ANNUAL REPORT

For the fiscal year ended 30 June 2020

VivoPower International PLC

Annual Reports and Accounts

VivoPower International PLC

VivoPower International PLC is an international solar and critical power services company, providing critical energy infrastructure generation and distribution solutions to a diverse range of commercial and industrial customers, including the development, construction, and sale of photovoltaic solar projects.

Nasdaq: VVPR

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Highlights

Accomplishments for the Year ended 30 June 2020

- ✓ 12% growth in revenue from prior year (unaudited) despite COVID[1]
- ✓ Gross profit up by 28% resulting from revenue growth and operational efficiencies
- ✓ $1.7 million reduction in Corporate and Solar Development overheads
- ✓ Adjusted EBITDA increased by $7.7 million to $3.9 million for the year
- ✓ Cash declined from $7.1 million to $2.8 million reflecting working capital drawdown and Q4 COVID impact
- ✓ Strategic pivot to electric vehicles (EV)

*All references to $ are references to USD unless otherwise noted.

(1) Reflects comparison to 12 month period ended 30 June 2019 (following the change of financial year end), not the audited 12 month period to 31 March 2019 (which reflects the prior financial year end)

	Year Ended 30 June		Three Months Ended 30 June		Year Ended 31 March	
(US dollars in thousands, except per share data)	**2020**	**2019 (unaudited)**	**2019**	**2018 (unaudited)**	**2019**	**2018**
Revenue	48,710	43,545	13,617	9,111	39,036	33,647
Gross profit	7,825	6,093	1,657	1,665	6,310	5,123
Operating profit/(loss)	2,169	(5,217)	(33)	(829)	(5,410)	(7,595)
Adjusted EBITDA (1)	3,935	(3,770)	404	(418)	(3,990)	(6,335)
Basic earnings per share (dollars)	(0.38)	(0.83)	(0.11)	(0.13)	(0.83)	(2.06)
Adjusted earnings per share (dollars) (2)	(0.12)	(0.66)	(0.07)	(0.12)	(0.68)	(1.92)

1. Adjusted EBITDA is a non-IFRS financial measure. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortisation, impairment of assets, impairment of goodwill, and one-off non-recurring costs, including restructuring expenses, non-recurring remuneration and consulting fees. We believe that Adjusted EBITDA and Adjusted earnings per share provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with our peer companies, many of which use similar non-IFRS or generally accepted accounting principles in the United States (“GAAP”) financial measure to supplement their IFRS or GAAP results, as applicable.

2. Adjusted earnings per share (EPS) is a non-IFRS financial measure. We define Adjusted EPS as net earnings less restructuring and non-recurring costs, divided by the weighted average number of shares on issue during the period.

Chairman's Statement

VivoPower International PLC ("VivoPower" or the "Company") delivered on a year of revenue and profit growth with a strong turnaround in operating results, despite the adverse impacts of COVID-19 lockdown during the last quarter of the financial year.

Key developments for the fiscal year ended 30 June 2020 were as follows:

- Record annual revenues of \$48.7m, an increase of 12% on the prior 12 months;
- Strong turnaround in adjusted (underlying) EBITDA of \$7.7m to \$3.9m, compared to a \$3.8m EBITDA loss in FY19;
- Statutory earnings per share (EPS) of (\$0.38), an improvement of 54% versus (\$0.83) EPS for the previous 12 months whilst adjusted EPS improved 82% to (\$0.12) from (\$0.66) per share;
- Change of leadership with the Chairman and Chief Executive Officer role being combined and the appointment of new independent directors based in New York, Washington DC and London appointed to the board, bringing relevant technology, data analytics and enterprise software experience to the Company;
- Secured Aevitas exchangeable noteholder and exchangeable preference shareholder approval to facilitate the reconstitution of these securities into a simplified equity instrument, Aevitas preference shares; and
- Secured management and development control from our joint venture partner, Innovative Solar Systems ("ISS") in relation to the US solar project portfolio.

In addition, following the completion of a 12 month strategic review, we have decided to expand into the commercial electric vehicle ("EV") and ancillary battery storage market. The decision to expand into EV was driven by interest from VivoPower's existing customer base. VivoPower expects to initially focus on providing light electric vehicles ("LEV") to customers in the mining and infrastructure sectors in Australia, before expanding globally in these sectors. The light commercial vehicle fleet market (encompassing pick-up trucks) is worth an estimated \$12 billion in Australia alone, with the majority of the market represented by the mining and infrastructure sectors. VivoPower's EV strategy will be differentiated in that it comprises of a holistic, three-pronged sustainable energy solution ("SES") to customers, which will include:

- EV and battery leasing;
- Critical power retrofits of premises (e.g. warehouses and depots) to enable optimised EV battery charging and microgrids; and
- EV battery second life applications.

We will have a number of developments to announce over the coming months in relation to this new strategy.

On behalf of the rest of the Board, I would like to take this opportunity to thank all of our stakeholders for their support and engagement. Rest assured, the VivoPower team and the Board remain steadfastly committed to overcoming challenges and transforming the Company to the benefit of our customers, our staff and our community.

Kevin Chin

Chairman
7 September 2020

Chief Executive's Review

The financial year ended 30 June 2020 has been a turnaround year for VivoPower. We achieved record revenues and delivered on our primary objective of returning to underlying EBITDA profitability. However, results would most likely have been better but for the adverse impact of COVID-19 lockdowns which caused extensive delays to scheduled works in the last quarter of the financial year (traditionally our busiest time of year).

Having taken over the Chief Executive Officer role in March 2020, we had to quickly move to crisis management mode in order to contend with the abrupt impact of COVID-19 lockdowns. However, the crisis presented an opportunity to really stress test the Company's business continuity plans and robustness of our cultural values. I am very pleased to report that the Company's business continuity plans were enacted decisively by our various business unit leaders and worked exceptionally well. Importantly, we kept our team, customers and suppliers safe. Furthermore, the entire management team has been resolute in navigating their business units through the crisis, with assistance from a number of Arowana team members who were parachuted in to support. Rather than remain on the defensive, we concurrently launched a seven point hyper-turnaround programme, which at the time of writing, we are tracking significantly ahead of schedule on.

For the financial year ended 30 June 2020, VivoPower delivered record annual Group revenues of $48.7m, up 12% year on year driven by strong growth in Aevitas. Gross profit increased 28% as a result of new pricing initiatives as well as operational efficiencies. In addition, the Company recorded a $4.3m annual improvement in solar development project net gains, resulting from the sale of VivoRex and Sun Connect during the year, partly offset by write down of three abandoned projects in the ISS Joint Venture. Group overheads were reduced by a further $1.7m, reflecting continued execution of lean management initiatives in the Solar Development and Corporate Office segments, as well as a 2% reduction in Aevitas (notwithstanding revenue growth). As a result, underlying adjusted EBITDA increased by $7.7m to $3.9m, as compared to a $3.8m EBITDA loss in the previous corresponding period. However, we incurred $3.4m of non-recurring and restructuring costs, primarily legal and other professional services fees in connection with the litigation pertaining to the former Chief Executive Officer, Dr Philip Comberg as well as costs in relation to the review of the ISS JV portfolio. Net interest costs were marginally improved at $3.1m, but shareholder loan financing increased in Q4, to provide working capital support during the COVID-19 lockdowns. The statutory net after tax loss of ($5.1m) for FY20 and earnings per share ("EPS") of ($0.38) per share were an improvement on the ($11.3m) loss and ($0.83) EPS for the previous financial year. On an adjusted underlying basis, EPS of ($0.12) was a significant improvement of 82% versus the ($0.66) result for the previous financial year.

In the United States, VivoPower activated its contractual rights to secure management control of its US solar project portfolio from ISS, its joint venture (JV) partner in June 2020. This followed a detailed review of their performance. The US solar market rebounded in FY20, with 12.1 GW of solar projects completed through the first nine months but VivoPower's JV with ISS did not benefit from this industry trend due to issues attributable to the contracted joint venture developer partner. As a result, there have been project delays and 237 MW of projects have been discontinued with a further 492 MW put on hold, which prompted VivoPower to initiate legal discussions with ISS. At the time of writing, negotiations are continuing with VivoPower electing not to accept the initial offer from ISS to transfer its 50% economic interest in the JV to VivoPower for $1 (which is conditional upon VivoPower foregoing any claims against ISS). Despite the mothballing of some projects, VivoPower's portfolio size would increase by 74% to circa 1.6 GW (or by 28% to 1.2 GW excluding projects put on hold), if the offer had been accepted. Since taking control of the JV, VivoPower has initiated a hyper-turnaround programme encompassing active portfolio management, improved governance and stakeholder engagement with a view to maximising value in the medium to long term.

In Australia, VivoPower successfully sold its Sun Connect portfolio, achieving a multiple of invested capital (MOIC) of 2x and an IRR of 20%. However, it was hampered in its development efforts, firstly due to regulatory approval delays in relation to the 15 MW Yoogali solar farm and secondly, due to COVID-19 lockdowns in relation to the Daisy Hill solar farm project. Nonetheless, industry tailwinds remain strong particularly in the Company's focus segment of the market, being the sub 15 MW space. The Australian solar team is also building its battery storage experience, as this will be the next wave of growth in the market. Battery storage capability will also complement our new EV and SES strategy.

In the UK, VivoPower has continued to reduce its overhead cost base. However, with the UK being a market leader in talent for EVs and given battery storage has become economic across the UK, we will look to judiciously recruit as needed.

Last, but not least, we are looking forward to executing on our new strategy encompassing commercial EVs and battery storage. The seeds of this strategy were germinated three years ago and inspired by our friend, Tony Seba, author of the book Clean Disruption and one of the renewable industry's leading visionaries. However, the market was not quite ready then whereas now, we have customer led interest in our three pronged sustainable energy solution, encompassing EV, electric retrofit of premises to accommodate EV fast charging (which Aevitas, our Critical Power services business is well equipped to do) and reuse of batteries for second life applications. Importantly, EV and batteries are already economically viable for many mining and industrial customers especially those in remote locations paying a very high premium for diesel. Our focus will initially be on Australia but we intend to quickly expand into other major mining and infrastructure markets globally.

Whilst COVID-19 has created dislocation, our view is that it has also accelerated societal, governmental and corporate demand for a more sustainable energy future and further strengthened the tailwinds that were already in existence. We look forward to completing the hyper-turnaround phase and transitioning swiftly to executing on the strategic transformation of the Company.

Kevin Chin
Chief Executive Officer
7 September 2020

Strategic Report

Principal Activities

VivoPower is an international solar and critical power services business and a certified B Corporation. The Company's main activity is the provision of critical energy infrastructure generation and distribution solutions to a diverse range of government, commercial and industrial customers throughout Australia. It also engages in the development, construction, and sale of photovoltaic (PV) solar projects in Australia and the U.S. VivoPower is headquartered in London and has operations in the U.S., Australia and the UK.

Management analyses our business in three reportable segments: Critical Power Services, Solar Development, and Corporate Office. Critical Power Services is represented by J.A. Martin Electrical Pty Limited ("J.A. Martin") and Kenshaw Electrical Pty Limited ("Kenshaw") operating in Australia with a focus on the design, supply, installation and maintenance of critical power, control and distribution systems, including for solar farms. Solar Development is the development and sale of commercial, industrial and utility scale PV solar power projects in the U.S. and Australia. Corporate Office is the Company's corporate functions, including costs to maintain the Nasdaq public company listing, comply with applicable SEC reporting requirements, and related investor relations and is located in the UK. See Note 4.2 to our consolidated financial statements included herein for a breakdown of our financial results by reportable segment.

Critical Power Services

VivoPower, through its wholly-owned Australian subsidiaries, J.A. Martin and Kenshaw, provides critical energy infrastructure generation and distribution solutions including the design, supply, installation and maintenance of power and control systems to a customer base in excess of 700 active government, commercial and industrial customers and is considered a trusted power adviser. J.A. Martin and Kenshaw are headquartered in the Hunter Valley and Newcastle region, which is the most densely populated industrial belt in Australia. Structural and cyclical factors have created a strong operating environment for our Critical Power Services businesses, particularly the strong growth in infrastructure investment, recovery in the mining sector, and increasing demand for data centres and solar farms.

J.A. Martin and Kenshaw are owned by VivoPower through a holding company called Aevitas, which was formed in 2013 and acquired by VivoPower in December 2016.

The Critical Power Services businesses have several core competencies, encompassing a range of electrical, mechanical and non-destructive testing services.

J.A. Martin Electrical Pty Limited

Founded in 1968, J.A. Martin is a specialized industrial electrical engineering and power services company that has been servicing the largest commercial and industrial belt in Australia, the Newcastle and Hunter Valley region in New South Wales, for more than 50 years.

J.A. Martin operates from two premises in New South Wales, including a factory in Newcastle which manufactures and services customized industrial switchboards and motor control centres. It also has an office and workshop facility in the Hunter Valley for servicing the infrastructure, mining and industrial sectors.

J.A. Martin's core competencies include: customized industrial switchboard and motor control centre design, manufacture and maintenance; industrial electrical engineering; project management for mining, infrastructure and industrial applications; solar farm electrical contracting and engineering, procurement and construction ("EPC"); electrical maintenance and servicing; and, industrial, mining and infrastructure CCTV and data cabling. With 103 employees and a fleet of 76 vehicles, J.A. Martin has built a strong reputation throughout eastern Australia for exceptional engineering and design, delivered on time and budget, supported by a high-level of quality and service.

J.A. Martin serviced almost 250 customers in the fiscal year ended 30 June 2020 across a diverse range of industries, including solar farms, grain handling and agriculture, water and gas utilities, cotton gins, commercial buildings, mining, marine and rail infrastructure. J.A. Martin's commitment to health and safety and quality, as recognized by their AS 4801 and ISO 9001 certifications, has positioned them to service some of the largest and most respected firms in the world.

With their history and core business centred in the industrial and mining sector of New South Wales, J.A. Martin has taken a strong foothold in the Australian solar EPC market, focusing on the small and medium sized solar project segment of the market. Since commencement of its solar business in 2016, J.A. Martin has successfully and profitably completed over 100 MW of solar projects. The Australian solar generation market is expected to experience strong growth over the coming years and J.A. Martin's strategy has been to deliberately focus on the less competitive small and medium sized solar project segment of the market. According to the Australian Energy Market Operator ("AEMO"), 26 GW of new utility-scale, grid-connected renewable energy assets will be required by 2040 to replace aging coal generators scheduled to be retired by that time. AEMO forecasts periods when up to 90% of energy demand in Australia's National Electricity Market could be met by renewables in 2035. In addition, there is continued growth of behind the meter ground mount and roof top solar installations as commercial, industrial and government entities respond to concerns about energy security and costs by embracing cheaper solar power solutions. J.A. Martin has recently completed the provision of electrical installation and services for its fourth solar farm, the 89 MWdc Goonumbla Solar Farm near the town of Parkes, New South Wales, and has commenced work on three further solar projects. VivoPower believes that the business is very well positioned competitively to leverage the strong growth outlook for Australian solar.

Revenue is earned entirely within Australia and is comprised of the following activities:

	Year Ended 30 June		Three Months Ended 30 June		Year Ended 31 March	
(US dollars in thousands)	**2020**	**2019** *(unaudited)*	**2019**	**2018** *(unaudited)*	**2019**	**2018**
Electrical installation projects	11,420	11,009	774	1,030	8,375	6,165
Electrical service contracts	3,494	5,082	2,986	2,244	7,361	9,425
Electrical switchboard manufacturing	3,582	4,041	1,813	2,466	4,949	4,372
Total revenue	18,496	20,132	5,573	5,740	20,685	19,962

There is no material seasonality which impacts J.A. Martin, however in FY2020, the business has faced some operational disruptions due to the COVID-19 pandemic resulting in delays to commencement of several projects and completion of scheduled works and hence revenue recognition. With the majority of electrical equipment manufactured outside of Australia, the business has had to adapt to longer lead times from suppliers. The continued implementation of workplace health and safety best practices and adherence to public health directives has mitigated the impact of the pandemic to some degree and allowed the continuation of operations, but this has adversely affected profitability margins.

With over 50 years of history, J.A. Martin sources its supplies from a large number of domestic and international suppliers based on competitive pricing, reliable delivery, product performance, and past business relationships. These relationships are integral to the realization of its commercial goals and ability to meet the demands of customers in a competitive marketplace.

With almost 250 active customers for the year-ended 30 June 2020, the business is not reliant upon any one customer, nor is the business dependent on any one patent, license, material contract, or process. Further, there are no government regulations which are material to the business, beyond those generally applicable to all businesses within the same statutory regime.

Kenshaw Electrical Pty Limited

Founded in 1981, Kenshaw has a differentiated mix of critical electrical power, critical mechanical power and non-destructive testing capabilities for customers across a broad range of industries, operating from its facilities in Newcastle, New South Wales, and Canberra, Australian Capital Territory. Kenshaw's success has been built on the capability of its highly skilled personnel to be able to provide a wide range of critical power generation solutions, products and services across the entire life-cycle for electric motors, power generators, mechanical equipment and non-destructive testing. From the head office in Newcastle, Kenshaw's engineers provide regular and responsive service to a long-standing client base of over 500 customers ranging from data centres, hospitals, mining and agriculture to aged care, transport and utility services. It is well positioned to expand its capabilities to battery energy storage solutions.

Kenshaw's core competencies include: generator design, turn-key sales and installation; generator servicing and emergency breakdown services; customized motor modifications; non-destructive testing services including asset management of critical plant and equipment using diagnostic testing such as motor testing, oil analysis, thermal imaging and vibration analysis; and industrial electrical services.

A growing market for Kenshaw is the data centre sector. The growing importance of big data, internet of things and cloud computing have seen data centres take on an increasingly prominent role – a trend accelerated by a surge in data storage and processing requirements resulting from increased levels of remote working during the COVID-19 pandemic. According to the H1 2020 Asia Pacific Data Centre Trends report from CBRE Group, Inc, Sydney, Australia experienced a 76% increase in total data centre capacity in the year to Q1 2020. This was the largest increase across the tier 1 data centre markets in the Asia Pacific region, which includes Singapore, Hong Kong SAR, Tokyo and Sydney. VivoPower believes Kenshaw is benefiting from this growth through its long-term relationship with one of Australia's leading data centre companies.

A second key growth market for Kenshaw is hospitals and aged care facilities. Growth in aged care spending is driven by both increasing provider costs and growth in the number of people aged 70 and over (the eligible age for most aged care programs). According to the 2015 Intergenerational Report by the Australian Treasury Department, the number of Australians aged 70 years and over is expected to more than triple over the next 40 years, reaching around 7 million people by 2055. Kenshaw has built up significant experience through servicing longstanding customers such as Health Infrastructure New South Wales, Public Works Advisory, Hunter New England Health, Anglican Care and BUPA, for which it delivers customized critical back up power solutions and services as well as generator and thermal imaging services.

Continued contract wins in the active treatment hospital sector have also placed health care power infrastructure as a key priority for growth over the coming years. The New South Wales Government has committed a record AUD$10.1 billion over the four years to June 2023 for health infrastructure investment.

Revenue is earned entirely within Australia and is comprised of the following activities:

	Year Ended 30 June		**Three Months Ended 30 June**		**Year Ended 31 March**	
(US dollars in thousands)	**2020**	**2019** *(unaudited)*	**2019**	**2018** *(unaudited)*	**2019**	**2018**
Generator sales and installation	23,579	16,373	6,381	1,120	11,095	5,919
Generator service and non-destructive testing	4,199	4,384	1,178	1,091	1,744	1,786
Motor sales and overhaul	1,565	1,660	377	470	4,276	3,965
Total revenue	29,343	22,417	7,936	2,681	17,115	11,670

There is no material seasonality which impacts this business, however in FY2020, Kenshaw has faced some operational disruptions due to the COVID-19 pandemic resulting in delays to commencement of several projects and completion of scheduled works and hence revenue recognition. The majority of electrical equipment is manufactured outside of Australia, meaning the business has had to adapt to longer lead times from suppliers. Strict adherence to workplace health and safety best practices has mitigated the impact of the pandemic to some degree and allowed the continuation of operations in accordance with public health directives, but this has adversely affected profitability margins.

Kenshaw's relationship with its primary suppliers enables it to sell and service their equipment as dealers or agents. It is a primary supplier and service agent for Cummins generators and WEG electric motors. Kenshaw also maintains long term relationships with other equipment manufacturers such as Siemens, Toshiba and Teco. This allows it to offer a complete solution to its clients with flexibility of product choice. While equipment manufacturers are vital to success, VivoPower believes it is the working relationships with all of its suppliers that allow Kenshaw to maintain a competitive advantage in delivering orders and projects.

For the year ended 30 June 2020, 69% (three months ended 30 June 2019: 76%; year ended 31 March 2019: 32%) of Kenshaw's revenue was earned from one customer and this customer is expected to continue to provide significant revenue in future years. However, with almost 500 active customers for the year ended 30 June 2020, the business is not solely reliant on this customer, nor is the business reliant on any one patent, license, material contract, or process. Further, there are no government regulations which are material to the business, beyond those generally applicable to all businesses within the same statutory regime.

Solar Development

VivoPower's strategy in relation to solar development has been to minimize capital intensity and maximize return on invested capital by pursuing a business model predicated on developing and selling projects prior to construction and continually recycling capital rather than owning assets. Successful solar development requires an experienced team that can manage multiple work streams on a parallel path, from initially identifying attractive locations, to land control, permitting, interconnection, power marketing, and project sale to investors. Rather than build a substantial team internally to accomplish all of these activities, our business model is to joint venture on a non-exclusive basis with existing experienced project development teams so that multiple projects can be advanced simultaneously and allow us to focus on provision of capital, project management, and marketing and sale of projects. In Australia we have partnered with ITP Renewables ("ITP"), a global leader in renewable energy engineering, strategy and construction, and energy sector analytics. In the U.S., we partnered with ISS.

VivoPower Australia continues to engage in the development, construction, and sale of solar projects in Australia, leveraging the customer relationships of J.A. Martin and Kenshaw and providing a pipeline of EPC opportunities to J.A. Martin.

VivoPower USA assumed management control of its U.S. solar development joint venture in June 2020, having spent the prior 12 months initially focused on monetizing the projects in the portfolio, on an individual, group or whole of portfolio basis. VivoPower and its joint venture partner, ISS, were unable to align on monetization in relation to any of the projects. VivoPower subsequently engaged in a detailed review of the joint venture partner's performance as a developer relative to the contractual agreement and decided to exercise its rights to assume management control of the joint venture. This was announced in June 2020 but took effect post balance sheet date. VivoPower USA intends to refocus and revitalize the remaining development programs for the joint venture projects in order to maximize the value of the portfolio with a view to future monetization.

Since long-term investors typically value projects on the basis of long-term internal rates of return ("IRR"), the development profit that may be created by a developer is the difference between the cost to develop projects and the fair market value of such projects. We believe that successful project development results in a significantly lower cost base than buying projects that are already developed. With this approach, we believe that we can achieve attractive risk-adjusted returns in the current market. To achieve these returns, our strategy is to focus on managing capital in a disciplined manner during the early development stages and seeking strategic investors with a low cost of capital once projects achieve an advanced stage.

The stages of solar development can be broadly characterized as: (i) early stage; (ii) mid-stage; (iii) advanced stage; (iv) construction; and (v) operation. Our business model is to work through the development process from early stage through to advanced stage, and then sell those projects that have completed the advanced stage of development, also known as “shovel-ready” projects, to investors who will finance construction and ultimately own and operate the project.

Early stage development is primarily focused on securing site control, data collection, community engagement, preliminary permitting and offtake analysis. We consider site control to be achieved once we have obtained purchase or lease options, easements or other written rights of access to the land necessary for the construction and operation of the solar project.

Mid-stage development is focused on:

- Transmission or Distribution Interconnection Queue and Study: Identification of a point of interconnection to the transmission or distribution system, obtaining a queue position with the relevant electric system operator, and completing at least one feasibility, screening, or system impact study (or equivalent). An interconnection study and its approval by the relevant transmission or distribution system operator is a prerequisite to the design and construction of the facilities that will interconnect the solar project with the transmission or distribution system.
- Environmental Impact Study and Permitting: Completion of an environmental impact study (or equivalent) is often a prerequisite to obtaining zoning/use permits or development approvals. Depending on the size and location of the project, we generally initiate the studies needed for an environmental impact study approximately 18 months prior to the anticipated construction start date and receive the material permits before an interconnection is agreed with the relevant utility. To consider this milestone completed, we will have either finished an environmental impact study or received the material permits or approvals for the construction and operation of our solar project.

The most important goal of the advanced stage is to obtain an interconnection agreement with the relevant electric system operator and a revenue contract to sell power, usually through a Power Purchase Agreement (“PPA”). Long-term PPAs range from 5 to 15 years with creditworthy off takers, typically obtained by responding to requests for proposals or conducting bilateral negotiations with utility, commercial, industrial, municipal, or financial enterprises. In certain markets with liquid electricity trading, it is possible to enter into financial hedges to support a minimum price of power sold into such markets. More recently however, there have been investors prepared to acquire solar projects operating on a merchant basis without a PPA, given the ability to sell power into grids and make arbitrage profits.

A project in the advanced stage indicates a higher degree of confidence for successful completion. However, completion of a project may become unachievable during any stage of development for a variety of reasons including loss of land control, unsuitable studies, inability to obtain necessary permits or approvals, uneconomic or unavailable interconnection, or increased construction costs. Should a project be deemed not viable at any stage of development, the project will be discontinued. Accordingly, our focus is to continuously and rigorously evaluate project viability through the earlier development stages and identify projects which will not be viable as early as possible.

Once it has completed the advanced stage of development, a project is considered to be shovel-ready. At this point, VivoPower seeks qualified investors to purchase projects in order to maximize the return on our capital and opportunities from capital recycling. Potential purchasers are identified and engaged from those parties known to VivoPower, its development partners, previous investors, and generally within the renewable energy industry. In some cases, VivoPower may also opt to sell projects prior to completion of the advanced stage depending on investor interest and market conditions.

Depending on the purchasing party and their particular investment objectives and capabilities, VivoPower may enter into a development or project management agreement with them to manage construction on their behalf. During the construction stage, key contracts such as the PPA and interconnection agreements are finalized and executed (if not done previously). Costs to build and operate the project are determined with selected contractors, internal technical resources and engineers. All the definitive contracts between the project(s), financing parties and the EPC firm who will build the project will be executed, and after construction is completed, the project is commissioned and interconnected to the grid, achieving its commercial operations date ("COD").

Once achieving COD, the operational stage begins, and the project generates electricity and sells power. During this phase, VivoPower may provide ongoing services encompassing operations, maintenance and optimization of these solar plants pursuant to long-term contracts. In addition, if a minority equity stake is retained, VivoPower may realize revenues from the sale of power and/or environmental credits or certificates.

The solar energy development industry is competitive. Competition within the industry is strong and can be expected to continue to increase. Some of our competitors have substantially more operating experience, access to financial, engineering, construction, business development or other resources important for solar energy development, larger footprints or brand recognition. We compete with energy and infrastructure funds and renewable energy companies and developers, as well as conventional power companies, to acquire, invest in and develop energy projects. Competition in the solar energy sector can be significantly affected by legal, regulatory and tax changes, as well as environmental and energy incentives provided by governmental authorities.

The solar industry, as well as the greater renewable energy and electricity industry, is also in the midst of a period of significant evolution. With more variable renewable resources being installed than ever before, electrical grid operators, utilities, retailers and consumers are demonstrating increasing appetite for battery energy storage technologies, both alongside renewable energy systems and on a standalone basis, to smooth or "firm" their electricity generation and demand profiles. At the same time, the cost to install energy storage assets, which was prohibitively high just a few years ago, is falling rapidly, resulting in increasingly attractive economics for battery systems. While VivoPower continues to pursue new solar projects, the Company is also accelerating its exploration of opportunities to develop storage assets, both combined with and separate from its solar developments.

VivoPower's business is affected by various regulatory frameworks, particularly ones relating to energy and the environment. These include the rules and regulations of the Federal Energy Regulatory Commission ("FERC"), the U.S. Environmental Protection Agency ("EPA"), AEMO, regional organizations that regulate wholesale electrical markets, state agencies that regulate energy development and generation and environmental matters, and foreign governmental bodies that occupy roles similar to the foregoing.

Our business is also affected by various policy mechanisms that have been used by governments to accelerate the adoption of solar power or renewable energy technologies generally. Examples of such policy mechanisms include rebates, performance-based incentives, feed-in tariffs, tax credits, accelerated depreciation schedules and net metering policies. In some cases, such mechanisms are scheduled to be reduced or to expire or could be eliminated altogether. Rebates are provided to purchasers of solar systems based on the cost and size of the purchaser's solar power system. Performance-based incentives provide payments to a solar system owner based on the energy produced by their solar power system. Feed-in tariffs ("FITs") pay solar system owners for solar power system generation based on energy produced at a rate that is generally guaranteed for a period of time. Tax credits and accelerated depreciation schedules permit an owner of a solar project to claim applicable credits and deduct depreciation from income on an accelerated basis on their tax returns. Net metering policies allow customers to deliver to the electric grid any excess electricity produced by their on-site solar power systems, and to be credited for that excess electricity at a rate that is often at or near the full retail price of electricity.

In addition, many states in the U.S. and Australia have adopted renewable portfolio standards or similar mechanisms which mandate that a certain portion of electricity delivered by utilities to their customers come from eligible renewable energy resources. Some states have significantly expanded their renewable portfolio standards in recent years.

Our business is also affected by trade policy and regulations. Examples include tariffs on solar modules and solar cells. Such tariffs can have a significant impact on the pricing and supply of solar cells and solar modules, and as a result impact the sale value and/or economic viability of projects.

Australia

VivoPower has developed and acquired a diverse portfolio of operating rooftop solar projects in Australia, totalling 2.8 MW across 85 sites in every Australian state and the Australian Capital Territory. These projects are fully contracted with commercial, municipal and non-profit customers under long-term PPAs. Pursuant to the Company's strategy to recycle development capital, we have profitably monetized nearly all of these projects, having completed the sale of the Amaroo Solar Project (0.6 MW) in February 2018, the Express Power Portfolio of solar projects (0.2 MW) in September 2018, the Juice Capital Portfolio of solar projects (0.3 MW) in November 2018, and the Sun Connect Portfolio of solar projects (1.6 MW) between January and October 2019.

The sale of the remaining Sun Connect Portfolio projects in October 2019 was a significant event for the Company during the past financial year. The Sun Connect portfolio was acquired in December 2015 and originally consisted of 68 commercial and industrial sites totalling 1.6 MW spread across five Australian states, with PPA end dates between 2033 and 2035. The Company invested considerable time and effort to improve the portfolio including site performance evaluations, warranty replacements of faulty components and customer communication. Prior to sale of the remaining portfolio, a total of 15 sites were sold through individual transactions for gross proceeds of $305,000. In October 2019, the Company announced the sale of the remaining 53 projects for USD$1.1 million, which VivoPower believes reflects an attractive return on invested capital. Combined with proceeds from individual project sales and monthly PPA receipts, the sale represented a 2.0x multiple of invested capital and an unlevered IRR of 20.1% before tax over the life of the Company's investment in the Sun Connect Portfolio.

VivoPower is continuing to develop and finance new small to medium sized solar projects throughout Australia, both individually and with experienced partners. In July 2018, VivoPower entered into a definitive investment agreement with ITP for the development of a portfolio of utility-scale solar projects in New South Wales to an initial target of 50 MW. ITP is a global leader in renewable energy engineering, strategy and construction, as well as in energy sector analytics. Under the terms of the investment agreement, VivoPower funds up to 1.4 cents per watt (AC) of development costs per project in exchange for a 60% equity stake in each project, with an opportunity to achieve a sale and transfer at multiple stages, as early as shovel-ready. The projects will be developed on a merchant basis, with corporate offsite PPAs sought on an opportunistic basis during the development period.

To date, the Company has commenced development of two solar projects under the ITP investment agreement, the 15 MW Yoogali Solar Farm and the 5 MW Daisy Hill Solar Farm, both located in the Riverina region of New South Wales. Both projects are in advanced stages of development, and discussions are currently underway with various investors seeking to acquire the projects. Depending on the investor, VivoPower may remain involved to construct the project for a development fee to be agreed.

VivoPower believes its continued focus and investment in the Australian solar market is strategic, not only for the returns which VivoPower believes it can provide but also for the pipeline of potential EPC work it can provide to J.A. Martin. Additionally, all projects jointly developed by VivoPower and ITP are designed with the option to add or include battery storage. As the cost of energy storage technologies continues to decline and revenue opportunities for grid-connected storage assets increase due to high levels of renewable penetration within the Australian electrical grid, the economic feasibility of batteries co-located with solar projects is likely to improve and provide additional value potential for these projects. This is expected to be a strategic opportunity for the Kenshaw arm of Aevitas, given its critical power credentials.

The Australian renewable energy market is expected to experience very strong growth over the coming years. According to AEMO, 26 GW of new utility-scale, grid-connected renewable energy assets will be required by 2040 to replace the nearly two-thirds of Australia's aging coal generators scheduled to be retired in that time. Combined with investment in new transmission infrastructure and up to 19 GW in new energy storage technologies, including big batteries and pumped hydro, AEMO foresees periods when up to 90% of energy demand in Australia's National Electricity Market could be met by renewables by 2035. VivoPower is well positioned to be involved in the continued growth in both solar and energy storage.

Already the world leader in residential solar penetration, Australia will continue to add home rooftop solar, while at the same time seeing a boom in larger-scale commercial, industrial and utility-scale installations over the coming decades. With new solar already far less expensive than building or extending the lives of existing coal and gas generators, and nearly cheaper than running existing coal, Australia's solar boom is expected to continue even in the absence of any additional incentives or other legislation. This will be amplified by battery storage, which has now become economic without subsidies in most parts of Australia.

The Company believes that the combined project development, financing and construction expertise of VivoPower and J.A. Martin uniquely positions us as a broad-spectrum service provider to the fast growing Australian renewables market, with capabilities to develop, finance and deliver both grid-connected and behind-the-meter solar and energy storage solutions for a range of commercial, industrial, corporate and municipal customers.

United States

VivoPower's key objective in the U.S. is to enhance the value of and then monetize its portfolio of U.S. solar projects.

VivoPower's portfolio of U.S. solar projects is held by Innovative Solar Ventures I, LLC ("ISS Joint Venture"), a joint venture with an affiliate of ISS. VivoPower invested in the ISS Joint Venture in April 2017 and secured a 50% economic ownership in a diversified portfolio consisting originally of 38 solar projects in nine states across the U.S. with a combined potential electrical generating capacity of 1.8 GW.

Under the terms of the ISS Joint Venture agreements, the Company committed to invest $14.1 million in the ISS Joint Venture for its 50% equity interest, after reducing the commitment by $0.8 million in potential brokerage commissions that have not been required and which have been credited towards the Company's commitment. The $14.1 million commitment is allocated to each of the 38 projects based on monthly capital contributions determined with reference to completion of specific project development milestones under an approved development budget for the ISS Joint Venture. To 30 June 2020, the Company contributed $13.1 million of the $14.1 million commitment to the ISS Joint Venture, leaving a remaining capital commitment at 30 June 2020, of $1.1 million, which is recorded in trade and other payables.

With respect to any sale, 2/3 of the first $15 million of cumulative gross proceeds of project sales are distributed to VivoPower, 1/3 of the following $15 million, and 50% thereafter.

Of the original 38 projects, 6 have been discontinued as we considered them less economically attractive versus other projects and did not want to invest further capital in them. A further 9 projects have had their development put on hold due to economic considerations subsequent to VivoPower assuming Manager and Developer responsibilities of the ISS Joint Venture in April 2020. The projects are in various stages of development as summarized below and all are being actively marketed for sale or further developed with an expectation of full realization within the next 12 to 24 months. The reflection of projects in fiscal years is based on the expected date the project will complete the advanced stage of development and be "shovel-ready" and is for indicative purposes only as projects may be sold at any stage of development. Whilst a significant number of projects have been discontinued or put on hold in the year ended 30 June 2020, the overall investment in the portfolio is not considered impaired, as the Company believes that the invested cost in the ISS Joint Venture will be recovered by project sales.

				Early Stage		Mid Stage			Advanced Stage	
Project	State	Capacity (MW)	Development Stage	Land Control	Interconnection Queue	Environmental Studies	Zoning / Use Permit	Interconnection Study	Interconnection Agreement	Power Purchase Agreement
FY2021 Solar Projects										
TX 75	TX	55	Advanced	✓	✓	✓	✓	✓		
TX 137	TX	28	Advanced	✓	✓	✓	✓	✓		
TX 144	TX	82	Advanced	✓	✓	✓	✓	✓		
TX 145	TX	62	Advanced	✓	✓	✓	✓	✓		
TX 165	TX	62	Advanced	✓	✓	✓	✓	✓		
TX 305	TX	41	Advanced	✓	✓	✓	✓	✓		
KS 291	KS	34	Mid	✓	✓	✓	✓			
OK 339	OK	69	Mid	✓	✓	✓	✓			
KS 229	KS	69	Mid	✓	✓	✓				
OK 267	OK	41	Mid	✓	✓	✓				
Subtotal	10 Projects	543								
FY2022 Solar Projects										
TX 177	TX	34	Advanced	✓	✓	✓	✓	◆	◆	
TX 195	TX	41	Advanced	✓	✓	✓	✓	◆	◆	
TX 341	TX	28	Advanced	✓	✓	✓	✓	◆	◆	
TX 207	TX	83	Mid	✓	✓	✓		◆	◆	
NM 88	NM	87	Mid	✓	✓	✓	✓			
TX 107	TX	93	Mid	✓	✓	✓	✓			
TX 276	TX	55	Mid	✓	✓	✓	✓			
TX 307	TX	55	Mid	✓	✓	✓	✓			
SC 76	SC	21	Mid	✓	✓	✓				
CO 239	CO	55	Early	✓		✓	✓			
GA 83	GA	27	Early	✓		✓	✓			
GA 86	GA	27	Early	✓		✓	✓			
GA 90	GA	27	Early	✓		✓	✓			
Subtotal	13 Projects	634								
Projects On Hold*										
GA 111	GA	27	On Hold - FY20	✓		✓	✓			
SC 129	SC	28	On Hold - FY20	✓	✓	✓	✓			
SC 132	SC	28	On Hold - FY20	✓	✓	✓	✓			
WA 211	WA	56	On Hold - FY20	✓		✓	✓			
KS 244	KS	34	On Hold - FY20	✓	✓	✓	✓			
CO 269	CO	55	On Hold - FY20	✓	✓	✓	✓	✓		
CO 320	CO	41	On Hold - FY20	✓	✓	✓	✓	✓		
WA 370	WA	74	On Hold - FY20	✓		✓	✓			
CO 371	CO	86	On Hold - FY20	✓	✓	✓		✓		
Subtotal	9 Projects	429								
Projects Discontinued										
FL 78	FL	75	Discontinued - FY20							
FL 168	FL	43	Discontinued - FY20							
FL 330	FL	41	Discontinued - FY20							
SC 97	SC	28	Discontinued - FY19							
SC 84	SC	30	Discontinued - FY19							
GA 112	GA	20	Discontinued - FY19							
Subtotal	6 Projects	238								
Total Active & Deferred	32 Projects	1,607								
Total US Projects	38 Projects	1,844								

◆ Project has completed Interconnection Studies and executed an Interconnection Agreement, however, studies and agreement will likely need to be redone.

* Development of these projects has been put on hold due to economic considerations.

Financial Results

	Year Ended 30 June	
(US dollars in thousands)	2020	2019 *(unaudited)*
Revenue from contracts with customers	48,710	43,545
Costs of sales	(40,885)	(37,452)
Gross profit	7,825	6,093
General and administrative expenses	(5,479)	(7,195)
Gain/(loss) on solar development	1,589	(2,668)
Depreciation of property and equipment	(898)	(411)
Amortisation of intangible assets	(868)	(1,036)
Operating profit/(loss)	2,169	(5,217)
Restructuring & other non-recurring costs	(3,410)	(2,404)
Finance expense	(3,149)	(3,345)
Loss before income tax	(4,390)	(10,966)
Income tax	(713)	(353)
Loss for the year	(5,103)	(11,319)
Adjusted EBITDA	3,935	(3,770)

During the year ended 30 June 2020, the Group generated statutory revenue of $48.7 million, gross profit of $7.8 million, operating profit of $2.2 million and a net loss of $5.1 million. For the year ended 30 June 2019, the Group generated revenue of $43.5 million, gross profit of $6.1 million, operating loss of $5.2 million, and a net loss of $11.3 million.

Adjusted EBITDA for the year ended 30 June 2020 was a profit of $3.9 million, compared to a loss of $3.8 million for the previous year. Adjusted EBITDA is a non-IFRS financial measure. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, impairment of assets, impairment of goodwill, and one-off non-recurring costs, including restructuring expenses, non-recurring remuneration and consulting fees.

The results of operations for the year ended 30 June 2020 reflect a period of significant growth for the Critical Power Services business segment, primarily as a result of a number of new contracts for Kenshaw with data centre and hospital sector customers. These have contributed to a $5.7 million growth in Critical Power Services revenues, to $48.6 million in the year ended 30 June 2020, compared to $42.9 million in the year ended 30 June 2019. Solar revenues of $0.1 million in the year ended 30 June 2020, resulted from Australian solar projects, which was lower than the $0.6 million generated for the year ended 30 June 2019 due to the cessation of distribution revenues from sold US projects.

The Group also recorded a net gain of $1.6 million on Solar Development projects, comprising of a gain on sale of VivoRex, LLC in the U.S and the Sun Connect portfolio in Australia, partly offset by a loss on discontinued projects in the ISS portfolio.

The results for the year ended 30 June 2020 also reflect savings of $1.7 million in general and administrative costs compared to the year ended 30 June 2019. There was significant effort to rationalize the cost base of the Solar Development business and Corporate Office segments in the year.

Management analyses our business in three reportable segments: Critical Power Services, Solar Development, and Corporate Office. Critical Power Services is represented by J.A. Martin and Kenshaw operating in Australia with a focus on the design, supply, installation and maintenance of power and control systems. Solar Development is the development and sale of commercial and utility scale PV solar power projects in the U.S. and Australia. Corporate Office is all UK based corporate functions.

Year Ended 30 June 2020 Compared to Year Ended 30 June 2019:

Year Ended 30 June 2020 (US dollars in thousands)	**Critical Power Services**	**Solar Development**	**Corporate Office**	**Total**
Revenue	48,638	69	3	48,710
Costs of sales	(40,865)	(20)	-	(40,885)
Gross profit	7,773	49	3	7,825
General and administrative expenses	(2,745)	(469)	(2,265)	(5,479)
Gain/(loss) on solar development	41	1,548	-	1,589
Depreciation and amortisation	(1,718)	(45)	(3)	(1,766)
Operating profit/(loss)	3,351	1,083	(2,265)	2,169
Restructuring and other non-recurring costs	(124)	(1,296)	(1,990)	(3,410)
Finance expense – net	(1,436)	(9)	(1,704)	(3,149)
Profit/(loss) before taxation	1,791	(222)	(5,959)	(4,390)
Income tax	15	(728)	-	(713)
Profit/(loss) for the period	1,806	(950)	(5,959)	(5,103)

Year Ended 30 June 2019 (US dollars in thousands)	**Critical Power Services**	**Solar Development**	**Corporate Office**	**Total**
Revenue	42,852	693	-	43,545
Costs of sales	(37,110)	(342)	-	(37,452)
Gross profit	5,742	351	-	6,093
General and administrative expenses	(2,798)	(1,671)	(2,726)	(7,195)
Loss on solar development	(21)	(2,542)	(105)	(2,668)
Depreciation and amortisation	(1,225)	(216)	(6)	(1,447)
Operating profit/(loss)	1,698	(4,078)	(2,838)	(5,217)
Restructuring and other non-recurring costs	(23)	(297)	(2,084)	(2,404)
Finance expense – net	(1,615)	(99)	(1,634)	(3,345)
Loss before taxation	60	(4,474)	(6,552)	(10,966)
Income tax	(367)	14	-	(353)
Loss for the period	(307)	(4,460)	(6,552)	(11,319)

The results of operations for the year ended 30 June 2020 further reflect $3.4 million restructuring and other non-recurring costs. These comprise $1.0 million for legal and professional fees and $1.1 million provision for the expected outcome of litigation related to disputes with a former Chief Executive Officer, Dr Philip Comberg. In addition, $0.2 million of costs were incurred for workforce reduction and $1.1 million costs related to project review and investigation costs for the ISS joint venture portfolio whilst still under management and development responsibility of our joint venture partner, Innovative Solar Systems, LLC. Restructuring and other detailed non-recurring costs are further described in Note 7 to the consolidated financial statements.

Total finance expense for the year ended 30 June 2020 was $3.1 million, compared to $3.3 million for the year ended 30 June 2019, with interest on convertible loan notes and preferred share financing in Critical Power Services of $1.6 million and interest on the $19.0 million Arowana (AWN) shareholder loan of $1.2 million both in line with prior year. The reduction of $0.2 million compared to the prior year is a result of larger foreign exchange losses incurred in the prior year.

As at 30 June 2020, the Group's current assets were $20.5 million (as at 30 June 2019: $36.3 million; as at 31 March 2019: $29.8 million), which was comprised of $2.8 million (as at 30 June 2019: $7.1 million; 31 March 2019: $4.5 million) of cash and cash equivalents, $1.0 million restricted cash (as at 30 June 2019: $0.6 million; 31 March 2019: $1.3 million), $12.6 million (as at 30 June 2019: $15.0 million; 31 March 2019: $10.4 million) of trade and other receivables, and $4.1 million (as at 30 June 2019: $13.5 million; 31 March 2019: $13.5 million) of assets held for sale related to the ISS Joint Venture portfolio, with the remainder of the portfolio not expected to be sold within a 12 month timeframe reclassified to non-current equity accounted investments.

Current liabilities were $19.7 million as at 30 June 2020, (as at 30 June 2019: $29.1 million; 31 March 2019: $20.8 million). The decrease results from a $5.5 million reversal of contract liabilities and accrued contract costs related to critical power contracts that were in process at 30 June 2019, and $4.0 million of amounts repaid via capitalization into the refinanced parent company loan on 30 June 2020, being accrued loan interest ($2.1 million) related party payables ($1.1 million) and short term related party loans ($0.8 million).

Current asset-to-liability ratio as at 30 June 2020 was 1.04:1 (as at 30 June 2019: 1.25:1; 31 March 2019: 1.43:1).

As at 30 June 2020, the Group had net assets of $17.9 million (as at 30 June 2019: $22.5 million; 31 March 2019: $24.0 million), including intangible assets of $29.8 million (as at 30 June 2019: $31.8 million; 31 March 2019: $32.4 million). Property, plant and equipment decreased from $3.0 million as at 30 June 2019 to $2.5 million as at 30 June 2020, reflecting depreciation less replacement capital expenditure.

Cash used for the year ended 30 June 2020, was $4.3 million, arising from cash outflow from operating activities of $1.9 million, cash generated by investing activities of $0.3 million, and cash outflow from financing activities of $2.6 million. At June 30, 2020, the Group had cash reserves of $2.8 million (30 June 2019: $7.1 million; 31 March 2019: $4.5 million) and debt of $26.0 million (30 June 2019: $21.7 million; 31 March 2019: $19.3 million), giving a net debt position of $23.1 million (30 June 2019: $14.6 million; 31 March 2019: $14.7 million).

Cash flows from investing activities in the current year comprised $1.0 million proceeds from sale of Sun Connect Solar project assets in Australia and $0.4 million proceeds from sale of property, plant and equipment in Critical Power Services businesses, offset by purchase of $0.9 million of property, plant and equipment in Critical Power Services businesses and $0.3 million investment in Solar project assets in Australia.

Cash outflows from financing activities totalled $2.2 million in the year ended 30 June 2020 comprising $1.3 million short term parent company loan, $0.3 million chattel mortgage borrowings and $0.3 million bank loans, offset by $0.3 million repayment of parent company loans, $0.4 million lease liability repayments, $0.3 million net repayment of debtor finance borrowings, $0.4 million net transfer to restricted cash, and $3.1 million finance expenses.

Principal Risks and Uncertainties

VivoPower is exposed to a number of risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from historical and expected results.

Market risk

The Group's financial performance is tied very closely to the business activity within both the renewable energy and the investment management sectors. Capital and project availability are identified as being key market risks.

Operational risk

VivoPower operates within local, and national, laws and regulations which from time to time may change.

Competitive risk

Having the ability to pay developers down-payments to secure pipeline is advantageous, but there is competition from parties pursuing similar transactions. VivoPower expects greater competition from other parties entering the sector with this capability.

People risk

Attraction and retention of key staff is essential to the continued success of the business. The Board recognises that the future success of the Group will depend to a substantial extent not only on the ability and experience of its senior management, but also on individuals and teams that support the projects. Staff are remunerated appropriately, and employees are encouraged to develop their skills.

International risk

As the Group operates internationally, it is subject to the tax laws and regulations of several countries. In addition, conducting business on different continents presents logistical and management challenges whether related to local standards, business cultures or compliance. The Group takes careful steps to comply with all applicable tax and other laws, rules and regulations.

Financial risk

It is the Group's policy to manage identifiable financial risks. The Group operates internationally and so has exposure to movements in exchange rates, in particular between the US Dollar, GB Pound and Australian Dollar. The Group ensures that it holds sufficient cash amounts to meet all working capital requirements.

For further discussion on financial risk refer to Note 27 of the financial statements.

Employees

People are central to our business and the contribution of talented and motivated employees is vital to the continued success of the Group. The Group has a policy of keeping employees informed of, and engaged in, its business strategy through regular briefings and team meetings. Employee involvement at all levels is encouraged.

It is a policy of the Group to recruit, develop and promote people on merit and to treat everyone equally regardless of their race, ethnic origin or nationality, age, gender, sexual orientation, disability, religion or belief.

The Group gives every consideration to applications for employment from disabled persons where the requirements of the position may be adequately covered by the abilities of the applicant concerned. In the event of members of staff becoming disabled, ways are examined to ensure that their employment with the Group continues and that the appropriate training is arranged. It is the policy of the Group to ensure that the training, career development and promotion of disabled employees should, as far as possible, be the same as that of other employees.

The table shows, as per required quoted company regulations, the number of staff of each gender employed at the Company and their level of seniority.

	Female	Male	Total
Directors	0	5	5
Senior Manager	7	17	24
Employees	14	165	179
Total	21	187	208

Health and Safety

The health and safety of the Group's employees, customers, and visitors is of primary importance. The Group is committed to creating and maintaining a safe and healthy working environment. Health and safety audits and risk assessments, including fire risk assessments, are carried out regularly.

The Environment

The Group recognizes the importance of environmental responsibility and believes that its direct activities have a positive impact on the environment as the Company facilitates greater use of renewable energy. In addition, lightly damaged solar panels, that would have otherwise been bound for landfill, are donated to charity.

Communities

VivoPower has maintained an active program of community involvement in the locations we operate, including support for local children's sport teams and engagement with other worthwhile causes supported by our employees. In addition, as noted above, the Company donates lightly damaged solar panels to a charity that provides aid to the impoverished, supports local education initiatives, and assists with charitable renewable energy projects.

B Corporation Certification

VivoPower became certified as a B Corporation in April 2018. Consistent with this certification, the shareholders approved changes to the Articles of Association of the Company at its annual general meeting on 20 August 2018, to include:

(i) the purposes of the Company are to promote the success of the Company for the benefit of its members as a whole and, through its business and operations, to have a material positive impact on society and the environment, taken as a whole;

(ii) in exercising the powers of the Company, a Director shall have regard to, among other matters, stakeholder interests such as:

   a. the likely consequences of any decision in the long term;

   b. the interests of the Company's employees;

   c. the need to foster the Company's business relationships with suppliers, customers and others;

   d. the impact of the Company's operations on the community and the environment;

   e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

   f. the need to act fairly as between members of the Company.

As a B Corporation, the Company is committed to continuously improve its B Corporation score and deliver on the B Corporation triple bottom line of Planet, People and Profit.

The Directors consider the Company's ongoing commitment to B Corporation certification and continual improvement thereunder as the primary means by which the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty to act in the way most likely to promote the success of the Company for the benefit of its members as a whole.

The Strategic Report comprising pages 7 to 21 was approved by the Board and signed on its behalf by:

Kevin Chin
Executive Chairman
7 September 2020

Directors' Report

The Directors are pleased to present their report and the audited financial statements of VivoPower International PLC ("the Company") and its subsidiary undertakings (together "the Group") for the year ended 30 June 2020. Subsidiary and associated undertakings are listed in Note 13 to the financial statements.

Directors

The following table sets forth the names, ages and positions of our directors and executive officers. Unless otherwise indicated, the business address for all of our directors and executive officers is The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF, UK.

Name	Age	Position	Appointed	Resigned
Directors:				
Kevin Chin	47	Non-Executive Director and Chairman	*27 April 2016*	
Matthew Cahir (1)(2)(3)	55	Non-Executive Director	*16 June 2020*	
Peter Jeavons (1)(2)(3)	55	Non-Executive Director	*16 June 2020*	
William Langdon (1)(2)(3)	59	Non-Executive Director	*16 June 2020*	
Michael Hui	40	Non-Executive Director	*22 January 2020*	
Shimi Shah	49	Non-Executive Director	*28 December 2017*	*16 June 2020*
Peter Sermol	58	Non-Executive Director	*21 December 2016*	*16 June 2020*
Ashwin Roy	45	Non-Executive Director	*20 September 2019*	*16 June 2020*
Executive Officers:				
Kevin Chin	47	Executive Chairman and Chief Executive Officer	*25 March 2020*	
Art Russell	59	Interim Chief Executive Officer Chief Financial Officer	*26 February 2019* *1 December 2017*	*17 February 2020* *25 February 2019*

(1)Member of the Audit and Risk Committee.
(2)Member of the Remuneration Committee.
(3)Member of the Nomination Committee.

The following sets forth biographical information regarding our directors and executive officers. There are no family relationships between any director or executive officer and any other director or executive officer.

There are no other arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management, except that: Kevin Chin is the Chairman of AWN Holdings Limited ("AWN"), which is a beneficial owner of 60.3% of VivoPower, and is the beneficial owner of 10.2% of VivoPower through The Panaga Group Trust. Art Russell was employed by Arowana International UK Limited, a subsidiary of AWN, and was seconded on a full-time basis to VivoPower.

Kevin Chin

Kevin Chin is the founder of Arowana, a diversified investment group with operating companies across the U.K., U.S., Asia and Australia, as well as owning other unlisted companies and investments. One of those operating companies is AWN, which is listed on the Australian Securities Exchange. AWN is the largest shareholder in VivoPower.

Over his 25 plus year career, Mr. Chin has accumulated extensive experience in "hands on" strategic and operational management having served as Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of various public and private companies across a range of industries, including solar energy, software, traffic management, education, funds management and vocational education. He is the author of the business book, HyperTurnaround! which chronicles his leadership of the privatization, rapid turnaround and subsequent global scale up of a software company called RuleBurst Haley culminating in a sale to Oracle. Mr. Chin regularly writes for Inc.com on topic such as turnarounds and growing pains challenges. He also has significant international experience in private equity, buyouts of public companies, mergers and acquisitions and capital raisings as well as funds management, accounting, litigation support and valuations with prior roles at LFG, J.P. Morgan, PwC and Deloitte.

Mr. Chin holds a Bachelor of Commerce degree from the University of New South Wales where he was one of the inaugural University Co-Op Scholars with the School of Banking and Finance. He is also a qualified Chartered Accountant and a Fellow of FINSIA, where he was a curriculum writer and lecturer in the Master of Applied Finance program. Mr. Chin resides primarily in London, UK.

Matthew Cahir

Matthew Cahir has had a 35-plus year career focused on the enterprise software, technology and telecommunications sectors. In the last 15 years, he has held a number of global executive leadership roles, including as Chief Executive Officer, President and Chief Operating Officer. His key expertise has been working for private equity and venture capital backed firms focused on turning around distressed or underperforming portfolio companies.

Mr. Cahir has worked for the Goldman Sachs backed Nuxeo, Exeter Group, the Francisco Partners backed Mincom and RuleBurst Haley (acquired by Oracle) among others. He is a global expert and teacher in sales strategy and execution and has worked with the world's leading teams at firms that include Vista Equity Partners, Accenture, Oracle, SAP and CA. He resides in Virginia, just outside of Washington, D.C.

Mr. Cahir is chairman of the Remuneration and Nominations Committee of the Company.

William Langdon

William Langdon has had a 25-plus year career in the software, technology and enterprise data sectors after starting his career at Disney in finance and marketing. He served as Chief Financial Officer of venture backed OmniTicket Network followed by a series of senior management roles at digital mapping leader NAVTEQ (acquired by Nokia). After starting in European Sales, he became General Manager of the global Distribution division and President of NAVTEQ's first acquisition, a digital mapping company based in Seoul, South Korea. Since that time, he has served in a series of senior management roles with venture-backed French technology start-ups including Goldman Sachs backed Nuxeo and Intersec, backed by Highland Europe.

Mr. Langdon received his MBA from Yale University and is a member of the Singula Institute Board of Directors. He resides in New York City, United States.

Mr. Langdon serves as chairman of the Audit and Risk Committee of the Company.

Peter Jeavons

Peter Jeavons has over 30 years' experience working in a number of executive-level international roles predominantly focused on leading technology and enterprise software solutions across many industry sectors. His career has been spent working for small start-ups, medium-sized and large corporate businesses, helping to drive strong growth, turnarounds and with involvement from both sides in successful merger and acquisition activities. He specializes in policy, regulatory and legislative compliance-based solutions and has a strong interest in how technology can help to drive sustainability and save the planet.

Mr. Jeavons was part of the global leadership team that sold a high-growth business to Oracle and then successfully relaunched their regulatory compliance solution as a native SaaS platform internationally. During his career he has also worked for companies including Infor, which is another large enterprise software company and was responsible for the European business at Nuxeo, a Goldman Sachs backed, open source, enterprise content management software provider.

Mr. Jeavons currently leads the EMEA business for First Insight, the market leader in machine-led, artificial intelligence and predictive analytics for retailers. Mr. Jeavons completed his Non-Executive Director's diploma with Pearson in 2013 and is also supporting other software start-ups to scale their operations internationally. He resides in London, UK.

Michael Hui

Michael Hui brings a unique background to the VivoPower Board given his dual Information Technology and Law degrees and experiences. During his career, he has built significant expertise across a diverse range of sectors in both an investment as well as an operational capacity.

Mr. Hui serves as the Director of Private Enterprise Investments (Australasia) for VivoPower's largest shareholder, AWN Holdings Ltd and also the broader Arowana group. In 2011, he joined Arowana as an Investment Director, and since then he has worked across a range of Arowana's operating businesses including education and asset management. Mr. Hui led the formation and structuring of the Arowana Australasian Special Situations Fund (AASSF) and most recently, the building of Arowana's education business, EdventureCo. His primary focus at present is driving corporate development (including mergers and acquisitions and technology-based transformation), working alongside the leadership teams of Aevitas and EdventureCo. Previously, Mr. Hui was co-founder and Chief Executive Officer of an online payments business and spent more than 10 years as a lawyer practicing corporate and commercial law. He resides in Brisbane, Australia.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and Accounts for the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for the financial period. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and applicable law and have elected to prepare the financial statements for Company under the same methodology.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and parent company and to prevent and detect fraud and other irregularities.

This annual report and financial statements together with the Notice of Annual General Meeting and other information regarding the Group may be viewed on the Company's website at www.vivopower.com.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdictions in which the Company operates, including the U.S. and Australia.

The Directors consider the Company's ongoing commitment to B Corp certification and continual improvement thereunder, as discussed on page 20 of the Strategic Report, as the primary means by which the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duty to act in the way most likely to promote the success of the Company for the benefit of its members as a whole.

Directors' Insurance and Indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association and the Company has maintained throughout the year directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers.

The Company has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Future Developments

A detailed description of the Group's business operations, results for the year ended 30 June 2020, and likely future developments are presented in detail in the Strategic Report.

Financial Instruments

The Group's principal financial instruments are bank balances, cash and medium-term loans. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group also has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. Policy for managing risks is set by the Chief Executive Officer and is implemented by the Group's finance department. All risks are managed centrally with a tight control of all financial matters. For additional information on the composition of financial instruments, management objectives and policies, risk exposure and mitigation refer to Note 27 of the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis, as Directors believe the Company will be able to meet its liabilities as they fall due.

As at 30 June 2020, the Company had unrestricted cash totalling $2.8 million, compared to $7.1 million as at 30 June 2019, $4.5 million as at 31 March 2019 and $1.9 million as at 31 March 2018.

During the year ended 30 June 2020, the Company reduced general and administrative expenses within the Solar Development and Corporate segments by a further $1.7 million per annum, and further reductions have been implemented going forward, including switching to equity based remuneration for the Board of Directors as part of the Company's hyper-turnaround programme (which was commenced in March 2020 upon Kevin Chin assuming the Executive Chair and Chief Executive Officer roles). The Company's Critical Power Services segment represented by J.A. Martin Electrical Pty Limited and Kenshaw Electrical Pty Limited produced $5.1 million EBITDA for the year ended 30 June 2020.

The Company is also engaged in a financing initiative with respect to these businesses, which is expected to release restricted cash of $1.0 million and provide up to $1.0 million of additional working capital. Lastly, the Company is actively engaged in a process to maximise value and ultimately monetizing its investment in the ISS Joint Venture, with $4.1 million classified as assets held for sale; this investment is expected to be realized in cash over the next 12 months. The Directors believe these actions provide sufficient cash to support business operations and meet obligations as they become due through September 2021.

To ensure success of the business, the directors have prepared and reviewed additional plans to mitigate any cash flow risk that may arise during the next twelve months, including uncertainties arising from COVID-19. These actions include the implementation of further operational cost reductions and a further sale of assets as required.

The Directors have examined going concern against a detailed profit, working capital, and cash flow forecast to September 2021, which reflects the matters discussed in the foregoing paragraphs but does not reflect any additional share issuance, new debt facilities other than disclosed above, nor sale of assets other than in the ordinary course of business. Having reviewed the future plans and projections for the Company's business and its current financial position, the directors are satisfied that the Company has adequate financial resources to continue to manage the business risks successfully and to remain in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Legal Proceedings

On 26 February 2018, Philip Comberg, formerly Chief Executive Officer and formerly a member of the Board of Directors of VivoPower, filed a claim in the High Court of Justice Queen's Bench Division in the UK against VivoPower and a subsidiary, VivoPower International Services Limited ("VISL"). The claim is in respect of payments alleged to be due to Mr. Comberg, damages, and restitution in relation to services allegedly rendered by Mr. Comberg, interest and costs. In particular, Mr. Comberg claims VISL committed a repudiatory breach of Mr. Comberg's service agreement with VISL in connection with the termination of Mr. Comberg's employment in October 2017, and claims as damages amounts including £615,600 in unpaid amounts allegedly relating to the notice period under the service agreement, £540,000 relating to shares of stock in VivoPower that Mr. Comberg alleges were not delivered to him but were due, and, inter alia, amounts relating to bonuses alleged to be due, fees relating to services Mr. Comberg claims he provided, as well as interest and costs (collectively, the "Comberg Claims").

On 9 April 2018, VivoPower and VISL filed a defence and counterclaims against Mr. Comberg. In the defence, VivoPower and VISL denied that a repudiatory breach was committed by VISL and denied the other Comberg Claims and asserted that Mr. Comberg was terminated for cause and/or by the acceptance on the part of VISL of Mr. Comberg's own repudiatory breach of Mr. Comberg's service agreement. VivoPower and VISL also filed counterclaims against Mr. Comberg alleging that Mr. Comberg had mismanaged the Company, misrepresented information to the VivoPower Board, and failed to report his own wrongdoing in breach of his services agreement and fiduciary duties to VivoPower and VISL.

On 26 November 2018, VivoPower and VISL agreed to a settlement of the counterclaims for an undisclosed amount. No settlement has been reached with respect to Mr. Comberg's claim. VivoPower and VISL continue to strongly deny and defend the Comberg Claims.

After aborted attempts at settlement, the matter was heard in the UK High Court in the first two weeks of March 2020. At the time of writing, the Company is still awaiting the verdict from the trial.

In the year ended 30 June 2020, the Company has incurred $0.9 million of legal fees in relation to this matter, in addition to amounts incurred in prior periods. The Company has also made a provision at 30 June 2020, for the expected outcome of the trial of $1.1 million, including allocation of costs, based on legal counsel advice about the Company's chances of success for the different elements of the claims.

In June 2020, the Company advised that it had secured management control of its U.S. solar development joint venture company, Innovative Solar Ventures I LLC. Post year-end, the Company gained board control of the joint venture. Subsequent to this change, the Company received a proposal from its joint venture partner, ISS, where they offered to transfer ownership of their 50% of the joint venture portfolio to VivoPower for US$1 consideration. The consequence of accepting this offer would be an uplift of 74% in the size of the

Company's US solar development portfolio to 1,607 MW, when compared to the original starting portfolio of 922 MW (representing 50% of the 1,844 MW joint venture portfolio that the Company invested in back in April 2017) . However, the offer is conditional upon VivoPower forgoing any rights to future claims against ISS. At the time of writing, negotiations remain ongoing between each party's legal advisers as VivoPower is seeking additional consideration over and above the offer which has been tabled.

Donations

During the year ended 30 June 2020, the Group made no political donations nor other political expenditures.

Greenhouse Gas Emissions

Due to the difficulty of calculation, it is not practical for the Company to obtain information on greenhouse gas emissions resulting from our activities or operations or from use of purchased energy. Accordingly, no disclosure is made in this regard.

Share Capital

As at 30 June 2020, there were 13,557,376 ordinary shares in issue. There were no new shares issued or repurchased during the year. At the Company's Annual General Meeting in 2017, the Directors were given authority to allot shares up to an aggregate nominal amount of $1,560.00.

On 30 March 2017, the Company repurchased 129,805 shares at a price of $4.50 per share for a total of $591,911, including commission and held them as treasury shares. During the three months ended 30 June 2019, 51,000 shares (year ended 31 March 2019: 75,805 shares) were awarded to employees under the Company's 2017 Omnibus Incentive Plan. Based on the closing market value of these shares on the day of award, $61,560 (year ended 31 March 2019: $85,660) was expensed as employee compensation during the three months ended 30 June 2019 and the remaining cost of $171,000 was charged against retained earnings. The remaining 3,000 shares were awarded to employees in the year ended 30 June 2020 under the Company's 2017 Omnibus Incentive Plan.

There are no specific restrictions on the transfer of shares in the Company, which is governed by the Articles of Association and prevailing legislation, nor is the Company aware of any agreements between holders of securities that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

There are no persons holding securities carrying special rights regarding control of the Company, no special rights attaching to shares under employee share schemes, no restrictions on voting rights, nor any significant agreements that take effect, alter or terminate on change of control of the Company following a takeover, with the exception of the conversion rights attached to the convertible preference shares and convertible loan notes in Aevitas Group Limited as described in Note 23 to the consolidated financial statements.

Substantial Interests

The following table sets forth information with respect to beneficial ownership of our ordinary shares as of the date of this Annual Report by each person known to us to beneficially own 5% or more of our ordinary shares.

The beneficial ownership of VivoPower's ordinary shares is determined based on 13,557,376 ordinary shares issued and outstanding on 18 August 2020. Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days.

	Number of Shares	Percentage of Issued Capital
AWN Holdings Limited (2)	8,176,804	60.3%
The Panaga Group Trust (1)	1,241,531	9.2%

(1) According to a Schedule 13D filed on 9 January 2017, on behalf of Kevin Chin, The Panaga Group Trust (the "Trust"), Panaga Group Pty Ltd. (the "Trustee"), Mr. Chin, the Trust and the Trustee share sole voting and dispositive control over the shares reported. The business address of these entities is Level 11, 110 Mary Street, Brisbane, QLD 4000, Australia.

(2) According to a Schedule 13D filed 31 January 2017, on behalf of AWN Holdings Limited (formerly Arowana International Limited) ("AWN"), Arowana Australasian Special Situations Fund 1 Pty Limited ("Arowana Fund Co"), Arowana Australasian VCMP 2, LP ("Arowana Fund GP"), Arowana Australasian Special Situations Partnership 1, LP ("Arowana Fund"), Arowana Energy Holdings Pty Ltd. ("Arowana Energy"), AWN, as the controlling shareholder of each of Arowana Fund Co, Arowana Fund GP, Arowana Fund and Arowana Energy, may be deemed to beneficially own 8,176,804 ordinary shares. This amount includes 5,718,879 ordinary shares held directly by AWN, 488,435 ordinary shares directly held by certain entities controlled by AWN, 1,027,203 ordinary shares held by Arowana Fund and 942,287 ordinary shares held by Arowana Energy. The business address of these entities is c/o AWN Holdings Ltd, at Level 11, 153 Walker Street, North Sydney, NSW 2060, Australia.

Dividends

The Company has never declared or paid any dividends on our ordinary shares, and we currently do not plan to declare dividends on our ordinary shares in the foreseeable future. Any determination to pay dividends to holders of our ordinary shares will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our debt arrangements and other factors that our board of directors deem relevant.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Auditors

PKF Littlejohn LLP has indicated its willingness to continue as auditor. In accordance with s489 of the Companies Act 2006, a resolution to re-appoint them as auditors for the ensuing year will be put to the members at the forthcoming Annual General Meeting.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Directors' Report comprising pages 22 to 28 was approved by the Board and signed on its behalf by:

Kevin Chin
Chairman
7 September 2020

Corporate Governance

The Company's shares have been listed on NASDAQ since 29 December 2016. The Board is accountable to the Company's shareholders for good governance and this statement describes principles of corporate governance that have been applied by the Company.

The Directors believe that good corporate governance, involving risk appraisal and management, prudent decision-making, open communication and business efficiency, is important for the long-term benefit of the stakeholders in the Group.

Board of Directors

The Board is collectively responsible for providing leadership of the Group within a framework of prudent and effective controls and constructively challenges and helps to develop and communicate the Group's strategic aims.

The Board is comprised of the Chief Executive Officer and Chairman, and four non-executive directors. The Board has determined that Peter Jeavons, Matthew Cahir and William Langdon are independent in accordance with the listing rules of NASDAQ. All directors are given regular access to the Company's operations and personnel as and when required. Their biographies on pages 22 to 24 illustrate their relevant corporate and industry experience to bring judgement on issues of strategy, performance, resources and standards of conduct which are vital to the success of the Group.

The Board considers the overall strategic direction, development and control of the Group and reviews trading performance, investment opportunities and other matters of significance to the Group. Various decisions require Board approval, including but not limited to the approval of the annual budget, larger capital expenditure proposals, acquisitions and disposals. Board papers, which are distributed to all directors in advance of each meeting, follow a set agenda although further subjects are added for discussion as the need arises.

The Board is scheduled to meet normally no less than six times per year to enable the Board to discharge its duties effectively and to consider those matters which specifically require Board review and decision. In addition, meetings are also convened on an ad hoc basis when there is urgent or delegated business which cannot wait until the next scheduled meeting.

The following table sets out the number of meetings of the Board, excluding ad hoc meetings, and its committees during the year ended 30 June 2020 and the attendance of the members at those meetings (attended/eligible to attend):

	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
Kevin Chin [(1)]	16/ 17	3 / 4	-/-	-/-
Peter Sermol	13 / 14	2 / 3	-/-	-/-
Shimi Shah	14 / 14	3 / 3	-/-	-/-
Ashwin Roy	12 / 12	1 / 1	-/-	-/-
Michael Hui	8 / 8	-/-	-/-	-/-
Peter Jeavons	3 / 3	1 / 1	1 /1	1 / 1
William Langdon	3 / 3	1 / 1	1 /1	1 / 1
Matthew Cahir	3 / 3	1 / 1	1 /1	1 / 1

(1) Recused from attendance for one meeting

Audit and Risk Committee

The Audit and Risk Committee is comprised of William Langdon (who is Chair of the Audit and Risk Committee), Matthew Cahir and Peter Jeavons, all of whom joined the committee on 16 June 2020, and have been determined by the Board to be independent under the applicable Nasdaq listing standards. Ashwin Roy served on the committee from his appointment on 20 September 2019 until his resignation on 16 June 2020. Shimi Shah and Peter Sermol also served on the committee until their resignations on 16 June 2020.

An invitation is also extended to the auditors to attend meetings of the Audit and Risk Committee in order to discuss issues relating to the audit and financial control of the Group. The auditors also have direct access, should they so require, to the Audit and Risk Committee. The Audit and Risk Committee has responsibility within the terms of reference for, among other things, the planning and review of the Group's annual and interim financial statements, the supervision of its auditors in the review of such financial statements and the review and monitoring of their independence.

The Audit and Risk Committee focuses particularly on the Group's compliance with legal requirements and accounting standards, and on ensuring that effective systems for internal financial control are maintained.

Remuneration and Nominations Committee

The Remuneration Committee is comprised of Matthew Cahir (chair of the Remuneration Committee), William Langdon and Peter Jeavons, all of whom joined the committee on 16 June 2020, and each of whom the Board has determined is independent under the applicable Nasdaq listing standards. Shimi Shah, Ashwin Roy and Peter Sermol served on the committee until their resignations on 16 June 2020.

Nominations Committee

The Nominations Committee has been merged with the Remuneration Committee. It is comprised of William Langdon, Matthew Cahir and Peter Jeavons, all of whom joined the committee on 16 June 2020, and each of whom the Board has determined is independent under the applicable Nasdaq listing standards. Ashwin Roy served on the committee from his appointment on 20 September 2019 until his resignation on 16 June 2020. Shimi Shah and Peter Sermol served on the committee until their resignation on 16 June 2020. Edward Hyams also served on the committee until his resignation on 16 November 2018.

Internal Control

The Board oversees management's activities in relation to the systems of internal control. Management has responsibility for maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic business objectives and can only provide reasonable assurance against material misstatement or loss.

The key elements of the system of internal control are:

Control environment

There is sufficient segregation of duties and authorisation controls on approval of customer and supplier contracts, recruitment of staff, approval of purchases and payment of suppliers.

Financial reporting

The senior management team has regular meetings to discuss all aspects of the business and review financial performance against budget and provides a monthly summary report to the Board. The Group has a sustainable system of financial reporting and forecasting covering profits, assets, liabilities, cash flow and capital expenditure. The systems include regular monitoring of cash, monthly reporting of financial results. Budgets and business plans are prepared annually and reviewed by the Board.

Capital investment

For any significant investment, a detailed proposal is first approved by the Company's Investment Committee, then by the board of directors of VivoPower International Services Limited ("Services Board"). Any major investment is always approved by the Board or the Services Board. The Company's Investment Committee process contains five stages to ensure the Company has an explicit understanding of a portfolio's purpose, objective and a clear definition of success in determining whether the portfolio achieves that purpose and meets that objective. The five stages include:

(i) Completion of a Lead Qualification Form to provide a project overview, indicative returns, capital required, risks, timeline and areas to consider in future diligence;

(ii) First Investment Committee Meeting ('IC1') to provide a comprehensive summary of the project including detailed legal, technical, financial information and risks;

(iii) Second Investment Committee Meeting ('IC2') which includes everything in IC1 plus summary of transaction documentation and update on diligence;

(iv) Board approval to fund the project, and formally recommend that project executes transaction documentation; and

(v) Board approval to execute the transaction documentation.

Communications with Shareholders

The Company encourages two-way communications with shareholders. The Board endeavours to maintain good relationships with its institutional shareholders by holding regular meetings after results are published with further dialogue as requested.

The Company's Annual General Meeting will be held on 6 October 2020. The notice of the meeting is sent to shareholders at least 21 days before the meeting.

This annual report and financial statements together with the Notice of Annual General Meeting and other information regarding the Group may be viewed on the Company's website at www.vivopower.com.

Remuneration Report

This report has been prepared in accordance with the provisions of the UK Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013).

Statement by the Chairman of the Remuneration Committee

On behalf of the Remuneration Committee (the "Committee"), I am pleased to present the Remuneration Report for the year ended 30 June 2020.

The Committee is comprised of William Langdon, Matthew Cahir and Peter Jeavons, all of whom joined the Committee on 16 June 2020, and each of whom the Board has determined is independent under the applicable Nasdaq listing standards. Shimi Shah and Peter Sermol served on the Committee until their resignations on 16 June 2020.

The Committee has a written charter, a form of which is available free of charge on VivoPower's website at www.vivopower.com. The Committee's duties, which are specified in our Remuneration Committee Charter, include, but are not limited to:

- Setting the remuneration policy for all executive directors and executive officers, including pension rights and any compensation payments;
- Reviewing the appropriateness and relevance of the remuneration policy;
- Determining total individual compensation packages;
- Reviewing and designing share incentive and share option plans, determining awards thereunder and administering such plans;
- Approving design of and targets for performance-related pay schemes;
- Determining pension arrangements;
- Appointing compensation consultants;
- Approving contractual appointment terms for directors and senior executives; and
- Related duties.

The Company's objective with respect to remuneration of directors is to attract and retain high-calibre individuals who are able to bring an appropriately senior level of experience and judgement to bear on issues of strategy, performance, resources and standard of conduct.

No changes are proposed to the Directors Remuneration Policy for Executive and Non-Executive Directors as approved by shareholders on 5 September 2017.

The Company's Annual Report on Remuneration, disclosing the compensation paid to directors in respect of the year ended 30 June 2020 is provided below.

Annual Report on Remuneration *(audited)*

Executive Directors

Kevin Chin was appointed as Executive Chairman and Chief Executive Officer of the Company with effect from 25 March 2020. Prior to Mr Chin's appointment, the Company had no Executive Directors since Carl Weatherley-White, former Chief Executive Officer, resigned as a Director on 28 December 2017.

Non-Executive Directors

The amount earned by each Director for the year ended 30 June 2020, three months ended 30 June 2019 and the years ended 31 March 2019 and 2018 is set out in the table below:

	Year ended 30 June					Three months ended 30 June	Year ended 31 March	
	Salary and fees	Bonus and LTIP	Pension and Other Benefits	Long Term Incentive	2020 Total	2019 Total	2019 Total	2018 Total
Edward Hyams	-	-	-	-	-	-	£33,326	£53,000
Gary Hui	-	-	-	-	-	-	£110,837	£126,636
Shimi Shah	£57,748	-	-	-	£57,748	£15,000	£81,063	£15,000
Peter Sermol	£57,748	-	-	-	£57,748	£15,000	£61,750	£113,000
Michael Hui	£9,000	-	-	-	£9,000	-	-	-
Ashwin Roy	£30,438	-	-	-	£30,438	-	-	-
Peter Jeavons	£1,590	-	-	-	£1,590	-	-	-
William Langdon	£1,590	-	-	-	£1,590	-	-	-
Matthew Cahir	£1,590	-	-	-	£1,590	-	-	-
Kevin Chin (Chairman)	£156,559	-	-	-	£156,559	£48,750	£195,000	£195,000

Mr. Chin was officially appointed as a Non-Executive Director on 1 August 2016, and prior to this date he acted for the benefit of the Company through his role as the Executive Chairman and Chief Executive Officer of AWN from the date of incorporation (i.e. 1 February 2016).

Mr. Chin received £156,559 salary in the year ended 30 June 2020 as Chairman of the Board, and £58,602 as Chief Executive. Of the Chairman fees recorded, £65,000 were settled as equity under a Bonus Stock Award in lieu of cash, for which Mr. Chin was awarded 111,020 immediately vesting shares, granted on 31 March 2020 at a price of $0.75 per share (subject to all necessary approvals).

A total of £85,161 comprising Chairman and Chief Executive fees from 01 March 2020 to 30 June 2020 remain outstanding as at the date of this report to Mr. Chin. He has also agreed to a 50% reduction in his fees as Chairman and Chief Executive for the period from 1 July 2020 to 30 September 2020 to assist the Company during the COVID-19 lockdown period.

In the period 1 April 2020 to 30 June 2020, Mr. Chin accrued an estimated 20,928 ($15,595) Performance Share Units ("PSUs") towards a maximum total 52,320 PSUs in the vesting period 1 April 2020 to 30 September 2020. Actual numbers of PSUs vesting at the end of the vesting period are dependent on meeting quarterly performance goals.

Matthew Cahir was appointed as a Non-Executive Director on 16 June 2020 and commenced that role on the same date. Mr. Cahir has elected to receive equity remuneration, and earned 1,724 ($2,000) RSUs for the period from 16 June 2020 to 30 June 2020.

Mr. Cahir also provides consulting services to the Company in relation to the ISS Joint Venture. In the year ended 30 June 2020, Mr. Cahir charged a total of $421,800 for these consulting services, of which $229,721 of outstanding and past due fees were settled as equity under a Bonus Stock Award in lieu of cash, for which Mr. Cahir was awarded 306,295 immediately vesting shares, granted on 31 March 2020 at a price of $0.75 per share.

Peter Jeavons was appointed as a Non-Executive Director on 16 June 2020 and commenced that role on the same date. Mr. Jeavons has elected to receive equity remuneration, and earned 1,724 ($2,000) RSUs for the period from 16 June 2020 to 30 June 2020.

William Langdon was appointed as a Non-Executive Director on 16 June 2020 and commenced that role on the same date. Mr. Langdon has elected to receive equity remuneration, and earned 1,724 ($2,000) RSUs for the period from 16 June 2020 to 30 June 2020.

Michael Hui was appointed as a Non-Executive Director on 22 January 2020 and commenced that role on the same date. For the period from 22 January 2020 to 30 June 2020, Mr. Hui received £9,000 fees for being a Non-Executive Director.

In the period 1 April 2020 to 30 June 2020, Mr. Hui also accrued an estimated 4,200 ($3,150) PSUPSUs towards a maximum total 5,250 PSUs in the vesting period 1 April 2020 to 30 September 2020. Actual numbers of PSUs vesting at the end of the vesting period are dependent on meeting quarterly performance goals.

Ashwin Roy was appointed as a Non-Executive Director on 20 September 2019 and commenced that role on the same date. For the period from 20 September 2019 to his resignation on 16 June 2020, Ashwin Roy received £30,438 fees for being a Non-Executive Director. Shimi Shah resigned as a Non-Executive Director on 16 June 2020 and received fees of £57,748 for being a Non-Executive Director for the period until her resignation.

Peter Sermol resigned as a Non-Executive Director on 16 June 2020 and received fees of £57,748 for being a Non-Executive Director for the period until his resignation.

There are no pension benefits available to Directors nor any additional benefit if a Director were to retire early.

No discretion was exercised in the award of Directors' remuneration.

No payments were made to any past Director during the period nor in connection with a Director's loss of office during the period.

There are no agreements with the Company and its Directors or employees for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' Interests

The Directors' beneficial interest in the 13,557,376 issued ordinary shares of the Company as at 30 June 2020 are detailed below.

Name and Address of Beneficial Owner [(1)]	Outstanding scheme interests at 30 June 2020					
	Number of Shares Beneficially Owned	Unvested scheme interests (not subject to performance measures)	Vested but unexercised scheme interests	Total shares subject to outstanding scheme interests	Total of all share interests and outstanding scheme interests, at 30 June 2020	Percentage of Outstanding Shares
Kevin Chin [(2)]	1,266,531[(3) (4) (5)]	-	111,020[(6)]	-	1,377,551	10.2%
Matthew Cahir		-	308,019[(7)]	-	308,019	2.3%
Peter Jeavons	-	-	1,724	-	1,724	-%
William Langdon		-	1,724	-	1,724	-%
Michael Hui	-	-	-	-	-	-%
All directors and executive officers as a group (5 persons)	1,266,531	-	422,487	-	1,689,018	12.5%

(1) Unless otherwise indicated, the business address of each of the individuals is c/o VivoPower International PLC, The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF, UK.

(2) The business address is c/o Arowana., at Level 11, 110 Mary Street, Brisbane, QLD 4000, Australia.

(3) Represents shares held by Borneo Capital Pty Limited and The Panaga Group Trust, of which Mr. Chin is a beneficiary and one of the directors of the corporate trustee of such fund.

(4) Does not include shares held by AWN Holdings Limited, of which Mr. Chin is a director.

(5) In 2015, Arowana Partners Group, a private Australian company of which Mr. Chin is sole shareholder and director lent $607,470 to Gary Hui's private vehicle, Beira Corp, a British Virgin Islands entity, pursuant to a loan agreement. Beira Corp has not paid back the loan together with accumulated interest upon its maturity and has been attempting to settle the loan in full by transferring 325,046 VivoPower International PLC shares to Arowana Partners Group. This has been rejected by Arowana Partners Group on the basis that the value of these shares is significantly below the outstanding loan and accumulated interest and that the transfer of such shares could be in contravention of securities law if any transfer happened during blackout periods. This matter is now the subject of a legal dispute and therefore the shareholding balances above do not reflect the VivoPower shares that Beira Corp currently holds.

(6) Vested but undelivered 111,020 shares under a Bonus Stock Award.

(7) Vested but undelivered 306,295 shares under a Bonus Stock Award.

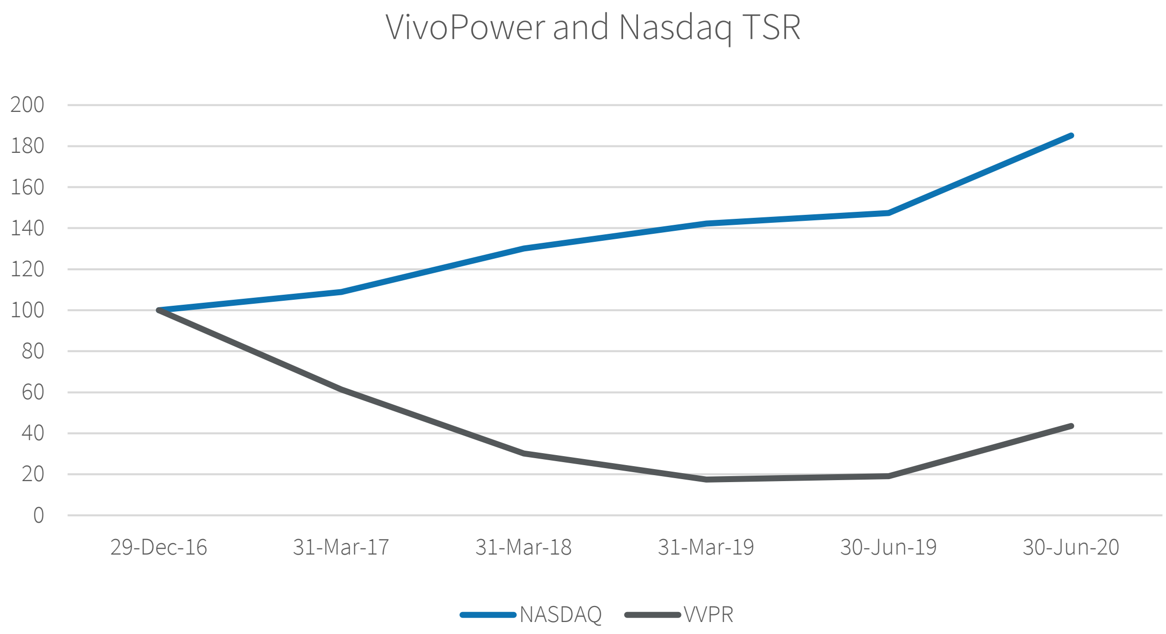
Minimum shareholding requirements

The Company currently does not have any applicable shareholding guidelines. The Remuneration Committee reserves the right to implement shareholding guidelines. If shareholding guidelines are implemented, these will be disclosed in the relevant Annual Report on Remuneration.

Comparison to Company Performance

Performance graph and table and comparison to Chief Executive Officer pay

The following graph shows total shareholder return for the Company for the period from its listing on 29 December 2016 to 30 June 2020, relative to the Nasdaq Composite Index. The Nasdaq Composite Index is considered an appropriate comparator for VivoPower:



The following table shows details of the compensation paid to the individual(s) in the role of Chief Executive Officer:

	Single figure of remuneration			Bonus as % of maximum			LTIP as % of maximum		
	Year Ended	Three Months Ended	Year Ended	Year Ended	Three Months Ended	Year Ended	Year Ended	Three Months Ended	Year Ended
	30 Jun 2020	30 Jun 2019	31 Mar 2019	30 Jun 2020	30 Jun 2019	31 Mar 2019	30 Jun 2020	30 Jun 2019	31 Mar 2019
Kevin Chin	£71,081	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Art Russell	£193,875	£66,094	£25,336	0%	0%	0%	0%	0%	0%
Carl Weatherley-White	N/A	N/A	£321,019	N/A	N/A	0%	N/A	N/A	15%

Kevin Chin was appointed Executive Chairman and Chief Executive Officer on 25 March 2020. The information presented for 2020 reflects his compensation for the period of his tenure as Chief Executive Officer, from 25 March 2020 to 30 June 2020, in Mr Chin's capacity as Chief Executive Officer. In addition, Mr Chin is paid in his capacity as Chairman, as detailed above.

Art Russell was appointed Interim Chief Executive Officer on 26 February 2019, and he resigned on 17 February 2020. The information presented for the year ended 31 March 2019 reflects his compensation for the period from his appointment on 26 February 2019 to 31 March 2019. The information presented for the year ended 30 June 2020 reflects his compensation for the period from 1 July 2019 to his resignation on 17 February 2020.

Carl Weatherley-White was appointed as Chief Executive Officer and a Director on 4 October 2017 and resigned as a Director on 28 December 2017, remaining as Chief Executive Officer until his resignation on 12 February 2019. The information presented for the year ended 31 March 2018 reflects his compensation for the period from 4 October 2017 to 31 March 2018. The information presented for the year ended 31 March 2019 reflects his compensation for the period from 1 April 2018 to 12 February 2019 and excludes £85,332 of separation compensation due pursuant to his employment agreement.

Relative importance of pay

The table below shows the total pay for all of the Group's employees compared to other key financial indicators.

(US dollars)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019
Employee remuneration	16,457,000	4,114,000	17,413,000
Distributions to shareholders	NIL	NIL	NIL

Implementation of Remuneration Policy

Executive Directors

The Company has had no Executive Directors since Carl Weatherley-White, former Chief Executive Officer, resigned as a Director on 28 December 2017, until the appointment of Kevin Chin as Executive Chairman and Chief Executive Officer on 25 March 2020.

Cash & Equity Compensation

Mr. Chin is employed by a personal service company, Arowana Partners Group Pty Ltd, which charges fees for Mr. Chin's services to VivoPower International Services Limited. Pursuant to a deed of variation dated June 29, 2020, Mr. Chin's original non-executive directorship appointment, dated August 1, 2016, was varied to reflect Mr. Chin assuming the positions of Executive Chairman and Chief Executive Officer of VivoPower International PLC, effective from March 25, 2020. The cost of Mr. Chin's executive service agreement is paid by VivoPower International Services Limited. The agreement provides for remuneration of £270,000 per annum until June 30, 2021. This comprises an annual fee of £218,000 as Chief Executive, payable monthly in arrears, in addition to his annual Chairman's fee of £52,000. The remuneration includes the cost of any support resources required by Mr. Chin to fulfil the roles. The Remuneration Committee is undertaking a review of Mr. Chin's compensation plan as Chief Executive Officer, to align to the new strategy and additional responsibilities.

Mr. Chin has also been granted 87,200 RSUs and 261,600 PSUs in the Company, issued pursuant to the Company's Omnibus Incentive Plan adopted on 5 September 2017, at an issue price of $0.75 per share, based on the Company share price on 25 March 2020. The RSUs vest annually over 5 years. The PSUs vest quarterly over 3.25 years and are subject to achieving performance goals. This was approved by the Remuneration and Nomination Committee of the Board on 16 June 2020.

Non-Executive Directors

Cash and Equity Compensation

The Committee will pay annual retainers to non-executive directors in line with the remuneration policy approved by shareholders on 5 September 2017. The Committee intends to keep the value of annual retainers under review and will consider from time to time whether the amount and terms on which retainers are payable are appropriate given the Company's economic position and wider market conditions. Any changes to retainers will be compliant with the remuneration policy and will be disclosed in the Remuneration Report for the relevant financial year.

Directors receive an annual retainer for service on the Board, payable monthly in arrears, with supplementary retainers payable for additional Board responsibilities, including membership of committees, as follows:

Annual retainer for Board membership	$48,000
Annual retainer for the Chairman of the Board	£52,000

The fee levels are reviewed on an annual basis and may be increased by the Company taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Fees may be amended before any annual review to reflect any changes to the Director's role or Board committee memberships which occur during the period or when making a new appointment.

From 1 July 2019 to 24 March 2020, Mr. Chin received a salary of £195,000 per annum as Chairman of the Board, including £30,000 per annum for activities related to the audit, nomination and remuneration committees. As from 25 March 2020, Mr. Chin receives an annual fee of £52,000 as Chairman of the Board. Mr. Chin also receives a salary in his capacity as Chief Executive Officer.

Non-executive independent directors appointed on 16 June 2020; Mr. Jeavons, Mr. Langdon and Mr. Cahir, are eligible to elect to take up to 100% of their monthly fee as RSUs in the Company, issued pursuant to the Company's Omnibus Incentive Plan adopted on 5 September 2017. All RSUs earned during the probationary period for each new director, being from 16 June 2020 to the 2020 Annual General Meeting scheduled in October 2020, will vest upon completion of the Annual General Meeting. Mr. Jeavons, Mr. Langdon and Mr. Cahir have all agreed to receive their remuneration in the form of RSUs in the Company. Beyond the probationary period, Mr. Jeavons, Mr. Langdon and Mr. Cahir are eligible to continue to receive their remuneration in the form of RSUs in the Company in lieu of cash, in which case they are entitled to an additional annual up-front cash lump sum of $5,000.

Mr. Hui received a fee of £1,500 per meeting of the Board during an initial six-month probationary period to 22 July 2020, after which he is entitled to the annual retainer of $48,000 payable in cash.

Mr. Hui has also been granted 17,500 RSUs and 52,500 PSUs in the Company, in relation to his involvement in management of Critical Power Services segment, and the hyper-turnaround programme. The Award was issued pursuant to the Company's Omnibus Incentive Plan adopted on 5 September 2017, at an issue price of $0.75 per share, based on the Company share price on 25 March 2020. The RSUs vest annually over 5 years. The PSUs vest quarterly over 3.25 years and are subject to achieving performance goals.

Benefits

The Committee will provide benefits to Non-Executive directors in line with the remuneration policy approved by shareholders on 5 September 2017. The Committee intends to keep the value of benefits under review and will consider whether the amount and terms on which benefits are provided are appropriate given the Company's economic position and wider market conditions. Any changes to benefits will be compliant with the remuneration policy outlined above and will be disclosed in the Remuneration Report for the relevant financial year.

Consideration of Matters Relating to Directors' Remuneration

Remuneration Committee

The members of the Committee during the year ended 30 June 2020 and their attendance at meetings of the Committee, are set out below:

	Attendance
Shimi Shah	0/0
Peter Sermol	0/0
Kevin Chin	0/0
William Langdon	1/1
Peter Jeavons	1/1
Matthew Cahir	1/1

No Non-Executive Directors are involved in deciding their own remuneration.

The Committee retained Pearl Meyer to advise the Committee on various matters, including the Equity Incentive Plan. Pearl Meyer is a signatory to the Remuneration Consultants' Code of Conduct. The Committee has reviewed the operating processes in place at Pearl Meyer and is satisfied that the advice it receives is independent and objective.

Shoosmiths LLP and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. provide the Company with legal advice. Advice from Shoosmiths LLP and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. is made available to the Remuneration Committee, where it relates to matters within its remit.

Statement of voting at general meeting

The Directors' Remuneration Policy for the year ended 31 March 2017 was approved by shareholders at the Annual General Meeting held on 5 September 2017. The resolution to approve the remuneration policy was approved by 99.0% of voting shareholders.

The Annual Report on Remuneration for the year ended 31 March 2018 was approved by shareholders at the Annual General Meeting held on 20 August 2018. The resolution to approve the report was approved by 99.7% of voting shareholders.

The Annual Report on Remuneration for the year ended 31 March 2019 and for the three months ended 30 June 2019 was approved by shareholders at the Annual General Meeting held on 23 September 2019. The resolution to approve the report was approved by 99.95% of voting shareholders.

The Remuneration Report was approved by a duly authorised Committee of the Board and signed on its behalf by:

Matthew Cahir
Chair of the Remuneration and Nominations Committee
7 September 2020

Independent Auditor's Report to the Members of VivoPower International PLC

Opinion

We have audited the financial statements of VivoPower International PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's and the parent company's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group financial statements as a whole to be $995,000. This was calculated by applying a percentage to revenue (2%) and net assets (5%). Benchmarks of revenue and net assets have been selected as we consider these to be the most significant determinants of the group's performance for shareholders. The group has revenue generating subsidiaries in Australia, together with a portfolio of solar project assets in Australia and the U.S. There is no change to the materiality benchmarks from prior periods.

The parent company materiality was $87,000 based upon 5% of the adjusted loss before tax in order to ensure adequate coverage of expenditure.

Performance materiality is the application of materiality at the individual account or balance level set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the group and parent company was set at 70% of overall materiality.

Component materiality for significant and/or material subsidiary undertakings ranged from $500,000 to $50,000.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of $49,750 for the group and $4,350 for the parent company.

An overview of the scope of our audit

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The accounting records of all significant and/or material Australian subsidiary undertakings were audited by component auditors, under the oversight of us as group auditor in accordance with International Standard on Auditing 600, based upon component materiality and risk to the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue recognition Revenue for the year ended 30 June 2020 amounted to $48.7 million and details of the related critical judgements and estimates are disclosed in note 3.1. There is a risk of material misstatement of revenue from contracts with customers arising from the following areas which makes this a key focus for our audit: • identification of performance obligations in customer contracts; • judging the timing of satisfaction of performance obligations; • allocation of transaction price; • measuring the stage of completion for long term contracts (outputs versus inputs method) and • determining the costs incurred to obtain or fulfil contracts with customers.	Our testing in this area included the following: • Reviewing the work undertaken by component auditors in accordance with the issued component instructions, including regular contact throughout the audit; • Updating and checking by walkthrough tests our understanding of the internal control environment for the significant income streams; • Substantively testing a sample of contracts concluded and in progress at the year-end, including contract assets and liabilities and deferred and accrued income; • Testing the project stage of completion having reference, where applicable, to independent survey reports; and • Reviewing post year-end cash receipts and documents to test the completeness, cut-off and accuracy of revenue around the year-end.
Recoverability of intangible assets As at 30 June 2020 the carrying value of goodwill and intangible assets was $29.8 million. Details of these assets and the related critical judgements and estimates are disclosed in notes 3.2 and 12. Each year management is required to assess whether goodwill is impaired and consider whether the carrying value exceeds the recoverable amount using discounted cash flows. Intangible assets subject to amortisation are assessed for indicators of impairment. The calculation of the recoverable amount is dependent on various significant judgements and estimates, including forecasts and discount rates. The subjectivity of the judgements and estimates and the significant carrying value of the assets makes this a key area of focus for our audit.	Our testing in this area included the following: • Reviewing and challenging management's value in use calculations including the rationale behind the key assumptions and cash flow forecasts; • Checking the mathematical accuracy of the value in use calculations; • Performing sensitivity analysis on reasonably possible changes in key assumptions and the impact on the headroom; • Assessing the accuracy of budgets and forecasts used in prior periods to actual results; • Performing an independent assessment to identify any indicators of impairment; • Reviewing independently prepared reports, including an assessment of the competence and objectivity of the preparer; and • Assessing the appropriateness of the group's disclosure in respect of the judgements and estimates on whether an impairment exists and

the sensitivity analysis on the headroom (refer to Note 12).

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability 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 the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

PKF Littlejohn LLP

David Thompson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory auditor

15 Westferry Circus

Canary Wharf

London E14 4HD

7 September 2020

VivoPower International PLC for the year ended 30 June 2020

Consolidated Statement of Comprehensive Income

(US dollars in thousands, except per share amounts)	Note	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Revenue from contracts with customers	4	48,710	13,617	39,036	33,647
Cost of sales		(40,885)	(11,960)	(32,726)	(28,524)
Gross profit		7,825	1,657	6,310	5,123
General and administrative expenses		(5,479)	(1,291)	(7,685)	(12,814)
(Loss)/gain on solar development	5	1,589	38	(2,615)	1,356
Depreciation of property, plant and equipment	11	(898)	(214)	(430)	(420)
Amortisation of intangible assets	12	(868)	(223)	(990)	(840)
Operating profit/(loss)	6	2,169	(33)	(5,410)	(7,595)
Restructuring and other non-recurring costs	7	(3,410)	(525)	(2,017)	(1,873)
Impairment of assets		-	-	-	(10,191)
Impairment of goodwill		-	-	-	(11,092)
Finance income	9	33	-	4	9
Finance expense	9	(3,182)	(796)	(3,243)	(3,395)
Loss before income tax		(4,390)	(1,354)	(10,666)	(34,137)
Income tax	10	(713)	(92)	(557)	6,258
Loss for the period attributable to owners of the company		(5,103)	(1,446)	(11,223)	(27,879)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences recognised directly in equity		(1,028)	(102)	(2,998)	222
Total comprehensive loss for the period attributable to owners of the company		(6,131)	(1,548)	(14,221)	(27,657)
Earnings per share attributable to owners of the company (dollars)					
Basic	24	(0.38)	(0.11)	(0.83)	(2.06)
Diluted	24	(0.38)	(0.11)	(0.83)	(2.06)

VivoPower International PLC for the year ended 30 June 2020

Consolidated Statement of Financial Position

(US dollars in thousands)

	Note	30 June 2020	30 June 2019	31 March 2019	31 March 2018
ASSETS					
Non-current assets					
Property, plant and equipment	11	2,486	2,951	1,205	1,915
Intangible assets	12	29,849	31,762	32,366	36,402
Deferred tax assets	10	1,347	2,113	2,054	2,570
Investments accounted for using the equity method	14	8,225	-	-	14,147
Total non-current assets		**41,907**	**36,826**	**35,625**	**55,034**
Current assets					
Cash and cash equivalents	15	2,824	7,129	4,522	1,939
Restricted cash	16	1,013	632	1,319	-
Trade and other receivables	17	12,556	14,992	10,399	7,903
Assets classified as held for sale	18	4,080	13,530	13,530	11,436
Total current assets		20,473	36,283	29,770	21,278
TOTAL ASSETS		**62,380**	**73,109**	**65,395**	**76,312**
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	19	15,395	24,639	17,923	14,082
Income tax liability		75	449	287	103
Provisions	20	2,897	1,718	1,710	2,470
Loans and borrowings	21	1,312	2,327	887	3,955
Total current liabilities		**19,679**	**29,133**	**20,807**	**20,610**
Non-current liabilities					
Loans and borrowings	21	24,642	19,359	18,380	18,385
Provisions	20	169	2,100	2,222	288
Deferred tax liabilities	10	-	1	1	26
Total non-current liabilities		**24,811**	**21,460**	**20,603**	**18,699**
TOTAL LIABILITIES		**44,490**	**50,593**	**41,410**	**39,309**
Equity					
Share capital	22	163	163	163	163
Share premium		40,215	40,215	40,215	40,215
Cumulative translation reserve		(3,307)	(2,279)	(2,177)	821
Other reserves	23	21,408	20,076	19,846	18,383
Accumulated deficit		(40,773)	(35,659)	(34,062)	(22,579)
Equity and reserve attributable to owners		17,706	22,516	23,985	37,003
Non-Controlling interest		184	-	-	-
Total Equity		**17,890**	**22,516**	**23,985**	**37,003**
TOTAL EQUITY AND LIABILITIES		**62,380**	**73,109**	**65,395**	**76,312**

These financial statements were approved by the Board of Directors on 7 September 2020 and were signed on its behalf by:

Kevin Chin, Chairman

VivoPower International PLC for the year ended 30 June 2020

Consolidated Statement of Cash Flow

(US dollars in thousands)	Note	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Cash flows from operating activities					
Loss for the period		(5,103)	(1,446)	(11,223)	(27,879)
Income tax		713	-	913	(6,258)
Finance income		(33)	-	(4)	(9)
Finance expense		3,182	796	3,243	3,395
Impairment of goodwill		-	-	-	11,092
Impairment of assets		-	-	-	10,191
Depreciation of property, plant and equipment		898	214	430	420
Amortisation of intangible assets		868	223	990	840
Gain/(loss) on solar development		(1,589)	(38)	2,615	(1,356)
Disposal of treasury shares	23	-	62	86	-
Increase in equity instruments	23	113	368	815	-
(Increase)/decrease in trade and other receivables		2,411	(4,593)	(2,543)	11,457
(Decrease)/increase in trade and other payables		(6,851)	6,716	3,841	5,822
(Decrease)/increase in provisions		1,295	(114)	(728)	1,182
Corporation tax payments		(477)	-	-	-
Net cash from/(used in) operating activities		**(4,573)**	**2,188**	**(1,565)**	**8,897**
Cash flows from investing activities					
Interest received	9	-	-	4	9
Proceeds on sale of property plant and equipment	5	432	-	464	2,297
Purchase of property plant and equipment	11	(884)	(400)	(348)	(1,101)
Investment in capital projects		(277)	-	(245)	(17,823)
Proceeds on sale of capital projects	5	1,023	84	11,981	-
Net cash from/(used in) investing activities		**294**	**(316)**	**11,856**	**(16,618)**
Cash flows from financing activities					
Lease borrowings	21	-	-	-	519
Lease repayments	21	(422)	(63)	(304)	(181)
Financing agreements proceeds	21	-	-	4,000	2,000
Financing agreements repayments	21	-	-	(6,000)	-
Debtor finance borrowings / (repayments)	21	(347)	150	751	-
Loans from related parties	21	1,300	766	-	770
Repayment of loans from related parties	21	(257)	-	(1,520)	-

VivoPower International PLC for the year ended 30 June 2020

(US dollars in thousands)	Note	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Repayment of bank loan	21	-	-	-	(1,023)
Bank loan borrowing	21	344	-	-	-
Chattel mortgage borrowings	21	300	-	-	-
Finance expense	9	(515)	(796)	(3,243)	(3,395)
Transfers from/(to) restricted cash	16	(381)	687	(1,319)	-
Net cash from/(used in) financing activities		22	744	(7,635)	(1,310)
Net increase/(decrease) in cash and cash equivalents		(4,257)	2,616	2,656	(9,031)
Cash and cash equivalents at the beginning of the period	15	7, 129	4,522	1,939	10,970
Effect of exchange rate movements on cash held		(48)	(9)	(73)	-
Cash and cash equivalents at the end of the period	15	2,824	7,129	4,522	1,939

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VivoPower International PLC for the year ended 30 June 2020

Consolidated Statement of Changes in Equity

(US dollars in thousands)	Share capital	Share premium	Cumulative translation reserve	Other reserves	(Accumulated deficit)/retained earnings	Non-controlling interest	Total
At 1 April 2017	**163**	**40,215**	**599**	**18,329**	**5,300**	**-**	**64,606**
Total comprehensive loss for the year	-	-	222	-	(27,879)	-	(27,657)
Other reserves	-	-	-	54	-	-	54
	-	-	222	54	(27,879)	-	(27,603)
At 31 March 2018	**163**	**40,215**	**821**	**18,383**	**(22,579)**	**-**	**37,003**
Total comprehensive loss for the year	-	-	(2,998)	-	(11,223)	-	(14,221)
Equity instruments	-	-	-	1,018	-	-	1,018
Disposal of treasury shares	-	-	-	346	(260)	-	86
Other reserves	-		-	99	-	-	99
	-	**-**	**(2,998)**	**1,463**	**(11,483)**	**-**	**(13,017)**
At 31 March 2019	**163**	**40,215**	**(2,177)**	**19,846**	**(34,062)**	**-**	**23,985**
Change in accounting policy (see Note 2.16)	-	-	-	-	20	-	20
Restated at 1 April 2019	**163**	**40,215**	**(2,177)**	**19,846**	**(34,042)**	**-**	**24,005**
Total comprehensive loss for the period	-	-	(102)	-	(1,446)	-	(1,548)
Equity instruments	-	-	-	(3)	-	-	(3)
Disposal of treasury shares	-	-	-	233	(171)	-	62
	-	-	(102)	230	(1,617)	-	(1,489)
At 30 June 2019	**163**	**40,215**	**(2,279)**	**20,076**	**(35,659)**	**-**	**22,516**
Total comprehensive loss for the year	-	-	(1,028)	-	(5,103)	-	(6,131)
Equity instruments	-	-		971	-	-	971
Other reserves	-	-	-	17	(11)	-	6
Employee share scheme	-	-	-	344	-	-	344
NCI on intangible asset additions	-	-	-	-	-	184	184
	-	-	(1,028)	1,332	(5,114)	184	(4,626)
At 30 June 2020	**163**	**40,215**	**(3,307)**	**21,408**	**(40,773)**	**184**	**17,890**

For further information on Other Reserves please see Note 23.

1. Reporting entity

VivoPower International PLC ("VivoPower" or the "Company") is a public company limited by shares and incorporated under the laws of England and Wales and domiciled in the UK. The address of the Company's registered office is The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF, UK.

In July 2019, the Board of Directors of the Company adopted a resolution to change the Company's fiscal year end from 31 March to 30 June, commencing 30 June 2019. Moving forward, this allows the Company to align reporting periods with all of its Australian operations and majority shareholder, AWN Holdings Limited (formerly Arowana International Limited). Accordingly, comparative information in these consolidated financial statements refer to the three months ended 30 June 2019 and the year ended 31 March 2019. Any amounts shown as at and for the year ended 30 June 2019 are unaudited.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The ultimate parent company into which these results are consolidated is AWN Holdings Limited (formerly Arowana International Limited).

2. Significant accounting policies

2.1. Basis of preparation and significant accounting policies

VivoPower International PLC consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the EU, as issued by the International Accounting Standards Board, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements with adopted IFRS requires the use of critical accounting estimates. It also requires the management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The financial statements have been prepared on a going concern basis, as the directors believe the Company will be able to meet its liabilities as they fall due.

As at 30 June 2020, the Company had unrestricted cash totalling $2.8 million, compared to $7.1 million as at 30 June 2019, $4.5 million as at 31 March 2019 and $1.9 million as at 31 March 2018.

During the year ended June 30, 2020, the Company reduced general and administrative expenses within the Solar Development and Corporate segments by a further $1.7 million per annum, and further reductions have been implemented going forward, including switching to equity based remuneration for the Board of Directors as part of the Company's hyper-turnaround program (which was commenced in March 2020 upon Kevin Chin assuming the Executive Chair and Chief Executive Officer roles). The Company's Critical Power Services segment represented by J.A. Martin Electrical Pty Limited and Kenshaw Electrical Pty Limited produced $5.1 million EBITDA for the year ended June 30, 2020.

The Company is also engaged in a financing initiative with respect to these businesses, which is expected to release restricted cash of $1.0 million and provide up to $1.0 million of additional working capital. Lastly, the Company is actively engaged in a process to enhance value with a view to maximizing value and ultimately monetizing its investment in the ISS Joint Venture, with $4.1 million classified as assets held for sale; this investment is expected to be realized in cash over the next 12 months. The Directors believe these actions provide sufficient cash to support business operations and meet obligations as they become due through September 2021.

To ensure success of the business, the directors have prepared and reviewed additional plans to mitigate any cash flow risk that may arise during the next twelve months, including uncertainties arising from COVID-19. These actions include the implementation of further operational cost reductions and a further solar development as required.

Based on the foregoing, the directors believe that the Company is well placed to manage its business risk successfully, despite some current economic and political uncertainty. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have continued to adopt the going concern basis in preparing the financial statements. All financial information presented in US dollars has been rounded to the nearest thousand.

2.2. Basis of consolidation

The consolidated financial statements include those of VivoPower International PLC and all of its subsidiary undertakings.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. The Company controls an investee when it is exposed to, 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. The results of the subsidiaries acquired are included in the Consolidated Statement of Comprehensive Income from the date of acquisition using the same accounting policies of those of the Group. All business combinations are accounted for using the purchase method. The consideration transferred in a business combination is the fair value at the acquisition date of the assets transferred and the liabilities incurred by the Group and includes the fair value of any contingent consideration arrangement. Acquisition-related costs are recognized in the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group balances and transactions, including any unrealized income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment

Joint arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. VivoPower has assessed the nature of its joint arrangement and determined it to be a joint venture, which is accounted for using the equity method.

2.3. Intangible assets

All intangible assets, except goodwill, are stated at fair value less accumulated amortisation and any accumulated impairment losses. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

Goodwill

Goodwill arose on the effective acquisition of VivoPower Pty Ltd and Aevitas O Holdings Limited ("Aevitas"). Goodwill is reviewed annually to test for impairment.

Other intangible assets

Intangible assets acquired through a business combination are initially measured at fair value and then amortised over their useful economic lives.

Amortisation is calculated on a straight-line basis to write down the assets over their useful economic lives at the following rates:

- Customer relationships – 10 years
- Trade names – 15 - 25 years
- Favourable supply contracts – 15 years
- Databases – 5 years

2.4. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and the costs directly attributable to bringing the asset into use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items (major components) of property, plant and equipment.

Depreciation is calculated on a straight-line basis so as to write down the assets to their estimated residual value over their useful economic lives at the following rates:

- Computer equipment - 3 years
- Fixtures and fittings - 3 years
- Motor vehicles – 5 years
- Plant & equipment – 3.5 to 10 years
- Right-of-use assets – remaining term of lease: 2 months to 6 years

2.5. Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying value and fair value less costs to sell. An impairment loss is recognised for any subsequent write-down of the asset to fair value less costs to sell.

2.6. Leases

The Group leases offices, workshops, motor vehicles, and equipment for fixed periods of 2 months to 6 years, but may have extension options. Extension options are not recognized by the Group in the determination of lease liabilities unless renewals are reasonably certain.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, leases of property, plant and equipment were classified as either finance leases or operating leases, as further described below. From 1 April 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group has applied IFRS 16 – Leases using the modified retrospective approach.

Assets and liabilities arising from a lease are initially measured on a present value basis, with lease payments discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The Group presents lease liabilities in loans and borrowings in the Statement of Financial Position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are presented in property, plant and equipment and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Prior to 1 April 2019, leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. Assets held under finance leases were initially recognized as property, plant and equipment at an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives. Lease payments were apportioned between the repayment of capital and interest. The capital element of future lease payments was included in the Statement of Financial Position as a liability. Interest was charged to the Statement of Comprehensive Income so as to achieve a constant rate of interest on the remaining balance of the liability. Rentals payable under operating leases were charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives were recognized as a reduction in the rental expense over the lease term.

2.7. Impairment of non-financial assets

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The recoverable amount of the cash-generating unit ('CGU') to which the goodwill relates is tested annually for impairment or when events or changes to circumstances indicate that it might be impaired.

The carrying values of property, plant and equipment, investments and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired.

In an impairment test the recoverable amount of the cash-generating unit or asset is estimated in order to determine the existence or extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use to the Group. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows. All impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss in respect of goodwill is not reversed. In the case of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. These impairment losses are reversed if there has been any change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent so that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.8. Financial Instruments

Financial assets and liabilities are recognized in the Group's Statement of Financial Position when the Group becomes a party to the contracted provision of the instrument. The following policies for financial instruments have been applied in the preparation of the consolidated financial statements.

From 1 April 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortized cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Cash and cash equivalents

For the purpose of preparation of the Statement of Cash Flow, cash and cash equivalents includes cash at bank and in hand.

Restricted cash

Restricted cash are cash and cash equivalents whose availability for use within the Group is subject to certain restrictions by third parties.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received. Direct issue costs paid on the establishment of loan facilities are recognized over the term of the loan on a straight-line basis. The initial payment is taken to the Statement of Financial Position and then amortized over the full length of the facility.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for the expected future issue of credit notes and for non-recoverability due to credit risk. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics. In the year ended 31 March 2018, the impairment was based on the incurred loss model.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at amortized cost using the effective interest method.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased as equity by the Company the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity, and excluded from the number of shares in issue when calculating earnings per share.

2.9. Taxation

Income tax expense comprises current and deferred tax.

Current tax is recognised based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary timing differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax values. Liabilities are recorded on all temporary differences except in respect of initial recognition of goodwill and in respect of investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that it will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be offset. Deferred tax is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted by the end of the accounting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, they relate to income taxes levied by the same tax authority and the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current and deferred tax are recognised in the Statement of Comprehensive Income, except when the tax relates to items charged or credited directly to equity, in which case it is dealt with directly in equity.

2.10. Provisions

Provisions are recognised when the Group has a present obligation because of a past event, it is probable that the Group will be required to settle that obligation, and it can be measured reliably.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the date of Statement of Financial Position.

Where the time value of money is material, provisions are measured at the present value of expenditures expected to be paid in settlement.

2.11. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares, excluding the shares held as treasury shares. Currently there are no diluting effects on EPS for ordinary shares, therefore, diluted EPS is the same as basic EPS.

2.12. Foreign currencies

The Company's functional and presentational currency is the US dollar. Items included in the separate financial statements of each Group entity are measured in the functional currency of that entity. Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rates of exchange prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates of exchange prevailing at the end of the reporting period.

Exchange gains and losses arising are charged to the Statement of Comprehensive Income within finance income or expenses. The Statement of Comprehensive Income and Statement of Financial Position of foreign entities are translated into US dollars on consolidation at the average rates for the period and the rates prevailing at the end of the reporting period respectively. Exchange gains and losses arising on the translation of the Group's net investment foreign entities are recognized as a separate component of shareholders' equity.

Foreign currency denominated share capital and related share premium and reserve accounts are recorded at the historical exchange rate at the time the shares were issued or the equity created.

2.13. Revenue from contracts with customers

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of discounts, value-added tax, other sales related taxes, and after the elimination of sales within the Group.

Revenue comprises development revenues, electrical installations, electrical servicing and maintenance and generator sales. Revenue is recognised upon satisfaction of contractual performance obligations.

The Company adopted IFRS 15 "Revenue from Contracts with Customers" with effect from the date of incorporation.

The Group has a number of different revenue streams and the key components in determining the correct recognition are as follows:

Development revenue, which is revenue generated from development services relating to the building and construction of solar projects, is recognised on a percentage completion basis as the value is accrued by the end user over the life of the contract. The periodic recognition is calculated through weekly project progress reports.

On longer-term power services projects such as large-scale equipment provision and installation, the performance obligation of completing the installation is satisfied over time, and revenue is recognised on a percentage completion basis using an input method. Revenue for stand-alone equipment sales is recognised at the point of passing control of the asset to the customer. Other revenue for small jobs and those completed in a limited timeframe are recognised when the job is complete.

Warranties are of short duration and only cover defective workmanship and defective materials. No additional services are committed to which generate a performance obligation.

No adjustment is made for the effects of financing, as the Group expects, at contract inception, that the period between when the goods and services are transferred to the customer and when the customer pays, will be one year or less.

If the revenue recognised for goods and services rendered by the Company exceeds amounts that the Company is entitled to bill the customer, a contract asset is recognised. If amounts billed exceed the revenue recognised for goods and services rendered, a contract liability is recognised.

Incremental costs of obtaining a contract are expensed as incurred.

2.14. Employee Benefits

Pension

The employer pension contributions are associated with defined contribution schemes. The costs are therefore recognised in the month in which the contribution is incurred, which is consistent with recognition of payroll expenses.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be reliably measured.

Short-term compensated absences

A liability for short-term compensated absences, such as holiday, is recognised for the amount the Group may be required to pay because of the unused entitlement that has accumulated at the end of the reporting period.

2.15. Restructuring and other non-recurring Costs

Restructuring and other non-recurring costs are by nature one-time incurrences and do not represent the normal trading activities of the business and accordingly are disclosed separately on the Consolidated Statement of Comprehensive Income in accordance with IAS 1 – Presentation of Financial Statements in order to draw them to the attention of the reader of the financial statements. Restructuring costs are defined in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets as being related to sale or termination of a line of business, closure of business locations, changes in management structure, or fundamental reorganizations.

Other non-recurring costs include litigation expenses for former employees, including fees for legal services and provisions under IAS 37 for legal hearing verdicts that are probable to result in a quantifiable financial outflow by the Company.

Other non-recurring costs also include legal and professional costs for project review and investigation costs for solar projects managed by the ISS Joint Venture partner.

2.16. New standards, amendments and interpretations

Effective 1 April 2019, the Group adopted the provisions of IFRS 16 – Leases on a modified retrospective basis, recognizing the cumulative effect of initial application to opening retained earnings for the period.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. The Group used the following practical expedients when applying IFRS 16:

- Applied the exemption not to recognize right of use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right of use asset at the date of initial application; and
- Apply a single discount rate to a portfolio of leases with similar characteristics.

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

(US dollars in thousands)	
Property, plant and equipment	1,586
Lease liability - current	(587)
Lease liability – non-current	(979)
Adjustment to opening retained earnings as at 1 April 2019	20

The adoption of IFRS 16 did not have a material impact on leases previously recorded as finance leases.

There are no other IASB and IFRIC standards that have been issued with an effective date after the date of the financial statements which are expected to have a material impact on the Group.

3. Significant accounting judgements and estimates

In preparing the consolidated financial statements, the directors are required to make judgements in applying the Group's accounting policies and in making estimates and making assumptions about the future. These estimates could have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the future financial periods. The critical judgements that have been made in arriving at the amounts recognised in the consolidated financial statements are discussed below.

3.1. Revenue from contracts with customers – determining the timing of satisfaction of services

As disclosed in Note 2.13 the Group concluded that solar development revenue and revenue from other long-term projects is recognized over time as the customer simultaneously receives and consumes the benefits provided. The Group determined that the percentage completion basis is the best method in measuring progress because there is a direct relationship between the Group's effort and the transfer of services to the customer. The judgement used in applying the percentage completion basis affects the amount and timing of revenue from contracts.

3.2. Impairment of non-financial assets

The carrying values of property, plant and equipment, investments and intangible assets other than goodwill are reviewed for impairment only when events indicate the carrying value may be impaired. Goodwill is tested annually for impairment or when events or changes to circumstances indicate that it might be impaired.

To assess impairment, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and risks specific to the related cash-generating unit. Judgement was applied in making estimates and assumptions about the future cash flows, including the appropriateness of discounts rates applied, as further disclosed in Note 12.

3.3. Operating profit/(loss)

In preparing the consolidated financial statements of the Group, judgement was applied with respect to those items which are presented in the consolidated statement of comprehensive income as included within operating profit/(loss).Those revenues and expenses which are determined to be specifically related to the on-going operating activities of the business are included within operating profit/(loss).Expenses or charges to earnings which are not related to operating activities, are one-time costs determined to be not representative of the normal trading activities of the business, or that arise from revaluation of assets, are reported below operating profit/(loss).

3.4. Litigation provision

The $1.1 million litigation provision recorded at 30 June 2020 is estimated by management making a judgement, in conjunction with advice from legal counsel, on the probability of success of each element of the claim, in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Additional allowance is made for anticipated costs.

3.5. Income taxes

In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of the income tax assets and liabilities will be recorded in the period in which such determination is made. The carrying values of income tax assets and liabilities are disclosed separately in the consolidated Statement of Financial Position.

3.6. Deferred tax assets

Deferred tax assets for unused tax losses amounting to $0.8 million at 30 June 2020 (30 June 2019:$1.005 million; 31 March 2019: $1.005 million; 2018: $1.585 million) are recognized to the extent that it is probable that sufficient taxable profit will be available against which the losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

3.7. Share option reserve

As part of the Initial Public Offering Listing, VivoPower issued an amended and restated unit purchase option (UPO) replacing the options issued by Arowana Inc. The options are viewed as a share-based award granted to Early Bird Capital. The cost of the award is recognized directly in equity and is applied against capital raising costs. As the option holder has the right to receive shares in the Company, the share-based payment transaction would be equity settled. The fair value of the options was determined at the grant date, using the Black Scholes Model, and not remeasured subsequently. As the options have no vesting conditions the related expense was recognized immediately. The options lapsed during the year ended 30 June 2020.

3.8. Exchangeable preference shares and exchangeable notes

As part of the IPO listing process VivoPower acquired Aevitas. The instruments previously issued by Aevitas were restructured to become exchangeable into VivoPower shares. The Company considered IAS 32 paragraph 16 in determining the accounting treatment. The Company has determined the instruments to be treated as equity under the "fixed-for-fixed" rule meaning that both the amount of consideration received/receivable and the number of equity instruments to be issued must be fixed for the instrument to be classified as equity. Both elements are satisfied within the instruments.

4. Revenue and segmental information

The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors, which is the Group's chief operating decision maker.

The Group considers that it has three reportable segments: Critical Power Services, Solar Development, and Corporate Office. Critical Power Services is represented by J.A. Martin Electrical Pty Limited ("J.A. Martin") and Kenshaw Electrical Pty Limited ("Kenshaw") operating in Australia with a focus on the design, supply, installation and maintenance of power and control systems. Solar Development is the development and sale of commercial and utility scale PV solar power projects in Australia and the U.S. Corporate Office is all UK based corporate functions.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including any revenues and expenses that relate to the transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the Board of Directors to assess their performance and make decisions about resources to be allocated to respective segments, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated to a segment on a reasonable basis.

4.1. Revenue

Revenue by geographic location is as follows:

	Year Ended 30 June	Three Months Ended 30 June	Year Ended 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Australia	48,707	13,507	37,889	31,985
United States	-	110	1,147	1,662
United Kingdom	3	-	-	-
Total revenue	**48,710**	**13,617**	**39,036**	**33,647**

Revenue by product and service is as follows:

	Year Ended 30 June	Three Months Ended 30 June	Year Ended 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Electrical products and related services	47,917	13,484	37,799	31,631
Development fees	69	-	90	828
Other revenue	724	133	1,147	1,188
Total revenue	**48,710**	**13,617**	**39,036**	**33,647**

The Group had one customer representing more than 10% of revenue for the year ended 30 June 2020 (three months ended 30 June 2019: one; year ended 31 March 2019: one; 2018: none). Revenue recognized for this customer amounted to $20.4 million in the Critical Power Services segment.

4.2. Operating segments

a) Segment results of operations

Results of operations by reportable segment are as follows:

Year Ended 30 June 2020 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Revenue from contracts with customers	48,638	69	3	48,710
Costs of sales	(40,865)	(20)	-	(40,885)
Gross profit	**7,773**	**49**	**3**	**7,825**
General and administrative expenses	(2,745)	(469)	(2,265)	(5,479)
Gain/(loss) on solar development	41	1,548	-	1,589
Depreciation and amortisation	(1,718)	(45)	(3)	(1,766)
Operating profit/(loss)	**3,351**	**1,083**	**(2,265)**	**2,169**
Restructuring costs and other non-recurring costs	(124)	(1,296)	(1,990)	(3,410)
Finance expense – net	(1,436)	(9)	(1,704)	(3,149)
Profit/(loss) before income tax	**1,791**	**(222)**	**(5,959)**	**(4,390)**
Income tax	15	(728)	-	(713)
Profit/(loss) for the period	**1,806**	**(950)**	**(5,959)**	**(5,103)**

Three Months Ended 30 June 2019 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Revenue from contracts with customers	13,484	133	-	13,617
Costs of sales	(11,864)	(96)	-	(11,960)
Gross profit	**1,620**	**37**	**-**	**1,657**
General and administrative expenses	(567)	(206)	(518)	(1,291)
Gain/(loss) on solar development	5	41	(8)	38
Depreciation and amortisation	(422)	(14)	(1)	(437)
Operating profit/(loss)	**636**	**(142)**	**(527)**	**(33)**
Restructuring and other non-recurring costs	(15)	(39)	(471)	(525)
Finance expense – net	(358)	(49)	(389)	(796)
Profit/(loss) before income tax	**263**	**(230)**	**(1,387)**	**(1,354)**
Income tax	(92)	-	-	(92)
Profit/(loss) for the period	**171**	**(230)**	**(1,387)**	**(1,446)**

Year Ended 31 March 2019 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Revenue from contracts with customers	37,800	1,236	-	39,036
Costs of sales	(32,317)	(409)	-	(32,726)
Gross profit	5,483	827	-	6,310
General and administrative expenses	(2,823)	(2,148)	(2,714)	(7,685)
Loss on solar development	(30)	(2,585)	-	(2,615)
Depreciation and amortisation	(1,272)	(140)	(8)	(1,420)
Operating profit/(loss)	1,358	(4,046)	(2,722)	(5,410)
Restructuring and other non-recurring costs	(8)	7	(2,016)	(2,017)
Finance expense – net	(1,354)	(221)	(1,664)	(3,239)
Loss before taxation	(4)	(4,260)	(6,402)	(10,666)
Income tax	(572)	15	-	(557)
Loss for the year	(576)	(4,245)	(6,402)	(11,223)

Year Ended 31 March 2018 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Revenue	31,807	1,840	-	33,647
Costs of sales	(27,482)	(1,042)	-	(28,524)
Gross profit	4,325	798	-	5,123
General and administrative expenses	(2,173)	(6,468)	(4,173)	(12,814)
Gain on solar development	213	1,143	-	1,356
Depreciation and amortisation	(1,233)	(19)	(8)	(1,260)
Operating profit/(loss)	1,132	(4,546)	(4,181)	(7,595)
Restructuring and other non-recurring costs	(335)	(964)	(574)	(1,873)
Impairment of assets	-	(10,191)	-	(10,191)
Impairment of goodwill	-	(11,092)	-	(11,092)
Finance expense – net	(1,283)	(400)	(1,703)	(3,386)
Loss before taxation	(486)	(27,193)	(6,458)	(34,137)
Income tax	(85)	6,291	52	6,258
Loss for the year	(571)	(20,902)	(6,406)	(27,879)

b) Segment net assets

Net assets by reportable segment are as follows:

As at 30 June 2020 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Assets	38,519	22,965	896	62,380
Liabilities	(14,481)	(1,697)	(28,312)	(44,490)
Net assets/(liabilities)	**24,038**	**21,268**	**(27,416)**	**17,890**

As at 30 June 2019 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Assets	45,881	26,534	694	73,109
Liabilities	(21,171)	(5,766)	(23,656)	(50,593)
Net assets/(liabilities)	**24,710**	**20,768**	**(22,962)**	**22,516**

As at 31 March 2019 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Assets	35,472	29,538	385	65,395
Liabilities	(13,603)	(6,085)	(21,722)	(41,410)
Net assets/(liabilities)	**21,869**	**23,453**	**(21,337)**	**23,985**

As at 31 March 2018 (US dollars in thousands)	Critical Power Services	Solar Development	Corporate Office	Total
Assets	34,421	41,270	621	76,312
Liabilities	(6,473)	(11,101)	(21,735)	(39,309)
Net assets/(liabilities)	**27,948**	**30,169**	**(21,114)**	**37,003**

5. Gain/(loss) on solar development

On 2 July 2019, the Company sold its 100% interest in VivoRex, LLC, for $1 and recorded a gain for accounting purposes of $2.3 million as a result of the disposal of onerous contract obligations of $2.0 million and other liabilities of $0.5 million, less cash and other current assets of $0.2 million. Results of operations for VivoRex, LLC, are reported within the Solar Development operating segment, as disclosed in Note 4.2, and for the year ended 30 June 2020 accounted for $nil (three months ended 30 June 2019: $0.1 million; year ended 31 March 2019: $1.959 million; 2018: $0.645 million) of the operating loss reported for this segment.

The Company also recorded a gain on sale of $0.5m for Solar projects in Australia, related primarily to the sale of its 100% interest in the Sun Connect portfolio in October 2019. The gain on sale of SC OCo Pty Ltd of $0.3 million, comprised proceeds $1.0 million, less disposal of $0.8 million net book value of intangible assets and $0.1 million other net liabilities. Results of operations for the Sun Connect portfolio are reported within the Solar Development operating segment, as disclosed in Note 4.2.

The Company also recorded a $1.2 million loss on discontinued solar development projects in the ISS Joint Venture.

The loss on solar development for the year-ended 31 March 2019, totalling $2.6 million, is comprised of a $1.9 million provision for onerous contracts related to future obligations to purchase Solar Renewable Energy Certificates ("SRECs") from the NC Projects, discontinued solar development projects in the ISS Joint Venture ($0.8 million), and a correction to the gain on the sale of Amaroo solar project reported in the prior year ($0.3 million), offset by a gain on sale of the NC Projects ($0.4 million).

On 25 May 2018, the Company sold its 14.5% and 10.0% equity interests in the NC-31 and NC-47 projects, respectively, to the majority investor at the fair market value of these projects. The proceeds of sale, net of transaction costs, were $11.4 million. A gain on sale of $0.4 million was realized after the impairment was recognized in the prior year.

6. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March	
			2019	2018
Amortization of intangible assets	868	223	990	840
Depreciation of property, plant and equipment	898	214	430	420
Operating lease costs – land and buildings	-	-	548	304
Operating lease costs – motor vehicles	-	-	65	-
Operating lease costs – other equipment	-	-	33	-
Gain/(loss) on foreign exchange	33	-	-	59
Auditors' remuneration – audit fees	161	97	253	414
Auditors' remuneration – audit related services	-	-	26	-
Auditors' remuneration – tax services	11	-	28	13
Directors emoluments	398	104	611	1,131
Gain/(loss) on disposal of assets	1,589	38	(2,615)	1,356

7. Restructuring and other non-recurring costs

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March	
			2019	2018
Corporate restructuring – workforce reduction	163	-	102	734
Corporate restructuring – litigation provision	1,104	-	-	-
Corporate restructuring – professional fees	1,031	518	1,776	566
Project review and investigation costs	1,112	7	139	573
Total	**3,410**	**525**	**2,017**	**1,873**

Restructuring and other non-recurring costs by nature are one-time incurrences, and therefore, do not represent normal trading activities of the business. These costs are disclosed separately in order to draw them to the attention of the reader of the financial information and enable comparability in future periods.

During a prior fiscal period, the Board undertook a strategic restructuring of the business to align operations, personnel, and business development activities to focus on a fewer number of areas of activity. Associated with this restructuring was the departure of a number of employees and contractors from the business. The workforce reduction cost represents the total salary, benefit, severance, and contract costs paid in the year or accruing to these individuals in the future for which no services will be rendered to the Company. Professional fees represent legal fees incurred to resolve certain disputes related to some of these separations in both the current and prior year. Project review and investigation costs relate to the ISS Joint Venture portfolio in the U.S. and relate to work undertaken in connection with the decision to secure management control.

8. Staff numbers and costs

The average number of employees (including directors) during the period was:

	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March	
			2019	2018
Sales and Business Development	11	9	9	9
Central Services & Management	27	31	32	37
Production	171	139	138	148
Total	**209**	179	179	194

Their aggregate remuneration costs comprised:

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March	
			2019	2018
Salaries, wages and incentives	13,565	3,310	14,327	14,299
Social security costs	803	213	1,044	834
Pension contributions	792	185	788	848
Short-term compensated absences	1,296	406	1,254	996
Total	**16,456**	4,114	17,413	16,977

Directors' emoluments for the year ended 30 June 2020 were $397,844 (three months ended 30 June 2019: $103,925; year ended 31 March 2019: $611,450; 2018: $1,130,570) of which the highest paid director received $205,673 (three months ended 30 June 2019: $62,136; year ended 31 March 2019: $254,084; 2018: $407,682). Director emoluments include employer social security costs.

Key Management Personnel:

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Salaries, wages and incentives	1,009	388	2,354	2,281
Social security costs	79	28	176	217
Pension contributions	36	13	45	64
Equity incentives	111	27	130	-
Short-term compensated absences	-	-	-	13
Total	**1,235**	456	2,705	2,575

Key management personnel are those below the Board level that have a significant impact on the operations of the business. The number of key management personnel, including directors for the year ended 30 June 2020 was 7 (three months ended 30 June 2019: 10; year ended 31 March 2019: 10; 2018: 11).

9. Finance income and expense

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Finance income				
Foreign exchange gains	33	-	-	-
Interest received	-	-	4	9

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Finance expense				
Related party loan interest payable	1,653	387	1,588	1,636
Convertible loan notes and preference shares interest payable	1,185	307	1,284	1,220
Financing agreement finance cost payable	-	-	206	217
Debtor invoice finance cost payable	174	51	164	-
Lease liabilities interest payable	95	22	1	55
Bank interest payable	-	6	-	17
Provisions – unwinding of discount	-	42	-	-
Foreign exchange losses	-	(19)	-	93
Other finance costs	75	-	-	157
Total finance expense	**3,182**	**796**	**3,243**	**3,395**

10. Income tax

a) Tax charge/(credit)

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Current tax				
UK tax	-	-	29	(29)
Foreign tax	53	(162)	(217)	2,279
Total current tax	**53**	**(162)**	**(188)**	**2,250**
Deferred tax				
Current period	-	-	-	-
UK tax	(202)	-	267	(370)
Foreign tax	(564)	70	(636)	4,378
Total deferred tax	**(766)**	**70**	**(369)**	**4,008**
Total income tax	**(713)**	**(92)**	**(557)**	**6,258**

The difference between the total tax charge and the amount calculated by applying the weighted average corporation tax rate applicable to each of the tax jurisdictions in which the Group operates to the profit before tax is shown below.

(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Loss before income tax	(4,390)	(1,354)	(10,666)	(34,137)
Group weighted average corporation tax rate	24.6%	22.0%	21.8%	22.8%
Tax at standard rate	1,080	297	2,325	7,772
Effects of:				
Expenses that are not deductible for tax purposes	(106)	(49)	41	(3,872)
Adjustment to prior year tax provisions	-	-	(64)	2,358
Deferred tax assets not recognized on tax losses	(1,687)	(340)	(2,859)	-
Total income tax for the period Recognized in the Consolidated Statement of Comprehensive Income	(713)	(92)	(557)	6,258

b) Deferred tax

(US dollars in thousands)	As at 30 June		As at 31 March	
	2020	2019	2019	2018
Deferred tax assets	1,347	2,113	2,054	2,570
Deferred tax liabilities	-	(1)	(1)	(26)
Net deferred tax asset/(liability)	1,347	2,112	2,053	2,544

These assets and liabilities are analysed as follows:

Deferred tax assets	Tax losses	Other timing differences	Total
31 March 2018	**1,585**	**985**	**2,570**
Credit/(charged) to comprehensive income	(580)	64	(516)
31 March 2019	**1,005**	**1,049**	**2,054**
Credit/(charged) to comprehensive income	-	59	59
30 June 2019	**1,005**	**1,108**	**2,113**
Credit/(charged) to comprehensive income	(191)	(575)	(766)
30June 2020	**814**	**533**	**1,347**

Deferred tax assets	Accelerated Allowances	Other timing differences	Total
31 March 2018	(8)	(18)	(26)
Credit/(charged) to comprehensive income	7	18	25
31 March 2019	(1)	-	(1)
Credit/(charged) to comprehensive income	-	-	-
30 June 2019	(1)	-	(1)
Credit/(charged) to comprehensive income	1	-	1
30 June 2020	-	-	-

Deferred tax has been recognized in the current period using the tax rates applicable to each of the tax jurisdictions in which the Group operates. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

11. Property, plant and equipment

(US dollars in thousands)	Computer Equipment	Motor Vehicles	Plant & Equipment	Fittings & Equipment	Right-of-Use Assets	Total
Cost						
At 31 March 2018	**642**	**1,997**	**1,520**	**174**	**-**	**4,333**
Foreign exchange	(46)	(148)	(112)	(13)	-	(319)
Additions	73	55	205	15	-	348
Disposals	(126)	(275)	(584)	-	-	(985)
At 31 March 2019	**543**	**1,629**	**1,029**	**176**	**-**	**3,377**
Change in accounting policy (Note 2.16)	-	(371)	-	-	2,152	1,781
Restated at 1 April 2019	**543**	**1,258**	**1,029**	**176**	**2,152**	**5,158**
Foreign exchange	(5)	(13)	(11)	(2)	(20)	(51)
Additions	7	45	222	16	110	400
Disposals	-	(8)	-	-	-	(8)
At 30 June 2019	**545**	**1,282**	**1,240**	**190**	**2,242**	**5,499**
Foreign exchange	(11)	(26)	(26)	(4)	(46)	(113)
Additions	36	359	189	9	570	1,163
Disposals	(94)	(252)	(171)	-	(483)	(1,000)
At 30 June 2020	**476**	**1,363**	**1,232**	**195**	**2,283**	**5,549**

(US dollars in thousands)	Computer Equipment	Motor Vehicles	Plant & Equipment	Fittings & Equipment	Right-of-Use Assets	Total
Depreciation						
At 31 March 2018	422	1,173	761	62	-	2,418
Foreign exchange	(34)	(93)	(59)	(5)	-	(191)
Charge for the year	89	222	106	12	-	430
Disposals	(97)	(223)	(165)	-	-	(486)
At 31 March 2019	**380**	**1,079**	**645**	**68**	**-**	**2,172**
Change in accounting policy (Note 2.16)	-	(123)	-	-	318	195
Restated at 1 April 2019	**380**	**956**	**645**	**68**	**318**	**2,367**
Foreign exchange	(3)	(12)	(7)	-	(3)	(25)
Charge for the period	27	1	17	6	163	214
Disposals	-	(8)	-	-	-	(8)

(US dollars in thousands)	Computer Equipment	Motor Vehicles	Plant & Equipment	Fittings & Equipment	Right-of-Use Assets	Total
At 30 June 2019	**404**	**937**	**655**	**74**	**478**	**2,548**
Foreign exchange	(7)	(15)	(11)	(1)	(3)	(37)
Charge for the period	55	171	107	13	552	898
Disposals	(79)	(257)	(4)	-	(6)	(346)
At 30 June 2020	**373**	**836**	**747**	**86**	**1,021**	**3,063**

(US dollars in thousands)	Computer Equipment	Motor Vehicles	Plant & Equipment	Fittings & Equipment	Right-of-Use Assets	Total
Net book value						
At 31 March 2018	220	824	759	112	-	1,915
At 31 March 2019	163	550	385	108	-	1,205
At 30 June 2019	141	344	585	116	1,764	2,951
At 30 June 2020	**103**	**527**	**485**	**109**	**1,262**	**2,486**

12. Intangible assets

	As at 30 June		As at 31 March	
(US dollars in thousands)	2020	2019	2019	2018
Goodwill	21,919	22,387	22,622	24,482
Other intangible assets	7,930	9,375	9,744	11,920
Total	**29,849**	**31,762**	**32,366**	**36,402**

a) Goodwill

Goodwill arose on the purchase of Aevitas O Holdings Pty Ltd and VivoPower Pty Ltd on 29 December 2016.

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
As at 1 July / 1 April	22,387	22,622	24,482	30,393
Revaluations	-	-	-	3,597
Goodwill previously not recognized	-	-	-	627
Impairment	-	-	-	(11,092)
Reclassifications	-	-	-	138
Additions	-	-	-	-
Foreign exchange	(468)	(235)	(1,860)	819
Carrying value at 30 June / 31 March	**21,919**	**22,387**	**22,622**	**24,482**

The carrying amounts of goodwill by Cash Generating Unit ("CGU") are as follows:

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Aevitas O Holdings Pty Ltd (allocated to the Critical Power Services segment)	12,483	12,751	12,884	13,949
VivoPower Pty Ltd (allocated to the Solar Development segment)	9,436	9,636	9,738	10,533
Total	**21,919**	**22,387**	**22,622**	**24,482**

The Group conducts impairment tests on the carrying value of goodwill annually, or more frequently if there are any indications that goodwill might be impaired. The recoverable amount of the Cash Generating Unit ("CGU") to which goodwill has been allocated are determined from value in use calculations. The key assumptions in the calculations are the discount rates applied, expected operating margin levels and long-term growth rates. Management estimates discount rates that reflect the current market assessments while margins and growth rates are based upon approved budgets and related projections.

The Group prepares cash flow forecasts using the approved budgets for the coming financial year and management projections for the following two years. Cash flows are also projected for subsequent years as management believes that the investment is held for the long term. These budgets and projections reflect management's view of the expected market conditions and the position of the CGU's products and services within those markets.

The CGU represented by Aevitas O Holdings Pty Ltd was assessed to have a value in excess of its carrying value and hence no additional adjustments to goodwill were considered necessary. Key assumptions used in the assessment of impairment were discount rate based on the weighted average cost of capital of 10.6% (30 June 2019: 8.8%; 31 March 2019: 8.8%; 2018: 9.2%) and annual growth rate of 3.0% per annum. No sensitivity analysis is provided as the Company expects no foreseeable changes in the assumptions that would result in impairment of the goodwill.

The CGU represented by VivoPower Pty Ltd was assessed to have a value in excess of its carrying value and hence no additional adjustments to goodwill were considered necessary. Key assumptions used in the assessment of impairment were weighted average cost of capital of 10.9% (30 June 2019: 11.0%; 31 March 2019: 11.0%; 2018: 12.1%), an average annual growth rate in years 1-5 of 53% during the initial expansion phase, and a long-term growth rate of 3.0% from year 6 onwards.

If the weighted average cost of capital of VivoPower Pty Ltd had been 1% higher than management's estimates, the Group would have had to recognize an impairment of $1.5 million. If project realizations in years 1-5 result in an EBITDA 10% less than management's estimates, the Group would have had to recognize an impairment of $0.9 million. If the long-term growth rate in year 6 onwards was 2% instead of 3%, the Group would have had to recognize an impairment of $1.2 million.

b) Other intangible assets

(US dollars in thousands)	Customer relationships	Trade names	Favourable Supply Contracts	Databases	Other	Total
Cost						
At 31 March 2018	5,799	2,680	4,577	154	98	13,308
Foreign exchange	(439)	(204)	(348)	(12)	(11)	(1,013)
Disposals	(263)	-	-	-	(72)	(335)
At 31 March 2019	**5,097**	**2,476**	**4,229**	**142**	**16**	**11,960**
Foreign exchange	(55)	(26)	(44)	(1)	-	(126)
Additions	-	-	-	-	12	12
Disposals	(50)	-	-	-	-	(50)
At 30 June 2019	**4,992**	**2,450**	**4,185**	**141**	**28**	**11,796**
Foreign exchange	(103)	(51)	(86)	(3)	(1)	(244)
Additions	461	-	-	-	-	461
Disposals	(968)	-	-	-	(9)	(977)
At 30 June 2020	**4,382**	**2,399**	**4,099**	**138**	**18**	**11,036**
Amortization						
At 31 March 2018	**677**	**237**	**406**	**68**	**-**	**1,388**
Foreign exchange	(75)	(22)	(38)	(6)	-	(141)
Amortization	483	169	289	49	-	990
Disposals	(21)	-	-	-	-	(21)
At 31 March 2019	**1,064**	**384**	**657**	**111**	**-**	**2,216**
Foreign exchange	(6)	(4)	(7)	(1)	-	(18)
Amortization	100	41	70	12	-	223
At 30 June 2019	**1,158**	**421**	**720**	**122**	**-**	**2,421**
Foreign exchange	(24)	(9)	(15)	(2)	-	(50)
Amortization	404	160	273	13	18	868
Disposals	(133)	-	-		-	(133)
At 30 June 2020	**1,405**	**572**	**978**	**133**	**18**	**3,106**
Net book value						
At 31 March 2018	5,122	2,443	4,171	86	98	11,920
At 31 March 2019	4.033	2.092	3,572	31	16	9,744
At 30 June 2019	3,834	2,029	3,465	19	28	9,375
At 30 June 2020	**2,977**	**1,827**	**3,121**	**5**	**-**	**7,930**

Customer relationships, trade names and favourable supply contracts have an average remaining period of amortization of 10 years, 13 years and 13 years respectively.

Additions in the year comprise investment in the Daisy Hill and Yoogali Solar projects in Australia, which the Group owns a 60% effective equity share of through its investment in the IT Power project companies. Intangible assets of $0.5 million include 100% of the intangible assets invested. The non-controlling interest share of $0.2 million is reflected in equity. These project development costs are categorised in customer relationships.

Intangible assets disposed of in the year relate to the Sun Connect portfolio, as described in note 5. Sun Connect portfolio costs were categorised in customer relationships.

13. Investment in subsidiaries

The principal operating undertakings in which the Group's interest at 30 June 2020 is 20% or more are as follows:

Subsidiary undertakings	Percentage of ordinary shares held	Registered address
VivoPower International Services Limited	100%	28 Esplanade, St Helier, Jersey, JE2 3QA
VivoPower USA LLC	100%	251 Little Falls Drive, Wilmington, DE, USA 19808
VivoPower US-NC-31, LLC	100%	
VivoPower US-NC-47, LLC	100%	
VivoPower (USA) Development, LLC	100%	
VivoPower Pty Ltd	100%	153 Walker St, North Sydney NSW, Australia 2060
VivoPower WA Pty Ltd	100%	
VVP Project 1 Pty Limited	100%	
Amaroo Solar Pty. Ltd.	100%	
SC Tco Pty Limited	100%	
SC Hco Pty Limited	100%	
SC Fco Pty Limited	100%	
Yoogali Solar Farm Pty Ltd	60%	
Daisy Hill Solar Farm Pty Ltd	60%	
Aevitas O Holdings Pty Ltd	100%	
Aevitas Group Limited	99.9%	
Aevitas Holdings Pty Ltd	100%	
Electrical Engineering Group Pty Limited	100%	
J.A. Martin Electrical Limited	100%	
Kenshaw Electrical Pty Limited	100%	
VivoPower Philippines Inc.	64%	Unit 10A, Net Lima Building, 5th Avenue cor. 26th Street, E-Square Zone, Crescent Park West, Bonifacio Global City, Taguig, Metro Manila
VivoPower RE Solutions Inc.	64%	
V.V.P. Holdings Inc. *	40%	

Associate and Joint Venture Undertakings	Percentage of shares held	Registered address
Innovative Solar Ventures I, LLC	50%	251 Little Falls Drive, Wilmington, DE, USA 19808
VVPR-ITP TopCo Pty Limited	50%	153 Walker St, North Sydney NSW, Australia 2060

* V.V.P. Holdings Inc. is controlled of VivoPower Pty Ltd notwithstanding only owning 40% of the ordinary share capital.

14. Investments accounted for using the equity method

	%	As at 30 June		As at 31 March	
(US dollars in thousands)	**Owned**	**2020**	**2019**	**2019**	**2018**
Innovative Solar Ventures I, LLC	50%	8,225	-	-	14,147
US-NC-31 Sponsor Partner, LLC	14.45%	-	-	-	-
US-NC-47 Sponsor Partner, LLC	10%	-	-	-	-
Total		**8,225**	**-**	**-**	**14,147**

In April 2017, the Company entered into a 50% joint venture with an early-stage solar development company, Innovative Solar Systems, LLC, to develop a diversified portfolio of 38 utility-scale solar projects in 9 different states, representing a total electricity generating capacity of approximately 1.8 gigawatts, through an investment entity called Innovative Solar Ventures I, LLC (the "ISS Joint Venture").

Under the terms of the ISS Joint Venture, the Company has committed to invest $14.1 million in the ISS Joint Venture for its 50% equity interest, after reducing the commitment by $0.8 million in potential brokerage commissions that have not been required and which have been credited towards the Company's commitment. The $14.1 million commitment is allocated to each of the projects based on monthly capital contributions determined with reference to completion of specific project development milestones under an approved development budget for the ISS Joint Venture. To 30 June 2020, the Company contributed $13.1 million of the $14.1 million commitment to the ISS Joint Venture, leaving a remaining capital commitment at 30 June 2020, of $1.1 million, which is recorded in trade and other payables. Three projects within the portfolio were discontinued in the year ended 30 June 2020, resulting in a write-off of capitalized costs of $1.2 million related to those projects, as shown in Note 5.

The joint venture was accounted for as an investment under the equity method at 31 March 2018.During the year ended 31 March 2019, the Company made the decision to sell its portfolio of solar projects held within the ISS Joint Venture, and the Joint Venture assets were reclassified as assets held for sale. In the year ended 30 June 2020, sale of the entire portfolio was not successful. The Company has commenced a process to take control of the portfolio from the Joint Venture partner, and this is expected to result in a slower project realization timeframe, Accordingly, the portion of the investment that is expected to be realized in near term sales within 12 months has remained in assets held for sale. The remainder of the portfolio has been reclassified back to investments accounted for under the equity method.

Costs of $1.1 million associated with a detailed review of the portfolio and sales campaign have been expensed as a restructuring and other non-recurring cost, as described in Note 7.

15. Cash and cash equivalents

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Cash at bank and in hand	2,824	7,129	4,522	1,939

The credit ratings of the counterparties with which cash was held are detailed in the table below.

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
A+	-	252	17	891
A	-	233	14	69
A-	554	-	-	-
AA-	2,270	6,644	4,491	979
Total	**2,824**	**7,129**	**4,522**	**1,939**

16. Restricted cash

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Bank guarantee security deposit	1,013	632	816	-
Preferred supplier agreement escrow	-	-	503	-
Total	**1,013**	**632**	**1,319**	**-**

At 30 June 2020, there is a total of $1.0 million (30 June 2020, $0.6 million; 31 March 2019: $0.8 million) of cash which is subject to restriction as security for bank guarantees provided to customers in support of performance obligations under power services contracts.

17. Trade and other receivables

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Current receivables				
Trade receivables	3,112	6,193	5,899	5,333
Contract assets	3,382	3,929	1,800	120
Prepayments	432	2,919	628	391
Other receivables	5,475	1,951	2,072	2,059
Current tax receivable	155	-	-	-
Total	**12,556**	**14,992**	**10,399**	**7,903**

In accordance with IFRS 15, contract assets are presented as a separate line item. The Company has not recognized any loss allowance for contract assets.

Analysis of trade receivables:

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Trade and other receivables	3,119	6,195	5,929	5,335
Less: credit note provision	(7)	(2)	(30)	(2)
Total	**3,112**	**6,193**	**5,899**	**5,333**

The maximum exposure to credit risk for trade receivables by geographic region was:

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
USA	-	108	78	129
United Kingdom	-	-	-	12
Australia	3,112	6,085	5,821	5,192
Total	**3,112**	**6,193**	**5,899**	**5,333**

The aging of the trade receivables, net of provisions is:

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
0-90 days	3,055	6,093	5,765	5,326
Greater than 90 days	57	100	134	7
Total	**3,112**	**6,193**	**5,899**	**5,333**

18. Assets classified as held for sale

(US dollars in thousands)	% Owned	As at 30 June 2020	As at 30 June 2019	As at 31 March 2019	As at 31 March 2018
Innovative Solar Ventures I, LLC	50%	4,080	13,530	13,530	
US-NC-31 Sponsor Partner, LLC	14.45%	-	-	-	6,595
US-NC-47 Sponsor Partner, LLC	10%	-	-	-	4,841
Total		**4,080**	**13,530**	**13,530**	**11,436**

As more fully disclosed in Note 14, the Company's portfolio of U.S. solar projects is held through 50% ownership in the ISS Joint Venture. During the year ended 31 March 2019, the Company made the decision to sell its portfolio of U.S. solar projects and accordingly, the investment has been reclassified to current assets as assets held for sale. Assets classified as held for sale are included within the Solar Development segment in Note 4.2.

Reconciliation of the ISS Joint Venture investment is as follows:

(US dollars in thousands)	As at 30 June 2020	As at 30 June 2019	As at 31 March 2019	As at 31 March 2018
Capital commitment	15,044	15,044	15,044	14,904
Commission credit	(770)	(770)	(770)	(757)
Discontinued projects	(2,079)	(848)	(848)	-
Acquisition costs	110	104	104	-
Net assets	**12,305**	**13,530**	**13,530**	**14,147**

Allocation of the net book value of the equity accounted investment in the ISS Joint Venture, between current assets held for sale, and non-current investments (as disclosed in Note 14), is as follows:

(US dollars in thousands)	As at 30 June 2020	As at 30 June 2019	As at 31 March 2019	As at 31 March 2018
Assets classified as held for sale	4,080	13,530	13,530	-
Investments accounted for using the equity method	8,225	-	-	14,147
Net assets	**12,305**	**13,530**	**13,530**	**14,147**

The table below provides summarized financial information for the ISS Joint Venture. The information disclosed reflects the amounts presented in the financial statements of ISS Joint Venture, amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policy. The summarized financial information for the ISS Joint Venture does not represent the Company's share of those amounts.

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Current assets	2	1,187	1,187	1,373
Non-current assets	23,277	27,107	27,107	26,921
Net assets	**23,279**	**28,294**	**28,294**	**28,294**

No summarized statement of comprehensive income has been presented as there were no movements in comprehensive income in the year (30 June 2019: nil; 31 March 2019: nil; 2018: nil).

Reconciliation to carrying amounts of the ISS Joint Venture (including amounts disclosed within Investments accounted for using the equity method, see Note 14):

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Opening net assets	28,294	28,294	28,294	-
Initial investment	-	-	-	29,808
Commission credit	(1,546)	-	1,514	(1,514)
Commission credit on abandonments	144	-	-	-
Commission credit	90	-	-	
Project swaps	-	-	281	-
Abandoned projects	(2,592)	-	(1,795)	-
Net assets	**24,390**	**28,294**	**28,294**	**28,294**
VivoPower share in %	50%	50%	50%	50%
VivoPower share in $	**12,195**	**14,148**	**14,148**	**14,147**
Commission credit	-	(721)	(721)	-
Acquisition costs	110	103	103	-
Net Assets	**12,305**	**13,530**	**13,530**	**14,147**

19. Trade and other payables

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Trade payables	4,807	5,554	5,675	3,806
Accruals	370	2,247	1,952	3,008
Related party payable	504	1,527	1,378	1,838
Payroll liabilities	1,383	1,209	1,165	504
Sales tax payable	496	1,054	764	310
Contract liabilities	6,013	10,095	4,978	1,544
Other creditors	1,822	2,953	2,011	3,072
Total	**15,395**	**24,639**	**17,923**	**14,082**

In accordance with IFRS 15 – Revenue from Contracts with Customers, contract liabilities are presented as a separate line item. Contract liabilities relate to the Company's obligation to transfer goods or services to customers for which the Company has received consideration (or the amount is due) from customers. Contract liabilities are recorded as revenue when the Company fulfils its performance obligations under the contract.

Of the $10.1 million contract liabilities balance at 30 June 2019 and $5.0 million balance at 31 March 2019, $2.4 million was not recognized as revenue in the year ended 30 June 2020 and remained outstanding at 30 June 2020 due to contract postponement; now budgeted in the first half of the year ending 30 June 2021. All other contract liabilities balances at 30 June 2019, 31 March 2019, 2018 and 2017 were recognized as revenue in the subsequent accounting period.

20. Provisions

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Current provisions				
Employee entitlements	1,561	1,510	1,459	1,474
Litigation	1,104	-	-	-
Warranty	232	-	-	-
Employee terminations	-	112	157	616
Onerous contracts	-	96	94	380
Total	**2,897**	**1,718**	**1,710**	**2,470**
Non-current provisions				
Employee entitlements	169	148	227	288
Onerous contracts	-	1,952	1,995	-
Total	169	2,100	2,222	288
Total	**3,066**	**3,818**	**3,932**	**2,758**

Employee entitlements include long term leave and vacation provisions.

The employee terminations provision represents severance and contract termination costs associated with employees and contractors who departed the business as a result of the restructuring more fully disclosed in Note 7.

The onerous contracts provision recognized the forecast losses associated with contracts to purchase Solar Renewable Energy Certificates from the NC-31 and NC-47 projects until 2027.The expected losses were discounted at the Company's borrowing rate on long-term debt of 8.5%. The provision formed part of the disposed net assets of VivoRex LLC, sold on 2 July 2019, as more fully disclosed in Note 5.

On 26 February 2018, the Company's former Chief Executive Officer, Phillip Comberg, filed a legal claim alleging the Company committed a repudiatory breach of his service agreement in connection with the termination of his employment on 4 October 2017. Mr. Comberg is claiming damages of £615,600 related to the notice period in his service agreement, £540,000 related to shares in the Company he alleges were due to him, and other unquantified amounts related to bonuses and past services fees alleged to be due. On 9 April 2018, the Company filed a defence and counterclaim, denying that a repudiatory breach was committed by the Company and denying the other claims asserted by Mr. Comberg, claiming that Mr. Comberg was terminated for cause.

On 26 November 2018, the Company agreed to a settlement of the counterclaims against Mr. Comberg for an undisclosed amount. No settlement has been reached with respect to Mr. Comberg's claim. The Company continues to strongly deny and defend the claim.

After aborted attempts at settlement, the matter was heard in the UK High Court in the first two weeks of March 2020. At the time of writing, the Company is still awaiting the verdict from the trial.

In the year ended 30 June 2020, the Company has incurred $0.9 million of legal fees in relation to this matter, in addition to amounts incurred in prior periods. The Company has also made a provision at 30 June 2020, for the expected outcome of the trial, of $1.1 million, including allocation of costs, based on legal counsel advice about the Company's chances of success for the different elements of the claims.

(US dollars in thousands)	Employee Entitlements	Employee Terminations	Onerous Contracts	Litigation	Warranty	Total
At 31 March 2018	**1,762**	**616**	**380**	**-**	**-**	**2,758**
Foreign exchange	(140)	-	-	-	-	(140)
Charged/(credited) to profit or loss:						
Additional provisions	510	243	1,804	-	-	2,557
Reverse unused provisions	(26)	(87)	-	-	-	(113)
Provisions utilized	(420)	(614)	(96)	-	-	(1,130)
At 31 March 2019	**1,686**	**158**	**2,088**	**-**	**-**	**3,932**
Foreign exchange	(18)	-	-	-	-	(18)
Charged/(credited) to profit or loss:						
Additional provisions	146	-	-	-	-	146
Reverse unused provisions	(41)	-	-	-	-	(41)
Unwinding of discount	-	-	42	-	-	42
Provisions utilized	(116)	(45)	(82)	-	-	(243)
At 30 June 2019	**1,657**	**113**	**2,048**	**-**	**-**	**3,818**
Foreign exchange	(41)	-	-	-	-	(41)
Charged/(credited) to profit or loss:						
Additional provisions	1,659	176	-	1,104	232	3,171
Reverse unused provisions	(72)	(28)	-	-	-	(100)
Disposals	-	-	(2,048)	-	-	(2,048)
Provisions utilized	(1,473)	(261)	-	-	-	(1,734)
At 30 June 2020	**1,730**	**-**	**-**	**1,104**	**232**	**3,066**

21. Loans and borrowings

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Current liabilities				
Debtor invoice financing	508	901	751	-
Lease liabilities	641	660	136	285
Shareholder loans	-	766	-	1,670
Chattel mortgage	51	-	-	-
Financing agreement	-	-	-	2,000
Bank loan	66	-	-	-
Other borrowings	46	-	-	-
Total	**1,312**	**2,327**	**887**	**3,955**
Non-current liabilities				
Lease liabilities	715	1,117	138	293
Shareholder loan	23,400	18,242	18,242	18,092
Chattel mortgage	249	-	-	-
Bank loan	278	-	-	-
Total	**24,642**	**19,359**	**18,380**	**18,385**
Total	**25,954**	**21,686**	**19,267**	**22,340**

In June 2020, the Company refinanced its shareholder loan due to AWN Holdings Limited ("AWN"), the Company's majority shareholder, capitalizing current and non-current shareholder loans, accrued interest and related party trade payables, into a new shareholder loan.

The new shareholder loan bears interest at 10.0% per annum plus a line fee of 2.0% per annum, payable monthly in advance. However, no interest or line fee settlements are required until after a corporate liquidity event has occurred. No repayment of principal is required until July 2021, and then is repayable in 9 equal monthly instalments until March 2022. Security granted to AWN comprises a Specific Security Deed over the assets of Aevitas O Holdings Pty Ltd and general security over the assets of VivoPower International PLC.

In February 2020, the Company agreed an unsecured bridging loan with AWN to provide additional liquidity to the Company. Interest on the loan was charged at 10.0% per annum. A total of $1.3 million was advanced to the Company under the bridging loan, which was capitalized, including interest thereon, into the refinanced shareholder loan, in June 2020.

In May and June 2020, the Company obtained $0.3m government backed loans in Australia to provide additional liquidity during the COVID-19 pandemic.

In addition to lease liabilities, in the year ended 30 June 2020, J.A. Martin Electrical Pty Limited and Kenshaw Electrical Pty Limited have also taken out vehicle financing in the form of chattel mortgages, totalling $0.3 million.

In August 2018, the Company secured a $3.6 million (AU$5 million) debtor finance facility to support the growing working capital requirements of its critical power services businesses. The facility is secured by a fixed charge over the debtors' book and floating charge over all other assets of J.A. Martin Electrical Pty Limited and Kenshaw Electrical Pty Limited.

The obligations under lease liabilities are as follows:

	Minimum lease Payments				Present value of minimum lease payments			
	As at 30 June		As at 31 March		As at 30 June		As at 31 March	
(US dollars in thousands)	2020	2019	2019	2018	2020	2019	2019	2018
Amounts payable under lease liabilities:								
Less than one year	695	692	147	291	649	660	136	285
Later than one year but not more than five	759	1,299	143	327	707	1,117	138	293
	1,454	1,991	290	618	1,356	1,777	274	578
Future finance charges	(98)	(214)	(16)	(40)	-	-	-	-
Total lease obligations under lease liabilities	1,356	1,777	274	578	1,356	1,777	274	578

22. Called up share capital

	As at 30 June		As at 31 March	
(US dollars in thousands)	2020	2019	2019	2018
Allotted, called up and fully paid				
Ordinary shares of $0.012 each	$162,689	$162,689	$162,689	$162,689
Number allotted				
Ordinary shares of $0.012 each	13,557,376	13,557,376	13,557,376	13,557,376

	No. of shares
At 1 April 2018	**13,557,376**
Issue of new shares	-
At 31 March 2019	**13,557,376**
Issue of new shares	-
At 30 June 2019	**13,557,376**
Issue of new shares	-
At 30 June 2020	**13,557,376**

23. Other reserves

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Equity instruments	27,057	26,087	26,090	25,072
Share option reserve	-	3,713	3,713	3,713
Capital raising costs	(6,009)	(9,722)	(9,722)	(9,722)
Treasury shares	-	(13)	(246)	(592)
Equity incentive costs	344	-	-	-
Foreign exchange	16	11	11	(88)
Total	**21,408**	**20,076**	**19,846**	**18,383**

Equity instruments are convertible preference shares and convertible loan notes in Aevitas Group Limited ("Aevitas Group") which must convert to shares of VivoPower at $10.20 per share no later than 30 June 2021. The Company has classified these instruments as equity under the "fixed-for-fixed" rule meaning that both the amount of consideration received/receivable and the number of equity instruments to be issued is fixed.

There are 2,473,367 convertible preference shares outstanding with a face value of AU$3.00 per share and mature on 30 June 2021. The value held in reserves of AU$11,059,348 represents their face value plus the dividends accrued to 30 June 2020. Convertible preference shares are subordinated to all creditors of Aevitas Group, rank equally amongst themselves, and rank in priority to ordinary shares of Aevitas Group.

There are 2,473,367 convertible loan notes outstanding with a face value of AU$7.00 per share and mature on 30 June 2021. The value held in reserves of AU$25,075,203 represents their face value plus the dividends accrued to 30 June 2020. The convertible loan notes rank equally with the unsecured creditors of Aevitas Group.

Dividends or interest is payable quarterly in arrears at a rate of 7% on the capitalized value to 29 December 2016, the date at which they became convertible to VivoPower shares. At maturity, or if a trigger event such as a change of control of Aevitas Group or VivoPower, a listing event, or a disposal of substantially all of the assets of Aevitas Group has occurred, the convertible preference shares and convertible loan notes in Aevitas Group convert to VivoPower ordinary shares at a price of US$10.20 per share.

In connection with the acquisition of Aevitas Group, the Company entered into a guarantee of the obligations of Aevitas Group under the terms of the preference shares and loan notes.

As disclosed more fully in Note 29, on 10 July 2020, a proposal to reconstitute the Aevitas convertible preference shares and convertible loan notes as an Aevitas preference share was approved at an extraordinary meeting of the ordinary shareholders, exchangeable preference shareholders and exchangeable noteholders of Aevitas Group Limited.

The share option reserve represents 828,000 share options granted to Early Bird Capital as part of the initial public share offering. The options entitled the holder to buy VivoPower ordinary shares at US$8.70 at any time before 30 April 2020. The options were originally accounted for as a share-based award and accordingly, the cost of the award was recognized directly in equity and was applied against capital raising costs. The fair value of the options was determined at the grant date, using the Black Scholes Model, and not remeasured subsequently. The options lapsed in April 2020, accordingly the reserve has been released and credited against capital raising costs.

On March 30, 2017, the Company repurchased 129,805 shares at a price of $4.50 for a total sum of $591,911, including commission, and held them as treasury shares. During the year ended 31 March 2019, 75,805 of these shares were awarded to employees under the Company's 2017 Omnibus Incentive Plan. Based on the closing market value of these shares on the day of award, $85,660 was expensed as employee compensation and remaining cost of $260,011 was charged against retained earnings.

During the year ended 30 June 2020, share incentives were granted to employees and directors of the Company, under the Company's 2017 Omnibus Incentive Plan. Of the share awards granted, $344,000 of shares fully vested or had a vesting period commencing in the year ended 30 June 2020.

24. Earnings per share

The earnings and weighted average numbers of ordinary shares used in the calculation of earnings per share are as follows:

			Year Ended 31 March 2018	
(US dollars in thousands)	Year Ended 30 June 2020	Three Months Ended 30 June 2019	2019	2018
Loss for the year/period	(5,103)	(1,446)	(11,223)	(27,879)
Weighted average number of shares in issue ('000s)	13,557	13,557	13,557	13,557
Basic earnings/(loss) per share (dollars)	(0.38)	(0.11)	(0.83)	(2.06)
Diluted earnings/(loss) per share (dollars)	(0.38)	(0.11)	(0.83)	(2.06)

25. Contingencies

As described in Note 20, the Company has participated in a court hearing in March 2020 in relation to the legal claims by the Company's former Chief Executive Officer, Phillip Comberg. In addition to the probable financial outcome of the trial of $1.1 million, further elements of the claim will also be ruled upon in the verdict. These are considered by the Company to be much lower risk than those that have been provided for, and the Company may have further recourse to appeal beyond the initial verdict. Accordingly, no provision has been made in the financial statements in respect of the other claims brought by Mr Comberg.

26. Pensions

The Group's principal pension plan comprises the compulsory superannuation scheme in Australia, where the Group contributes 9.5%. A pension scheme is also in place for UK employees, where the Group contributes 4%. The pension charge for the year represents contributions payable by the Group which amounted to $0.79 million (3 months ended 30 June 2019: $0.27 million; year ended 31 March 2019: $0.76 million; 2018: $0.90 million.

27. Financial instruments

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Financial assets at amortized cost				
Trade and other receivables	8, 587	8,144	7,971	7,392
Cash and cash equivalents	2,824	7,129	4,522	1,939
Restricted cash	1,013	632	1,319	-
Total	**12,424**	**15,905**	**13,812**	**9,331**
Financial liabilities at amortized cost				
Loans and borrowings	25,954	21,686	19,267	22,340
Trade and other payables	7,504	12,281	11,016	11,724
Total	**33,458**	**33,967**	**30,283**	**34,064**

The amounts disclosed in the above table for trade and other receivables and payables do not agree to the amount reported in the Company's Consolidated Statement of Financial Position as they exclude prepaid expenses, payroll and sales tax payable, current tax receivables and contract assets and liabilities, which do not meet the definition of financial assets or liabilities.

(a) Financial risk management

The Group's principal financial instruments are bank balances, cash and medium-term loans. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group also has other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk
- Credit risk
- Interest rate risk
- Foreign currency risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Policy for managing risks is set by the Chief Executive Officer and is implemented by the Group's finance department. All risks are managed centrally with a tight control of all financial matters.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group considers that it has no significant liquidity risk. The Group held unrestricted cash resources of $2.8 million at 30 June 2020 (30 June 2019: $7.1 million; 31 March 2019: $4.5 million; 2018: $1.9 million). The ratio of current assets to current liabilities at 30 June 2020 is 1.04 (30 June 2019: 1.25; 31 March 2019: 1.43; 2018: 1.03). During the year ended 31 March 2019, the Group established a $3.6 million debtor finance facility to support its working capital requirements, of which only $0.5 million was drawn at 30 June 2020 (30 June 2019: $0.9 million; 31 March 2019: $0.8 million). In addition, the Group maintains near-term cash flow forecasts that enable it to identify its borrowings requirement so that remedial action can be taken if necessary.

Contractual maturities of financial liabilities, including interest payments, are as follows:

As at 30 June 2020 (US dollars in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual maturity of financial liabilities					
Trade and other payables (financial liabilities)	7,504	7,504	-	-	-
Borrowings	24,598	688	23,873	37	-
Lease liabilities	1,356	649	654	53	-
Total	**33,458**	**8,841**	**24,527**	**90**	

As at 30 June 2019 (US dollars in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual maturity of financial liabilities					
Trade and other payables (financial liabilities)	12,281	12,281	-	-	-
Borrowings	23,397	3,859	19,538	-	-
Lease liabilities	1,991	692	1,077	222	-
Total	**37,669**	**16,832**	**20,615**	**222**	

As at 31 March 2019 (US dollars in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual maturity of financial liabilities					
Trade and other payables (financial liabilities)	11,016	11,016	-	-	-
Borrowings	22,480	2,556	19,924	-	-
Lease liabilities	290	147	143	-	-
Total	**33,786**	**13,719**	**20,067**	**-**	

As at 31 March 2018 (US dollars in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual maturity of financial liabilities					
Trade and other payables (financial liabilities)	11,724	11,724	-	-	-
Borrowings	25,896	5,498	14,111	6,287	-
Lease liabilities	619	291	328	-	-
Total	**38,239**	**17,513**	**14,439**	**6,287**	

(c) Credit risk

The primary risk arises from the Group's receivables from customers and contract assets. The majority of the Group's customers are long standing and have been a customer of the Group for many years. Losses have occurred infrequently. The Group is mainly exposed to credit risks from credit sales, but the Group has no significant concentrations of credit risk and keeps the credit status of customers under review. Credit risks of customers of new customers are reviewed before entering into contracts. The debtor exposure is monitored by Group finance and the local entities review and report their exposure on a monthly basis.

The Group does not consider the exposure to the above risks to be significant and has therefore not presented a sensitivity analysis on the identified risks.

The credit quality of debtors neither past due nor impaired is good. Refer to Note 17 for further analysis on trade receivables.

(d) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk on sales and purchases that are denominated in currencies other than the respective functional currencies of the Group entities to which they relate, primarily with respect to GBP and USD, but also between USD and AUD.

The Group's investments in overseas subsidiaries are not hedged as those currency positions are either USD denominated and/or considered to be long-term in nature.

The Group is exposed to foreign exchange risk on the following balances at 30 June 2020:

- Cash and cash equivalents $2.3 million denominated in AUD and $0.1 million denominated in GBP.
- Restricted cash $1.0 million denominated in AUD.
- Trade and other receivables $12.3 million denominated in AUD and $0.2 million denominated in GBP.
- Trade and other payables $10.6 million denominated in AUD and $1.5 million in GBP.
- Borrowings $2.5 million denominated in AUD.
- Provisions $2.0 million denominated in AUD and $1.1 million in GBP.

The non-current shareholder loan of $23.4 million is denominated in USD, upon which there is no foreign currency risk.

(e) Interest rate risk

As a result of the related party loan agreement the Group is exposed to interest rate volatility. However, the interest rate is fixed for the medium term, therefore, the risk is largely mitigated for the near future. The Group will continue to monitor the movements in the wider global economy.

28. Related party transactions

AWN is the ultimate controlling party by virtue of its 60.3% shareholding in VivoPower. Kevin Chin, Chairman and Chief Executive Officer of VivoPower, is also Chief Executive of AWN. During the period, a number of services were provided to the Group from AWN and its subsidiaries; the extent of the transactions between the two groups is listed below.

On 30 June 2020, the Company completed a refinancing transaction on its shareholder loan. Under the terms of the refinancing, the new loan applies normal commercial terms, with interest at 10.0% per annum and line fee of 2%. Both interest and line fee are payable monthly in advance, except that until the Company achieves a corporate liquidity event such as a business sale or capital raise, the interest and line fee will accrue without payment. Principal is repayable in equal monthly instalments commencing July 2021 until March 2022. The new refinanced loan capitalized and settled existing related party balances with Arowana, as detailed below, for a total principal as at 30 June 2020 of $23,303,288.

Prior to the refinancing, VivoPower was indebted to Arowana via a shareholder loan on normal commercial terms with interest at 8.5% per annum payable monthly in advance and principal repayable in equal monthly instalments of $75,000 for ten months beginning April 2018, with the remainder repayable in 21 equal monthly instalments commencing July 2020. At 30 June 2019 the principal balance due to Arowana by VivoPower under this loan was $18,242,636 (31 March 2019: $18,242,636; 2018: $18,992,636), and this amount plus unpaid interest of $2,185,701 was settled as part of the parent company loan refinancing transaction on 30 June 2019, leaving nil balance at 30 June 2020.

Prior to the refinancing, VivoPower was also indebted to Arowana via a shareholder loan on normal commercial terms with interest at 10.0% per annum payable monthly in arrears and principal repayable upon release of restricted cash held as bank guarantee security as disclosed in Note 16 to the consolidated financial statements. Of the principal balance as at 30 June 2019 of $765,681, $320,530 was repaid in the year ended 30 June 2020, whilst the remaining $445,151 plus interest was capitalized in the parent company loan refinancing, settled on 30 June 2020 as part of the parent company loan refinancing. At 30 June 2019 the principal balance due to Arowana by VivoPower under this loan was $765,681 (31 March 2019: nil; 2018: nil).

A $1,300,000 bridge loan was provided to VivoPower by Arowana during the year ended 30 June 2020. The loan plus accrued interest of $43,231 was also settled as part of the parent company loan refinancing on 30 June 2020.

Directors fees for Kevin Chin in the amount of $207,181 were charged to the Company by Arowana Partners Group Pty Limited, a company of which Mr. Chin is a shareholder and director, during the year ended 30 June 2020. At 30 June 2020 the Company had an account payable to Arowana Partners Group Pty Limited of $105,620 (30 June 2019; $88,516; 31 March 2019: $47,990; 2018: $42,188) in respect of these services.

Art Russell, Interim Chief Executive Officer, was employed by Arowana International UK Limited, a subsidiary of Arowana until his resignation on 17 March 2020, and seconded to VivoPower; $277.306 was charged to the Company during the year ended 30 June 2020. At 30 June 2020, the Company had an account payable of $185,253 (30 June 2019: $116,923; 31 March 2019: $32,657; 2018: $80,026) in respect of these services.

Michael Hui, non-executive director of VivoPower International PLC, is also an employee of Arowana. During the year ended 30 June 2020, Mr. Hui invoiced the Company $11,131 for director fees from the date of his appointment to the Board in January 2020. At 30 June 2020, the Company had an account payable of $1,878 in respect of these services.

From time to time, costs incurred by Arowana on behalf of VivoPower are recharged to the Company. During the year ended 30 June 2020, $108,785 was recharged to the Company. At 30 June 2020, the Company has a payable to Arowana in respect of recharges of $202,024 (30 June 2019: $1,268,670; 31 March 2019: $1,268,670; 2018: $1,802,003). On 30 June 2020 $1,066,666 of the recharge balance was settled and capitalized in the refinanced AWN loan.

Aevitas is indebted to the following subsidiaries of AWN via their holdings in Aevitas convertible loan notes, which are accounted for as equity instruments within other reserves, as more fully described in Note 23 to the consolidated financial statements, and for which they earned $659,090 of interest during the year ended 30 June 2020. The outstanding amount represents the face value plus interest accrued to 30 June 2020:

- Arowana Australasian Special Situations 1A Pty Ltd: 666,666 Aevitas convertible loan notes with an outstanding amount of $4,729,996;
- Arowana Australasian Special Situations 1B Pty Ltd: 666,667 Aevitas convertible loan notes with an outstanding amount of $4,730,003; and,
- Arowana Australasian Special Situations 1C Pty Ltd: 666,667 Aevitas convertible loan notes with an outstanding amount of $4,730,003.

Subsidiaries of Arowana hold the following convertible preferred shares of Aevitas, which are accounted for as equity instruments within other reserves, and for which they earned $282,467 of dividends during the year ended 30 June 2020. The outstanding amount represents the face value plus dividends accrued to 30 June 2020:

- Arowana Australasian Special Situations 1A Pty Ltd: 388,889 Aevitas convertible preferred shares with an outstanding amount of $1,216,880;
- Arowana Australasian Special Situations 1B Pty Ltd: 388,889 Aevitas convertible preferred shares with an outstanding amount of $1,216,880;
- Arowana Australasian Special Situations 1C Pty Ltd: 388,889 Aevitas convertible preferred shares with an outstanding amount of $1,216,880; and,
- Arowana Australasian Special Situations Fund 1 Pty Limited: 833,333 Aevitas convertible preferred shares with an outstanding amount of $2,607,597.

Aevitas is indebted to The Panaga Group Trust, of which Mr. Kevin Chin is a beneficiary and one of the directors of the corporate trustee of such trust, who holds 4,500 Aevitas convertible loan notes with an outstanding amount of $30,359 representing face value plus interest accrued to 30 June 2020 and earned interest of $1,483 for the year ended 30 June 2020.

Aevitas is also indebted to The Panaga Group Trust, who also holds 4,500 Aevitas convertible preferred shares with an outstanding amount of $13,426 representing face value plus dividends accrued to 30 June 2020 and earned dividends of $636 for the year ended 30 June 2020.

29. Subsequent event

At an extraordinary meeting of the ordinary shareholders, exchangeable preference shareholders and exchangeable noteholders of the Company’s subsidiary, Aevitas Group Limited, held on 10 July 2020, a proposal to reconstitute each Aevitas convertible preference share and convertible note together into one Aevitas preference share, was approved. The Aevitas preference share will pay the same coupon as the current Aevitas convertible preference shares and convertible notes, being 7% per annum and this will be cumulative. The preference share will not be dilutive to VivoPower ordinary shareholders, as there is no mandatory exchangeability feature.

30. Key management personnel compensation

Key management personnel, which are those roles that have a Group management aspect to them are included in Note 8 to the consolidated financial statements.

31. Ultimate controlling party

The ultimate controlling party and the results into which these financials are consolidated is AWN Holdings Limited (formerly Arowana International Limited), a company registered in Australia.

32. Transition period comparative information (unaudited)

The condensed consolidated statement of operations for the year ended 30 June 2019 is as follows:

(US dollars in thousands)	Year Ended 30 June 2019 *(unaudited)*
Revenue from contracts with customers	43,545
Costs of sales	(37,452)
Gross profit	6,093
General and administrative expenses	(7,195)
Loss on sale of assets	(2,668)
Depreciation and amortisation	(1,447)
Operating profit/(loss)	(5,217)
Restructuring costs	(2,404)
Finance expense – net	(3,345)
Loss before income tax	(10,966)
Income tax	(353)
Loss for the period	(11,319)

The condensed consolidated statement of cash flow for the year ended 30 June 2019 is as follows:

(US dollars in thousands)	Year Ended 30 June 2019 *(unaudited)*
Cash flows from operating activities	
Loss for the period	(11,319)
Income tax	353
Finance expense - net	3,345
Depreciation and amortization	1,477
Loss on solar development	2,668
Increase in non-cash working capital	4,708
Net cash from operating activities	**1,232**
Cash flows from investing activities	
Proceeds on sale of capital projects	11,601
Purchase of property, plant and equipment	(358)
Net cash from investing activities	**11,243**
Cash flows from financing activities	
Repayment of related party loans	(134)
Debtor finance borrowings	901
Lease repayments	(275)
Finance agreements repayments	(3,761)
Finance expense – net	(3,345)
Transfer from/(to) restricted cash	(632)
Cash flows from financing activities	**(7,246)**
Net increase in cash and cash equivalents	5,229
Cash and cash equivalents at beginning of period	1,900
Effect of exchange rate movements on cash held	-
Cash and cash equivalents at end of period	**7,129**

Company Statement of Financial Position

		30 June		31 March	
(US dollars in thousands)	**Note**	**2020**	**2019**	**2019**	**2018**
ASSETS					
Non-current assets					
Deferred tax assets		-	349	349	-
Investments	3	7,388	7,388	7,388	7,388
Intercompany loan receivable		24,850	24,353	24,356	25,258
Total non-current assets		**32,238**	**32,090**	**32,093**	**32,646**
Current assets					
Cash and cash equivalents		306	1	4	20
Other receivables	4	16,534	18,577	18,238	17,257
Total current assets		**16,840**	**18,578**	**18,242**	**17,277**
TOTAL ASSETS		**49,078**	**50,668**	**50,335**	**49,923**
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	5	3,750	5,347	4,670	1,230
Provisions	6	1,104	-	-	-
Total current liabilities		**4,854**	**5,347**	**4,670**	**1,230**
Equity					
Share capital	7	163	163	163	163
Share premium		40,215	40,215	40,215	40,215
Other reserves	8	19,185	18,330	18,101	18,657
Retained deficit		(15,339)	(13,387)	(12,814)	(10,342)
Total Equity		**44,224**	**45,321**	**45,665**	**48,693**
TOTAL EQUITY AND LIABILITIES		**49,078**	**50,668**	**50,335**	**49,923**

Registered number 09978410

As allowed by S408 Companies Act 2006, no profit and loss account is presented in respect of the parent company. The loss for parent company after taxation for the year ended 30 June 2020 was $1,952,000 (three months ended 30 June 2019: $402,031; year ended 31 March 2019: $2,212,235; 2018: $9,260,663 loss).

These financials were approved by the Board of Directors on 7 September 2020 and signed on its behalf by:

Kevin Chin
Chairman

VivoPower International PLC for the year ended 30 June 2020

Company Statement of Cash Flow

(US dollars in thousands, except per share amounts)	Note	Year Ended 30 June 2020	Three Months Ended 30 June 2019	Year Ended 31 March 2019	Year Ended 31 March 2018
Cash flows from operating activities					
Loss for the period		(1,952)	(402)	(2,212)	(9,261)
Income tax		-	-	(378)	29
Finance income		-	(2)	-	(2)
Finance expense		46	-	36	33
Impairment of investment	3	-	-	-	10,465
Increase in trade and other receivables			(11)	(27)	277
Increase in trade and other payables			709	805	86
Net cash from/(used in) operating activities		**(1,906)**	294	(1,776)	1,627
Cash flows from investing activities					
Interest received			-	-	2
Intercompany loan funding	4	2,223	(299)	1,796	(2,008)
Net cash (used in)/from investing activities		**2,223**	(299)	1,796	(2,006)
Cash flows from financing activities					
Other reserves			-	-	(7)
Finance expense		(12)	2	(36)	(33)
Net cash from/(used in) financing activities		**(12)**	2	(36)	(40)
Net increase in cash and cash equivalents		305	(3)	(16)	(419)
Cash and cash equivalents at the beginning of the period		1	4	20	439
Cash and cash equivalents at the end of the period		**306**	1	4	20

Company Statement of Changes in Equity

(US dollars in thousands)	Share Capital	Share Premium	Other Reserves	Retained Deficit	Total
At 1 April 2017	**163**	**40,215**	**18,471**	**(1,074)**	**57,775**
Total comprehensive income for the year	-	-	-	(9,261)	(9,261)
Foreign exchange	-	-	186	(7)	179
	-	-	186	(9,268)	(9,082)
At 31 March 2018	**163**	**40,215**	**18,657**	**(10,342)**	**48,693**
Total comprehensive income for the year	-	-	(1,920)	(2,212)	(4,132)
Equity instruments	-	-	1,018	-	1,018
Treasury shares granted to employees	-	-	346	(260)	86
	-	**-**	**(556)**	**(2,472)**	**(3,028)**
At 31 March 2019	**163**	**40,215**	**18,101**	**(12,814)**	**45,665**
Total comprehensive income for the period	-	-	-	(402)	(402)
Equity instruments	-	-	(3)	-	(3)
Treasury shares granted to employees	-	-	233	(171)	62
	-	**-**	**230**	**(573)**	**(343)**
At 30 June 2019	**163**	**40,215**	**18,330**	**(13,387)**	**45,321**
Total comprehensive income for the period	-	-	(460)	(1,952)	(2,412)
Equity instruments	-	-	971	-	971
Employee share scheme	-	-	344	-	344
	-	**-**	**855**	**(1,952)**	**(1,097)**
At 30 June 2020	**163**	**40,215**	**19,185**	**(15,339)**	**44,224**

For further information on “Other Reserves” please see Note 23 to the Company Financial Statements.

Notes to the Company Financial Statements

1. Basis of preparation

VivoPower International PLC company financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

As allowed by S408 Companies Act 2006, no profit and loss account is presented in respect of the parent company.

2. Basis of preparation

(a) Foreign exchange

The Company's functional and presentational currency is the US dollar. Transactions denominated in foreign currencies are translated into the functional currency of the entity at the rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to the profit and loss account.

(b) Taxation

Deferred taxation is provided in full for material timing differences except where recoverability of a deferred tax is considered to be remote in the foreseeable future. Deferred tax balances are not discounted unless the effects are considered to be material the Company's results.

(c) Investments

Investments held as non-current assets are shown at cost less provision for impairment.

(d) Related party transactions

Details of the related party transactions can be found in Note 28 within the consolidated financial statements.

3. Investment

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Shares in group undertakings				
Investment in VivoPower International Services Limited	7,388	7,388	7,388	7,388
Total	**7,388**	**7,388**	**7,388**	**7,388**

The details of the principal undertakings in which the Group's interest at the period-end was more than 20%, all of which are referred to in Note 13 in the consolidated financial statements.

As at 31 March 2018, VivoPower International Services Limited ("VISL") recorded an impairment charge of $10.5 million against goodwill that arose on the acquisition of VivoPower Pty Ltd in the year ended 31 March 2018, as disclosed in Note 12 in the consolidated financial statements. Accordingly, this impairment has been reflected in the Company's investment in VISL.

4. Other receivables

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Amounts owed by group undertakings	16,338	18,427	18,099	17,145
Prepaid expenses	196	150	139	112
Total	**16,534**	**18,577**	**18,238**	**17,257**

5. Trade and other payables

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Trade payables	2,792	-	-	-
Accrued expenses	157	1,158	1,161	565
Payroll tax liabilities	4	25	9	6
Other borrowings	46	-	-	-
Amounts owed to group undertakings	751	1,816	1,848	-
Other creditors	-	-	-	29
Total	**3,750**	**2,999**	**3,018**	**600**

6. Provisions

(US dollars in thousands)	**Litigation**	**Total**
At 30 June 2019		
Charged/(credited) to profit or loss:		
Additional provisions	1,104	1,104
Provisions utilized	-	-
At 30 June 2020	**1,104**	**1,104**

7. Share capital

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Allotted, called up and fully paid				
Ordinary shares of $0.012 each	$ 162,689	$ 162,689	$ 162,689	$ 162,689
Number allotted				
Ordinary shares of $0.012 each	13,557,376	13,557,376	13,557,376	13,557,376

	No. of shares
At 31 March 2018	13,557,376
Issue of new shares	-
At 31 March 2019	13,557,376
Issue of new shares	-
At 30 June 2019	13,557,376
Issue of new shares	-
At 30 June 2020	**13,557,376**

The Company issued 13,557,376 ordinary shares at a nominal value of $0.012 during the period ended 31 March 2017.

On 30 March 2017, the Company repurchased 129,805 shares at a price of $4.50 for a total sum of $591,916, including commission. The shares are being held as treasury shares. During the three months ended 30 June 2019, 51,000 shares (year ended 31 March 2019: 75,805 shares) were awarded to employees under the Company's 2017 Omnibus Incentive Plan. Based on the closing market value of these shares on the day of award, $61,560 (year ended 31 March 2019: $85,660) was expensed as employee compensation during the three months ended 30 June 2019 and the remaining cost of $171,000 (year ended 31 March 2019: $260,011) was charged against retained earnings. The remaining 3,000 shares were awarded to employees in the year ended 30 June 2020.

8. Other reserves

	As at 30 June		As at 31 March	
(US dollars in thousands)	**2020**	**2019**	**2019**	**2018**
Equity instruments	27,429	26,108	26,090	25,072
Capital raising costs	(6,009)	(9,722)	(9,722)	(9,722)
Share option reserve	-	3,713	3,713	3,713
Treasury shares (see Note 6)	-	(14)	(246)	(592)
Foreign exchange	(2,235)	(1,755)	(1,734)	186
Total	**19,185**	**18,330**	**18,101**	**18,657**

Equity instruments relate to convertible preference shares and convertible loan notes that are exchangeable for shares in VivoPower International PLC. There are 2,473,367 convertible preference shares at an issue price of $3.00 per share. There are 2,473,367 convertible loan notes at an issue price of $7.00 per share. The value held in reserves represents their face value plus the accrued interest to 30 June 2020. Interest is payable quarterly in arrears at a rate of 7% on both instruments.

Share option reserve relates to share options whereby the holder can buy VivoPower International PLC shares at US$8.70 at any time before 30 April 2020. No share options were exercised prior to that date, accordingly the share options have expired and the share option reserve has been released against capital raising costs.

9. Employee and directors

The company employed no members of staff during the course of the period. Contractual agreements are in place for five directors to serve on the board of VivoPower International PLC.

See the Directors' Report in the consolidated financial statements for full details of the directors.

Company Information

Advisors

Company Registrars
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Legal Advisers
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6th Floor, 1 St Martin's Le Grand
London, UK EC1A 4AS

Principal Bankers
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Canary Wharf,
London, UK E14 5HP

Company Secretary
JTC (UK) Limited
The Scalpel, 18th Floor
52 Lime Street
London, UK EC3M 7AF

Shareholder Information

Country of Incorporation and Main Number of Securities in Issue

Countries of Operation

As of 27 August 2020, the Company's issued share capital consists of 13,557,376 ordinary shares with a nominal value of $0.012 each.

VivoPower International PLC is incorporated in England & Wales. The Company operates in the United Kingdom, United States and Australia.

Company Registration

Registered office:
The Scalpel, 18th Floor
52 Lime Street
London, EC3M 7AF, UK

Registered in England & Wales
Company number: 09978410

Financial Calendar

Annual General Meeting ("AGM")

The Company's AGM will be held on 6 October 2020. The notice of the meeting will be sent to shareholders at least 21 days before the meeting.