2018

Vividtechnology™
Connecting The Future

VIVID TECHNOLOGY LIMITED
AND CONTROLLED ENTITIES

ACN: 120 710 625

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

3.3 MILLION Data Points

Capturing & monitoring 3.5m data points, per light, per year

Daylight dimming

CO_2-to-fuel Conversion Technologies

Occupancy dimming

IoT Smart Sensors deliver autonomous control & site based data analytics

LPD <1W/m²

Industry best Lighting Power Density (LPD) <1.0 W/m2

UP TO

90%

ENERGY EFFICIENCY SAVINGS

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OUR BUSINESSES

Vivid Technology

Connecting The Future

Vivid Technology is a world leading, multi-award winning, innovative Australian clean technology company delivering improved environmental, operational & financial benefits through Intelligent IoT LED Lighting, Smart Data Analytics, energy efficient LED lighting, CO2-to-fuel conversion technologies and a highly customer focused approach.

In a continually changing global market, Vivid Technology's range of clean-tech solutions deliver extensive energy efficiency, carbon reductions and cost savings combined with smart data driven analytics for industrial and commercial markets.

Innovation and engineering is at the core of Vivid's business and with a mission on improving businesses, communities and the environment through innovative and profitable clean technologies, our team continually seeks, develops and delivers cutting edge energy and carbon reducing technology. Backing this is Vivid Technology's growing IP portfolio.

We partner with our customers, to help them succeed now and in the future by contributing to their ongoing success through improved profitability, productivity and work place environment.

Vivid Technology is a B Corp™ certified and EcoVadis accredited company, a validation that Vivid Technology is committed to the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

Vivid Technology subsidiaries Vivid Industrial, Vivid Ilumalite and NewCo2Fules, focus on delivering cutting edge energy and carbon reducing technology combined with customer centric service.

Vivid Industrial

Lighting Up an Industry 4.0 Digitally Connected World

Business demand of lighting is rapidly transforming and the lighting industry is heading increasingly into the Internet of Things (IoT) and the data business.

Vivid's multi-award winning innovative Industry 4.0 MATRIXX® platform has established a reputation as leading disruptive and transformational IoT technology. Vivid's MATRIXX® unique intelligent lighting control system combines a state of the art lighting system with data analytics to deliver unrivalled energy efficiency, reducing lighting energy costs by up to 90%.

Maximising energy efficiency savings, carbon reductions and operational insights, MATRIXX® cutting edge IoT Industry 4.0 intelligent platform connects intelligent systems to capture site data to deliver system automation and smart analytical reports via a secure cloud platform.

Australian designed, developed and manufactured, MATRIXX® underpins the move to Industry 4.0, where data, communication, analytics and algorithms merge and interact to enable operational performance and efficiencies across a customers' business. Vivid integrate the latest developments in security, communication protocols, APIs and CloudKonnect architecture.

Vivid Ilumalite

Exceptional Reputation in Customer Service

Vivid Technology's energy efficiency lighting business, Vivid Ilumalite delivers engineered energy efficient LED lighting and turn key solutions to the commercial sector. Vivid Ilumalite's highly skilled team, have established a proven record and outstanding reputation for delivering state-of-the-art energy solutions from high-quality lighting products that last, deliver energy efficiency saving and an improved customer workplace environment. Understanding that businesses need to keep running and that interruptions cost money, Vivid Ilumalite team have built an exceptional reputation in minimizing business impact when upgrading lighting systems.

OUR BUSINESSES

NewCO2Fuels

Converting CO2 into a Profitable Multi-purpose Fuel
Innovation has always driven change and advancement in industry and society. With many pressing global issues, new technology that resolves the greatest challenges are in great demand and NewCO2Fuels has developed such technology.

NewCO2Fuels' innovative cutting-edge technology profitably converts CO2 into multi-purpose fuels (Diesel, Methanol or Hydrogen) and Oxygen. NewCO2Fuels technology that has the ability to capture CO2 at industrial output and using renewable energy, converts it into syngas or fuel (diesel, hydrogen, methanol) with the only "waste product" being oxygen and water is the result of this powerful partnership. It is technology that reduces CO2 emissions and makes industry money at the same time.

Sinopec, the world's largest oil and gas company, who sits at number 3 on the Fortune 500 has signed a commercialisation agreement with NewCO2Fuels.

NewCO2Fuels is a subsidiary of Vivid Technology.

Sustainability

Walking the Talk
Sustainability is embedded throughout Vivid Technology. As a company that directly drives carbon reductions and resource efficiencies to improve customer business operations and environmental outcomes, we understand that we impact the world we live in.

Vivid Technology has a clear focus on sustainability and this has been validated through Vivid achieving B Corp™ Certification and EcoVadis Silver Status. Both achievements demonstrate Vivid's commitment to delivering commercial outcomes combined with social and environmental responsibility. B Corp™ Certification and EcoVadis provide validation of Vivid's approach in driving business solutions with strong corporate social responsibility.

Vivid Technology demonstrates its commitment to delivering long term sustainable outcomes through continually challenging the norm, developing transformational technological innovations and process improvements.

> "We partner with our customers, to help them succeed now and in the future by contributing to their ongoing success through improved profitability, productivity and work place environment."

> “Your Board is excited by our opportunity for strong growth in the coming year and beyond both in Australia and overseas.”

CHAIRMAN’S REVIEW

It is my pleasure to present to you the 2018 Annual Report for Vivid Technology Limited. The 2018 Financial Year was a transformational year for Vivid Technology, as we achieved further validation of our technology and the value it creates for industry.

We have seen further market acceptance, as well as repeat orders, of our proprietary technology under the MATRIXX® range, as well as the NewCO2 Fuels technology via a commercialisation agreement with Sinopec, the world’s 3rd largest company.

The past year has been a year of solid revenue growth and continued development of an ever-increasing pipeline of future opportunities. Significant repeat orders from blue-chip commercial and industrial customers of our IoT technology validates the tangible business benefits it delivers to their businesses. Our business is evolving from start up to cement a position as a transformational and innovative industry disruptor, both in our world class technology, as well as a champion for sustainable business and environmental practices reflected by our B Corp™ accreditation.

We are continuing to extend our network of strong relationships with strategic partners that increases our reach and sales avenues. Through effective collaboration with world leading organisations and some of Australia’s biggest companies, we are creating market presence, influence and an extended channel for sales and collaboration.

Industry and market needs are shifting. The recent Intergovernmental Panel on Climate Change highlights the urgency for climate change policy and sustainable development. Effecting consistent public policy on climate change initiatives is proving beyond the capability of governing structures in many countries, including Australia.

However, market based solutions increasingly are being driven by large institutional investors who are setting the ESG agenda, and by private investors seeking sustainable investment opportunities. As our focus is on major companies very much aware of the need for sustainability and energy efficiency, with multiple sites, and often multiple geographies, Vivid Technology will be a major beneficiary of these long-term trends.

Our energy efficiency and productivity enhancing solutions enable businesses to substantially reduce their power related costs, and to measure their carbon emission reduction. Environmental sustainability is increasingly becoming a criteria for selecting investments by large institutional investors.

Considerable progress was made in 2018, but there is more to do and be achieved. There are strong signs that our original vision for Vivid Technology is proving not only realistic and achievable, but now also well within reach. As industry continues to shift towards Industry 4.0 delivered through intelligent connected IoT platforms and data sensors, Vivid Technology is at the forefront and will continue to strategically position itself to capitalise on this trend.

Your Board is excited by our opportunity for strong growth in the coming year and beyond both in Australia and overseas.

I would like to thank all our loyal shareholders for their continued support in FY18. I would also like to thank my Board colleagues for their continued diligence, our Managing Director for his vision and continued successful leadership of the business and all our hardworking employees who consistently push themselves to make steady progress towards our ultimate goal.

Charles Macek

Charles Macek
Chairman

"We will continue to lead the way with our innovative and proven products and service models, to drive energy and operational efficiencies and improved business productivity."

MANAGING DIRECTOR'S LETTER

The 2018 financial year for Vivid Technology saw significant growth from the previous year with over $7.2m worth of energy efficient sales revenue booked during the financial year, up 220% on the prior financial year. This revenue was made up of second and third site roll-outs for key customers, validating the company's strategy and demonstrating the demand for both intelligent IoT lighting and replacement LED Lighting technology. The success of the FY18 year continues the company's strategy of scalable growth and positions Vivid Technology on a path of growth and expansion both nationally and internationally.

Vivid Technology spent the year solidifying a position as a recognised leader in intelligent energy efficient lighting, in a market that is rapidly changing and seeing adoption of IoT and smart lighting systems. Through continuing to strengthen relationships with key blue-chip customers within Australia and internationally, as well as expanding its customer portfolio, the company is well placed for future growth.

Vivid Technology entered the market with disruptive technology and the vision of the company is now showing these results. Being an early mover, who saw the future opportunity and requirements for the businesses going forward, has enabled the company to be at the forefront of a new market and be a global leader.

The focus of the team continues to be converting our sales pipeline and delivering on customer orders within our existing markets, whilst growing the pipeline of opportunities from new and existing customers. We continue to work with our customers and strategic channels in partnership to deliver innovative product solutions and exceptional service. Knowing that reliability and delivering on promise is key, our team remains focused on upholding those values.

Our business model is structured for rapid scaling of sales and installations both nationally and internationally, and we continue to build on our strategic partnerships to identify new market opportunities.

As a business we are driven by delivering efficiencies and are no different within our business. We are continually reviewing our own operations, systems and processes as well as those of our supply chain to maximise returns. As part of this ongoing operation, Vivid is focusing on product development, and cost-out initiatives across our product range. The R&D team have developed an impressive product road map which will continue to strengthen our offerings to local and international customers.

Whilst building the business, ethical business practices and sustainable behaviours are embedded within Vivid Technology and achieving B Corp™ Certification and additional global accreditations confirms that we deliver on these values throughout our entire organisation.

We are fortunate to have a dedicated and capable team that is innovative, professional and customer centric; who go the extra mile to deliver results. I would like to thank them on continuing to generate results for the business and its shareholders.

Vivid Technology continues to build on its strong foundation developed over the past two years and will continue to capitalise on our momentum, as well as that of a market that is talking about the benefits of IoT adoption.

We will continue to lead the way with our innovative and proven products and service models, to drive energy and operational efficiencies and improved business productivity.

The opportunities from existing customers and strategic partners are significant, and we look forward to another successful year in 2018/2019.

We thank our shareholders for your ongoing support and look forward to sharing in the future success of Vivid Technology.

Samuel R Marks
Managing Director

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2018

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

The Board of Directors of Vivid Technology Limited ("VIV" or "the Company") are responsible for ensuring an effective governance environment to safeguard the interests of the Company, its shareholders and other stakeholders. The Board is committed to achieving and maintaining the highest standards of accountability and transparency in the management and conduct of its business. The Board guides and monitors the business on behalf of the shareholders to whom they are accountable. ASX Listing Rule 4.10.3 requires the Company to disclose the extent to which it has followed the recommendations of the ASX Corporate Governance Council ('Council') during the financial year. The Company's corporate governance principles and policies are structured with reference to the Corporate Governance Council's best practice recommendations as outlined in the ASX Corporate Governance Principles and Recommendations (third edition), issued in 2014. There are 8 principles reported on below. Each principle includes one or more recommendations as well as a guide to reporting. The Board considers that it generally complies with these principles and recommendations, and notes that where the Company does not comply, this is due to the current relative size of the Company, scale and nature of its current operations.

PRINCIPLE 1

Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should disclose:

(a) the respective roles and responsibilities of its Board and management; and

(b) those matters expressly reserved to the Board and those delegated to management.

The Board retains responsibility for the following items:

- Setting and monitoring objectives, goals and strategic direction for management with a view to maximising shareholder wealth
- Approving an annual budget and the monitoring of financial performance
- Ensuring adequate internal controls exist and are appropriately monitored for compliance
- Ensuring significant business risks are identified and appropriately managed
- Approving acquisitions
- Ensuring compliance with statutory requirements
- Selecting and appointing new Directors
- Maintaining sound business standards and promoting an ethical business culture.

The Board has delegated authority within the following areas to the Executive team:

- Monitoring performance of the business
- Ensuring that the business processes in relation to risk management and assurance are met
- Approving capital expenditure (except acquisitions) within delegated authority levels.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 1.2

A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate

(b) provide security holders with all material information in its possession relevant to a decision on whether or not

Prior to appointing a new Director, the company undertakes an analysis to identify the company's needs in order to ensure the appointment of Directors with an appropriate range of skills, knowledge, and diversity. Having identified a preferred candidate, appropriate checks are conducted to ensure the candidate brings the desired experience, expertise, skills and independence relevant to the Company and its business.

Re-election of Directors is managed in accordance with the Listing Rules and the company's Constitution. Upon election or reelection of Directors, relevant information is provided to security holders in order to inform their decision.

Recommendation 1.3

A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

Written agreements are entered into with all new Directors, setting out roles and responsibilities along with other relevant matters.

Written agreements are entered into with all new executives, and all arrangements with current executives are formalised with written service agreements.

Recommendation 1.4

The Company Secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable to the Board, through the Chairman, for the Company's compliance in respect of all corporate governance matters, communications and lodgements with regulators and the administration of the Board and all Committees meetings.

Recommendation 1.5

A listed entity should:

(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it;

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

1. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

The Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds, and is in the process of formalising a Diversity Policy. This will enable ongoing reporting of performance and progress against measurable objectives.

There is currently one female on the Board out of a total of five Directors. There is no representation in senior executive positions, due to the small size of the stable senior executive team, and women represented approximately 26% of employees across the whole organisation, down from 33% at the previous reporting date. (For this purpose, "senior executive position" is considered to be equivalent to the definition of "Key Management Personnel" for the purposes of the company's annual remuneration report within its financial report). Further details of all the Company's Directors is contained within the Director's Report of the Company's 2018 Financial Report.

Recommendation 1.6

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

During the year, the Board established a process for evaluating the performance of the Board, its committees and individual Directors. The Board intends to undertake regular performance evaluations commencing in the current financial year.

Recommendation 1.7

A listed entity should:

(c) have and disclose a process for periodically evaluating the performance of its senior executives; and

(d) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The process for evaluating performance of key executives is via annual performance reviews with reference to appropriate Key Performance Indicators (KPIs), along with interim discussions throughout the year as required.

Performance related discussions were held with senior executive during the year, and annual evaluations against KPIs will be documented for each senior executive.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

PRINCIPLE 2

Structure the board to add value

Recommendation 2.1

The Board of a listed entity should:

(a) have a nomination committee which:

1. has at least three members, a majority of whom are independent Directors; and
2. is chaired by an independent Director,

and disclose:

3. the charter of the committee;
4. the members of the committee; and
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

This role is retained by the full Board. New Directors are recruited according to the company's needs, based on the required mix of skills, knowledge, experience, independence and diversity.

Re-election of Directors is managed in accordance with the Listing Rules and the Company's Constitution.

Recommendation 2.2

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The skills, experience and expertise relevant to the position each Director held is detailed in the Directors Report within the Annual Report.

Recommendation 2.3

A listed entity should disclose:

(a) the names of the Directors considered by the Board to be independent Directors;

(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each Director.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 2.3 (continued)

A listed entity should disclose:

The Board of Directors of the Company comprises of:

Name	Considered to be an independent Director*	Length of Service
Charles Macek	Yes	Since 3 December 2015
Leslie Butterfield	Yes	Since 1 May 2016
John Kopcheff	Yes	Since 13 July 2006
Samuel Marks	No	Since 1 July 2012
Philip Zajac	No	Since 4 September 2014

* Free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and each is able to fulfil the role of an independent Director.

The Board confirms that in its view, the independent Directors identified above in each case met the criterion during the relevant portion of the financial year of being independent of management and free from outside influences which could materially interfere with the independence and objective judgement of the Director. The qualifications and experience of Board members are provided in the Directors Report.

Recommendation 2.4

A majority of the Board of a listed entity should be independent Directors.

As at the date of this report, a majority of the Company's Directors are considered independent.

Details on the Company's Directors is provided above in recommendation 2.3.

Recommendation 2.5

The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

Mr Charles Macek is the current Chairman of the Board and is considered to be an independent Director, and Mr Samuel Marks carried out the role of Managing Director or Chief Executive Officer (CEO) during the financial year.

Recommendation 2.6

A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

The entity has a formal program for inducting new Directors. Reviews of Board skills and professional development requirements are undertaken as required. Briefings are provided from time to time on ongoing developments in matters relevant to the role of the Board.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

PRINCIPLE 3

Act ethically and responsibly

Recommendation 3.1

A listed entity should:

(a) have a code of conduct for its Directors, senior executives and employees; and

(b) disclose that code or a summary of it.

Directors, senior executives and employees are expected to act ethically and responsibly and in accordance with the company's Code of Conduct, a copy of which can be viewed at the company's website.

Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors.

PRINCIPLE 4

Safeguard integrity in corporate reporting

Recommendation 4.1

The Board of a listed entity should:

(a) have an audit committee which:

1. has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and
2. is chaired by an independent Director, who is not the chair of the Board,

and disclose:

3. the charter of the committee;
4. the relevant qualifications and experience of the members of the committee; and
5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Audit Committee was established in September 2007 prior to the company listing in February 2008. The Audit Committee changed its name to the "Audit and Risk Committee" in July 2018. The primary objective of the Audit & Risk Committee is to assist the Board in fulfilling the Board's responsibilities relating to accounting and reporting practices of the Company and its controlled entities.

The main functions of the Audit & Risk Committee are:

- To act as a committee of the Board of Directors in discharging the Board's responsibilities as they relate to accounting and financial reporting policies, practices and internal controls; and
- To provide through meetings a forum for communication between the Board, senior financial management and external auditors.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 4.1 (continued)

The responsibilities of the Audit & Risk Committee include monitoring compliance with requirements of the Corporations Act 2001, Securities Exchange Listing Rules, Australian Securities Commission, taxation legislation and other laws as they apply to the subject matter of the Audit & Risk Committee's functions.

The Audit & Risk Committee during the financial year was comprised of two non-executive Directors, Mr John Kopcheff (Chairman) and Mr Phillip Zajac. As at the date of this report, Mr Kopcheff is considered independent under the Council's definition. Due to the relative small size of the Board, the recommended minimum three non-executive Directors was not enacted. The Company Chairman and Managing Director are however normally in attendance at meetings of the Committee.

The Company Secretary acts as the Committee secretary assisting members. The Company's external auditors are invited to attend the Committee's meetings. In addition, the Committee is able to seek and obtain input from external consultants as required.

The updated Audit & Risk Committee Charter was adopted in July 2018. A copy of the Charter is publicly available on the Company's website.

The number of meetings held by the Audit & Risk Committee is disclosed in the Directors' Report within the Annual Report, along with the relevant qualifications of each member of the Committee.

Recommendation 4.2

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

This recommendation was complied with for this financial year.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The auditor attends the Company's AGM each year and is available to answer questions from security holders relevant to the preparation and content of the auditor's report, the conduct of the audit, or the accounting policies adopted by the Company.

PRINCIPLE 5

Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 5.1 (continued)

The Company has a policy to immediately disclose to the market any information that a reasonable person would expect to have a material effect on the price or value of the Company's securities. Directors and senior management acknowledge that they each have an obligation to adhere to this requirement.

The Chairman and Managing Director are authorised to make statements and representations on the Company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

The Directors and senior management personnel must ensure that the Company Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, the media and the public.

Prior to such briefings or presentations, any material or price-sensitive information within that has not previously been disclosed to the market is lodged with the ASX. Company announcements are also placed on the Company's website.

If information that would otherwise be disclosed comprises matters of supposition or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of the Company's securities is unknown, the Company may request that the ASX grant a trading halt or suspend its securities from quotation. Management may consult the Company's external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

PRINCIPLE 6

Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company's internet website (www.vividtechnology.com.au) is regularly updated and provides details of information on Directors and senior executives, corporate governance information, annual reports, announcements by the Company to the ASX, and general information on the Company and its business.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Communications to shareholders are on a timely basis both printed and electronic as required.

Investors and other stakeholders are also able to contact the Company to express their views on matters of concern or interest to them.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The Company invites its external auditors to attend the meeting for the purpose of answering shareholders' questions.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Annual Report is printed and distributed to shareholders free of charge to all shareholders. An electronic copy is also placed on the Company's website. The Company's arrangements with its share registry include the option to receive some communications electronically.

Shareholders and other interested parties are also encouraged to subscribe to the Company's email update service, to receive company announcements and updates electronically.

Communications are formatted to be easily readable on a computer screen or other electronic device, or printed and retained if the reader so chooses.

PRINCIPLE 7

Recognise and manage risk

Recommendation 7.1

The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

1. has at least three members, a majority of whom are independent Directors; and
2. is chaired by an independent Director,

and disclose:

3. the charter of the committee;
4. the members of the committee; and
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board has responsibility for managing risk and internal control and acknowledges that risk management is a core principle of sound Corporate Governance.

The Company's risk management approach encompasses Operational Risk, Financial Risk, Insurance and Internal Control.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 7.1 (continued)

Operational risk

New initiatives are approved only after extensive review by highly qualified technical staff and consultants and by submissions to the Board through the Managing Director. Environmental considerations are factors in the consideration of new initiatives and are fully evaluated and reported before approval by the Board.

In July 2018, the Board formally approved adopting the charter for the Audit & Risk Committee. The adoption of the charter extended the oversight of the Audit & Risk Committee to encompass the Board's desire to also formally report through the committee on how the Company recognises and manages risk.

Financial risk

The Board receives regular financial reports from the Chief Financial Officer, which measure performance and trends against internal forecasts. The reports are discussed at Board Meetings. Any variations from internal forecasts are highlighted, explained and evaluated. In addition to monthly financial reporting, the Company has in place procedures to manage credit, foreign exchange and other business risks.

Insurance

The Board recognises the value of insurance as a risk mitigation strategy and ensures that appropriate insurance cover is in place at all times.

Internal control

Appropriate internal controls are in place to address key risks. Regular monitoring of the effectiveness of the design and operation of internal controls is not carried out by an internal audit function, due to the size and nature of the business. However, the Directors believe the system of internal control is appropriate to the size of the company and its current activities.

Recommendation 7.2

The Board or a committee of the Board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

During the year the Board approved an updated process for the Company's risk management framework, which commenced with implementing updates to key areas. The Board expects to review the updated framework in the current financial year and annually thereafter. This resulted in the adoption of the Audit & Risk Committee with an extended charter to formally report on the risk management framework.

Recommendation 7.3

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not currently have a separate internal audit function, due to the size and nature of the business. However, the Directors believe the system of internal control is appropriate to the size of the Company and its current activities, which includes oversight and monitoring of key risks by the full Board.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company holds interests in geothermal exploration permits and licenses in Victoria. All of these permits and licenses impose regulations regarding environmental issues. Similarly, a number of our renewable technology projects are subject to planning regulations and approvals which incorporate appropriate environmental regulations. Economic, environmental and social sustainability risks are identified and managed as part of the company's overall risk management process, as overseen by the Board.

In July 2018, the Company announced that it had been awarded B Corp™ Certification further demonstrating commitment to social and environmental responsibility across the entire organization. B Corp™ Certification was achieved, after a rigorous assessment which evaluated Vivid Technology's social and environmental performance, accountability and overall transparency. B Corp™ Certification provides validation of an approach to driving business solutions with strong corporate social responsibility.

As a business we are focussed on creating long term, sustainable value for our owners. In order to achieve this goal, we need to consider our employees, our customers, our suppliers, the community of which we are a part, and the environment. Having a strong, ethical culture is a reflection of this in accordance with Principal 3 above. B Corp™ Certification is a reflection of this commitment and an acknowledgement that protecting our corporate brand and reputation is an integral component of risk management.

PRINCIPLE 8

Recognise and manage risk

Recommendation 8.1

The Board of a listed entity should:

(a) have a remuneration committee which:

1. has at least three members, a majority of whom are independent Directors; and
2. is chaired by an independent Director,

and disclose:

3. the charter of the committee;
4. the members of the committee; and
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The primary objective of the Remuneration Committee is to assist the Board in fulfilling the Board's responsibilities relating to the compensation, bonuses, incentives and remuneration issues of Key Management Personnel. The Remuneration Committee makes recommendation to the Board in respect of remuneration arrangements.

CORPORATE GOVERNANCE

For the Year Ended 30 June 2018

The main functions of the Remuneration Committee are:

- To act as a committee of the Board of Directors in discharging the Board's responsibilities as they relate to remuneration issues of the Key Management Personnel
- To ensure that the Company's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives and are appropriately designed to:
- motivate the Managing Director and employees to pursue the long term growth and success of the company and
- demonstrate a clear relationship between the achievement of the Company objectives and performance and remuneration.

The Remuneration Committee during the financial year comprised Ms Leslie Butterfield (Chair), Mr John Kopcheff and Mr Philip Zajac. The majority of Committee members are independent Directors, as Ms Leslie Butterfield and Mr Kopcheff are considered to be independent under the Council's definition.

The Company Secretary acts as the Committee secretary assisting members. The Committee is able to seek and obtain input from external consultants as required.

The Remuneration Committee Charter is publicly available on request.

The number of meetings held by the Remuneration Committee is disclosed in the Directors' Report within the Annual Report, along with the relevant qualifications of each member of the Committee.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of Executive Directors and other senior executives.

Non-executive Directors are remunerated for their services from the maximum aggregated amount approved by shareholders for that purpose. Their compensation is reviewed by the Remuneration Committee. There are no termination benefits for non-executive Directors appointed since listing.

Contracts with executives detail their remuneration arrangements. They may be entitled to termination benefits as stipulated in their employment contracts and in accordance with relevant state laws governing long service leave and superannuation. Generally, executives have an element of their remuneration at risk. Performance against Key Performance Indicators (KPIs) which are set annually, determines access to the at-risk portion of remuneration.

Further information about the Company's remuneration policies can be found in the Remuneration Report which forms part of the Annual Report.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

For scheme participants who are key management personnel, hedging of any unvested portions of at-risk remuneration is prohibited by law.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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.

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.

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, Opteon Group Holdings Limited, 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.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

DIRECTORS (CONTINUED)

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.

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 joined the board of Winchester Energy Limited in September 2017 in the position of Non Executive Chairman. Mr Kopcheff is the Chair of the Audit Committee and a member of the Remuneration Committee.

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 and Sydney, 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.

CHRIS HAYES

Company Secretary & CFO

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

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

ROBERT SMITH

Company Secretary

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:

- 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 CO2-to-fuels technology. This technology enables the production of fuel from CO2 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.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

Review of Operations (Continued)

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 data, businesses are also starting to transition to intelligent lighting platforms rather than non-communicative lighting devices.

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.

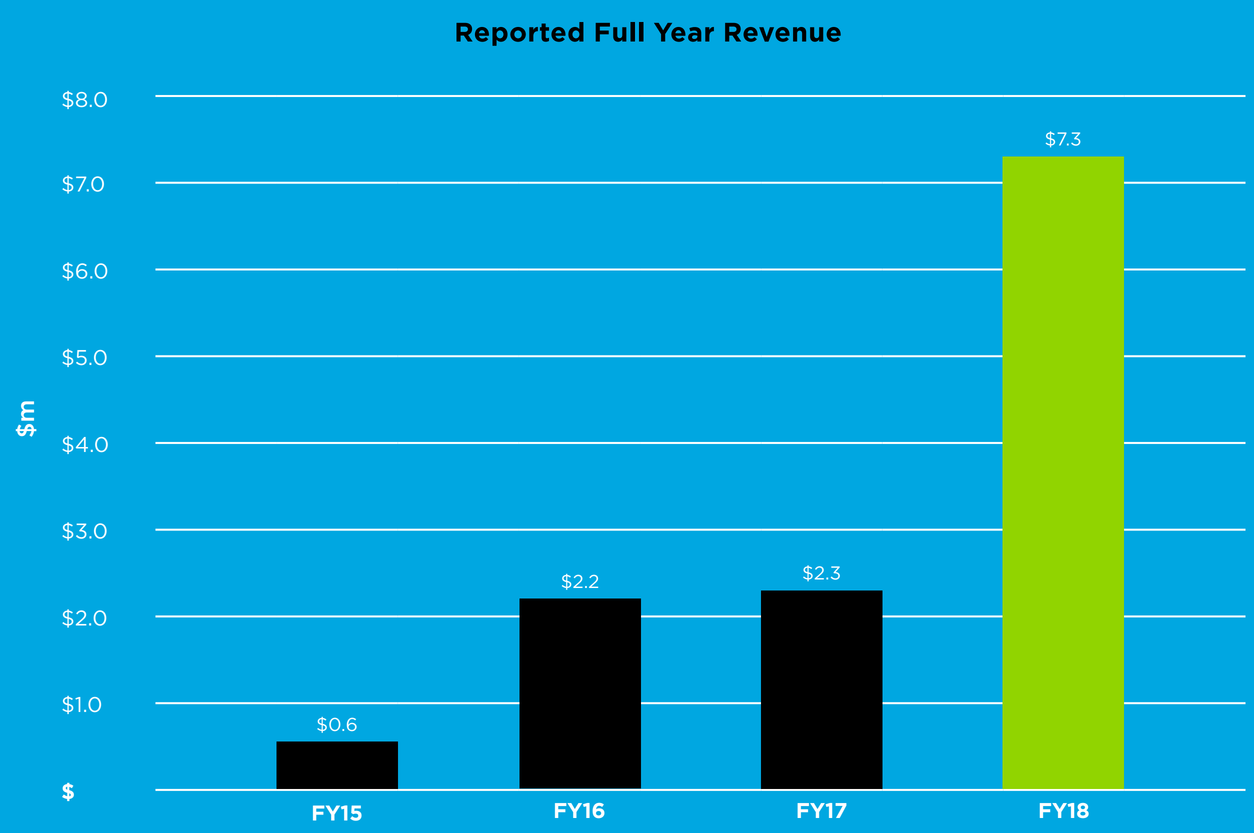
DIRECTORS' REPORT

For the Year Ended 30 June 2018

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 reflecteda 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.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

Review of Operations (Continued)

31,894,820 KWH CUMULATIVE SAVED TO DATE EQUATES TO:

TONNES OF CO_2 REMOVED
31,546

TREE SEEDLINGS GROWN FOR 10 YEARS
615,165

LITERS OF PETROL USED
10,110,588

HOMES USING ENERGY FOR 1 YR
2,564

BARRELS OF OIL
54,955

SQUARE KM OF FORESTS IN 1 YR
113.13

KM DRIVEN BY AN AVG PASSENGER CAR FOR 1 YR
93,628,338

KG OF COAL BURNED
11,779,830

DIRECTORS' REPORT

For the Year Ended 30 June 2018

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.

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 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.

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 (CO2) and H2O as feedstock.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

Review of Operations (Continued)

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 (CO2), 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.

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 longterm 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.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

Review of Operations (Continued)

Capital Strategy (continued)

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.

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:

Number 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

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 CO2-to-fuels technology and aligning to strategic partners who can assist in the development and growth of this technology.

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.

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.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

Share Options (Continued)

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	30/09/18
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	01/07/2019
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	01/02/2020
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 Comittee		Remuneration Comittee	
	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' REPORT

For the Year Ended 30 June 2018

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.

DIRECTORS' REPORT

For the Year Ended 30 June 2018

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 nonrelated 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	18,346
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	18,346

REMUNERATION REPORT

(AUDITED)
FOR THE YEAR ENDED
30 JUNE 2018

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
Phillip Zajac	Director - non-executive

(ii) Executives

Urbain du Plessis	Chief Operating Officer Energy Efficency
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.

REMUNERATION REPORT

(Audited)

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.

REMUNERATION REPORT

(Audited)

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.

REMUNERATION REPORT

(Audited)

C. Details of Key Management Personnel Remuneration (continued)

(b) Executives' Remuneration

	Short-Term			Post Employ-ment	Share-Based Payments		Total	Total perfor-mance related	Options as % of total
	Salary & Fees	Cash Bonus	Non Mone-tary	Superan-nuation	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.

REMUNERATION REPORT

(Audited)

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	12/12/16	1,000,000	0.019	1,000,000	2016/17	100%	-	-	0.125	12/12/19	12/12/16	12/12/19
J Kopcheff												
2018	-	-	-	-		-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
C Macek												
2018	-	-	-	-		-	-	-	-	-	-	-
2017	12/12/16	1,500,000	0.019	1,500,000	2016/17	100%	-	-	0.125	12/12/19	12/12/16	12/12/19
S Marks												
2018	-			-			-	-	-	-	-	-
2017	12/12/16	5,000,000	0.019	-	2017/18	0%	-	-	0.125	12/12/19	12/12/17	12/12/19
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

(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	21/3/17	1,500,000	0.013	1,500,000	2016/17	100%	-	-	0.125	1/2/20	30/6/17	1/2/20
M Rutherford[1]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	21/3/17	500,000	0.013	500,000	2016/17	100%	-	-	0.125	1/2/20	30/6/17	1/2/20
C Hayes[3]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
R Smith[2]												
2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	21/3/17	500,000	0.013	-	2017/18	0%	-	-	0.125	1/2/20	1/2/18	1/2/20
Total Directors and Executives												
2018	-	-	-	-	-	0%	-	-				
2017	-	10,000,000	-	4,500,000	-	45%	-	-				

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

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

REMUNERATION REPORT

(Audited)

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.

REMUNERATION REPORT

(Audited)

F. Key Management Personnel's Equity Holdings

(a) Number of Options held by Key Management Personnel

2018	Balance 1/7/2017	Granted as Remuneration	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 Macek[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

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

(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 Remuneration	Options Exercised	Options Expired (i)	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

REMUNERATION REPORT

(Audited)

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 Macek[3]	-	-	-	-	-
R Smith[2]	-	-	-	-	-
	19,647,162	-	-	2,710,519	22,357,681

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

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

REMUNERATION REPORT

(Audited)

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

AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS

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

Pitcher Partners

Pitcher Partners
Melbourne

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the Year Ended 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

	Share Capital	Reserves	Accumulated Losses	Non-controlling Interest	Total Equity
Consolidated Entity	$	$	$	$	$
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 the acquisition of Ilum-a-Lite Pty Ltd	963,582	-	-	-	963,582
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 2017	**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	14(c)	-	15
Cash and cash equivalents at beginning of year	14(c)	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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 ofother 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 TO THE FINANCIAL STATEMENTS

30 June 2018

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

	Notes	2018	2017
(a) Employee benefits expense		$	$
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:			
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			
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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 taxconsolidated 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

(a) Loss per share attributable to equity holders of the parent

	Notes	2018	2017
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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

SECTION B: OPERATING ASSETS AND LIABILITIES

NOTE 6: CASH AND CASH EQUIVALENTS

Revenue and other income from continuing operations

	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 TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 7: RECEIVABLES (CONTINUED)

	Notes	2018	2017
(a) Provision for impairment		$	$
Movements in the provision for impairment were:			
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.

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

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

NOTE 10: PROPERTY PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 10: PROPERTY PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations

Reconciliations of the carrying amounts of intangible assets 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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 TO THE FINANCIAL STATEMENTS

30 June 2018

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 posttax 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

Current			
Employee benefits		298,845	222,600
Warranty	(a)	125,000	73,305
Carrying amount at end of year		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			
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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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				
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 TO THE FINANCIAL STATEMENTS

30 June 2018

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

	Notes	2018	2017
(a) Issued and paid up capital		$	$
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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 nonrenounceable entitlement offer.

(e) Share 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 price	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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

	Notes	2018	2017
(ii) Movements in reserve		$	$
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).

	Notes	2018	2017
(ii) Movements in reserve		$	$
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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 16: RESERVES AND ACCUMULATED LOSSES (CONTINUED)

	Notes	2018	2017
(d) Accumulated losses		**$**	**$**
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 were granted 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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	Notes	Expiry date	Exercise price	Share options 30 June 2018	Share options 30 June 2017
1/10/12		30/09/2017	10 cents	-	1,000,000
1/10/12		30/09/2017	15 cents	-	2,000,000
20/12/12		30/09/2017	10 cents	-	2,000,000
20/12/12		30/09/2017	15 cents	-	8,000,000
4/2/14		30/09/2017	15 cents	-	1,000,000
4/2/14		30/09/2017	20 cents	-	1,000,000
18/12/14		30/09/2017	15 cents	-	2,000,000
18/12/14		30/09/2017	20 cents	-	3,000,000
10/8/15	Note 1	7/08/2018	12.5 cents	4,250,000	4,250,000
18/12/13		30/09/2018	10 cents	3,000,000	3,000,000
15/4/16		30/09/2018	12.5 cents	100,000	100,000
18/12/13		30/09/2018	7.5 cents	2,000,000	2,000,000
23/12/15		23/12/2018	12.5 cents	9,000,000	9,000,000
15/4/16		31/03/2019	12.5 cents	350,000	350,000
22/8/14		30/06/2019	15 cents	500,000	500,000
22/8/14		30/06/2019	20 cents	500,000	500,000
4/7/16		1/07/2019	12.5 cents	1,500,000	1,500,000
12/12/16		12/12/2019	12.5 cents	7,500,000	7,500,000
21/3/17		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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 $	Vola-tility	Risk free interest rate	Expected dividends	Fair value ($)
4/7/16	1,500,000	12.5 cents	4/07/2017	1/07/2019	0.068	77%	1.980%	Nil	0.0243
12/12/16	2,500,000	12.5 cents	12/12/2016	12/12/2019	0.058	77%	2.760%	Nil	0.0188
12/12/16	5,000,000	12.5 cents	12/12/2017	12/12/2019	0.058	77%	2.760%	Nil	0.0188
21/3/17	4,300,000	12.5 cents	30/06/2017	1/02/2020	0.049	77%	2.008%	Nil	0.0132
21/3/17	50,000	12.5 cents	31/12/2017	1/02/2020	0.049	77%	2.008%	Nil	0.0132
21/3/17	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).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

	Notes	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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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
Receivables	54,124	-	-	54,124
Receivables	297,327	-	-	297,327
Receivables	(2,827,948)	-	-	(2,827,948)
Security deposits for exploration permits	(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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 20: COMMITMENTS (CONTINUED)

Capital Expenditure Commitments

	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

	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).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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 TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 23: SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

	2018	2017
(i) Reconciliation of segment revenue to the consolidated statement of comprehensive income	**$**	**$**
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.

	2018	2017
(ii) Reconciliation of segment result to the consolidated statement of comprehensive income		
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		
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		
Segment liabilities	4,186,733	1,754,183
Unallocated liabilities	1,152,563	987,871
Total liabilities	5,339,296	2,742,054

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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	
Parent entity		**2018**	**2017**
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 TO THE FINANCIAL STATEMENTS

30 June 2018

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 25: PARENT ENTITY INFORMATION (CONTINUED)

(b) Summarised statement of comprehensive income

	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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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		Carrying amounts	
		2018	2017	2018	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 TO THE FINANCIAL STATEMENTS

30 June 2018

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.

	2018	2017
(i) NCF Global Pty Ltd / NewCO2Fuels Ltd	$	$
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:

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2018

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:

(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		-	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

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 TO THE FINANCIAL STATEMENTS

30 June 2018

NOTE 30: EXPLORATION AND EVALUATION ASSETS

	Notes	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

30 June 2018

The Directors declare that the financial statements and notes set out on pages 50 to 99 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

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

PITCHER PARTNERS

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.

PITCHER PARTNERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of acquired goodwill Refer to Note 11 – Intangible Assets in the financial report	
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 whetherthe 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.	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.

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of equity accounted investments Refer to Note 26 – Equity accounted investments in the financial report	
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 CO2 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	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 with 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.

PITCHER PARTNERS

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.

Pitcher Partners

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

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 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.

PITCHER PARTNERS

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

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 47 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

27th September 2018

ASX SUPPLIMENTARY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2018

ASX SUPPLEMENTARY INFORMATION

Compiled as at 15 October 2018

The following information is provided pursuant to Australian Securities Exchange Limited ("ASX") Listing Rule 4.10.

Substantial Shareholders

As disclosed in notices given to the Company

Name of substantial shareholder	Interest in number of shares beneficial and non-beneficial	Percentage of shares (%)
	$	$
Erdi Fuels Pty Ltd	28,188,888	5.93
Reindeer investments pty limited <brueggemann family a/c>	26,701,790	5.61

Distribution of Equity Securities

The issued capital of the Company comprised:

(a) 475,718,474 fully paid ordinary shares

(b) 38,972,000 unlisted options over ordinary shares, with various terms and conditions including the following specifications:

Number of options	Exercise price	Expiry date	Number of option holders
13,600,000	12.5 cents	23 December 2018	8
350,000	12.5 cents	31 March 2019	2
500,000	15 cents	30 June 2019	1
500,000	20 cents	30 June 2019	1
1,500,000	12.5 cents	1 July 2019	1
7,500,000	12.5 cents	12 December 2019	3
5,550,000	12.5 cents	1 February 2020	13
3,000,000	6.5 cents	30 June 2020	4
472,000	12.5 cents	28 July 2020	1
3,000,000	7.5 cents	30 June 2021	4
3,000,000	10 cents	30 June 2021	4
38,972,000			

Voting Rights

Subject to the rights or restrictions attached to any shares, on a show of hands every Member present at a general meeting in person or by proxy or attorney or by his or her duly appointed representative shall have one vote.

Restricted Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.

Quotation of Securities

The Company's fully paid ordinary shares are included on the Official List of the Australian Securities Exchange Limited (code: VIV).

ASX SUPPLEMENTARY INFORMATION

Compiled as at 15 October 2018

Tax Status
The Company is taxed as a public company.

Rank	Shareholder	Shares held	Percentage of capital (%)
1.	ERDI FUELS PTY LTD	28,188,888	5.93
2.	REINDEER INVESTMENTS PTY LIMITED <BRUEGGEMANN FAMILY A/C>	26,701,790	5.61
3.	UBS NOMINEES PTY LTD	20,723,855	4.36
4.	HUB & SPOKES PTY LTD <HUB & SPOKES A/C>	16,666,667	3.50
5.	ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C>	15,208,978	3.20
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,807,528	3.11
7.	JAGEN PTY LTD	10,000,000	2.10
8.	NATIONAL NOMINEES LIMITED	8,327,265	1.75
9.	BACHEZDAV SUPER PTY LTD <D BAER SUPER FUND A/C>	8,112,724	1.71
10.	STARWAY CORPORATION PTY LTD <GILES SUPER FUND A/C>	7,188,707	1.51
11.	EGEA PTY LTD	7,111,111	1.49
12.	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,555,467	1.17
13.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	5,284,740	1.11
14.	MOONWALK PTY LIMITED	5,000,000	1.05
15.	MR IAN LINDSAY CAMPBELL	4,800,000	1.01
16.	ICART HOLDINGS PTY LTD <ICART SUPER FUND A/C>	4,531,841	0.95
17.	MANISA NOMINEES PTY LIMITED <LASKY SUPER FUND A/C>	4,488,967	0.94
18.	TJS INVESTMENTS (AUST) PTY LTD <TJS INVESTMENTS A/C>	4,444,444	0.93
19.	GERALD PEARCE + LILLIAN PEARCE <LILLIAN CHIZIK S/FUND A/C>	4,415,686	0.93
20.	MR MARK ANDREW RUTHERFORD	4,400,000	0.92
		205,958,658	43.29

Distribution of Ordinary Shares
Number of shareholders by size of holding and total number of shares on issue:

Category of shareholders	Number of shareholders	Number of shares held	Percentage of total
			%
1 - 1,000	68	9,360	0.00
1,001 - 5,000	75	282,852	0.06
5,001 - 10,000	284	2,387,913	0.50
10,001 - 100,000	677	27,830,392	5.85
100,001 - and over	431	445,207,957	93.59
Total on issue	1,535	475,718,474	100.00

The number of shareholders that held less than a “marketable parcel” of shares (being 12,821 shares) was 489. These shareholders held a total of 3,376,979 fully paid ordinary shares in the company as at that date, representing approximately, 0.71% of the total issued share capital of the Company as at that date.

CORPORATE INFORMATION

Directors	Charles Macek (Chairman) Leslie Butterfield (Non-exectutive Director) Samuel R. Marks (Managing Director) John T. Kopcheff (Non-executive Director) Philip Zajac (Non-executive Director)
Company Secretary	Chris Hayes
Registered Office	Level 14 500 Collins Street Melbourne, Victoria, 3000
Address for Correspondence	P.O. Box 24 Collins Street West, Victoria, 8007
Telephone	+61 3 8625 0500
Facsimile	+61 3 9629 1624
Email	info@vividtechnology.com.au
Web site	www.vividtechnology.com.au
Legal Advisors	Baker McKenzie Level 19, CBW 181 William Street Melbourne, Victoria, 3000
Auditors	Pitcher Partners Level 19, 15 William Street Melbourne, Victoria, 3000
Bankers	Westpac Banking Corporation 360 Collins Street Melbourne, Victoria, 3000
Securities Exchange	Australian Securities Exchange Limited Level 45, South Tower, Rialto 525 Collins Street Melbourne, Victoria, 3000
Share Registry	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford, Victoria, 3067
Shareholder Enquiries (Within Australia):	1300 850 505
Shareholder Enquiries (Outside Australia):	+61 3 9415 4000
Website	www.computershare.com.au/investors
ASX Code	VIV

The Company operates a web site which Directors encourage you to access for the most recent information.

NOTES

Connecting The Future

Level 14, 500 Collins Street,
Melbourne, Victoria, 3000

vividtechnology.com.au

info@vividtechnology.com.au