

ESTIMATION AND JUDGEMENT: SHARE BASED PAYMENTS

Calculation of share based payments requires estimation of the timing of the exercise of the underlying equity instrument. The estimates are based on historical trends and are calculated using the Black Scholes method.

NOTE 18: SHARE BASED PAYMENTS (continued)

(a) Employee option plan (continued)

2018

Set out below is a summary of the options granted under the plan.

	2018		2017	
	Average exercise price per share option (cents)	Number of options	Average exercise price per share option	Number of options
As at 1 July	13.28	54,250,000	13.70	41,550,000
Granted during the year	-	-	12.50	14,700,000
Forfeited during the year	-	-	12.50	(250,000)
Exercised during the year	-	-	-	-
Expired during the year	15.25	(20,000,000)	16.79	(1,750,000)
As at 30 June	12.14	34,250,000	13.28	54,250,000
Vested and exercisable	12.14	34,250,000	11.46	46,350,000

Share options outstanding at 30 June had the following expiry date and exercise prices:

Grant date		Expiry date	Exercise price	Share options 30 June 2018	Share options 30 June 2017
1/10/2012		30/09/2017	10 cents	-	1,000,000
1/10/2012		30/09/2017	15 cents	-	2,000,000
20/12/2012		30/09/2017	10 cents	-	2,000,000
20/12/2012		30/09/2017	15 cents	-	8,000,000
4/02/2014		30/09/2017	15 cents	-	1,000,000
4/02/2014		30/09/2017	20 cents	-	1,000,000
18/12/2014		30/09/2017	15 cents	-	2,000,000
18/12/2014		30/09/2017	20 cents	-	3,000,000
10/08/2015	Note 1	7/08/2018	12.5 cents	4,250,000	4,250,000
18/12/2013		30/09/2018	10 cents	3,000,000	3,000,000
15/04/2016		30/09/2018	12.5 cents	100,000	100,000
18/12/2013		30/09/2018	7.5 cents	2,000,000	2,000,000
23/12/2015		23/12/2018	12.5 cents	9,000,000	9,000,000
15/04/2016		31/03/2019	12.5 cents	350,000	350,000
22/08/2014		30/06/2019	15 cents	500,000	500,000
22/08/2014		30/06/2019	20 cents	500,000	500,000
4/07/2016		1/07/2019	12.5 cents	1,500,000	1,500,000
12/12/2016		12/12/2019	12.5 cents	7,500,000	7,500,000
21/03/2017		1/02/2020	12.5 cents	5,550,000	5,550,000
				34,250,000	54,240,000

Note 1 - Options expired post year end.

No options have been exercised since year end.

NOTE 18: SHARE BASED PAYMENTS (continued)

The fair value of the options issued during the current and prior year was estimated using the Black-Scholes pricing model, using the following inputs:

Grant date	Number issued	Exercise price	Vesting date	Expiry date	Share price on issue $	Volatility	Risk free interest rate	Expected dividends	Fair value ($)
4/07/2016	1,500,000	12.5 cents	4/07/2017	1/07/2019	0.068	77%	1.980%	Nil	0.0243
12/12/2016	2,500,000	12.5 cents	12/12/2016	12/12/2019	0.058	77%	2.760%	Nil	0.0188
12/12/2016	5,000,000	12.5 cents	12/12/2017	12/12/2019	0.058	77%	2.760%	Nil	0.0188
21/03/2017	4,300,000	12.5 cents	30/06/2017	1/02/2020	0.049	77%	2.008%	Nil	0.0132
21/03/2017	50,000	12.5 cents	31/12/2017	1/02/2020	0.049	77%	2.008%	Nil	0.0132
21/03/2017	1,350,000	12.5 cents	1/02/2018	1/02/2020	0.049	77%	2.008%	Nil	0.0132

(b) Employee share scheme

Details of shares issued to Directors and employees, where applicable, are outlined in the Remuneration Report within the Directors' Report. With the exception of Key Management Personnel identified in the Remuneration Report (including Directors and Senior Executives), no other employees are party to an Employee Share Scheme.

(c) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions recorded within employee benefits expense in the statement of comprehensive income was as follows:

Options issued under employee option plan	48,789	281,021

Options issued to third parties as described in note 15(e)(ii) and note 16(a)(i) resulted in an expense of $5,570 (2017:nil).

SECTION D: FINANCIAL RISK MANAGEMENT

NOTE 19: FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of financial risks comprising:

- Credit risk
- Liquidity risk
- Currency risk
- Market price risk
- Interest rate risk

The Board of Directors has overall responsibility for identifying and managing operational and financial risks.

The consolidated entity holds the following financial instruments, which are measured at amortised cost unless stated otherwise.

		2018 $	2017 $
Financial assets			
Cash and cash equivalents	6	605,747	1,514,246
Receivables	7	2,250,211	1,477,143
Security deposits for exploration permits	29	54,124	54,124
		2,910,082	3,045,513
Financial liabilities			
Payables	12	2,827,948	1,614,929
Borrowings	14	631,541	101,111
		3,459,489	1,716,040

NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

ACCOUNTING POLICIES

Classification

The consolidated entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted). Receivables and payables in the statement of financial position are shown inclusive of GST.

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events (‘loss events’) having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

AASB 9: Financial Instruments

This new standard contains significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the group did not recognise any amounts in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

The consolidated entity holds no financial instruments where accounting treatment will be materially impacted by the adoption of the standard. Accordingly, there is no impact on results or net assets expected from adoption of the standard. There may be amendments and enhancements to disclosures.

The effective date is annual reporting periods beginning on or after 1 January 2018. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2018.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

At balance date, the consolidated entity’s only material credit risk exposure to any single trade receivable or group of receivables under financial instruments entered into by the entity was in relation to trade receivables from Honeywell Limited of $199,335 (2017: $303,447) which is included within trade receivables in Note 7.

i) Cash deposits
Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

ii) Trade receivables
Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

iii) Other receivables
Credit risk for other receivables is managed by ensuring the group only trades with parties that are able to trade on the group’s credit terms.

NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

Maturity analysis

For financial instruments held by the Group at balance date, the table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

	< 6 Months	6-12 months	12-18 months	Total contractual cash flows
	$	$	$	$
Cash and cash equivalents	605,747	-	-	605,747
Receivables	1,109,860	101,282	1,126,533	2,337,675
Other financial assets	54,124	-	-	54,124
Other current assets	297,327	-	-	297,327
Payables	(2,827,948)	-	-	(2,827,948)
Borrowings	(551,712)	(30,719)	(62,788)	(645,219)
Net maturities	(1,312,602)	70,563	1,063,745	(178,294)

For all items shown above, the carrying amounts are equal to the total contractual cash flows, except:

(i) Receivables (details of adjustments to carrying amounts of receivables are detailed in note 7).

(ii) Leases payable (reconciliation of minimum lease payments to carrying amounts are detailed note 14).

As noted in Note 1(c) the consolidated entity has entered into a $1.5million convertible note facility to support its working capital. This is to address the negative cash flows exepected in the 6 months as outlined above.

Fair values compared to carrying amounts

The fair value of financial assets and liabilities approximate their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At 30 June 2018 the consolidated entity held $nil (2017: nil) in foreign bank accounts.

NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

(c) Currency risk (continued)

The group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed to the extent considered appropriate based on the level of activity. The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2018	2017	2018	2017
Hong Kong Dollar (HKD)	25,000	12,500	-	-
United States Dollar (USD)	164,507	118,937	-	-
South African Rand (ZAR)	-	50,633	-	-

Sensitivity

If foreign exchange rates were to increase/decrease by 15% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 15% change in foreign exchange rates.

	2018	2017
	$	$
15% appreciation of AUD against USD		
Impact on profit or loss after tax	32,705	23,646
Impact on equity	32,705	23,646
15% depreciation of AUD against USD		
Impact on profit or loss after tax	(32,705)	(23,646)
Impact on equity	(32,705)	(23,646)

ACCOUNTING POLICIES

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into functional currency at the exchange rate ruling at each transaction date. Foreign currency monetary items outstanding at the reporting date (excluding where the exchange rate is contractually fixed) are translated using the spot rate at the end of the financial year. Upon settlement or re statement, resulting exchange differences are recognised as revenues or expenses.

NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

(d) Market price risk

Market or price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Investments in listed securities at fair value through profit and loss are measured at fair value at reporting date based on quoted market prices. The group does not have a material exposure to market price risk.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The company does not currently have any floating rate interest bearing debt. Cash deposits attract interest at the prevailing floating interest rates, exposure to which is not considered to be material.

No other financial assets or financial liabilities are exposed to interest rate risk.

NOTE 20: COMMITMENTS

Lease expenditure commitments

	2018 $	2017 $
Operating leases (non-cancellable)		
Minimum lease payments:		
Not later than one year	111,198	205,906
Later than one year and not later than five years	229,746	58,533
	340,944	264,439

Operating lease commitments relate to lease of office and warehouse premises.

Finance lease commitments are outlined in note 14.

ACCOUNTING POLICIES

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

NOTE 20: COMMITMENTS (continued)

Capital expenditure commitments

	Notes	2018 $	2017 $
Technology			
Estimated aggregate amount payable:			
Not later than one year		20,790	34,189

Capital expenditure commitments for technology relate to commitments for purchases of inventory and plant and equipment.

The company also retains interests in geothermal exploration tenements via direct ownership. To continue these interests work programs are maintained, which have minimum expenditure requirements and carry no formal commitments or legal obligations but are an indication of the tasks required to be completed to retain each permit. At the company's request, the Victorian Government granted suspensions for the work program requirements associated with the company's geothermal exploration permits. The company is not committed to geothermal expenditure while its work program is suspended.

Bank guarantees

	Notes	2018 $	2017 $
Exploration			
Maximum amount bank may call		45,000	45,000

NOTE 21: CONTINGENCIES

As at balance date, the company had no contingent assets or liabilities.

NOTE 22: FAIR VALUE MEASUREMENTS

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3:	Inputs for the asset or liability that are not based on observable market data

There were no financial assets carried at fair value through profit or loss at balance date.

ESTIMATION AND JUDGEMENT: FAIR VALUE MEASUREMENTS

Certain financial assets and liabilities are assessed for impairment based on recoverable amounts represented by estimated fair value. Details of fair value considerations in relation to impairment assessments are described in the respective notes in relation to goodwill (note 11) and investments in associates (note 26).

SECTION E: STRUCTURE OF THE GROUP

NOTE 23: SEGMENT INFORMATION

(a) Description of segments

The Group has three reportable segments. A brief description of each identified segment is detailed below. Corporate head office and administration costs are not allocated to segments. Segments include operations or projects that the group holds, or is interested in, which operate in different geographical settings. Operations for each segment are based primarily in Australia unless otherwise noted.

Segment 1: Energy Efficiency

Vivid Technology Ltd via its subsidiaries provides intelligent and energy efficient lighting solutions to industrial and commercial businesses in Australia and the Pacific Rim. The primary route to market for this segment is via Vivid Industrial Pty Ltd and Ilum-a-Lite Pty Ltd, wholly-owned subsidiaries of the group.

Segment 2: Technology Investment

This segment includes technology investments or projects, which Vivid Technology Ltd has either invested in but have not been fully expanded into a distinct business segment, or technologies or project that are currently being considered. This segment includes the consolidated entity's investment in NCF Global Pty Ltd.

Segment 3: Other Investments

The segment "other investments" includes the Group's geothermal interests (including GEP 10 in the Otway Basin, as well as GEP 12 and GEP 13 in the Gippsland Basin). Included in this segment's assets is capitalised exploration and evaluation expenditure in relation to those areas of interest, which currently has a carrying amount of nil. The Group's core focus no longer includes geothermal activities.

NOTE 23: SEGMENT INFORMATION (continued)

(b) Segment information

2018	Energy Efficiency	Technology Investment	Other Investments	Total
	$	$	$	$
Segment revenue				
Total segment revenue *(1)*	7,270,494	202,589	-	7,473,083
Inter-segment revenue	-	-	-	-
SEGMENT REVENUE FROM EXTERNAL SOURCE	**7,270,494**	**202,589**	**-**	**7,473,083**
Segment result				
Total segment result	(4,060,437)	(808,279)	-	(4,868,717)
Inter-segment eliminations	-	-	-	-
SEGMENT RESULT FROM EXTERNAL SOURCE	**(4,060,437)**	**(808,279)**	**-**	**(4,868,717)**
Items included within segment result:				
Share of net loss of associates	-	434,388	-	434,388
Impairment expense	-	-	-	-
TOTAL SEGMENT ASSETS	**4,567,494**	**2,307,903**	**-**	**6,875,397**
Total segment assets include:				
Investment in equity accounted associates	-	1,137,797	-	1,137,797
Additions to non-current assets other than financial instruments and deferred tax assets	103,540	-	-	103,540
TOTAL SEGMENT LIABILITIES	**4,155,978**	**15,755**	**15,000**	**4,186,733**

(1) in the current and comparative period, other revenue in the form of Research & Development tax refunds has been segregated from the Energy Efficiency Segment. This is to reflect that the refund is not income from customers.

NOTE 23: SEGMENT INFORMATION (continued)

(b) Segment information (continued)

2017	Energy Efficiency	Technology Investment	Other Investments	Total
	$	$	$	$
Segment revenue				
Total segment revenue *(1)*	2,334,837	534,140	-	2,868,977
Inter-segment revenue	-	-	-	-
SEGMENT REVENUE FROM EXTERNAL SOURCE	**2,334,837**	**534,140**	**-**	**2,868,977**
Segment result				
Total segment result	(4,527,733)	(116,369)	-	(4,644,102)
Inter-segment eliminations	-	-	-	-
SEGMENT RESULT FROM EXTERNAL SOURCE	**(4,527,733)**	**(116,369)**	**-**	**(4,644,102)**
Items included within segment result:				
Share of net loss of associates	-	353,689	-	353,689
Impairment expense	82,859	-	-	82,859
TOTAL SEGMENT ASSETS	**4,774,470**	**2,219,575**	**-**	**6,994,045**
Total segment assets include:				
Investment in equity accounted associates	-	1,572,185	-	1,572,185
Additions to non-current assets other than financial instruments and deferred tax assets	129,866	-	-	129,866
TOTAL SEGMENT LIABILITIES	**1,728,259**	**10,924**	**15,000**	**1,754,183**

(1) in the current and comparative period, other revenue in the form of Research & Development tax refunds has been segregated from the Energy Efficiency Segment. This is to reflect that the refund is not income from customers.

	Notes	2018	2017
		$	$

NOTE 23: SEGMENT INFORMATION (continued)

(b) Segment information (continued)

(i) Reconciliation of segment revenue to the consolidated statement of comprehensive income

	2018 $	2017 $
Segment revenue from external source	7,473,083	2,868,977
Other revenue (1)	632,151	637,031
Interest revenue	148,339	71,067
Gain on fair value of investments	-	18,655
Net foreign exchange gain / (loss)	(13,925)	13,760
Total revenue	8,239,648	3,609,490

(1) in the current and comparative period, other revenue in the form of Research & Development tax refunds has been segregated from the Energy Efficiency Segment. This is to reflect that the refund is not income from customers.

(ii) Reconciliation of segment result to the consolidated statement of comprehensive income

	2018 $	2017 $
Segment result from external source	(4,868,717)	(4,644,102)
Interest revenue	148,339	71,067
Net foreign exchange gain / (loss)	(13,925)	13,760
Gain on fair value of investments	-	18,655
Depreciation and amortisation	(88,771)	(68,884)
Interest and other finance costs	(78,395)	(115,941)
Unallocated other income	632,151	637,031
Unallocated expenses	(1,125,912)	(1,370,828)
Total loss from continuing operations before income tax	(5,395,230)	(5,459,242)

(iii) Reconciliation of segment assets to the consolidated statement of financial position

	2018 $	2017 $
Segment assets	6,875,397	6,994,045
Cash and cash equivalents	605,747	1,514,246
Unallocated assets	303,362	204,277
Total assets	7,784,506	8,712,568

(iv) Reconciliation of segment liabilities to the consolidated statement of financial position

	2018 $	2017 $
Segment liabilities	4,186,733	1,754,183
Unallocated liabilities	1,152,563	987,871
Total liabilities	5,339,296	2,742,054

NOTE 24: INTERESTS IN SUBSIDIARIES

ACCOUNTING POLICIES

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Accounting policies of subsidiaries are consistent with those of the parent entity, or if dissimilar are first adjusted to provide consistency in financial reporting impacts.

The effects of all balances and transactions between consolidated group entities have been eliminated from this report. Subsidiaries are consolidated from the date on which control is established.

Non-controlling interests in subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and consolidated Statement of Financial Position respectively.

(a) Subsidiaries

	Country of Incorporation	Percentage owned 2018	Percentage owned 2017
Parent entity			
Vivid Technology Ltd (i) (ii)	Australia		
Subsidiaries of Vivid Technology Ltd:			
Greenearth Biomass Energy Pty Ltd (i)	Australia	100%	100%
Greenearth Energy Limited (NZ)	New Zealand	100%	100%
Greenearth Geothermal Energy Pty Ltd (i)	Australia	100%	100%
Greenearth Heat Energy Pty Ltd (i)	Australia	100%	100%
Greenearth Power Pty Ltd (i)	Australia	100%	100%
Greenearth Solar Energy Pty Ltd	Australia	85%	85%
GT LED Lighting Pty Ltd (i)	Australia	100%	100%
LED Distribution Network Pty Ltd (i)	Australia	100%	100%
NewCO2Fuels Pty Ltd (i)	Australia	100%	100%
Vivid Industrial Pty Ltd (i)	Australia	100%	100%
Subsidiaries of Vivid Industrial Pty Ltd:			
GEE Advanced Technologies Pty Ltd (i)	Australia	100%	100%
Ilum-a-Lite Pty Ltd (i) (iii)	Australia	100%	100%

(i) Member of the Australian tax consolidated group

(ii) Head Entity of the Australian tax consolidated group

	Notes	2018 $	2017 $

NOTE 24: INTERESTS IN SUBSIDIARIES (continued)

(b) Reconciliation of the non-controlling interest (NCI)

		2018 $	2017 $
Accumulated NCI at the beginning of the year		(40,337)	(40,337)
Profit or loss allocated to NCI during the year		-	-
Accumulated NCI at the end of the year		(40,337)	(40,337)

NOTE 25: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, Vivid Technology Ltd, financial statements.

(a) Summarised statement of financial position

		2018 $	2017 $
Assets			
Current assets		492,121	1,637,428
Non-current assets		11,639,754	15,053,707
Total assets		12,131,875	16,691,135
Liabilities			
Current liabilities		7,177,197	2,289,533
Non-current liabilities		141,193	162,270
Total liabilities		7,318,390	2,451,803
Net assets		4,813,485	14,239,332
Equity			
Share capital		36,855,603	35,205,628
Reserves		912,838	979,979
Accumulated losses		(32,954,956)	(21,946,275)
Total equity		4,813,485	14,239,332

NOTE 25: PARENT ENTITY INFORMATION (continued)

(b) Summarised statement of comprehensive income

	Notes	2018 $	2017 $
Loss for the year after tax		(11,295,782)	(2,342,536)
Other comprehensive income		-	-
Total comprehensive loss		(11,295,782)	(2,342,536)

(c) Guarantees

The parent entity has not entered into any guarantees with its controlled entities or associates.

(d) Commitments

The parent entity does not have any capital commitments at 30 June 2018.

(e) Operating rental lease

The parent entity holds a lease for office space which expires in less than one year The commitment is $58,534.

(f) Finance lease

The parent entity holds all finance leases. Refer note 14.

(g) Result and comparatives

During the year a provision was made against the inter-company loans on the basis that the subsidiaries' performance and net asset position does not support the balance of the loan. The impairment charge for the year was $9,297,465.

NOTE 26: EQUITY ACCOUNTED INVESTMENTS

	Notes	2018 $	2017 $
Equity accounted associated entities	(a)	1,137,797	1,572,185

ACCOUNTING POLICIES

An associate is an entity over which the consolidated entity is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The consolidated entity's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits and losses of the associate are recognised in consolidated entity's profit or loss and the consolidated entity's share of the associate's other comprehensive income items are recognised in the consolidated entity's other comprehensive income. Unrealised gains and losses on transactions between the consolidated entity and an associate are eliminated to the extent of the entity's share in an associate.

Equity accounted investments are assessed for impairment at each reporting date. Where such an assessment requires determination of the present value of future cash flows, consideration is given to anticipated methods of realisation of future cash flows, estimates of the amounts of future cash flows, and appropriate discount rates.

(a) Associated entities

Investments in associated entities are accounted for using the equity method. Interests are held in the following associated entities:

Associates	Equity instrument	Ownership interest 2018 %	Ownership interest 2017 %	Carrying amounts 2018 $	Carrying amounts 2017 $
NCF Global Pty Ltd	Ordinary shares	50%	50%	1,137,797	1,572,185
PT Geopower Indonesia	Ordinary shares	40%	40%	-	-
				1,137,797	1,572,185

The principal activity of NCF Global Pty Ltd is technology investment. NCF Global Pty Ltd is incorporated in Australia. NCF Global Pty Ltd owns 66% of NewCO2Fuels Limited. The principal activity of NewCO2Fuels Limited is the development and commercialisation of technology which focuses on the conversion of CO2 to fuel. NewCO2Fuels Ltd is incorporated in Israel.

NCF Global is classified as a related party of the group, as some of the directors of NCF Global are also directors of Vivid Technology Ltd. As at balance date and at all times during the financial year:

- The group and Erdi Fuels Pty Ltd each own 50% of NCF Global.
- NCF Global owns 66% of NewCO2Fuels Ltd.

The principal activity of PT Geopower Indonesia (incorporated in Indonesia) is geothermal exploration. The carrying amount of the company's equity accounted investment in PT Geopower Indonesia was reduced to nil in the prior year in order to provide for the impairment of the company's investment. Geothermal exploration is no longer the group's focus.

	Notes	2018 $	2017 $

NOTE 26: EQUITY ACCOUNTED INVESTMENTS (continued)

(b) Summarised financial information for associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.

(i) NCF Global Pty Ltd / NewCO2Fuels Ltd

	2018 $	2017 $
Current assets	55,984	229,479
Non-current assets	5,627,733	5,716,660
Current liabilities	2,601,204	303,581
Non-current liabilities	2,047,072	3,294,846
Revenue	-	-
Net loss from continuing operations	(1,305,160)	(1,061,230)
Other comprehensive income	-	-
Total comprehensive loss	(1,305,160)	(1,061,230)

Reconciliation of the above summarised financial information to the carrying amount of the interest in NCF Global Pty Ltd recognised in the consolidated financial statements:

	2018 $	2017 $
Net assets of the associate	1,035,351	2,347,712
Proportion of the Group's ownership interest	33%	33%
Group's share of net assets	341,666	774,745
Goodwill and other adjustments including unrealised currency translation impacts	796,131	797,440
Carrying amount of the Group's interest in NCF Global Pty Ltd	1,137,797	1,572,185

The amounts shown above pertain to the group's effective economic interest in NewCO2Fuels Ltd of 33%, which equity accounted as an investment in associate. The investment is represented at balance date by a 50% interest in NCF Global, which in turn holds 66% of NewCO2Fuels Ltd.

ESTIMATION AND JUDGEMENT: EQUITY ACCOUNTED INVESTMENTS

Classification of investment in associate

NCF Global is classified as an associate of the group, as the group has assessed that it has significant influence over the operating and financial decisionmaking of NCF Global, but not control. This assessment is based on the rights and obligations of each NCF Global shareholder in relation to decision making and the power to influence variable returns.

Fair value measurement

Investments in equity accounted associated entities and convertible loans receivable from associates have been assessed for impairment by reference to fair value. Fair value has been determined through application of the market approach, by using the comparable company valuation technique. This technique involves the use of level 3 inputs, specifically valuation inputs (such as multiples) by reference to the same valuation inputs applied to comparable entities. Adjustments are made as required to ensure comparability, for factors such as liquidity and size.

SECTION F: OTHER NOTES

NOTE 27: RELATED PARTY DISCLOSURES

(a) Transactions with key management personnel of the entity or its parent and their personally-related entities

(i) Key management personnel compensation and equity holdings

Key management personnel compensation comprised the following:

	Notes	2018 $	2017 $
Short-term employee benefits		1,169,544	1,188,291
Post-employment benefits		106,178	110,168
Share-based payments*		-	163,544
		1,275,722	1,462,003

* Share-based payments represents the non-cash notional value of equity options - refer to note 18(a).

Details of key management personnel compensation and equity holdings are disclosed in the Remuneration Report which forms part of the Directors' Report.

(ii) Loans to key management personnel

There are no loans made by Vivid Technology Ltd to key management personnel.

(iii) Other transactions with key management personnel of the group

An amount of $31,596 excluding GST (2017:$31,596) was paid by the group to Virtual and Illumination Engineering Services; a business associated with Mr U. du Plessis, a member of the key management personnel of the Group in respect of research and development services provided by it to the group. The Directors believe these transactions to be on an arms-length basis.

(b) Other related party transactions

During the financial year, the Group received management fees totalling $202,589 (2017: $534,140) from Erdi Fuels Pty Ltd in relation to its investment in NCF Global Pty Ltd. The Directors believe these transactions to be on an arms-length basis.

During the financial year the Group made loans NCF Global Pty Ltd $339,501 (2017: $567,103). In the current year interest of $141,092 accrued on the loan. See note 7.

Where applicable, other significant related party transactions are disclosed in the relevant notes to the financial statements.

NOTE 28: AUDITOR'S REMUNERATION

(a) Amounts paid and payable to Pitcher Partners (Melbourne) for:

	Notes	2018 $	2017 $
(i) Audit and other assurance services			
An audit or review of the financial report of the entity and any other entity in the consolidated entity		164,500	135,500
Other assurance services		846	1,855
Total remuneration for audit and other assurance services		165,346	137,355
(ii) Other non-audit services			
Taxation services		11,500	16,950
Total remuneration for non-audit services		11,500	16,950
Total remuneration of Pitcher Partners (Melbourne)		176,846	154,305

(b) Amounts paid and payable to non-related auditors of group entities for:

	Notes	2018 $	2017 $
(i) Audit and other assurance services			
An audit or review of the financial report of other entities in the consolidated entity		-	16,529
Other assurance services		-	-
Total remuneration for audit and other assurance services		-	16,529
(ii) Other non-audit services			
Taxation services		-	-
Total remuneration for non-audit services		-	-
Total remuneration of non-related auditors of group entities		-	16,529
Total auditors' remuneration		176,846	170,834

NOTE 29: OTHER FINANCIAL ASSETS

	Notes	2018 $	2017 $
Current			
Financial assets at fair value through profit or loss classified as held for trading:			
Shares in listed entities		-	-
Total financial assets at fair value through profit or loss		-	-
Security deposits for exploration permits		54,124	54,124
		54,124	54,124

Security deposits for exploration permits are interest bearing. The deposits are refundable upon the exploration permits being relinquished.

	Notes	2018 $	2017 $

NOTE 30: EXPLORATION AND EVALUATION ASSETS

		2018 $	2017 $
At cost		2,152,288	2,152,288
less provision for impairment		(2,152,288)	(2,152,288)
		-	-

ACCOUNTING POLICIES

Exploration and evaluation assets represent previous costs carried forward for the Group's geothermal areas of interest, which are in the Otway and Latrobe regions in Victoria. In previous financial years, the carrying amount was reduced to nil in order to provide for the impairment of these exploration and evaluation assets, as the current regulatory and political environment is unlikely to enable progression of the Group's Victorian geothermal interests in the near future. Should the Group be in a position to make a more positive assessment in the future, the provision for impairment may be reversed if the applicable criteria are met. The ultimate recoupment of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

NOTE 31: SUBSEQUENT EVENTS

Subsequent to the end of the financial year, on 31 July 2018, the Group entered into a $1.5m fully drawn convertible loan facility. The new loan facility provides the Group with added flexibility to manage its working capital requirements and has been utilised to repay the existing Trade Finance Facility with Moneytech, with net incremental funds available of $0.98m which are being utilised for working capital purposes.

Additionally, the Group also established a secondary convertible loan facility and on 27 September 2018, announced that it had received commitments for a further $1.3m in fully drawn convertible loans with sophisticated parties, out of a total potential facility of $2.0m, taking the total funds raised under the convertible loan facilities offered to $2.8m. The Board has approved raising up to $3.5m under the convertible facilities.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 25 to 73 in accordance with the *Corporations Act 2001* :

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2018 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Vivid Technology Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2018.

This declaration is made in accordance with a resolution of the directors.

Charles Macek
Chairman

Samuel R Marks
Managing Director

Vivid Technology Ltd
Dated this 27th day of September 2018
Melbourne

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VIVID TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vivid Technology Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

Without modifying our opinion expressed above, attention is drawn to the matters set out in Note 1(c) – Going Concern in the financial report.

The conditions, as set forth in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VIVID TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition Refer to Note 2 – Revenue and Other Income in the financial report	
The Group's sales revenue of $7,259,322 (2017: $2,271,521) is primarily derived from the sale of its lighting platform and a range of energy efficient lighting solutions, domestically and internationally. We focused on the existence and accuracy of revenue recognition as a key audit matter as the Group's project-based revenue has increased significantly and revenue is a key contributor to the determination of profit.	Our testing of revenue transactions focused on evidencing that the underlying transactions had occurred in the period and the correct allocation of revenue and related costs for projects had been recognised. Our procedures included, amongst others: ▪ Reviewing the Group's terms and conditions of sale; ▪ Understanding and evaluating the Group's controls and processes for recognising and recording revenue transactions; ▪ Performing tests of detail to confirm the existence and accuracy of revenue, income in advance and accrued income by agreeing a sample of revenue transactions to supporting documentation; and ▪ Testing of general journals impacting revenue and performing analysis to identify transactions considered to be outside the ordinary transaction cycles.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VIVID TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment of acquired goodwill
Refer to Note 11 – Intangible Assets in the financial report</td></tr>
<tr><td>At 30 June 2018 the Group's balance sheet includes goodwill amounting to $2,012,138, relating to one Cash Generating Unit (CGU).

Management's assessment of impairment of the Group's goodwill balance incorporated significant estimates and judgements such as:
▪ forecast revenue;
▪ gross margin;
▪ expenses; and
▪ economic assumptions such as discount rates and terminal growth.

A key audit matter was identified as to whether the Group's value-in-use model for impairment included appropriate consideration and support for significant estimates and judgements and the selection of key external and internal inputs.</td><td>Our procedures included, amongst others:
▪ Understanding and evaluating management's process and controls regarding valuation of the Group's goodwill assets to determine any asset impairments, including the procedures around the preparation and review of cash flow projections.
▪ Challenging management's significant estimates and judgements used to determine the recoverable value of its assets, including those relating to forecast revenue, gross margin, expenses, discount rate and terminal growth rate, including performing sensitivity analysis over these factors.
▪ Checking the mathematical accuracy of the value-in-use model and agreeing relevant data to the Board-approved forecasts;
▪ Using an auditor's expert to corroborate the key market-related assumptions to external data and testing the accuracy of the value-in-use model; and
▪ Assessing the historical accuracy of forecasting of the Group.</td></tr>
</table>

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VIVID TECHNOLOGY LIMITED AND CONTROLLED ENTITIES**

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment of equity accounted investments
Refer to Note 26 – Equity accounted investments in the financial report</td></tr>
<tr><td>In assessing the equity accounted investment in NCF Global Pty Ltd (NCFG), which in turn holds an investment in NewCO2Fuels (NCF), for impairment, management have estimated fair value using a market approach through comparison of comparable entities.

Factors that have led to our inclusion of the investment as a key audit matter include, but are not limited to:
▪ The investment carried by the Group of $2,264,330 (comprising the investment in equity of $1,137,797 and loan receivable of $1,126,533) is significant and material at 30 June 2018 representing approximately 29% of the Group's total assets;
▪ NCF's principal activity, the development of technology focusing on converting CO^2 to fuel, is yet to reach commercialisation or generate cash inflows; and
▪ Impairment assessment is subject to significant judgement and estimation risk given NCF's shares are not traded in an active market and only limited inputs can be based on observable market data, such as comparable companies.</td><td>Our procedures included, amongst others:
▪ Consulting with an internal expert to evaluate the fair value model used to assess impairment with particular regard to the calculation method and application of risk and management's judgements and estimates;
▪ In addition to consulting an internal expert, testing the reliability of information used as the basis of the calculation through comparison of observable market data where it existed;
▪ Challenging management's judgements and estimates with specific regard to the comparability of entities to NCF, including their stage of development;
▪ Assessing the consistency of management's judgements and estimates with those that have been applied in prior periods to ensure they were in line with our knowledge and expectations;
▪ Performing sensitivity analysis on the risk and liquidity premium adjustments applied in the fair value calculation;
▪ Considering whether there are any other indicators of impairment, with reference to publicly available information and NCFG's current and ongoing plans for commercialisation of and external investment in the NCF technology; and
▪ Assessing the adequacy of the disclosures in the financial statements.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VIVID TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Director's report, which was obtained as at the date of our auditor's report, and any additional other information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

When the Group's annual report is completed and received, we will read any additional other information that has been included in the annual report (in addition to the Director's report, which was obtained at the date of our auditor's report). If we conclude that there is a material misstatement in the additional other information, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

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should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 23 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Vivid Technology Limited and controlled entities, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

B POWERS
Partner

PITCHER PARTNERS
Melbourne

27 September 2018

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