**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 20-F

**(Mark One)**
☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

X **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended March 31, 2017**
**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report: Not applicable**
**For the transition period from________ to________**
**Commission file number 1-37974**

# VIVOPOWER INTERNATIONAL PLC

(Exact name of Registrant as specified in its charter)

**United Kingdom**
(Jurisdiction of incorporation or organization)

**91 Wimpole Street, Marylebone,**
**London W1G 0EF**
**United Kingdom**
(Address of principal executive offices)

**Carl Weatherley-White, Chief Financial Officer**
**Tel: +1 (718) 230-4580, x2406**

**140 Broadway, 28th Floor**
**New York, NY 10005**
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Ordinary Shares, nominal value $0.012 per share | Nasdaq Stock Market LLC |

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**
(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares, nominal value $0.012 per share: 13,557,376

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No X

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer X Emerging growth company X

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

| | | |
|---|---|---|
| U.S. GAAP ☐ | International Financial Reporting Standards as issued by the International Accounting Standards Board X | Other ☐ |

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No X

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References in this Annual Report on Form 20-F (the "Annual Report") to "VivoPower International PLC," "VivoPower," "we," "our," "us" and the "Company" refer to VivoPower International PLC and its consolidated subsidiaries. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"), and are expressed in U.S. dollars. References to "dollars" or "$" are to U.S. dollars. Our fiscal year ends on March 31 of each calendar year. References to any specific fiscal year refer to the year ended March 31 of the calendar year specified. For example, we refer to the fiscal year ended March 31, 2017 as "fiscal 2017" or "FY 2017."

Certain amounts and percentages that appear in this Annual Report have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including in tables, may not be exact arithmetic aggregations of the figures that precede or follow them.

**Non-IFRS Financial Measures**

Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are non-IFRS financial measures. We define Adjusted EBITDA as net income, adjusted to exclude: depreciation and amortization, restructuring expense, interest income and interest expense, the provision for income taxes, foreign currency exchange income (expense) and one-off non-recurring and other items that we believe are not indicative of core operations. We define Adjusted Net Income as net income adjusted to exclude one-off non-recurring and other items that we believe are not indicative of core operations. We define Adjusted EPS as earnings per share, as adjusted for one-off non-recurring and other items that we believe are not indicative of core operations divided by the number of shares in issue at the end of the period. A reconciliation of these non-IFRS measures to their most directly comparable IFRS measures for the year ended March 31, 2017 is set forth in Item 3.A below.

We believe that Adjusted EBITDA, Adjusted Net Income and Adjusted EPS provide 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 a similar non-IFRS or generally accepted accounting principles in the United States ("GAAP") financial measure to supplement their IFRS or GAAP results, as applicable.

We use Adjusted EBITDA, Adjusted Net Income and Adjusted EPS in conjunction with traditional IFRS operating performance measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance.

Readers should not place undue reliance on Adjusted EBITDA, Adjusted Net Income or Adjusted EPS as measures of operating performance. These non-IFRS measures should not be considered as substitutes for other measures of financial performance reported in accordance with IFRS. There are limitations to using non-IFRS financial measures, including that other companies may calculate these measures differently than we do, that they do not reflect our capital expenditures or future requirements for capital expenditures and that they do not reflect changes in, or cash requirements for, our working capital.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Annual Report include, but are not limited to, statements about:

- our expectations regarding our revenue, expenses and other results of operations;
- our plans to invest in new projects;
- our ability to attract and retain customers;
- the growth rates of the markets in which we compete;
- our liquidity and working capital requirements;
- our anticipated strategies for growth;
- our ability to anticipate market needs and develop new and enhanced solutions to meet those needs;
- anticipated trends and challenges in our business and in the markets in which we operate;
- our ability to compete in our industry and innovation by our competitors;
- our ability to adequately protect our intellectual property; and
- our plans to pursue strategic acquisitions.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the "Item 3—Key Information—D. Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report to reflect events or circumstances after the date of this Annual Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

PART I

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3. KEY INFORMATION

### A. Selected Financial Data

Our historical consolidated financial statements are prepared in accordance with IFRS and are presented in U.S. dollars. The selected historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the years presented. Historical information as of and for the years ended March 31, 2017 and 2016 are derived from our consolidated financial statements. The financial statements for 2017 have been audited by PKF Littlejohn LLP, our independent registered public accounting firm. The financial statements for 2016 were audited by Marcum LLP. You should read the information presented below in conjunction with those audited consolidated financial statements, the notes thereto and the discussion under "Item 5. Operating and Financial Review and Prospects" included elsewhere in this Annual Report.

**Consolidated Statement of Comprehensive Income**

| (US dollars in thousands, except per share amounts) | Note | Year Ended March 31, 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | $ 32,250 | $ - |
| Cost of sales | | (4,977) | - |
| **Gross profit** | | 27,273 | - |
| General and administrative expenses | | (9,316) | (279) |
| Depreciation of property, plant and equipment | 11 | (103) | - |
| Amortization of intangible assets | 12 | (548) | - |
| **Operating profit/(loss)** | | 17,306 | (279) |
| Transaction related costs | 3 | (5,800) | - |
| Finance income | 8 | 13 | - |
| Finance expenses | 9 | (600) | (2) |
| **Profit/(loss)before income tax** | | 10,919 | (281) |
| Income tax expenses | 10 | (5,338) | - |
| **Profit/(loss) for the year** | | 5,581 | (281) |
| **Other comprehensive income** | | | |
| Currency translation differences recognized directly in equity | | 599 | - |
| **Total comprehensive income/(loss)** | | $ 6,180 | $ (281) |
| **Earnings/(loss) per share (1)** | | | |
| Basic | | $ 0.73 | $ (0.05) |
| Diluted | | $ 0.73 | $ (0.05) |
| Weighted average number of shares used in computing earnings/(loss) per share | | 7,624,423 | 5,514,375 |

(1) Basic and diluted net (loss) income per share applicable to ordinary shareholders is computed based on the weighted net-average number of ordinary shares outstanding during each period. For additional information, see Note 2 to our consolidated financial statements included elsewhere in this Annual Report.

## Consolidated Statement of Financial Position Data

| (US dollars in thousands) | For the Year Ended March 31, 2017 | 2016 |
|---|---|---|
| Cash and cash equivalents | $ 10,970 | $ 28 |
| Current assets | 30,814 | 28 |
| Current liabilities | (12,197) | (8,187) |
| Current ratio | 2.53 | -0.003 |
| Property and equipment, net | 2,163 | 3 |
| Total assets | 100,836 | 7,906 |
| Debt, current and long-term | 20,255 | 8,001 |
| Total shareholders' equity (deficit) | $ 64,606 | $ (281) |

**Reconciliations of Adjusted EBITDA, Adjusted Net Income and Adjusted EPS to their most directly comparable IFRS measures**

| (US dollars in thousands) | Year Ended March 31, 2017 | 2016 |
|---|---|---|
| Net income/(loss) | $ 5,581 | $ (281) |
| Add back: | | |
| Taxation | 5,338 | - |
| Interest income | (13) | - |
| Interest expense | 600 | 2 |
| Depreciation of property, plant and equipment | 103 | - |
| Amortization of intangible assets | 548 | - |
| One-off non-recurring costs (1) | 965 | - |
| Transaction related costs (2) | 5,800 | - |
| **Adjusted EBITDA** | **$ 18,922** | $ (279) |

(1) One-off non-recurring costs include non-recurring remuneration, restructuring expenses and abandoned acquisition costs.

(2) Transaction related costs were incurred in connection with the Business Combination (as defined herein). The costs incurred were recharged costs from Arowana International Limited ("AWN") including legal, accounting and professional fees in relation to our operations in the United States. These are one-time costs by nature, and we believe that they have no bearing on the financial performance of the business. To enable comparability in future periods the costs are disclosed separately on the face on the Statement of Comprehensive Income.

**Adjusted Net Income**

| (US dollars in thousands) | Year Ended March 31, 2017 | | 2016 | |
|---|---|---|---|---|
| Net income/(loss) | $ | 5,581 | $ | (281) |
| Add back: | | | | |
| One-off non-recurring costs (1) | | 965 | | - |
| Transaction related costs (2) | | 5,800 | | |
| Adjusted Net Income | $ | 12,346 | $ | (281) |

(1) One-off non-recurring costs include non-recurring remuneration, restructuring expenses and abandoned acquisition costs.

(2) Transaction related costs were incurred in connection with the Business Combination. The costs incurred were recharged costs from AWN including legal, accounting and professional fees in relation to our operations in the United States. These are one-time costs by nature, and we believe that they have no bearing on the financial performance of the business. To enable comparability in future periods the costs are disclosed separately on the face on the Statement of Comprehensive Income.

**Adjusted Earnings Per Share**

| (US dollars in thousands) | Year Ended March 31, 2017 | |
|---|---|---|
| Profit for the year | $ | 5,581 |
| Add back: | | |
| One-off non-recurring costs (1) | | 965 |
| Transaction related costs (2) | | 5,800 |
| Adjusted profit for the year | $ | 12,346 |

| | | |
|---|---|---|
| Number of shares in issue at year end | | 13,428 |
| *(excluding treasury shares)* | | |
| Basic earnings per share | $ | 0.92 |
| Diluted earnings per share | $ | 0.92 |

(1) One-off non-recurring costs include non-recurring remuneration, restructuring expenses and abandoned acquisition costs.

(2) Transaction related costs were incurred in connection with the Business Combination. The costs incurred were recharged costs from AWN including legal, accounting and professional fees in relation to our operations in the United States. These are one-time costs by nature, and we believe that they have no bearing on the financial performance of the business. To enable comparability in future periods the costs are disclosed separately on the face on the Statement of Comprehensive Income.

## Exchange Rates

The financial statements of our subsidiaries are recorded in the native currency of their respective home country, then adjusted to U.S. dollars for consolidated reporting. The chart below lists the high and low of each currency, in relation to U.S. Dollars, used in operations for the prior six months as well as the last practicable date.

| Month | US$:GBP | | US$:AUD | |
|---|---|---|---|---|
| | High | Low | High | Low |
| July 25, 2017 | 1.30 | | 0.79 | |
| June 2017 | 1.30 | 1.26 | 0.77 | 0.74 |
| May 2017 | 1.30 | 1.28 | 0.75 | 0.74 |
| April 2017 | 1.29 | 1.24 | 0.76 | 0.74 |
| March 2017 | 1.26 | 1.22 | 0.77 | 0.75 |
| February 2017 | 1.26 | 1.22 | 0.77 | 0.76 |
| January 2017 | 1.26 | 1.21 | 0.76 | 0.72 |
| December 2016 | 1.27 | 1.22 | | |
| September 2016 | 1.34 | 1.29 | | |
| June 2016 | 1.44 | 1.35 | | |
| March 2016 | 1.45 | 1.39 | | |

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

An investment in our shares involves a high degree of risk. You should carefully consider the following information, together with the other information in this Annual Report, before buying shares of our shares. If any of the following risks or uncertainties occur, our business, financial condition or results of operations could be materially and adversely affected and the trading price of our shares could decline.

**Risks Related to Our Business and Operations**

***Our results of operations are subject to significant variability and are inherently unpredictable.***

Because we do not know the pace at which our revenue will grow, or if it will grow, and because our expenses may grow, we may not be profitable from period to period. Our revenue and operating results are difficult to predict and may vary significantly from period to period. A key reason for these significant fluctuations in our results of operations is that a substantial portion of our revenues is derived from a few relatively large commercial and utility-scale solar energy projects. The number and type of these projects may therefore cause substantial variations in our operating results since at any given time one or two projects may account for a large portion of our revenue in a given period. If such projects are delayed or become subject to higher than predicted expenses, there may be significant negative impacts on our profitability or other results. Any decrease in revenue from, or increase in our expenses associated with, our commercial and utility-scale solar power plant projects could have a significant negative impact on our business. In addition, demand from offtakers of power from solar power plants may fluctuate based on the perceived cost-effectiveness of the electricity generated by our solar power systems as compared to conventional energy sources, such as natural gas and coal (which fuel sources are subject to significant price fluctuations from time to time), and other non-solar renewable energy sources, such as wind. Any of the foregoing may cause us to miss our financial guidance for a given period, which could adversely impact our share price or liquidity.

***General economic conditions including market interest rate levels could negatively impact customer demand for our solar projects and our ability to sell them to our customers profitably.***

Our ability to generate cash flows and earnings relies on customer demand for our solar projects. An increase in market interest rates in the countries in which we operate is likely to result in our customers requiring higher rates of return on solar projects that they acquire from us or finance on our behalf. This has the potential to negatively impact our ability to achieve our earnings or cash flow targets.

***Technical, regulatory, and economic barriers to the purchase and use of solar power products may arise that significantly reduce demand for or financial viability of solar power projects, which could have a material adverse effect on our revenues.***

Energy and electricity markets are deeply influenced by foreign, federal, state and local laws, rules and regulations. These laws, rules and regulations may affect electricity pricing and electricity generation, and could have a substantial impact on the relative cost and attractiveness of solar power compared to other forms of energy generation. In addition, the financial viability and attractiveness of solar power projects heavily depends on equipment prices and laws, rules and regulations that affect solar equipment. For example, trade and local content laws, rules and regulations, such as tariffs on solar panels, can worsen the relative pricing of solar equipment, thereby raising the cost of developing solar projects and reducing the savings and returns achievable by offtakers and investors, and also potentially reducing our margins on our projects. We expect that solar power equipment and its installation will continue to be subject to a broad range of federal, state, local and foreign regulations relating to trade, construction, safety, environmental protection, utility interconnection and metering, and related matters. Moreover, the U.S., European Union and Chinese governments, among others, have in the past imposed tariffs on solar power equipment, or are in the process of evaluating the imposition of tariffs on solar power equipment. These and any other tariffs or similar taxes or duties may increase the cost of our solar power projects, thereby reducing their attractiveness to investors and customers and worsening our results of operations. Any new regulations or policies pertaining to our solar power projects may result in significant additional expenses to us, which could cause a significant reduction in demand for our solar power projects.

***We are party to a major joint venture for development of solar energy projects in the United States, the revenues and profits from which could be negatively affected by tariffs or similar trade regulations relating to solar power equipment, including but not limited to any tariff emerging as a result of Suniva's petition to the U.S. International Trade Commission.***

We are party to a large joint venture with Innovative Solar for the development of up to 1.8 gigawatts of solar energy projects in the United States, as further discussed below in this Annual Report. Accordingly, our results of operations in the near term will be heavily affected by the success we have in generating revenues and profits from the development and sale of this portfolio. In the past year, the solar module company Suniva has filed a petition with the U.S. International Trade Commission seeking to obtain "global safeguard relief" from imports into the United States of crystalline silicon solar photovoltaic ("PV") cells and modules, which it claims have caused Suniva to have to file for bankruptcy. If the International Trade Commission approves the petition, and recommends to the President of the United States that tariffs or other relief or remedies be provided, and the President elects to approve tariffs or other relief or remedies, there could be substantial increases in the price of solar modules in the United States, and accordingly, substantial and negative consequences on the financial attractiveness or viability of projects in our portfolio, and therefore substantial and negative consequences on our results of operations.

***Due to the general economic environment and other factors, we may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations.***

In recent years, the European, U.S. and world economies have undergone significant turmoil amid stock market volatility, difficulties in the financial services sector, tightening of the credit markets, softness in the housing markets, concerns of inflation and deflation, reduced corporate profits and capital spending, reduced consumer spending and various other economic difficulties. This recent turmoil demonstrates how uncertain future economic conditions are, and those conditions could negatively impact our ability to obtain debt or equity financing required for the construction and sale of solar power plants. Additionally, access to capital markets continues to be challenging, especially in Europe. If the slow improvement in market and economic conditions does not continue or turmoil and volatility significantly increase, we may be further limited in our ability to access the capital markets to meet liquidity and operational and capital expenditure requirements. We may not have sufficient resources to support our business plan, and there can be no assurance that liquidity will be adequate over time. There can be no assurance that we will be able to generate sufficient cash flows, find other sources of capital or access capital markets, and if adequate funds and alternative resources are not available on acceptable terms, our ability to fund our operations, develop and construct solar power plants, provide collateral for our projects or otherwise respond to competitive pressures would be significantly impaired. Our inability to do any of the foregoing could have a material adverse effect on our business or results of operations.

***The low commodity price environment, particularly for natural gas and coal, could impact both the size of our project pipeline and our ability to sell solar projects to our investors profitably.***

Traditional forms of electricity generation using commodities such as natural gas and coal provide a source of competition for solar electricity. In the current low commodity price environment, these traditional forms of generation are cheaper and more competitive than our solar projects. Our ability to generate cash flows and earnings relies on our success in sourcing potential solar projects from our project pipeline and selling them profitably to our investors. Increased competition from a prolonged low commodity price environment could impact the number of viable solar projects that we are able to purchase, resulting in a smaller project pipeline. In addition, such an environment could impact the competitiveness of our solar projects and the price at which we can sell them to our investors. This has the potential to negatively impact our ability to achieve our earnings or cash flow targets.

***Changes in current and forecasted electricity price expectations can have a material adverse impact on the profitability of our solar projects and the level of demand from potential customers and financiers.***

While we primarily target solar projects that are backed by fixed price power purchase agreements, we may acquire projects that sell electricity at wholesale market rates from commencement or that have power purchase agreements ("PPA") that expire before the end of a project's useful life. In these circumstances, our business is exposed to current wholesale electricity prices and expectations of future market electricity prices. In the event that these prices decline, or there is a decrease in market consensus forecasts, the demand for our solar projects and the profitability that they could generate may also decline commensurately, impacting our cash flow and earnings. Fossil fuel sources of electricity, such as natural gas-fired power plants, have traditionally been cheaper than solar power. If we are unable to compete successfully with other providers of electricity, or to enter into competitive PPAs, our results of operations will be negatively affected. Furthermore, demand for PPAs from customers is subject to procurement practices that may change, and which could negatively affect the number or terms of the PPAs that our customers elect to enter into with us.

***We make significant investments in building, acquiring and financing our solar energy projects, and the delayed sale of our projects or the inability to sell or transfer our projects to their intended long-term funding vehicles would adversely affect our business, liquidity and results of operations.***

We invest in and transact on solar projects at various stages of development and operations. The development and construction of solar power plants can require long periods of time and substantial initial capital investments, and there are significant risks related to our activities involving solar power plants under development, including high initial capital expenditure costs to develop and construct functional power plant facilities and the related need for construction capital, limits on the availability of favorable government tax and other incentives, the high cost and regulatory and technical difficulties of integrating into new markets, an often limited or unstable marketplace, competition from other sources of electric power, regulatory difficulties including obtaining necessary permits, difficulties in negotiating PPAs with potential customers, educating the market regarding the reliability and benefits of solar energy products and services, costs associated with environmental regulatory compliance and competing with larger, more established solar energy companies and utilities. There can be no assurance that we will be able to overcome these risks as we develop our business. There can also be no assurance that a potential project sale can be completed on commercially reasonable terms or at all. Our inability to obtain regulatory clearance, project financing or enter into sales contracts with customers could adversely affect our business, liquidity and results of operations. Our liquidity could also be adversely impacted if project sales are delayed.

***If we are unable to enter into new financing agreements when needed, or upon desirable terms, for the construction and installation of our solar energy systems, or if any of our current financing partners discontinue or materially change the financing terms for our systems, we may be unable to finance our projects or our borrowing costs could increase, which would have a material adverse effect on our business, financial condition and results of operations.***

We may require working capital and credit facilities to fund the up-front costs associated with the design, construction and installation of our solar energy systems and the purchase of component parts, such as solar modules and inverters, for our systems. In addition, we may seek to secure long-term financing upon completion of such systems for those that we retain and use the proceeds to refinance the debt incurred for the design, construction and installation of the solar energy systems, as well as to generate profits and cash flows for our business. Without access to sufficient and appropriate financing, or if such financing is not available at desirable rates or on terms we deem appropriate, we would be unable to grow our business by increasing the number of solar energy systems that we may invest in at any given time. Our ability to obtain additional financing in the future depends on banks' and other financing sources' continued confidence in our business model and the renewable energy industry as a whole. Solar energy has yet to reach widespread market penetration and is dependent on continued support in the form of performance-based incentives, rebates, tax credits, feed-in tariffs and other incentives from federal, state and foreign governments. If this support were to dissipate, our ability to obtain external financing on acceptable terms, or at all, could be materially adversely affected. While we have solar project financing available to us through existing relationships and facilities, our current cash and financing sources may be inadequate to support the anticipated growth in our business plans. In addition, we do not currently have dedicated financing in some of our emerging and international markets, and obtaining such financing may present challenges. Failure to obtain necessary financing to fund our operations would materially adversely affect our business, financial condition and results of operations. To date, we have obtained financing for our business from a limited number of financial institutions. If any of these financial institutions decided not to continue financing our solar energy systems or materially change the terms under which they are willing to provide financing, we could be required to identify new financial institutions and negotiate new financing documentation. The process of identifying new financing partners and agreeing on all relevant business and legal terms could be lengthy and could require us to reduce the rate of growth of our business until such new financing arrangements were in place. In addition, there can be no assurance that the terms of the financing provided by a new financial institution would compare favorably with the terms available from our current financing partners. Our inability to secure financing could lead to cancelled projects, or reduced deal flow, or we could be forced to finance the construction and installation of solar energy systems ourselves. In any such case, our borrowing costs could increase, which could have a material adverse effect on our business, financial condition and results of operations.

***We may be unable to obtain favorable financing from our vendors and suppliers, which could have a material adverse effect on our business, financial condition or results of operations.***

In addition to obtaining financing from certain financial institutions, we have also historically utilized financing from our vendors and suppliers through customary trade payables or account payables. At times, we have also increased the number of days' payables outstanding. There can be no assurance that our vendors and suppliers will continue to allow us to maintain existing or planned payables balances, and if we were forced to reduce our payables balances below our planned level, without obtaining alternative financing, our inability to fund our operations would materially adversely affect our business, financial condition and results of operations.

***If a number of projects in our pipeline are not acquired or completed, our business, financial condition or operating results could be materially adversely affected.***

The solar project development process is long and includes many steps involving site selection and development, commercial contracting and regulatory approval, among other factors. There can be no assurance that projects in our project pipeline will be converted into completed projects or generate revenues or that we can obtain the necessary financing to construct these projects. As we develop projects through acquisitions or begin to develop projects organically, some of the projects in our pipeline may not be completed or proceed to construction as a result of various factors. These factors may include changes in applicable laws and regulations, including government incentives, environmental concerns regarding a project or changes in the economics or ability to finance a particular project. If a number of projects are not completed, our business, financial condition or operating results could be materially adversely affected.

***Our project construction and development activities may not be successful or we may make significant investments without first obtaining project financing, which could put our investments at risk of loss.***

There are many risks associated with the development and construction of solar power projects. Before we can confirm whether a given project is likely to be viable, we may be required to incur substantial expenditures for preliminary engineering, design, regulatory and legal review, permitting, and related expenses. Many of these costs may be undertaken by us prior to obtaining project financing or obtaining the required regulatory approvals. In addition, consummating a given project is subject to numerous risks, including (i) unforeseen construction delays or problems; (ii) engineering or design problems; (iii) problems with obtaining permits, licenses, approvals or property rights necessary or desirable to consummate the project; (iv) interconnection issues; (v) labor problems; (vi) cost and budgetary issues; (vii) environmental issues; and (viii) access to project financing on sufficiently attractive terms or at all.

***Revenues related to a limited number of alliances and customers are expected to account for a significant portion of our total revenues. The loss of an alliance or customer, a default by any such customer or alliance partner, or the delay of our ability to collect on those projects or an increase in expenses related to such projects or alliances, would have a substantial and adverse impact on our business, results of operations and financial condition.***

A substantial portion of our revenues is generated from a limited number of alliance partners and customers as well as development of a limited number of large projects and, as a result, there is a concentration of operating and financial risks. For example, for the year ended March 31, 2017, 77% of our revenues were derived from our work with Innovative Solar. The loss of an alliance or customer, a default by any such customer or alliance partner, or the delay of our ability to collect on those projects or an increase in expenses related to such projects or alliances, would have a substantial and adverse impact on our business, results of operations and financial condition.

***There are a limited number of purchasers of power from utility-scale projects, which exposes us to concentration risk.***

A key element of our business is financing the development of utility-scale solar projects. Utility-scale solar projects are large solar energy projects that deliver electricity to utility purchasers, and generally range in size from as small as five megawatts to larger than eighty megawatts in nameplate capacity. In part because of the size of utility-scale solar projects, there are a limited number of possible purchasers for electricity from utility-scale solar projects in a given region. As a result, we may not be able to negotiate favorable terms under new PPAs or find new customers for the electricity generated by our power plants should this become necessary.

***Our business depends on the demand for solar energy, which is still driven largely by the availability and size of government and economic incentives that may ultimately be reduced or eliminated.***

Solar energy demand continues to be driven mainly by the availability and size of government and economic incentives related to the use of solar power because, currently, the cost of solar power exceeds the cost of power furnished by the electric utility grid in most locations. As a result, government bodies in many countries have historically provided incentives in the form of feed-in-tariffs to solar project developers or customers to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. Most countries, including the U.S., however; have continued to regularly reduce the rates paid to solar power system owners for generating electricity under their respective feed-in-tariff programs, and these scheduled reductions in feed-in tariff rates are expected to continue. Moreover, the value and pricing of Performance Based Incentives ("PBIs") and Renewable Energy Certificates ("RECs"), as well as the state Public Utilities Commissions ("PUC") approved PPA rates for utilities (which are frequently higher than electricity rates for electricity generated from other energy sources), are likely to continue to decrease, further reducing the U.S. revenue stream from solar projects. In addition, in the U.S. we rely upon income tax credits and other state incentives in the U.S. for solar energy systems. These government economic incentives could be further reduced or eliminated altogether, especially in light of ongoing worldwide economic troubles and slow recovery and political uncertainty. In addition, some of these solar program incentives expire, decline over time, are limited in total funding or require renewal of authority. Moreover, certain policy changes that have been announced or suggested by the U.S. government, including the announcement of departure from the Paris Accords for greenhouse gas reduction and the elimination of the U.S. government's Clean Power Plan, could also have a negative effect on demand for solar energy and other renewable energy technologies, Finally, certain countries have altered, and others may alter, their programs retroactively which would impact our current solar systems. Reductions in, or eliminations or expirations of, governmental incentives could result in decreased viability of our projects and pipeline, which could have a material adverse effect on our business, financial condition or results of operations.

***The profitability of our Australian business may be impacted by the market price of Large Scale Generation Certificates ("LGCs"), which have historically been highly volatile and impacted by government policies.***

We rely on LGCs which are generated by Australian solar projects to underpin the profitability of our Australian business and the feasibility of new projects and may be bought and sold by traders and businesses throughout the open LGC market. The price of LGCs has historically been highly volatile and we expect future adverse price movements will have a material impact on the profitability of our Australian business's existing projects and future pipeline. The price of LGCs is also impacted by government policies regarding renewable energy generation which can be uncertain and subject to change.

***Existing regulations and policies governing the electric utility industry, as well as changes to these regulations and policies, may adversely affect demand for our projects and services and materially adversely affect our business, financial condition or results of operations.***

The market for electricity generation is heavily influenced by local country factors including federal, state and local government regulations and policies concerning the electric utility industry, as well as policies promulgated by public utility commissions and electric utilities. These regulations and policies govern, among other matters, electricity pricing and the technical interconnection of distributed electricity generation to the grid. The regulations and policies also regulate net metering in the U.S., which relates to the ability to offset utility-generated electricity consumption by feeding electricity produced by onsite renewable energy sources, such as solar energy, back into the grid. Purchases of alternative energy, including solar energy, by utility customers could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our solar energy systems. Changes in consumer electricity tariffs or peak hour pricing policies of utilities, including the introduction of fixed price policies, could also reduce or eliminate the cost savings derived from solar energy systems and, as a result, reduce customer demand for our systems. Any such decrease in customer demand could have a material adverse effect on our business, financial condition or results operations.

***Certain PPAs that we enter into with government regulated counterparties may be subject to regulatory approval, and such approval may not be obtained or may be delayed, which could result in a detrimental impact on our business.***

As a solar energy provider, the PPAs executed by us and/or our subsidiaries, particularly with government regulated counterparties, in connection with the development of certain projects are generally subject to approval by the relevant regulatory authority in the local market. In fiscal year 2017, approximately 77% of our revenues were dependent on projects that rely on PPAs that required regulatory approval. There can be no assurance that any such approval will be obtained, and in certain markets, the regulatory bodies have recently demonstrated a heightened level of scrutiny on solar PPAs that have been brought for approval. If the required approval is not obtained for any particular solar PPA, the PPA counterparty may exercise its right to terminate such agreement, and we may lose invested development capital.

***If solar and related technologies are not suitable for widespread deployment with attractive returns, our results of operations will be negatively affected.***

The solar energy business is still at an early stage of development. If PV technology proves unsuitable for widespread adoption, we may be unable to generate sufficient revenue to grow our business profitably. The attractiveness of PV technology is dependent on numerous factors that factors, including: (i) the cost-efficiency and performance of solar-generated electricity compared to other energy sources, such as natural gas, wind, hydroelectric, geothermal and coal; (ii) the regulatory, legal and tax landscape for energy generation, distribution and consumption, which substantially affects the costs and returns associated with use of different energy sources; (iii) the availability or absence of environmental and energy incentives, credits, standards and attributes that seek to promote use of renewable energy technologies; and (iv) the level of competitiveness in the renewable energy industry generally.

***If we fail to meet changing customer demands, we may lose customers and our sales could suffer.***

The industry in which we operate changes rapidly. Changes in our customers' requirements result in new and more demanding technologies, product specifications and sizes, and manufacturing processes. Our ability to remain competitive will depend upon our ability to develop technologically advanced products and processes. We must continue to meet the increasingly sophisticated requirements of our customers on a cost-effective basis. We cannot be certain that we will be able to successfully introduce, market and cost-effectively source any new products, or that we will be able to develop new or enhanced products and processes that satisfy customer needs or achieve market acceptance. Any resulting loss of customers could have a material adverse effect on our business, financial condition or results operations.

***We are currently dependent on a limited number of third-party suppliers for certain components for our solar energy systems. We also rely on third party subcontractors to construct and install our solar energy systems, which could result in sales and installation delays, cancellations, liquidated damages and loss of market share for our business.***

We rely on a limited number of third-party suppliers for certain components for our solar power systems, including for solar modules, inverters and trackers. If we fail to develop or maintain our relationships with these suppliers or if any of these suppliers go out of business, we may be unable to install our solar power systems on time, or only at a higher cost or after a long delay, which could prevent us from delivering our solar power systems to our customers within required timeframes. Additionally, if any of these suppliers go out of business, the warranty and other services offered by such supplier may be reduced or eliminated, and we may be required to provide such warranty and services ourselves, which could increase our costs. To the extent the processes that our suppliers use to manufacture components are proprietary, we may be unable to obtain comparable components from alternative suppliers. In addition, the failure of a supplier to supply components in a timely manner, or at all, or to supply components that meet our quality, quantity and cost requirements, could impair our ability to install solar power systems or may increase our costs. We utilize and rely on third-party subcontractors to construct and install our solar energy systems throughout the world. If our subcontractors do not satisfy their obligations or do not perform work that meets our quality standards or if there is a shortage of third-party subcontractors or labor strikes that interfere with our subcontractors' ability to complete their work on time and/or on budget, we could experience significant delays in our construction operations, which could have a material adverse effect on our reputation and/or our ability to grow our business.

***Our operations span multiple markets and jurisdictions, exposing us to numerous legal, political, operational and other risks that could negatively affect our operations and profitability.***

We continue to explore expansion of our international operations in certain markets where we currently operate and in selected new or developing markets. New markets and developing markets can present many risks including the actions and decisions of foreign authorities and regulators, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations) as well as their application or interpretation, civil disturbances and political instability, difficulties in protecting intellectual property, fluctuations in the value of the local currency, restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars, British Pounds or other currencies, as well as other adverse actions by foreign governmental authorities and regulators, such as the retroactive application of new requirements on our current and prior activities or operations. Additionally, evaluating or entering into a developing market may require considerable time from management, as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local political, economic and market conditions. As we continue to operate our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other related risks. The impact of any one or more of these or other factors could adversely affect our business, financial condition or operating results.

***If we fail to adequately manage our planned growth, our overall business, financial condition and results of operations could be materially adversely affected.***

We expect the amount of our megawatts installed to continue to grow significantly over the next year. For example, we forecast that for fiscal year 2018 we will initiate BTO transactions for between 100 and 150 megawatts, compared to 91 megawatts of projects in fiscal year 2017. We expect that this growth will place significant stress on our operations, management, employee base and ability to meet capital requirements sufficient to support this growth over the next twelve months. Any failure to address the needs of our growing business successfully could have a negative impact on our business, financial condition or operating results.

***Larger scale solar projects involve concentrated project development risks that may cause significant changes in our financial results.***

Larger projects may create concentrated risks otherwise than as described in these risk factors. Under IFRS, revenue from our projects will typically be recognized on a percentage completion basis. A failure to complete a project within a given fiscal period, or entirely, may have a material impact on our quarterly or annual financial results. These projects may also give rise to significant capital commitments which could materially affect cash flow. In addition, if approval by relevant public utility commissions is delayed or denied or if construction, module delivery, financing, warranty or operational issues arise on a larger project, such issues could prevent, delay or increase the costs associated with such project and, as a result, have a material impact on our financial results.

***We may incur unexpected warranty and performance guarantee claims that could materially and adversely affect our financial condition or results of operations.***

In connection with our products and services, we may provide various system warranties and/or performance guarantees. While we generally are able to pass through manufacturer warranties we receive from our suppliers to our customers, in some circumstances, our warranty period may exceed the manufacturer’s warranty period or the manufacturer warranties may not otherwise fully compensate for losses associated with customer claims pursuant to the warranty or performance guarantee we provided. For example, most manufacturer warranties exclude many losses that may result from a system component’s failure or defect, such as the cost of de-installation, re-installation, shipping, lost electricity, lost renewable energy credits or other solar incentives, personal injury, property damage, and other losses. In addition, in the event we seek recourse through manufacturer warranties, we will also be dependent on the creditworthiness and continued existence of these suppliers. As a result, warranty or other performance guarantee claims against us could cause us to incur substantial expense to repair or replace defective products in our solar energy systems. Significant repair and replacement costs could materially and negatively impact our financial condition or results of operations, as well divert employee time to remedying such issues. In addition, quality issues can have various other ramifications, including delays in the recognition of revenue, loss of revenue, loss of future sales opportunities, increased costs associated with repairing or replacing products, and a negative impact on our reputation, any of which could also adversely affect our business or operating results.

***Our solar projects may underperform expected levels due to a variety of factors including sunlight and other weather conditions, which could materially and adversely affect our results of operations.***

The productivity, and therefore the results, of our operating solar projects may be lower than expected due to fewer than expected sunlight hours, power conversion, or adverse weather events, among other factors. This underperformance could adversely affect the attractiveness of our projects to potential buyers and may result in our business not achieving expected financial returns on investment.

***Failure to successfully launch new technologies, products and services could adversely affect our growth prospects.***

Our long term growth strategy requires us to successfully monetize new products and services including power support and optimization services, renewable energy technologies and energy efficiency solutions. A failure to successfully launch these new products and services profitably could adversely affect our growth and future results.

***A default by the counterparties to our PPAs can materially and adversely impact the profitability of our solar projects.***

We have entered into PPAs with a number of counterparties around the world for our various solar projects. These counterparties range from government entities to investment grade utility companies to unrated commercial and industrial businesses. An insolvency event, deterioration in credit quality, or event of default by any of the counterparties of their obligations under their PPAs could have a material detrimental effect on the value of our solar power projects. These projects, many of which required a material capital investment, may become unattractive to our potential customers, and any resulting decrease in customer demand could negatively impact our profitability and financial position.

***We may have liabilities and obligations under management services agreements that we enter into with our customers, which could have a detrimental financial impact on us if enforced.***

We provide ongoing solar system and project management services for our customers and co-investors under management services agreements. Under the terms of these agreements, many of which are long-term, we have certain liabilities and obligations which could be enforced in the event of a breach of our responsibilities. If called, some of these obligations and liabilities could be material and negatively affect our results of operations or financial position.

***A failure to obtain change of control consents from counterparties when selling projects to investors could materially impact the results of our operations.***

Our profitability relies in part on our ability to continue to transfer projects to other investors. Certain project agreements and non-recourse project financing documents require counterparty consent to a change of project or solar system ownership. If such consents cannot be obtained on reasonable terms, or at all, our ability to invest capital and generate earnings and cash flows will be materially diminished, adversely impacting the results of our operations and future growth prospects.

***We face competition in the markets and industry segments in which we operate, which could force us to reduce our prices to retain market share or face losing market share and revenues.***

We face competition in the growing renewable energy services market and with other acquirers and investors in renewable energy assets. Some of our competitors have substantial financial, technical, engineering and manufacturing resources to develop products that currently and may in the future compete favorably against our products, and some of our competitors in the solar industry may have substantial government-backed financial resources. We expect that our competitors will continue to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics, and our failure to compete effectively could have a material adverse effect on our business, financial condition or results of operations. We may need to reduce our prices to respond to aggressive pricing by our competitors to retain or gain market share, which could have a material adverse effect on our business, financial condition or results of operations.

***We have a limited operating history and as a result we may not operate on a profitable basis in the near future.***

We have a relatively new portfolio of assets, including several power plants that have only recently commenced operations or that we expect will commence operations in the near future, and a limited operating history on which to base an evaluation of our business and prospects. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of operation, particularly in a rapidly evolving industry such as ours. We cannot assure you that we will be successful in addressing the risks we may encounter, and our failure to do so could have a material adverse effect on our business, financial condition, results of operations or cash flows.

***Our business may be harmed if we fail to properly protect our intellectual property.***

We believe that the success of our business depends in part on our proprietary technology, information, processes and know how. We try to protect our intellectual property rights. We cannot be certain, however, that we have adequately protected or will be able to adequately protect these rights. Conversely, third parties might assert that our intellectual property infringes on their proprietary rights. In either case, litigation may result, which could result in substantial costs and diversion of our management team's efforts. Regardless of whether we are ultimately successful in any litigation, such litigation could adversely affect our business, results of operations or financial condition.

***From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.***

In addition to potential litigation related to defending our intellectual property rights, we may be named as a defendant from time to time in other lawsuits and regulatory actions relating to our business, some of which may claim significant damages. We may be subject in the future to claims, lawsuits or arbitration proceedings related to matters in tort or under contracts, employment matters, securities class action lawsuits, whistleblower matters, tax authority examinations or other lawsuits, regulatory actions or government inquiries and investigations. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows or limit our ability to engage in certain of our business activities. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are often expensive, lengthy, disruptive to normal business operations and require significant attention from our management.

***Our inability to respond to rapid market changes in the solar energy industry, including identification of new technologies and their inclusion in the services that we offer, could adversely affect our business, financial condition or results of operations.***

The solar energy industry is characterized by rapid increases in the diversity and complexity of technologies, products and services. In particular, the ongoing evolution of technological standards requires products with lower costs and improved features, such as more efficiency and higher electricity output. If we fail to identify or obtain access to advances in technologies, we may become less competitive, and our business, financial condition or results of operations may be materially adversely affected.

***Although we are for the most part exempt from regulation as a utility in the markets in which we operate, we could become regulated as a utility company in the future.***

As an owner of solar energy facilities, we are currently exempt from most regulations relating to public utilities in our various markets of operation. As our business grows, however, certain facilities may no longer be eligible for exemption from these regulations, which would result in additional licensing and compliance obligations for our business. Any change in the regulatory environment could place significant restrictions on our ability to operate our business and execute our business plan by prohibiting or otherwise restricting the sale of electricity by us. If we were deemed to be subject to the same regulations as utility companies, such as the Federal Energy Regulatory Commission ("FERC") in the U.S., or if new regulatory bodies were established to oversee the solar energy industry, our operating costs could materially increase, adversely affecting our results of operations.

***Our brand and reputation are key assets of our business, and if our brand or reputation is damaged, our business and results of operations could be materially adversely affected.***

If we fail to deliver our products or solar energy systems within the planned timelines, or our products and services do not perform as anticipated or if we materially damage any of our clients' properties, or cancel projects, our brand name and reputation could be significantly impaired, which could materially adversely affect our business and results of operations.

***If we are not successful in completing and integrating strategic acquisitions, our future profitability and growth could be at risk.***

As part of our growth strategy, we have made, and may continue to make, strategic business acquisitions to expand or complement our business, such as our acquisition of Aevitas Group Limited ("Aevitas"). We may face risks and uncertainties following an acquisition, including (i) difficulty in integrating the newly acquired business and operations in an efficient and effective manner, (ii) inability to achieve strategic objectives, cost savings and other benefits from the acquisition, (iii) the lack of success by the acquired business in its markets, (iv) the loss of key employees of the acquired business, (v) a decrease in the focus of senior management on our operations, (vi) difficulty integrating human resources systems and operating systems of the acquired business with our systems, (vii) the cultural differences between our organization and that of the acquired business and (viii) liabilities that were not known at the time of acquisition or the need to address tax or accounting issues. If we fail to timely recognize or address these matters or to devote adequate resources to them, we may fail to achieve our growth strategy or otherwise realize the intended benefits of any acquisition. Even if we are able to integrate our business operations successfully, the integration may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the integration or in the achievement of such benefits within the forecasted period of time.

***We are exposed to foreign currency exchange risks because certain of our operations are located in foreign countries.***

We generate revenues and incur costs in a number of currencies. Changes in economic or political conditions in any of the countries in which we operate could result in exchange rate movement, new currency or exchange controls or other restrictions being imposed on our operations or expropriation. Because our financial results are reported in U.S. dollars, if we generate revenue or earnings in other currencies, the translation of those results into U.S. dollars can result in a significant increase or decrease in the amount of those revenues or earnings.

***We operate in a number of different countries and could be adversely affected by any violations of the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act 2010 ("U.K. Bribery Act"), and other anti-bribery laws, rules and regulations***.

The FCPA generally prohibits companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. We are also subject to other anti-bribery laws, some of which prohibit improper payments to government and non-government persons and entities. Some (e.g., the FCPA and the U.K. Bribery Act) extend their application to activities outside of their country of origin. The U.K. Bribery Act also includes a corporate offence of failure to prevent a bribe being paid to obtain or retain business advantage, which can make a commercial organization criminally liable for bribes paid by any persons associated with it, without fault on the part of the organization. Although we have implemented policies and procedures designed to promote and enable compliance with these anti-bribery laws, our employees, agents, partners and contractors may take actions in violation of such policies and procedures and anti-bribery laws. Any such violation, even if prohibited by our policies, could subject us and such persons to criminal and/or civil penalties or other sanctions, which could have a material adverse effect on our reputation and results of operations.

**Risks Related to Ownership of Our Ordinary Shares**

***The accounting treatment for many aspects of our business is complex and any changes to the accounting interpretations or accounting rules governing our business could have a material adverse effect on our reported results of operations and financial results.***

The accounting treatment for many aspects of our solar energy business is complex, and our future results could be adversely affected by changes in the accounting treatment applicable to our solar energy business. In particular, any changes to the accounting rules regarding the following matters may require us to change the manner in which we operate and finance our solar energy business:

- the classification of sale-leaseback transactions as operating, capital or real estate financing transactions classification;
- revenue recognition and related timing;
- intercompany contracts;
- operation and maintenance contracts;
- joint venture accounting, including the consolidation of joint venture entities and the inclusion or exclusion of their assets and liabilities on our balance sheet;
- long-term vendor agreements; and
- foreign holding company tax treatment.

***We make estimates and assumptions in connection with the preparation of our consolidated financial statements, and any changes to those estimates and assumptions could have a material adverse effect on our results of operations.***

In connection with the preparation of our consolidated financial statements, we use certain estimates and assumptions based on current facts, historical experience and various other factors that may affect reported amounts and disclosures. Critical accounting estimates are described in the section entitled "Critical Accounting Policies and Estimates" in Item 5 below. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material adverse effect on our results of operations, which could cause our share price to decline.

***Any future strategic acquisitions we make could have a dilutive effect on your investment in our ordinary shares, and if the goodwill, indefinite-lived intangible assets and other long-term assets recorded in connection with such acquisitions become impaired, we would be required to record additional impairment charges, which may be significant.***

In the event that we consummate any future acquisitions, we may record a portion of the assets we acquire as goodwill, other indefinite-lived intangible assets and finite lived intangible assets. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The recoverability of these assets is dependent on our ability to generate sufficient future earnings and cash flows. Changes in estimates, circumstances or conditions, resulting from both internal and external factors, could have a significant impact on our fair valuation determination, which could then result in a material impairment charge negatively affecting our results of operations.

***Future sales of our ordinary shares may depress our share price.***

Future sales of substantial amounts of our ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the price of our ordinary shares and could impair our ability to raise capital through the sale of additional shares.

***The market price of our shares may be significantly, and negatively, affected by factors that are not in our control.***

The market price of our shares may vary significantly and may be significantly, and negatively, affected by factors that we do not control. Some of these factors include: variance and volatility in global markets for equity and other assets; changes in legal, regulatory or tax-related requirements of governmental authorities, stock exchanges, or other regulatory or quasi-regulatory bodies; the performance of our competitors; and the general availability and terms of corporate and project financing.

***Our largest shareholder has significant influence over us and its interests may conflict with or differ from interests of other shareholders.***

Our largest shareholder (collectively with its affiliates and subsidiaries, the "Significant Shareholder") owned approximately 60.3% of our outstanding ordinary shares at March 31, 2017. Accordingly, the Significant Shareholder exerts substantial influence over the election of our directors, the approval of significant corporate transactions such as mergers, tender offers, and the sale of all or substantially all of our assets, the adoption of equity compensation plans, and all other matters requiring shareholder approval. The interests of the Significant Shareholder could conflict with or differ from interests of other shareholders. For example, the concentration of ownership held by the Significant Shareholder could delay, defer, or prevent a change of control of the Company or impede a merger, takeover, or other business combination, which other shareholders may view favorably.

***Changes to our tax liabilities or changes to tax requirements in the jurisdictions in which we operate could significantly, and negatively, affect our profitability.***

We are subject to income taxes and potential tax examinations in various jurisdictions, and taxing authorities may disagree with our interpretations of U.S. and foreign tax laws and may assess additional taxes. The taxes ultimately paid upon resolution of such examinations could be materially different from the amounts previously included in our income tax provision, which could have a material impact on our profitability and cash flow. Moreover, changes to our operating structure, losses of tax holidays, changes in the mix of earnings in countries with tax holidays or differing statutory tax rates, changes in tax laws, and the discovery of new information in the course of our tax return preparation process could each have a negative impact on our tax burden and therefore our financial condition. Changes in tax laws or regulations may also increase tax uncertainty and adversely affect our results of operations.

***Cyber-attacks or other breaches of our information systems, or those of third parties with which we do business, could have a significant and negative impact on our operating results and business.***

Our business and the operations of third parties with whom we do business, utilize computer systems, hardware, software, and networks that could be compromised by a breach or cyber-attack. There is no assurance that any measures we take to minimize the likelihood or impact of cyber-attacks will be adequate in the future. If these measures are not adequate, valuable data may be lost or compromised, our operations may be disrupted, and our reputation and our business may be significantly and negatively affected. In addition, such an incident may subject us to substantial expense, cost or liability associated with litigation, regulatory action or operational problems, which could have a major impact on our profitability and other operating results.

***Changes in, or any failure to comply with, privacy laws, regulations, and standards may adversely affect our business.***

The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Governmental bodies around the world have adopted, and may in the future adopt, laws and regulations affecting data privacy. Industry organizations also regularly adopt and advocate for new standards in this area. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that apply to us. Any changes in such laws, regulations or standards may result in increased costs to our operations, and any failure by us to comply with such laws, regulations and standards may have a significant and negative impact on our business or reputation.

***As a foreign private issuer under the rules and regulations of the Securities and Exchange Commission ("SEC"), we are exempt from a number of rules under the U.S. securities laws that apply to U.S.-based issuers and are permitted to file less information with the SEC than such companies.***

We are a "foreign private issuer" under the rules and regulations of the SEC. As a result, we are not subject to all of the disclosure requirements applicable to U.S.-based issuers. For example, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), that impose disclosure and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to securities registered under the Exchange Act. In addition, we are not required to file periodic reports and consolidated financial statements with the SEC as frequently or as promptly as U.S.-based public companies. As a result, there may be less publicly available information concerning our company than there is for U.S.-based public companies. Furthermore, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

As a foreign private issuer, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. In the future, we would lose our foreign private issuer status if we failed to meet the requirements set forth in Rule 405 of the Securities Act of 1933, as amended (the "Securities Act"). If we were to lose our status as a foreign private issuer, we would become subject to the regulatory and compliance costs associated with being a U.S. domestic issuer under U.S. securities laws, rules and regulations and stock exchange requirements, which costs may be significantly greater than costs we incur as a foreign private issuer. We would be required under current SEC rules to prepare our consolidated financial statements in accordance with GAAP and modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers; these requirements would be additional to, and not in place of, those under U.K. law to prepare consolidated financial statements under IFRS and comply with applicable U.K. corporate governance laws. If we do not qualify as a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a foreign private issuer. Such conversion and modifications will involve additional costs, both one-off in nature on conversion and ongoing costs to meet reporting in both GAAP and IFRS, which would reduce our operating profit. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers. Therefore, the additional costs that we would incur if we lost our foreign private issuer status could have a significant and negative impact on our financial condition, operating results or cash flows.

***As an "emerging growth company" under the Jump Start Our Business Startups Act of 2012 (the "JOBS Act"), we are permitted to rely on exemptions from certain disclosure requirements, which could make our ordinary shares less attractive to investors.***

We qualify as an "emerging growth company" as defined in the JOBS Act. For as long as we are deemed an emerging growth company, we may be exempt from certain reporting and other regulatory requirements that are applicable to other U.S. public companies. Subject to certain conditions set forth in the JOBS Act, if we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (the "PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis) or (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of our chief executive officer's compensation to median employee compensation. We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act or such earlier time that we cease to be an emerging growth company. We cannot predict if investors will view our ordinary shares as less attractive because we may rely on these exemptions. If some investors find our ordinary shares to be less attractive, there may be a less active trading market for our ordinary shares, which could materially and adversely affect the price and the liquidity of our ordinary shares.

***U.S. investors may have difficulty enforcing civil liabilities against our Company, our directors or members of senior management and the experts named in this Annual Report***.

Most of our directors and the experts named in this Annual Report are non-residents of the United States, and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States. There may be doubt as to whether the courts of England and Wales would accept jurisdiction over and enforce certain civil liabilities under U.S. securities laws in original actions or enforce judgments of U.S. courts based upon these civil liability provisions. In addition, awards of punitive damages in actions brought in the United States or elsewhere are likely to be unenforceable in England and Wales (an award for monetary damages under the U.S. securities laws may be considered punitive if it does not seek to compensate the claimant for loss or damage suffered and appears to be intended to punish the defendant). The enforceability of any judgment in England and Wales will depend on a number of criteria, including public policy, as well as the laws and treaties in effect at the time. The United States and the United Kingdom do not currently have any treaties providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

***U.S. holders of our shares could be subject to material adverse tax consequences if we are considered a "passive foreign investment company" for U.S. federal income tax purposes.***

We do not believe that we are a passive foreign investment company, and we do not expect to become a passive foreign investment company. However, our status in any taxable year will depend on our assets, income and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a passive foreign investment company for the current taxable year or any future taxable years. If we were a passive foreign investment company for any taxable year while a taxable U.S. holder held our shares, such U.S. holder would generally be taxed at ordinary income rates on any sale of our shares and on any dividends treated as "excess distributions". An interest charge also generally would apply based on any taxation deferred during such U.S. holder's holding period in the shares. See "Item 10.E. Taxation - Certain Material U.S. Federal Income Tax Considerations."

**ITEM 4. INFORMATION ON THE COMPANY**

**A. History and Development of the Company**

VivoPower International PLC was incorporated on February 1, 2016 under the laws of the England and Wales, with company number 09978410, as a public company limited by shares. At the time, it had subsidiaries in the United Kingdom ("U.K.") and the United States of America ("U.S.") and was, itself, a wholly-owned subsidiary of Arowana International Limited ("AWN"), an Australian public company traded on the Australian Securities Exchange under the symbol "AWN". The primary business activity of VivoPower is to invest in the origination, construction, transfer, operation and optimization of solar electricity generation facilities globally.

On August 11, 2016, VivoPower entered into a Contribution Agreement with Arowana Inc., a Cayman Islands exempted company ("ARWA"), and AWN (as amended, the "Contribution Agreement").

On December 28, 2016, we completed the transactions contemplated by the Contribution Agreement (the "Business Combination"), pursuant to which ARWA contributed cash to the Company in exchange for newly issued ordinary shares which shares were then distributed by ARWA to ARWA's shareholders and warrantholders. Upon the closing of the Business Combination, we became a public company whose shares are listed on The Nasdaq Capital Market under the symbol "VVPR".

Contemporaneously with the Business Combination, the Company completed the acquisitions of VivoPower Pty Limited ("VivoPower Australia") and Aevitas O Holdings Pty Ltd., the parent of Aevitas Group Limited ("Aevitas"), for a total cash consideration of $10.1 million. We acquired VivoPower Australia for an aggregate consideration of $23.1 million, with $0.6 million of cash and through the issuing of shares in VivoPower International PLC. Aevitas was acquired for a cash consideration of $9.5 million.

VivoPower Australia was established on August 8, 2014 as a proprietary limited company in Australia. VivoPower Australia is a next generation renewable energy company investing in the origination, financing, building, transfer, operation, maintenance and optimization of solar electricity generation facilities in Australia and Asia. Its initial majority shareholder was Hadouken Pty Limited (an entity associated with VivoPower Australia management), with AWN subsequently acquiring an initial interest in VivoPower Australia on or around August 29, 2014 through its shareholding in the Arowana Australasian Special Situations Fund 1. Other shareholders included Aevitas, VivoPower Australia management as well as Arowana. Energy Holdings Pty Ltd, a wholly owned subsidiary of AWN. Following the Business Combination, 80.1% of VivoPower Australia's ordinary shares are held by VivoPower International Services Ltd and 19.9% are held by Aevitas.

Aevitas O Holdings Pty Ltd was established on June 1, 2016 and is an Australian proprietary limited company. It held options to acquire 99.9% of the shares in Aevitas, an Australian unlisted public company established on February 28, 2013. Aevitas provides energy and power generation solutions including design, supply, installation and maintenance of power systems, control systems, with an increasing focus on solar and renewable energy, and energy efficiency products and strategies.

VivoPower has 24 subsidiaries, including VivoPower Australia and Aevitas. See "Item 5.B. Liquidity and Capital Resources – Investing Activities" for a list of each subsidiary and its address.

***Corporate and Other Information***

Our registered office is located at 91 Wimpole Street, Marylebone, London W1G 0EF, United Kingdom. Our telephone number is +44-203-871-2800.

**B. Business Overview**

VivoPower operates a global solar power platform. To capitalize on opportunities in the solar energy sector, we have developed a strategy that we call "build, transfer, operate" ("BTO"). We believe that our BTO strategy is a low risk, asset light approach to the renewable energy market, with a high return, capital efficient profile. The BTO strategy allows us to reinvest our profits and grow a base of recurring revenues, while providing data driven energy services to our power clients in the commercial, industrial and government sectors.

Pursuant to our BTO strategy, VivoPower (i) builds solar power plants that generate electricity from PV solar module installations for consumption by utilities or commercial offtakers of such electricity, which are supported by long-term PPAs with creditworthy customers; (ii) transfers ownership of such projects to investors (importantly, securing equity capital from investors prior to building the projects); and (iii) operates the projects to enhance their value over their useful life.

We believe that the opportunity for our BTO strategy is driven by a supply/demand imbalance in the solar development space. On the project supply side, we believe that the development market for utility scale solar projects is highly fragmented with a significant share of the market dominated by smaller, local developers or "wildcatters" that have significant local or regional capabilities but often lack the capabilities to design, structure and execute solar projects that would appeal to institutional investors. Even the most successful developers can fail to complete projects due to problems with limited relationships with global engineering and equipment suppliers and providers of finance. This is the market from which we identify projects to acquire and build at a significantly lower cost than buying projects that are already operating. We target the acquisition of projects at a very specific stage: after they have been developed, but before they are built, thus exposing us to what we believe is significantly less risk than a fully operational project. Our engineering team has the ability to create value by building projects efficiently and profitably by controlling design, engineering and procurement to ensure that projects are not only built on time and on budget, but are also able to generate superior returns.

We believe that there is a large and steadily growing appetite from institutional investors globally for quality solar operating projects. These investors often lack the resources to effectively screen the vast array of projects to find the most rewarding ones themselves, let alone build and operate the projects on their own. Based on our relationships and expertise, we believe we have the credibility to secure capital commitments prior to building and then to transfer projects to these investors once built. This approach allows us to lock in our BTO profit before we risk capital, as well as to generate stable recurring revenues from long term asset management agreements and residual equity interests in the projects.

After the construction of the projects and their transfer to an institutional investor near the time the projects attain commercial operation, VivoPower provides ongoing services encompassing operations, maintenance and optimization of these solar plants pursuant to long term contracts. In addition to realizing revenues from the sale of electricity (pursuant to retained equity investments by VivoPower's subsidiaries in the projects), these contracts create a long term, stable revenue opportunity from the consumers of the electric power produced from the projects that we operate. In addition, VivoPower identifies opportunities to create further value through an asset management approach that leverages technology and data to improve project performance and returns. We also use operational information to improve the profitability of our projects and to take advantage of technological improvements to create additional revenues.

During the year ended March 31, 2017, we completed BTO transactions for 91 megawatts of solar projects and delivered Adjusted EBITDA of $18.9 million, which exceeded our previously upgraded forecast of $18.8 million as well as our initial forecast of $18.0 million. We believe that we have a strong forward growth outlook, and expect to increase our EBITDA next year. This outlook is supported by two strategic initiatives: a joint venture for over 1.8 gigawatts in the United States and an alliance agreement with ReNu Energy Ltd. ("ReNu Energy") in Australia.

Our joint venture with Innovative Solar in the United States is at the core of our business model, as it represents a long term partnership with an established developer of utility-scale solar projects, under which we have secured exclusive rights to acquire and build a diversified portfolio of 37 utility-scale solar projects in 12 states, with projected generating capacity of over 1.8 gigawatts. We have a demonstrated track record with the developer, who was the original developer for the 91 megawatts that we completed last year. We have complementary skill sets and believe that we are mutually aligned to ensure the successful execution of the joint venture.

In addition to our global BTO model, VivoPower, through its wholly-owned Australian subsidiary, Aevitas, provides energy and power generation solutions including design, supply, installation and maintenance of power and control systems, with an increasing focus on solar, renewable energy, and energy efficiency. Aevitas has a large and diverse customer base of commercial and industrial customers, and is considered a trusted power adviser. Aevitas is located in the Hunter Valley and Newcastle region, which is the most densely populated industrial belt in Australia, and which has amongst the most expensive power prices in the country. Since acquiring Aevitas in December 2016, VivoPower has introduced an origination strategy to identify attractive solar projects within Aevitas' existing customer base.

To further support our BTO strategy in Australia, VivoPower entered into an alliance agreement with ReNu Energy (ASX: RNE) of Australia, pursuant to which ReNu Energy will have a right of first offer to acquire solar projects originated by VivoPower in Australia below 5MW in size (the "Alliance Agreement"). Under the terms of the agreement, ReNu Energy will pay an annual alliance fee for the initial five year term of the agreement calculated based on the number of projects acquired from VivoPower, which may be extended by VivoPower for an additional five years. For each project acquired, ReNu Energy will also pay an up-front origination fee to VivoPower, and will enter into a long-term agreement under which VivoPower will provide asset management services. The Alliance Agreement with ReNu Energy significantly strengthens our strategic acquisition of Aevitas. The historical revenue profile of Aevitas has been steady, representing energy services for over 300 commercial and industrial customers in Australia. Our goal with Aevitas is to maintain and grow their core business, and also to leverage their customer base to generate new solar projects. The agreement with ReNu Energy provides a commitment from an investor to whom we can transfer projects that we build. We believe this relationship will provide a highly efficient means to create BTO revenues for smaller projects originated in Australia with the Aevitas client base.

**Industry Background**

Solar power is the world's largest potential energy source and is the fastest-growing form of renewable energy. Between 2003 and 2016, cumulative installed solar capacity increased at an average annual growth rate of 44%, according to the International Energy Agency ("IEA"). Yet, solar energy's contribution to global energy generation remains insignificant, contributing less than 2% globally, even as panel costs have dropped more than 90% over the same time period, according to Bloomberg New Energy Finance ("BNEF").

As a result, we believe this is a pivotal moment in the acceleration of energy industry change. Commercial and industrial customers worldwide have recognized the economic and strategic benefits of shifting their source of electricity to low carbon distributed generation. Appetite for renewable energy among corporations is increasing quickly, as demonstrated by the organization RE100. RE100 is a collection of 101 major corporations, including at least 19 members of the Fortune 500, that have committed to source 100% of their power from renewable energy by a specified year. RE100 members collectively represent approximately 146 terawatt hours ("TWh") of annual demand, which is approximately as much energy as it takes to power the state of New York. Furthermore, Deutsche Bank recently opined in a July 19, 2017 report entitled "Global Solar Demand Scenario Analysis 2017-22," on the demand for corporate PPAs saying, "Corporate renewable energy demand is roughly 1-3 gigawatts per annum today. However, we believe this market could grow into a 5-10 gigawatt market in the next 5 -10 years driven by a combination of growing momentum among corporate buyers and positive policy developments encouraging corporate buyers. Moreover, if self-generation reaches 10% for the global industrial and commercial sectors, and solar accounts for half of the incremental demand, this can create 350 gigawatts incremental demand for solar."

In addition, demand for renewable energy among utilities continues to expand, as utilities respond both to the increasing cost-effectiveness of solar electricity as well as applicable renewable energy portfolio standards and similar mandates and incentives.

At the same time, strategic and institutional investors increasingly view investments in solar power projects as providing attractive opportunities, which has increased the availability of capital for the deployment of solar power generating capacity. Enabled by strong capital availability and decreasing input costs, the solar industry is growing quickly, with VivoPower's platform sitting at what we believe is a high growth position in the industry's value chain. While we currently focus on solar energy applications, we plan to continue to evaluate other types of power generation as well as energy efficiency and storage for possible deployment and/or investment. According to BNEF, "The cost of lithium-ion batteries has fallen 73% (from $1000/kWh to $273/kWh) since 2010 on a dollar per kWh basis. We think that chemistry improvements, lower financing costs, improved manufacturing processes and supply chain management have the potential to bring significant further cost reductions by 2030." As these technologies continue to mature, we believe that VivoPower will be able to opportunistically expand its investments to continue its growth.

**Our Current Markets**

***United States***

The U.S. utility scale electric fleet generated 4,079,079 thousand megawatt hours ("MWh") of electricity in 2016 according to IEA data. Approximately 30.4% of this was generated from coal fire power stations, with gas fired power stations contributing approximately 33.8% of generation. FERC data for utility scale generation plants of 1 megawatt or greater capacity shows that the U.S. had 1,190 gigawatts of installed capacity at the end of May 2017. Of this installed capacity, solar represented just 2.2%. However, FERC data shows that solar is the fastest growing utility scale generation type, with the installed base of utility scale solar plants of 1 megawatt or greater expanding at a compound average annual growth rate of 67% from 2010 to 2016. Furthermore, FERC and IEA data show that for 2016, approximately 34% of the U.S. installed capacity represented by solar PV was attributable to distributed generation ("DG") sources not included in the utility scale figures above.

In the U.S., VivoPower completed a joint venture through its subsidiary, VivoPower (USA) Development LLC in April 2017 with an early-stage solar development company, Innovative Solar, for a diversified portfolio of 37 utility-scale solar projects in 12 different states, representing a total electricity generating capacity of approximately 1.8 gigawatts. VivoPower anticipates that this joint venture will provide the opportunity to generate BTO revenues and profits for several years as the individual projects in the portfolio mature. Furthermore, we believe that the value of the projects in the portfolio will increase given the Company's expectation that equipment and installation costs will continue to fall at a rapid rate, hence increasing the return profile of the projects. The portfolio provides VivoPower with significant flexibility as it also presents the opportunity to realize profits on the sale of solar systems at advanced stages of development. To date, the U.S. market has represented 77% of our revenue. See "Item 4.A. Operating Results-Revenue" for a breakdown of revenues by market.

*U.S. Policy Initiatives to Encourage Solar*

The U.S. has in place many incentives to encourage installation of renewable energy. The principal federal incentives as they relate to solar include:

- Federal Investment Tax Credit ("ITC"): The ITC confers a tax credit of 30% of the eligible solar energy property basis at the time the solar generating facility is placed in service for tax purposes. The 30% ITC rate reduces in 2020 to 26%, 22% for 2021 and 10% for 2022 and years thereafter.
- Modified Accelerated Cost Recovery System Depreciation ("MACRS"): MACRS allow an acceleration of eligible expenditure on solar energy property basis over a period of five years, notwithstanding that the economic life of a solar PV generation facility may be well over twenty five years.

The principal state based solar incentives include:

- Renewable Portfolio Standards ("RPS"): RPS are state based programs typically mandating electricity providers to produce or purchase a minimum level of renewable energy as part of their electricity sales mix. A total of 29 states and the District of Columbia presently have binding RPS in place. A feature of many state based RPS programs is the use of Renewable Energy Credits ("RECs") to provide a price signal to incentivize solar capacity installation. RECs enable an electricity provider who has insufficient renewable generation to meet their RPS obligation by buying credits.
- Feed-in-Tariffs ("FIT"): Currently 6 states have FITs in place. Feed in tariffs typically apply to DG solar facilities connected to the distribution grid. They allow a solar facility owner to sell excess electricity produced back to the distribution grid. Solar FIT rates can vary depending on the time of day.
- Net Metering: Net metering typically applies to DG solar facilities connected to the distribution grid. Net Metering allows a customer to net surplus production from their solar systems against their consumption of electricity from the grid.

***Australia***

Australia possesses some of the highest insolation in the world. According to the Australian Department of Industry, Innovation and Science, solar PV has been the most rapidly expanding renewable energy source in the country over the last ten years, growing by 59% per year on average. However, this was from a low base and solar remains a relatively small contributor to Australia's energy mix. In 2014–15 about 6.0 TWh of electricity was generated from solar PV technologies representing only 2.4% of Australia's total electricity generation. Australia is still highly reliant on heavily polluting coal generation, contributing 159 TWh or 63% of total electricity generation.

According to the IEA, Australia installed 839 megawatts of solar PV in 2016, and reached a cumulative installed capacity of 5.9 gigawatts. BNEF projects solar capacity additions in 2017 and 2018 of 1.0-1.11 gigawatts and 2.1-2.3 gigawatts, respectively.

In addition to the global BTO business model, VivoPower, through its wholly-owned Australian subsidiary Aevitas, provides energy and power generation solutions including design, supply, installation and maintenance of power and control systems, with an increasing focus on solar, renewable energy, and energy efficiency. Aevitas has a large and diverse base of longstanding commercial and industrial customers, and is considered a trusted power adviser. Aevitas is located in the Hunter Valley and Newcastle region, which is the most densely populated industrial belt in Australia, and which has amongst the most expensive power prices in the country. Since acquiring Aevitas in December 2016, VivoPower has introduced an origination strategy to identify attractive solar projects within Aevitas' existing customer base. To further support this initiative, VivoPower entered into an alliance agreement with ReNu Energy, with whom VivoPower intends to execute BTO transactions for solar projects originated by Aevitas.

In Australia, VivoPower is seeing the benefits of the acquisition of Aevitas in terms of leveraging its longstanding relationships with an extensive base of commercial and industrial customers and originating behind the meter solar projects that VivoPower can then seek to convert into BTO revenues. To enhance our ability to transfer projects for which we can provide ongoing power services, VivoPower recently consummated the Alliance Agreement with ReNu Energy in Australia. Under this agreement, ReNu Energy has agreed to pay an annual alliance fee for the right to make a first offer to acquire projects originated by VivoPower that are smaller than 5 megawatts. This Alliance Agreement will enable VivoPower to generate BTO revenues in addition to the alliance fee. We anticipate that this relationship will grow profitably over many years. To date, the Australasia market has represented 18% of our revenue. See "Item 4.A. Operating Results – Revenue" for a breakdown of revenues by market.

Currently, the U.S. and Australia are our principal markets, however, in addition to our joint venture in the U.S. and the Alliance Agreement with ReNu Energy, VivoPower is exploring attractive projects that fit our BTO business strategy in Europe, Asia and Latin America.

**Customers**

We sell the electricity from our power plants mainly to local utilities and commercial and industrial customers through long-term, fixed-price PPAs. Our ability to generate revenue and profits depends on our ability to secure such PPA's for our projects from utilities and commercial and industrial customers and the timely payment of such parties under the PPA's.

**Suppliers**

Our solar equipment supply strategy is based on maintaining strong relationships with leading providers of solar modules, inverters, trackers and other solar equipment. Our main solar equipment suppliers include Canadian Solar, SMA and Next Tracker. Other important suppliers for us include engineering, procurement and construction companies, such as DEPCOM and Gran Solar. We also utilize service providers to provide operations and maintenance services at our project sites. Our ability to finance and build solar power plants profitably depends on the ability to secure equipment contracts on attractive terms with such suppliers of modules, inverters and other equipment.

**Intellectual Property**

The agreements we enter into with suppliers or providers of engineering, procurement and construction agreements generally permit us to use the intellectual property required to operate the solar power plants we develop. We are not otherwise significantly dependent on the intellectual property of third parties.

Our business is not dependent on patents or licenses. We do not currently have a material dependence on any one industrial, commercial or financial contract with suppliers or customers and we are similarly not dependent on any new manufacturing processes.

**Seasonality**

Weather conditions can have a significant impact on the solar power plants we develop and therefore a significant impact on our results of operations from period to period.

**Competition**

We compete with energy and infrastructure funds and renewable energy companies and developers, as well as conventional power companies, to acquire and invest in 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.

We believe that we can compete successfully with other market participants through our ability to source attractively-structured projects that will provide recurring long-term cash flows, enabling us to obtain access to competitively priced project financing and strong partner relationships. Some of the key attributes of our projects include long-term fixed priced PPAs, a diversified market across different geographies and regulatory environments; and cutting-edge solar technology and equipment utilized in our projects. Further contributing to our competitive strength is our approach to screen projects that offer attractive PPAs with creditworthy counterparties.

In addition, we believe that our investment in the projects we develop through our BTO model also provides us with a competitive advantage, as it aligns our interests with those of our project investors and also provides a source of recurring long-term revenues.

Currently, generators of renewable energy in the U.S. benefit from a range of federal, state and local governmental incentives and attributes that include, for example, the ITC. The ITC was extended in 2015, resulting in an expiration date for tax credits for solar facilities commencing construction with a phase down period culminating in a permanent 10% tax credit level beginning in 2022. The ITC is a key incentive that drives deployment of solar energy projects in the United States.

Key competitive considerations in the market for solar power plants include the following:

- PPA rates
- Savings on electricity costs
- Cost and speed of installation
- Electricity production of the power plant
- Strength of alliance relationships
- Availability and terms of project financing for construction of power plants
- Reputation among customers, project finance investors and industry partners
- Customer service

**Regulatory Matters**

Our business is affected by various regulatory frameworks, particularly ones relating to energy and the environment. These include the rules and regulations of the FERC, the U.S. Environmental Protection Agency, 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 purchaser based on the energy produced by their solar power system. FITs pay solar system purchasers for solar power system generation based on energy produced at a rate that is generally guaranteed for a period of time. Tax credits permit an owner of a solar project to claim applicable credits 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. have adopted renewable portfolio standards which mandate that a certain portion of electricity delivered by utilities to their customers come from eligible renewable energy resources. Some states significantly expanded their renewable portfolio standards in recent years.

**C. Organizational Structure**

VivoPower International PLC has 24 subsidiaries (collectively with VivoPower, "the group”). Our principal operating companies are VivoPower USA LLC, a Delaware limited liability company ("Vivo USA”), VivoPower International Services Ltd, a Jersey based company, and Aevitas, an Australian based company, each of which is a wholly-owned subsidiary of VivoPower.

**D. Property, Plant, and Equipment**

Our corporate headquarters is located in London, United Kingdom where we currently lease approximately 420 square feet of space under a lease expiring in December 2017.

We lease all of our facilities and do not own any real property. We intend to procure additional space as we add employees and expand geographically. We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed to accommodate planned expansion of our operations.

The group has $0.6 million of vehicle assets, $0.3 million of which are held under finance leases. The group also has $0.9 million of solar panel systems relating to our Australian Amaroo project.

In addition, as part of our BTO business model, we co-invest in solar energy projects that include long-term leases, easements or other real property rights relating to the property on which such projects are developed. Some of these projects, such as our two projects in North Carolina, are material to our business.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion and analysis of our financial condition and results of our operations should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including, but not limited to, the risks discussed in this Annual Report in "Item 3. Key Information—D. Risk Factors." Our audited consolidated financial statements included elsewhere in this Annual Report are prepared in accordance with IFRS, as issued by the International Accounting Standards Board and are presented in U.S. dollars.*

**Overview**

VivoPower operates a global solar power platform and has developed a strategy that we call "build, transfer, operate" ("BTO"). We believe that the BTO strategy is a low risk, asset-light approach to the renewable energy market, with a high return, capital efficient profile. The BTO strategy allows us to reinvest our profits and grow a base of recurring revenues, while providing data driven energy services to our power clients in the commercial, industrial and government sectors.

Pursuant to the BTO strategy, VivoPower (i) builds solar power plants that generate electricity from PV solar module installations for consumption by utilities or commercial offtakers of such electricity, and which are supported by long-term PPAs with creditworthy customers, (ii) transfers ownership of the projects to investors (importantly, securing equity capital from investors prior to building the projects), and (iii) operates the projects to enhance value over their useful life.

We derive revenue primarily from development services relating to the building and construction of solar projects, which generated $24.6 million in revenue for the year ended March 31, 2017. We recognize revenue on a percentage completion basis as the value is accrued by the end user over the life of the contract. In addition to our global BTO business model, VivoPower, through its wholly-owned Australian subsidiary, Aevitas, provides energy and power generation solutions including design, supply, installation and maintenance of power and control systems, with an increasing focus on solar, renewable energy, and energy efficiency. Aevitas has a large and diverse base of commercial and industrial customers, and is considered a trusted power adviser.

During the year ended March 31, 2017, the group generated revenue of $32.3 million, net income of $5.6 million, Adjusted EBITDA of $18.9 million and Adjusted Net Income of $12.3 million. As of March 31, 2017, the group had net assets of $64.6 million, with intangible assets, including goodwill, of $46.3 million and investments of $18.1 million. There were no measurable operations in the two month period of 2016 for which to compare the current year results.

As of March 31, 2017, the group's current assets were $30.8 million of which $11.0 million was cash and cash equivalents. Current liabilities were $12.2 million, which equals asset-to-liability ratio of 2.5:1.

Revenue growth was supported by the completion of the group's first solar project and the near completion of a second project, both of which are located in North Carolina, United States. Combined revenue for both projects was $24.6 million with further revenue of $0.4 million due to the power generation of the first project. Further BTO revenue in Australia from projects acquired in December 2016 generated $0.1 million. Aevitas generated revenue of $5.6 million for the three months ended March 31, 2017. The financial statements of our subsidiaries are recorded in their native currency, then converted to U.S. dollars for consolidated reporting. See "Item 3.A. Selected Financial Data" for a table of relevant exchange rate history.

The group generated cash flows from operating activities of $6.4 million. At March 31, 2017, the group had cash reserves of $11.0 million and debt of $20.0 million, giving a net debt position of $9.0 million.

The group financed activities until the Company became public through a loan from AWN, a publicly traded company in Australia of which VivoPower was, prior to December 28, 2016, a wholly owned subsidiary. At March 31, 2017, the amounts owing to AWN were $20.5 million, of which $19.0 million was a non-current related party loan with an initial repayment date of April 1, 2018. The remaining balance of $1.5 million was a current liability which was repaid in June 2017.

During the year ended March 31, 2017, the group invested $18.0 million in two solar energy projects in the U.S. in North Carolina. The group, as part of its long-term strategy, has retained a 14.5% and 10% equity interest in the projects respectively which we expect will generate recurring revenue in the future. In addition to the U.S. solar assets, VivoPower has aggregated a 2.6 megawatt portfolio of Commercial, Industrial and Government ("CIG") solar assets in Australia that are in the process of being structured for BTO transactions. These projects are considered to be "behind-the-meter," because they are designed for on-site use in the commercial facility, and do not require transmission or distribution through utility owned assets.

**Key Factors Affecting Our Performance**

We believe that the growth of our business and our future success are dependent upon a number of key factors, including the following:

***Acquiring new projects***. A central tenet of our BTO model is to create a profit from buying and building projects and then transferring the completed projects to long term investors. There are many factors involved in this process, each of which might serve to increase or decrease our revenues and earnings.

The first step is to capitalize on relationships within a highly fragmented developer market to acquire projects at a lower cost than buying operating assets. We employ professionals with relationships in the market as well as the experience to identify and value projects that are available for sale. These professionals screen numerous opportunities to identify the most rewarding projects, and then conduct due diligence and negotiate a purchase price. Our senior management reviews and evaluates investment opportunities identified by our professionals in a formal investment committee process. For an acquisition to be successful, the process of originating, evaluating and concluding investments must be thorough and careful. We believe that we have the experience to conduct this review and acquisition phase in a manner that will generate attractive acquisition opportunities.

The next critical step is to identify long term investors that will commit to acquire completed projects at a valuation which provides an attractive profit on our investment. Not only must we maintain strong relationships and credibility with institutional investors to secure such commitments, but we also have to manage the investment process conducted by these investors so to avoid unexpected problems and anticipate likely outcomes. Importantly, because we will seek to secure commitments in advance of building projects, if we fail to manage this process properly, we may not be able to ultimately complete the investment by such investors, and even if the investment is completed, the profit may not meet our expectations. We believe that we have the experience and capabilities to secure long-term capital on terms and conditions that will allow us to generate the profit that we predict, and to execute the transfer of the projects to investors as we predict.

The third critical step is to capture the value of the optimal engineering, procurement and financing strategies, to ensure that we can build projects on time and on budget. Equally important, it is essential that the project technical specifications, such as energy output and operating costs, can generate the level of profit expected by the long-term investors. In order to maintain our profit expectations, it is critical to manage all phases of design, engineering, procurement and financing in the manner that we predict. We believe that our engineering team actively manages all stages of design and construction to ensure that projects are not only built on time and on budget, but are also able to generate superior returns.

***Investment in Growth***. We are expanding our operations, increasing our headcount and developing software to both enhance our current offerings and build new features. We expect our total operating expenses to increase, particularly as we continue to increase the number of personnel involved in our project development and financing activities and in our general and administrative activities.

***Currency Fluctuations***. We conduct business in the United States, Australia and the United Kingdom and other countries in Asia and elsewhere. As a result, we are exposed to risks associated with fluctuations in currency exchange rates, particularly between the U.S. dollar, the British Pound and the Australian dollar.

***Regulation.*** We operate in a significant number of regulated markets. The degree of regulation to which our activities are subject varies by country. In a number of the countries in which we operate, regulation is carried out by national regulatory authorities. In some countries, such as the United States and, to a certain degree, Australia, there are various additional layers of regulation at the state, regional and/or local levels. In such countries, the scope, nature, and extent of regulation may differ among the various states, regions and/or localities.

While we believe the requisite authorizations, permits, and approvals for our existing activities have been obtained and that our activities are operated in substantial compliance with applicable laws and regulations, we remain subject to a varied and complex body of laws and regulations that both public officials and private parties may seek to enforce and that can have a significant impact on our results of operations.

***Power purchase agreements and other contracted revenue agreements.*** We seek investments in projects that are supported by long term power purchase agreements with credit worthy counterparties, pursuant to which the price for the sale of electricity is highly certain. We believe that long term investors prefer projects with such characteristics, and will consider such projects to be more valuable. However, it is not certain that sufficient number of projects with such PPAs will exist, as the market could be affected by, among other things, the presence or absence of governmental incentives or mandates, prevailing market prices, and the availability of other energy sources. Power prices in the markets in which we conduct business can be volatile, and the willingness of credit worthy counterparties to commit to purchase power from our projects may not be sufficient to support our profit expectations.

***Tax incentives in the United States for renewable energy assets.*** U.S. federal, state and local governments have established numerous incentives and financial mechanisms to reduce the cost of renewable energy and spur the development of energy from renewable, non-carbon–based, sources. Some of the major tax incentives applied in our projects are, among others, ITC and accelerated depreciation under the MACRS.

***Investments.*** The level of BTO revenue and recurring revenue after transfer of project ownership to the long-term owners depends on the terms and structure of our equity interest in the applicable project.

***Market demand for solar power***. Our business and revenues depend on the demand for solar power. Although solar power technology has been used for several decades, the solar power market has only started to grow significantly in the past few years. See "Item 3.C. Risk Factors”

***Access to adequate financing with competitive interest rates and terms.*** The development and construction of solar projects is capital intensive, and requires significant amounts of debt and equity financing, as well as tax equity financing in the U.S. In order to execute our BTO model, we require access to capital in amounts and on terms that allow us to build and transfer projects profitably. We believe that sufficient capital is available in amounts and terms that we currently require in all of the markets in which we operate, and we maintain excellent and current relationships with a wide variety of institutional and strategic providers of such capital. In addition, we intend to utilize shareholder contributions and our own operating cash flows to supplement these traditional sources of financing.

A typical project will require both a construction loan and an equity commitment sufficient to provide the funds required to complete the construction of the project. The construction loan may be obtained from project finance banks or institutional investors, and may be structured as a short term construction period-only loan, or a longer term which may equal or exceed the term of the project PPA. In U.S. projects, this loan may be supplemented by a commitment by a tax equity investor for a portion of the construction financing. In addition, we intend to seek an equity commitment from a long-term investor in advance of committing to build a project, which can serve to minimize our own equity investment amounts.

As our business continues to grow and as we develop solar projects, our ability to generate revenues and profits depends on securing sufficient amounts of debt and equity financing on suitable terms within the time periods required. As our portfolio continues to grow, especially with the addition of larger capacity solar projects, we expect to incur significantly more borrowings from banks and other lenders. Fluctuations in interest rates and currencies, for which we currently do not hedge our exposure, may impact our cost of financing and affect our financial condition and results of operations. Our access to such financing, and therefore our results of operations, are also significantly affected by financial institutions' confidence in the success of our business, the renewable energy industry as a whole and general financial market conditions.

***Our project development and operations capabilities.*** Our financial condition and results of operations depend on our ability to successfully continue to build and transfer new solar developments and operate our existing solar investments. As we continue to grow, we expect to build and manage a greater number of large-scale solar projects and to enter new geographies, which we expect to present additional challenges to our internal processes, external construction management, working capital management and financing capabilities. Our financial condition, results of operations and future success depend, to a significant extent, on our ability to continue to identify suitable sites, expand our pipeline of solar projects with attractive returns, obtain required regulatory approvals, arrange necessary financing, manage the construction of our solar projects on time and within budget and successfully operate solar investments.

**Key Performance Indicators**

In addition to traditional financial metrics, such as revenue, net income/(loss) and revenue growth trends, we monitor several other key performance indicators to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. The key performance indicators that we monitor are as follows:

| | **For the Year Ended March 31, 2017** |
|---|---|
| Gross profit percentage | 84.6% |
| Megawatts in operation | 91 |
| Project pipeline | 2.3 gigawatts |
| BTO Revenue | $25.0 million |
| Non-BTO revenue | $7.2 million |
| Adjusted EBITDA (1) | $18.9 million |
| Adjusted Net Income (2) | $12.3 million |

(1) Adjusted EBITDA is a non-IFRS financial measure. For a reconciliation of Adjusted EBITDA to the nearest comparable GAAP measures, see "Item 3—Key Information—A. Selected Consolidated Financial and Other Data."

(2) Adjusted Net Income is a non-IFRS financial measure. For a reconciliation of Adjusted Net Income to the nearest comparable GAAP measures, see "Item 3- Key Information-A. Selected Consolidated Financial and Other Data."

***Gross Profit Percentage***. Gross profit percentage is calculated as gross profit divided by revenue. We provide our services in each of the regions in which we operate: United States, United Kingdom and Australasia. Costs related to supporting and hosting our product offerings and delivering our services are incurred in the region in which the related revenue is recognized. As a result, our gross profit percentage in actual terms is the same as it would be on a constant currency basis.

***Project pipeline.*** We maintain an active pipeline of qualified projects on a global basis, representing projects which we intend to acquire from developers and expect to generate BTO transactions. Currently our primary markets of activity are the U.S. and Australia, but we are also maintaining activities in Europe, Latin America and Asia. We define qualified projects to be potential acquisitions subject to a term sheet or letter of intent, pending diligence and financing, or similar discussion for potential acquisition. On this basis, our current pipeline is approximately 2.3 gigawatts, 78% of which is in the United States, 12% in Europe, 7% is Latin America and 3% in Australasia. We believe that our pipeline is sufficient to support a strong financial profile, and if we are able to replicate the same level BTO revenues per megawatt for 2018 as we achieved in 2017, we believe that we can achieve our EBITDA guidance for the year ended March 30, 2018 by converting only 125 megawatts, or approximately 5.4% of our qualified pipeline.

In the United States, VivoPower entered into a joint venture in April 2017 with the developer Innovative Solar for a portfolio of 37 solar projects in 12 different states, representing a total potential electricity generating capacity of approximately 1.8 gigawatts. The projects in the joint venture are all at a "pre-developed" stage, in that several key development milestones must be achieved before VivoPower will acquire the projects. Importantly, the joint venture is actively pursuing interconnection rights and power purchase agreements with local utilities. It is not assured that all projects will achieve a developed stage, and even if some of the projects reach a developed stage, it is not assured that the projects will provide an attractive return profile. As a result, the amount of BTO revenues and EBITDA cannot be predicted with certainty. However, we believe that the ability to control a large diversified portfolio of early stage projects is valuable, and we anticipate that this joint venture will provide the opportunity to generate BTO revenues and profits for several years as the individual projects in the portfolio mature. Furthermore, VivoPower believes that the value of the projects in the portfolio will increase given the Company's expectation that equipment and installation costs will continue to fall at a rapid rate, hence increasing the return profile of the projects.

In Australia, we are leveraging Aevitas's longstanding relationships with an extensive base of commercial and industrial customers and originating behind the meter solar projects that we can then seek to convert into BTO revenues. To enhance our ability to transfer projects for which we can provide ongoing power services, VivoPower recently consummated an Alliance Agreement with ReNu Energy in Australia. Under this agreement, ReNu Energy has agreed to pay an annual alliance fee for the right to make a first offer to acquire projects originated by VivoPower that are smaller than 5 MW's. This alliance agreement will enable VivoPower to generate BTO revenues in addition to the alliance fee. We anticipate that this relationship will grow profitably over many years.

In addition to our joint venture in the United States and the Alliance Agreement with ReNu Energy, VivoPower is exploring attractive projects that fit our BTO business strategy in Europe, Asia and Latin America.

The portfolio provides VivoPower with significant flexibility as it also presents the opportunity to realize profits on the sale of solar systems at advanced stages of development.

**Components of Consolidated Statements of Operations**

***Revenue***

During the year ended March 31, 2017, we generated a substantial proportion of our revenue from development fees connected to the successful completion of our first two solar projects, under our BTO business model, in North Carolina, USA. $24.9 million or 77% of our revenue was generated on a percentage completion basis during the course of FY 2017.

Revenue generated through the Aevitas operations is recognized in two ways. On smaller projects revenue is recognized when the project is completed and is invoiced at that time. On larger projects, revenue is recognized on the achievement of specific milestones defined in each individual project. When the milestones are reached the customer is invoiced and the revenue is then recognized.

We have also generated revenue in the United Kingdom through a global preferred supplier arrangement and based upon the terms of the contract revenue is recognized when the legal obligation to pay has been satisfied.

The amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The level of deferred revenue is low as a percentage of total amount invoiced. The level of deferred revenue as of March 31, 2017 was $0.3 million and is all short-term in nature.

BTO revenue is recognized on a percentage completion basis. Projects are invoiced upon substantial completion requiring revenue to be accrued as a project progresses through different stages of completion. Our deferred revenue as of March 31, 2017 was $13.2 million. The project to which this deferred revenue relates was completed in May 2017 and subsequently invoiced and paid during the same month.

***Cost of Revenue***

Cost of revenue relating to Aevitas in Australasia consists primarily of product or equipment purchases, direct labor costs including staff salary costs, motor vehicle expenses and any directly related costs attributable to production and the cost of sales. We allocate overhead costs, such as rent and facility costs and telecommunication costs to arrive at a true cost of sale.

Revenues in the U.S. are the proceeds of the development fees of the two projects in North Carolina. There are no costs of revenue associated with these development fees.

In the U.K., the proceeds of our global preferred supplier arrangement have no associated cost of revenue.

***Administrative Expenses***

Administrative expenses consist primarily of operational expenses, such as those related to employee salaries and benefits, professional fees and expenses, office, rental and travel expenses and other expenses.

***Depreciation***

Depreciation is charged on property plant and equipment on a straight-line basis and is charged in the month of addition. We depreciate the following class of assets at differing rates dependent on their estimated useful lives. The net book value of assets held as of March 31, 2017 was $2.2 million.

| **Tangible asset** | **Estimated useful life** |
|---|---|
| Motor vehicles | 5 years |
| Computer equipment | 3 years |
| Fixtures and fittings | 3 years |

***Amortization***

Amortization costs relate to the amortization of intangible assets generated on the acquisition of VivoPower Australia and Aevitas as part of the Business Combination. The intangible assets identified in the acquisition of Aevitas and VivoPower Australia and their estimated useful life is provided in the table below:

| **Identifiable intangible asset** | **Estimated useful life** |
|---|---|
| Trade names | 14 years |
| Customer relationships | 7 years |
| Favorable supply contracts | 5 years |
| Databases | 5 years |

Goodwill under IFRS is subject to an annual impairment review and following the impairment review as of March 31, 2017. No impairment was required at that date based upon discounted future cash flow calculations.

***Transaction Related Costs***

Non-recurring costs relating to the transaction were incurred in connection with the Business Combination. The costs incurred were recharged costs from AWN including legal, accounting and professional fees in relation to our operations in the United States. The costs by nature were one-time incurrences, and therefore, we believe have no bearing on the financial performance of our business. To enable comparability in future periods, the costs are disclosed separately on the face of the Statement of Comprehensive Income.

***Other Income (Expense)***

Other income (expense) is comprised of the following items:

*Interest income*

Interest income includes interest income earned on our cash and cash equivalents balance. We expect interest income to vary each reporting period depending on our average cash and cash equivalents balance during the period and market interest rates.

*Interest expense*

Interest expense consists primarily of interest expense associated with the interest payable on the convertible preference shares and convertible loan notes and our outstanding debt with AWN.

*Foreign exchange income (expense)*

Foreign exchange income (expense) consists primarily of foreign exchange fluctuations related to short-term intercompany accounts and foreign currency exchange gains and losses related to transactions denominated in currencies other than the functional currency for each of our subsidiaries. We expect our foreign currency exchange gains and losses to continue to fluctuate in the future as foreign currency exchange rates change. We expect our exposure to currency fluctuations to be minimal and immaterial, and as such, have not entered into any hedging contracts.

***Provision for Income Taxes***

We operate in several tax jurisdictions and are subject to taxes in each country or jurisdiction in which we conduct business. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

**A. Operating Results**

During the year ended March 31, 2017, the group generated revenue of $32.3 million, net income of $5.6 million, Adjusted EBITDA of $18.9 million and Adjusted Net Income of $12.3 million. As of March 31, 2017, the group had net assets of $64.6 million, with intangible assets, including goodwill, of $46.3 million and investments of $18.1 million. There were no measurable operations in the two month period of 2016 for which to compare the current year results.

As of March 31, 2017, the group's current assets were $30.8 million of which $11.0 million was cash and cash equivalents. Current liabilities were $12.2 million, which equals asset-to-liability ratio of 2.5:1.

Revenue growth was supported by the completion of the group's first solar project and the near completion of a second project, both of which are located in North Carolina, United States. Combined revenue for both projects was $24.6 million with further revenue of $0.4 million due to the power generation of the first project. Further BTO revenue in Australia from projects acquired in December 2016 generated $0.1 million. Aevitas generated revenue of $5.6 million for the 3 months ended March 31, 2017. The financial statements of our subsidiaries are recorded in their native currency, then adjusted to U.S. dollars for consolidated reporting. See "Item 3.A. Selected Financial Data" for a table of relevant exchange rate history.

The group generated cash flows from operating activities of $6.4 million. At March 31, 2017, the group had cash reserves of $11.0 million and debt of $20.0 million, giving a net debt position of $9.0 million.

The group financed activities until the Company became public through a loan from AWN, a publicly traded company in Australia of which VivoPower was, prior to December 28, 2016, a wholly owned subsidiary. At March 31, 2017, the amounts owing to AWN were $20.5 million, of which $19.0 million was a non-current related party loan with an initial repayment date of April 1, 2018. The remaining balance of $1.5 million was a current liability which was repaid in June 2017.

VivoPower's ordinary shares began trading on The Nasdaq Capital Market on December 29, 2016 under the symbol "VVPR." The Business Combination generated gross proceeds of $22.5 million and we incurred transaction costs of $11.5 million. Contemporaneously with the transaction, the group completed the acquisitions of VivoPower Australia and Aevitas, for total cash consideration of $10.1 million.

During the year ended March 31, 2017, we invested $18.0 million in two solar energy projects in the U.S. The group, as part of its long-term strategy, has retained a 14.5% and 10% equity interest in the projects respectively which we expect will generate recurring revenue in the future. In addition to the U.S. solar assets, we aggregated a 2.6 megawatt portfolio of Commercial, Industrial and Government ("CIG") solar assets in Australia that are in the process of being structured for BTO transactions. These projects are considered to be "behind-the-meter," because they are designed for on-site use in the commercial facility, and do not require transmission or distribution through utility owned assets.

Currently, our operations consist of three geographic areas: United States, Australasia and the United Kingdom. Below are the results of operations for the twelve months ended March 31, 2017 broken down by geographic area:

| (US dollars in thousands) | United States | Australasia | United Kingdom | Total |
|---|---|---|---|---|
| Revenue | $ 24,945 | $ 5,705 | $ 1,600 | $ 32,250 |
| Costs of sales | - | 4,977 | - | 4,977 |
| **Gross profit** | **24,945** | **728** | **1,600** | **27,273** |
| Administrative expenses | 4,120 | 879 | 4,317 | 9,316 |
| Depreciation and amortization | 3 | 647 | 1 | 651 |
| **Operating Profit** | **20,822** | **(798)** | **(2,718)** | **17,306** |
| Transaction related costs | 5,800 | - | - | 5,800 |
| Finance income | (1) | (7) | (5) | (13) |
| Finance expense | 172 | 372 | 56 | 600 |
| **Profit before taxation** | **14,851** | **(1,163)** | **(2,769)** | **10,919** |
| Income tax expense | 6,116 | (332) | (446) | 5,338 |
| **Profit for the year** | **$ 8,735** | **$ (831)** | **$ (2,323)** | **$ 5,581** |

**Revenue**

| (US dollars in thousands) | Period ended March 31, 2017 | 2016 | Period-to-period change Amount | % Change |
|---|---|---|---|---|
| Revenue | $ 32,250 | $ 0 | $ 32,250 | N.M. |

Our business operates in three principal countries or regions:

- United Kingdom
- United States
- Australasia

| (US dollars in thousands) | United States | Australasia | United Kingdom | Total |
|---|---|---|---|---|
| Revenue | $ 24,945 | $ 5,705 | $ 1,600 | $ 32,250 |

Revenues of $24.9 million, or 77% of the total revenue was generated in the U.S. These revenues were primarily derived from successful completion of our first two solar projects, under our BTO business model, in North Carolina, USA. Components of revenue include: BTO revenues, electrical installations, electrical servicing and maintenance and generator sales. One of these projects became fully operational as of March 31, 2017. BTO Revenue is recognized on a percentage completion basis and the projects are invoiced upon substantial completion requiring the revenue to be accrued as a project progresses through different stages of completion. Deferred revenue as of March 31, 2017 was $13.2 million. The project to which this deferred revenue relates was completed in May 2017 and subsequently invoiced and paid during the same month.

Revenues of $5.7 million in Australasia were primarily generated through the Aevitas operations.

Revenues of $1.6m in the United Kingdom were derived through a global preferred supplier arrangement with one customer and based upon the terms of the contract the revenue is recognized when the legal obligation to pay has been satisfied.

As the company was formed in February 1, 2016, there were no reportable revenues in the two month period ended March 31, 2016.

**Cost of Revenue**

| | Period ended March 31, | | Period-to-period change | |
|---|---|---|---|---|
| **(US dollars in thousands)** | **2017** | **2016** | **Amount** | **% Change** |
| Cost of revenue | $ 4,977 | $ 0 | $ 4,977 | N.M. |

Cost of revenue is generated through Aevitas in Australasia and consists primarily of product or equipment purchases, direct labor costs including staff salary costs, motor vehicle expenses and any directly related costs attributable to production and the cost of sales. We allocate overhead costs, such as rent and facility costs and telecommunication costs to arrive at a true cost of sale.

As the company was formed in February 1, 2016, there were no reportable costs of revenue in that two month period.

***Gross Profit/Gross Margin***

Our gross margin is equal to revenue less cost of revenue. Gross profit margin is equal to gross profit divided by revenue. Our gross profit margin for the Aevitas segment of the business is affected by a number of factors, inducing the competitive pressures within the industry as well as the cost of labor and equipment. The gross profit margin for that segment was 12.8% for the period ended March 31, 2017. As the company was acquired in late 2016, there were no reportable gross profits in that period.

**Operating Expenses**

| | Period ended March 31, | | Period-to-period change | |
|---|---|---|---|---|
| **(US dollars in thousands)** | **2017** | **2016** | **Amount** | **% Change** |
| Salaries and benefits | $ 4,973 | $ 102 | $ 4,871 | 4,775% |
| Travel | 574 | 30 | 544 | 1,813% |
| Professional Fees | 2,847 | 106 | 2,741 | 2,586% |
| Office and Facilities | 220 | 40 | 180 | 450% |
| Other | 702 | 1 | 701 | 70,100% |
| Total general and administrative expenses | $ 9,316 | $ 279 | $ 9,037 | 3,239% |

| (US dollars in thousands) | | United States | | Australasia | | United Kingdom | | Total |
|---|---|---|---|---|---|---|---|---|
| Administrative expenses | $ | 4,120 | $ | 879 | $ | 4,317 | $ | 9,316 |
| Salaries and benefits | | 2,648 | | 549 | | 1,776 | | 4,973 |
| Travel | | 221 | | 8 | | 345 | | 574 |
| Professional Fees | | 1,057 | | 92 | | 1,698 | | 2,847 |
| Office and Facilities | | 8 | | 35 | | 177 | | 220 |
| Other | $ | 186 | $ | 195 | $ | 321 | $ | 702 |

Administrative expenses consist primarily of operational expenses, such as those related to employee salaries and benefits, professional fees and expenses, office, rental and travel expenses and other expenses. Salaries and benefits are $5.0 million, or 53.4% of administrative expenses. Key management personnel account for $3.3 million of the $5.0 million. Travel expenses are $0.6 million, or 6.2%, and are a result of travel requirements to support the global nature of the business. Professional fees at $2.8 million, or 30.6% of administrative expenses, are comprised of audit and accounting fees, consulting fees to support business development and legal fees.

***Government Subsidies***

Solar energy generation assets currently benefit from, or are affected by, various national, state and local governmental incentives and regulatory policies. If any of the laws or governmental regulations or policies that support renewable energy change, or if we are subject to new and burdensome laws or regulations, such changes may have a material adverse effect on our business, financial condition, results of operations and cash flows.

**B. Liquidity and Capital Resources**

Our principal sources of liquidity to date have been loans from AWN, cash from the proceeds of the Business Combination as well as cash flow generated from our operations. We utilize construction loans in certain projects to meet working capital requirements of the development costs. Our principal uses of cash have been for acquisitions, pipeline development, working capital and general corporate purposes. The following table shows net cash provided by (used in) operating activities, net cash used in investing activities, and net cash provided by (used in) financing activities for the years ended March 31, 2017 and 2016:

| | Year Ended March 31, | | | |
|---|---|---|---|---|
| (US dollars in thousands) | | 2017 | | 2016 |
| Net cash provided by (used in) operating activities | $ | 6,376 | $ | (95) |
| Net cash used in investing activities | | (26,736) | | (3) |
| Net cash provided by financing activities | $ | 31,302 | $ | 126 |

Net cash provided by operating activities are derived from net income of $5.6 million plus non-operating and working capital items totaling $12.4 million for a total of $6.4 million cash provided from operations. These non-operating items consist of $5.3 million of income tax expense, $5.8 million of costs relating to the Business Combination, $0.6 million of finance expense and $0.7 million of depreciation and amortization expense. The increase in accounts receivable of $13.1 million is partially offset by the increase in trade payables of $8.1 million. Finally, there was in increase in provisional expenses for employee paid time off of $1.3 million.

Net cash used in investing activities of $26.7 million primarily consist of an investment of $18.0 million in the two North Carolina solar projects, one of which was operational as of March 31, 2017, and acquisition costs of $10.1 million. We consummated a series of acquisitions from 40% ownership to 100% ownership in FY17 to include the following:

| Entity | Incorporated | % owned | Purpose |
|---|---|---|---|
| VivoPower International Services Limited | Jersey | 100% | Operating company |
| VivoPower International Holdings Limited | UK | 100% | Holding company |
| VivoPower Pty Limited | Australia | 100% | Operating company |
| Aevitas O Holdings Pty Limited | Australia | 100% | Holding company |
| Aevitas Group Limited | Australia | 99.9% | Holding company |
| Aevitas Holdings Pty Limited | Australia | 100% | Holding company |
| Electrical Engineering Group Pty Limited | Australia | 100% | Holding company |
| JA Martin Electrical Limited | Australia | 100% | Operating company |
| Kenshaw Electrical Pty Limited | Australia | 100% | Operating company |
| VivoPower WA Pty Limited | Australia | 100% | Operating company |
| VVP Project 1 Pty Limited | Australia | 100% | Dormant |
| VVP Project 2 Pty Limited | Australia | 100% | Dormant |
| Amaroo Solar Tco Pty Limited | Australia | 100% | Holding company |
| Amaroo Solar Hco Pty Limited | Australia | 100% | Holding company |
| Amaroo Solar Fco Pty Limited | Australia | 100% | Holding company |
| Amaroo Solar Pty Limited | Australia | 100% | Operating company |
| SC Tco Pty Limited | Australia | 100% | Holding company |
| SC Hco Pty Limited | Australia | 100% | Holding company |
| SC Fco Pty Limited | Australia | 100% | Holding company |
| SC Oco Pty Limited | Australia | 100% | Operating company |
| ACN 613885224 Pty Limited | Australia | 100% | Operating company |
| VivoPower USA LLC | United States | 100% | Operating company |
| VivoRex LLC | United States | 100% | Operating company |
| VivoPower Singapore Pte Limited | Singapore | 100% | Operating company |

Net cash provided by financing activities include a $12.0 million loan from AWN as well as net proceeds of $11.1 million from the Business Combination which closed in December 2016. Pursuant to the Business Combination, on December 28, 2016, we issued ordinary shares to ARWA in exchange for gross proceeds of $22.5 million and we concurrently completed two acquisitions for an aggregate cash consideration of $10.5 million.

We believe we have sufficient working capital for our present requirements. Current cash reserves of $10.9 million are unrestricted and are domiciled as follows:

| | Local currency | Amount in USD |
|---|---|---|
| AUD | 3.1 million | $2.3 million |
| GBP | 0.0 million | 0.0 million |
| SGD | 0.0 million | 0.0 million |
| USD | 8.6 million | 8.6 million |
| Grand Total | | 10.9 million |

Our treasury policy is to maintain sufficient cash reserves denominated in the currencies required for near term working capital to minimize the risk of currency fluctuation. Cash reserves are monitored on a daily basis to maximize capital efficiency. Our cash position is reviewed weekly with upper management to ensure the allocation best meets the coming needs of the business.

The recent joint venture with Innovative Solar for a portfolio of 37 solar projects in 12 states representing a total potential electricity generating capacity of approximately 1.8 gigawatts. We anticipate this joint venture will provide the opportunity to generate BTO revenues and profits over the next several years as individual projects in the portfolio mature.

We require significant financial resources to expand and develop our existing project pipeline. The development of solar projects can take months or years. We may need to make significant upfront investments, such as payments for site control and transmission and PPA deposits, in advance of the receipt of any revenue. Historically, apart from bank borrowing, shareholder contributions and our own operating cash flows, we have relied on financing for the construction of large solar projects, including project funding, pre-financing agreements with offtakers and supply-chain financing.

We may need additional cash resources in the future if we experience changed business conditions or other developments or if we decide to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If we determine that our cash requirements exceed our amounts of cash and cash equivalents on hand, we may seek to issue debt, equity or equity-linked securities or obtain a credit facility. Any issuance of equity or equity-linked securities could cause dilution for our shareholders. Any incurrence of indebtedness could increase our debt service obligations and subject us to restrictive operating and financial covenants. It is possible that, when we need additional cash resources, financing will not be available to us in amounts or on terms acceptable to us, or at all.

We aim to maintain the sufficiency of cash flows with availability of unutilized banking facilities, internally generated funds and funds obtained from financing activities, if required. We review our forecasted cash flows on an on-going basis to ensure that we will have sufficient capital from a combination of internally generated cash flows and proceeds from financing activities, if required, in order to fund our working capital and capital expenditure requirements and to meet our short term debt obligations and other liabilities and commitments as they become due. We believe that our current cash and cash equivalents, proceeds from the Business Combination, anticipated cash flows from operations and financing available to us pursuant to project funding and financial lease arrangements that have been signed will be sufficient to meet our cash requirements for at least the next 12 months.

***Borrowings***

The group financed activities until the Company became public through a related party loan from AWN, a publicly traded company in Australia of which VivoPower was, prior to December 28, 2016, a wholly owned subsidiary. At March 31, 2017, the amounts owing to AWN were $20.0 million, of which $19.0 million was a non-current related party loan with an initial repayment date of April 1, 2018. The remaining balance of $1.5 million was a current liability which was repaid in June 2017.

| (US dollars in thousands) | As of March 31, 2017 |
|---|---|
| **Current liabilities:** | |
| Bank loan | $ 90 |
| | |
| **Non-current liabilities:** | |
| Bank loan | 933 |
| Related party loan | 18,992 |
| **Total Liabilities** | $ 20,015 |

The bank loan with ANZ Bank is repayable over an 11.5 year period at a monthly repayment amount of approximately $7,500 (or AU$ 9,783) per month for 138 months. The related party loan is with AWN. Repayments of the loan will commence from April 2018 for 24 months and the debt is therefore non-current in nature.

***Operating Activities***

Our net cash generated from operating activities in the period ended March 31, 2017 was $27.4 million. This cash inflow was primarily attributable to net income of $5.3 million plus non-operating items consisting of: $5.3 million of income tax expense, $5.8 million of costs relating to the Business Combination, $0.6 million of finance expense, $0.7 million of depreciation and amortization expense, $8.1 million increase in trade payables, and an increase in provisional expenses for employee paid time off of $1.3 million.

Our net cash used in operating activities in the period ended March 31, 2017 was $13.1 million. This cash outflow was primarily attributable to an increase in accounts receivable.

***Investing Activities***

*Subsidiaries.* We have made significant investments in the acquisition of synergistic companies to fuel the growth and development of the company. During the year ended March 31, 2017, we made investments in the following subsidiaries:

| Subsidiary undertakings | Percentage of ordinary shares held | Registered address |
|---|---|---|
| VivoPower International Services Limited | 100% | 3rd Floor 37 Esplanade, St Helier, Jersey, JE2 3QA |
| VivoPower International Holdings Limited | 100% | 91 Wimpole Street, London, England, United Kingdom W1G 0EF |
| VivoPower Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Aevitas O Holdings Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Aevitas Group Limited | 99.9% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Aevitas Holdings Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Electrical Engineering Group Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| JA Martin Electrical Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Kenshaw Electrical Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| VivoPower WA Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| VVP Project 1 Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| VVP Project 2 Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Amaroo Solar Tco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Amaroo Solar Hco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Amaroo Solar Fco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Amaroo Solar Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| SC Tco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| SC Hco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| SC Fco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| SC Oco Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| ACN 613885224 Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| VivoPower USA LLC | 100% | 251 Little Falls Drive, Wilmington, New Castle, DE, USA 19808 |
| VivoRex LLC | 100% | 251 Little Falls Drive, Wilmington, New Castle, DE, USA 19808 |
| VivoPower Singapore Pte Limited | 100% | Level 36, UOB Plaza 1, 80 Raffles Place, Singapore 048624 |

In addition we made investments in associate undertakings of 40% to 64% as follows:

| Associate undertakings | Percentage of ordinary shares held | Registered address |
|---|---|---|
| V.V.P. Holdings Inc. | 40% | Unit 10A, Net Lima Building, 5th Avenue cor. 26th Street, E-Square Zone, Crescent Park West, Bonifacio Global City, Taguig, Metro Manila 64% |
| VivoPower Philippines Inc. | 64% | |
| VivoPower RE Solutions Inc. | 64% | |

The Philippine entities above, listed as Associates, are under the control of VivoPower Singapore Pte Limited, and therefore are consolidated into the consolidated financials of VivoPower International PLC. This is in line with IFRS 10 where it satisfies all three criteria to determine whether control exists.

There are development investments of $18.0 million related to the two North Carolina projects, one of which was fully operational as of March 31, 2017, and the second was fully operational in May 2017.

The value of the investments carried as of March 31, 2017 represents the fair value of project investment. We will monitor the carrying value of these investments to assess for impairment on a quarterly basis.

***Financing Activities***

Cash generated from financing activities in FY17 was $31.1 million. This cash inflow was primarily attributed to proceeds from related party borrowings of $11.0 million, proceeds from the Business Combination of $22.5 million in December 2016, and proceeds from other borrowings of $1.3 million. This cash inflow was primarily offset by the costs of listing of $11.5 million and the purchase of shares into treasury of $0.6 million.

**Research and Development, Patents and Licenses, etc.**

Our BTO business model does not currently entail substantial investment in research and development, patents or licenses other than standard third-party licenses or similar rights obtained in the ordinary course of business relating to the equipment and/or technology used in our projects.

**Trend Information**

Other than as disclosed elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources.

**Off-Balance Sheet Arrangements**

Up to and including the most recent fiscal year, we have not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As a result, we are not exposed to related financing, liquidity, market or credit risks that could arise if we had engaged in those types of arrangements.

**Contractual Obligations and Commitments**

The following table represents our contractual obligations as of March 31, 2017, aggregated by type:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **(US dollars in thousands)** | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **More than 5 years** |
| Debt obligations, principal | $ 20,015 | $ 90 | $ 19,171 | $ 179 | $ 574 |
| Debt obligations, interest | 3,332 | 1,643 | 1,600 | 54 | 36 |
| Operating lease obligations | 272 | 165 | 107 | - | - |
| Total | $ 23,619 | $ 1,898 | $ 20,878 | $ 233 | $ 610 |

We have a bank loan of $1.0 million with ANZ Bank, which is repayable over an 11.5 year period at a monthly repayment amount of approximately $7,500 for 138 months. The interest rate on this note is 2.87%. In addition, there is a related party loan with AWN, which bears interest at 8.5% and repayments of the loan will commence from April 2018 for 24 months.

**Obligations Under Finance Leases**

| **(US dollars in thousands)** | **2017 Minimum lease payments** | **2017 Present value of minimum lease payments** |
|---|---|---|
| Amounts payable under finance leases: | | - |
| Less than one year | $ 165 | $ 145 |
| Later than one year but not more than five | 107 | 95 |
| | 272 | 240 |
| Future finance charges | $ 32 | $ - |

**Recently Issued and Adopted Accounting Pronouncements**

For information on recent accounting pronouncements, see section 2.2.15 "New standards, amendments and interpretations not yet adopted" in the notes to the consolidated financial statements.

**Critical Accounting Policies and Estimates**

Our consolidated financial statements and the related notes included elsewhere in this Annual Report are prepared in accordance with accounting principles generally accepted in IFRS. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that of our significant accounting policies, which are described in Note 2 to our consolidated financial statements included elsewhere in this Annual Report, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of our operations.

Under the JOBS Act, an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. However, we have irrevocably chosen to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption is required for non-emerging growth companies.

***Revenue Recognition*** 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 BTO revenues from our US and Australian projects, Aevitas revenue, including electrical installations, servicing and maintenance and generator sales. In addition, VivoPower recognised revenue in relation to a participation fee for a global preferred supplier agreement.

Revenue associated with longer term projects is recognized on a percentage completion basis. Revenue for smaller projects is recognized upon completion.

IFRS 15 is mandatory for adoption from accounting periods beginning on or after January 1, 2017. However, the group has elected to adopt the standard early, with effect from February 1, 2016.

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

BTO revenue, which is revenue generated from development services relating to the building and construction of solar projects, is recognized 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.

Aevitas revenue for short term projects is recognized when projects are completed. On longer term projects revenue is recognized on a percentage completion basis. The projects have defined milestones which determines the timing of the billing to the customers. The achievement of the milestones then also provides an accurate indication of how much of the project is complete.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from Aevitas projects described above and is recognized as the revenue recognition criteria are met.

Deferred revenue that is expected to be recognized during the succeeding twelve month period is recorded as current deferred revenue and the remaining portion is recorded as non-current in the accompanying consolidated balance sheets.

***Income Taxes***

We are subject to income tax in the United Kingdom, the United States and other international jurisdictions, and we use estimates in determining our provision for income taxes. We account for income taxes in accordance with IFRS 12, using an asset and liability approach that requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and for net operating loss and tax credit carry forwards.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such position are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. At March 31, 2017 and 2016, we did not have any uncertain tax positions that would impact our net tax provision.

***JOBS Act***

In April 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an "emerging growth company.” As an "emerging growth company,” we have irrevocably elected not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to not take advantage of the extended transition period for complying with new or revised accounting standards is irrevocable. In addition, we are in the process of evaluating the benefits of relying on the other exemptions and reduced reporting requirements provided by the JOBS Act.

Subject to certain conditions set forth in the JOBS Act, if as an "emerging growth company” we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis), or (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of our chief executive officer’s compensation to median employee compensation.

These exemptions will apply for a period of five years following the completion of the Business Combination or until we no longer meet the requirements of being an "emerging growth company,” whichever is earlier.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The following table sets forth the names, ages and positions of our executive officers and directors. Unless otherwise indicated, the business address of all of our executive officers and directors is 91 Wimpole Street, Marylebone, London, W1G 0EF.

| Name | Age | Position |
|---|---|---|
| *Executive Officers and Employee Directors:* | | |
| Philip Comberg | 49 | Chief Executive Officer and Director |
| Carl Weatherley-White | 54 | Chief Financial Officer |
| | | |
| *Non-Executive Directors:* | | |
| Kevin Chin (1) (2) (3) | 44 | Director and Chairman |
| Edward Hyams (1) (2) (3) | 66 | Director |
| Peter Sermol (1) (2) (3) | 55 | Director |
| Gary Hui | 48 | Director |

(1) Member of the audit committee.
(2) Member of the remuneration committee.
(3) Member of the nomination committee.

The following sets forth biographical information regarding our executive officers and directors. There are no family relationships between any executive officer or director and any other executive officer or director. There are also no 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 or entities he controls is a significant stockholder of ReNu Energy.

**Executive Officers**

***Dr. Philip Comberg*** became our Chief Executive Officer on September 1, 2016 and has served as a board member of VivoPower since May 1, 2016. Dr. Comberg brings twenty years of experience as a chief executive officer, board member, investor, investment banker and attorney in Europe, the United States and Asia. Since 2014 Dr. Comberg has served as non-executive Chairman of Solarcentury Holdings, a leading London based solar development and EPC company. He has advised U.S. hedge fund Magnetar Capital on the build-up of its more than 300 megawatts solar power asset portfolio in the U.K. and served on the boards of technology and industrial companies in Silicon Valley and Germany. From 2011 to 2014, Dr. Comberg was Chairman and CEO of Conergy, one of Germany's foremost solar companies, leading its restructuring and sale to U.S. financial investor Kawa Capital. Prior to that, he served as an Independent Director on the board of Solarfun Power Holdings (now Hanwha QCells), a fully integrated Chinese solar manufacturer, following its listing on Nasdaq in 2006. In 2004, he co-founded Alcosa Capital, a Frankfurt based special situation investment and advisory firm focusing on investments in the German SME sector, advising companies on M&A, debt and equity transactions as well as operational issues and serving as their board member. From 2001 to 2003, Dr. Comberg worked as an investment banker at Deutsche Bank and from 1995 to 2000 as an M&A lawyer with Freshfields Bruckhaus Deringer in Germany and China and completing his legal articles. Dr. Comberg studied law and Chinese at the University of Heidelberg in Germany and Zhong Shan University in China, subsequently completing his Master's degree at New York University and a Doctor of Law at the University of Düsseldorf, Germany. He speaks English, French, Chinese and German.

***Carl Weatherley-White*** has served as Chief Financial Officer since April 1, 2017, prior to which he served as Group Director of Finance of VivoPower since July 13, 2016. Mr. Weatherley-White brings over twenty-five years of renewable energy transactional experience to VivoPower, with a particular focus on acquisitions, project and corporate finance, private equity and joint ventures. Previously, he was President of Lightbeam Electric Company from December 2013 to February 2016 which aggregated a diversified, international portfolio of renewable energy projects to support an initial public offering. From January 2012 to December 2013, he was Chief Financial Officer of K Road Power Holdings, a private solar development company and portfolio company of Barclays. Prior to this, he was at Barclays from September 2008 to December 2011, where he was Managing Director and head of project finance, and Lehman Brothers from December 2005 to September 2008, and held the same role. He has global energy infrastructure transaction experience for a wide variety of private equity and strategic clients. He also led renewable energy tax equity investing at Credit Suisse and Lehman Brothers. Mr. Weatherley-White holds a bachelor of science with honors from Brown University, and held a Graduate Fellowship in economics and political science at the University of Cape Town. He is a Chartered Financial Analyst ("CFA") holder.

**Non-Executive Directors**

***Kevin Tser Fah Chin*** has served as our Non-Executive Chairman of the board since the closing of the Business Combination. In 2007, Mr. Chin co-founded Arowana & Co., which today comprises Arowana Partners Group, Arowana Capital and AWN. Arowana Partners Group operates a number of unlisted investment funds and arranges and manages acquisitions and syndicated investments in unlisted companies. Arowana Capital operates as an Early Stage Venture Capital Limited Partnership venture capital fund, having formerly managed a Venture Capital Limited Partnership private equity fund. AWN is a company listed on the Australian Securities Exchange with operating subsidiaries and investments in the United States, Australia, New Zealand, the U.K. and South East Asia. Mr. Chin served as Managing Partner of Arowana Capital from June 2007 to June 2013 and has served as Chief Executive Officer of AWN since January 2013 and as Executive Chairman since February 2015. Prior to founding Arowana & Co., Mr. Chin led the management buyout of an ASX listed software business, SoftLaw Corporation (which was later renamed to RuleBurst Haley Limited) in November 2004 and became its Chief Financial Officer (and for a period also its Chief Operating Officer). RuleBurst Haley was acquired by Oracle Corporation in November 2008. Between October 2003 and October 2004, Mr. Chin worked as investment manager I analyst with a family office called the Lowy Family Group. Prior to that, he was with J.P. Morgan as a Vice President in its Investment Banking division gaining experience in Australia, the United States and Asia across both mergers and acquisitions and equity capital and derivative markets. Before joining J.P. Morgan, Mr. Chin worked as a corporate finance executive with an Australian merchant bank, Ord Minnett. He was previously also with Price Waterhouse in their corporate finance and litigation support team and Deloitte in their business consulting division. 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. Mr. Chin is a Fellow of FINSIA (Financial Services Institute of Australia) where he also lectured for the FINSIA Master's Degree course, Advanced Industrial Equity Analysis. Mr. Chin is a qualified Chartered Accountant and a member of the Young Presidents Organization (YPO) and Entrepreneurs Organization (EO).

***Edward Hyams*** joined our board as a non-executive director upon the closing of the Business Combination. Mr. Hyams has over forty years' experience in Power Engineering, Renewables and in Energy Efficiency as an Executive, Private Equity Partner and as a Non-Executive Director. He was a Partner at Englefield Capital from 2004 to 2012 where he co-led the Renewable Energy Fund, investing in Solar, Wind and Biomass developments in Europe. He joined Englefield having led the management team which Englefield and another PE firm backed to invest in Zephyr, the first structured financing of a portfolio of renewables assets in the U.K. Prior to Englefield, Mr. Hyams held senior executive roles as CEO of BizzEnergy from 2001to 2003, Managing Director of Eastern Group PLC from 1996 to 2001 and Director of Engineering at Southern Electric Plc from 1992 to 1996. Mr. Hyams was a non-executive Director of the U.K. Energy Saving Trust following the electricity and gas privatizations in the early 1990's. He re-joined the Trust as Non-Executive Chairman in 2005 and was appointed as a NED at the U.K. Carbon Trust in the same year. Mr. Hyams is a Chartered Engineer, graduating with a degree in Electrical Engineering from Imperial College, London and holds a Diploma in Accounting and Finance from the Association of Certified Chartered Accountants. He has completed executive programs in finance at Harvard Business School and in strategy and organization at Stanford.

***Peter Sermol*** joined our board as a non-executive director upon the closing of the Business Combination. Mr. Sermol has over thirty years of experience in institutional finance. Mr. Sermol is the co-founder of North Star Solar Ltd, a company formed by him in September 2014 focused on installing U.K. rooftop solar PV and battery storage which developed a model to install renewable technologies without any need for government subsidies. Prior to this, Mr. Sermol ran the Toronto office of Amstel Securities, a Dutch regulated brokerage firm, from Aug 2004 to September 2012. During this period he also served as CEO of an online media distribution company. Previously, Mr. Sermol worked with specialist brokerage and advisory firms including Anca Capital Partners and Amstel as well as co-founding his own brokerage firm, Global Markets Ltd trading Asian Convertible Bonds and GDRs. Mr. Sermol studied marine electronics at the Merchant Naval College, Greenhithe.

***Gary San Hui*** joined our board as a non-executive director upon the closing of the Business Combination. Mr. Hui joined AWN as an Executive Director and Fund Manager in November 2014. From 2007 to November 2014 when he joined ARWA, Mr. Hui was with Indus Capital, a hedge fund founded by former Soros Fund Management Partners. Mr. Hui joined Indus as a senior analyst, before becoming Managing Director and Chief Representative of Indus' Singapore office in December 2011, prior to relocating to San Francisco in July 2013. From 1999 to 2007, Mr. Hui was with J.P. Morgan, including as an equity capital and derivatives banker responsible for the origination, structuring and execution of mandates in the Asian region. Prior to this, he worked at Deloitte in audit, business consulting and corporate finance. Mr. Hui qualified as a Chartered Accountant and completed the Securities Institute of Australia (now FINSIA) program. He holds a Bachelor of Commerce degree from the University of New South Wales.

**B. Compensation**

***Directors and Executive Management Compensation***

The table below sets out the remuneration paid to our directors during the year ended March 31, 2017, and in the case of Mr. Comberg, reflects the compensation paid for his service as an executive.

| Name | Salary & Fees | Benefits | Pension | Annual Bonus | Long-Term Incentives | Total |
|---|---|---|---|---|---|---|
| *Executive* | | | | | | |
| Philip Comberg | $ 393,750 | $ 15,750 | $ 39,375 | $ 787,500 | $ - | $ 1,236,375 |
| Carl Weatherley-White | $ 242,708 | $ 24,810 | $ - | $ 243,123 | $ - | $ 510,641 |
| *Non-Executive* | | | | | | |
| Kevin Chin | $ 250,000 | $ - | $ - | $ - | $ - | $ 250,000 |
| Edward Hyams | $ 34,583 | $ - | $ - | $ - | $ - | $ 34,583 |
| Peter Sermol | $ 24,346 | $ - | $ - | $ - | $ - | $ 24,346 |
| Gary Hui | $ 91,239 | $ - | $ - | $ - | $ - | $ 91,239 |

Gary Hui is also paid an annual salary of $360,000 through U.S. payroll, in compensation for additional work undertaken for the benefit of the Company, including his role on the investment committee. A proportion of this salary is recharged to AWN; the amount presented in the table above reflects the amount that is not recharged to AWN.

The value of the annual bonus awarded to Philip Comberg was based on completion of certain performance targets as described below.

**Employment and Consulting Agreements**

***Executive Agreements***

Philip Comberg entered into a service agreement with VivoPower, via its 100% owned subsidiary VivoPower International Services Limited ("Services"), on August 4, 2016, pursuant to which he has served as Chief Executive Officer effective September 1, 2016. The agreement runs for an indefinite term and until notice of not less than 12 months is provided by Services or by Mr. Comberg. Pursuant to the agreement, Mr. Comberg is entitled to an initial annual base salary of $675,000 subject to review and upward adjustment annually; an additional 10% of his base salary in lieu of pension contributions; participation in the Company's incentive plan(s); company paid life insurance at four times his base salary; at Mr. Comberg's election, participation in company sponsored benefits plans offered to other employees or an amount of $2,250 per month contribution to he and his family's private medical insurance; participation in any company permanent health insurance scheme; and relocations costs. Mr. Comberg will also participate in a special bonus scheme where he could earn up to an additional amount of 150% of his annual base salary for achieving specified performance objectives. In addition to observing English public holidays, Mr. Comberg is entitled to 30 days personal holidays each year. Mr. Comberg is restricted from pursuing interests in other competing businesses and is subject to customary terms regarding confidentiality, intellectual property, and non-competition and gardening leave protections afforded the company.

Carl Weatherley-White, our Chief Financial Officer, entered into an employment agreement with Vivo USA on July 13, 2016. Mr. Weatherley-White’s agreement provides for base compensation, currently at a rate of $348,000, and eligibility to participate in an annual bonus pool based on Vivo USA’s and Mr. Weatherley-White’s performance. The payment and timing of the bonus is at the sole discretion of Vivo USA. Mr. Weatherley-White’s target bonus under the bonus is up to 100% of his base compensation.

Mr. Weatherley-White’s agreement also provides for participation in Vivo USA’s standard benefits, reimbursement of reasonable work related expenses and at least twenty days of paid time off each year. The terms and conditions are determined by Vivo USA and are subject to a number of customary conditions and restrictions, including vesting periods and employee tenure.

Mr. Weatherley-White agreed to non-solicitation and non-competition provisions for a period of six months following his last day with Vivo USA.

***Potential Payments Upon Termination or Change in Control***

The Company may terminate the CEO's employment summarily for gross misconduct or similar grounds or by serving twelve months' written notice on the CEO. The CEO may terminate his employment by serving 12 months' written notice on the Company.

In circumstances where the employment is terminated on notice, the Company may elect to put in place any of the following arrangements:

a) The CEO may be required to actively work throughout the entirety of his notice period;

b) The CEO may be required to spend some or all of his notice period on garden leave (during which time the CEO would remain entitled to receive his full salary and certain contractual benefits); or

c) The Company may elect to make a payment in lieu of notice in respect of the whole or any unexpired proportion of the CEO's notice period. In these circumstances, the payment in lieu of notice would be calculated based on the CEO's annual base salary plus the cost to the Company of certain contractual benefits. Any such payment due shall be in two equal installments, the first within seven days after the termination of the CEO's employment and the second no later than the date which is six months thereafter. The second installment shall be reduced by an amount equal to any payment or benefits received by the CEO from any new alternative employment or engagement after the termination date in respect of such six-month period.

If the CEO is terminated (otherwise than for cause) the CEO shall also be entitled to reimbursement for his costs of relocation back to Germany on a grossed up for tax basis and shall remain eligible to receive a pro-rata proportion of any bonus calculated up to the termination date.

Pursuant to the employment agreements, Mr. Weatherley-White is employed on an "at will” basis and may be terminated at any time, for any reason, with or without cause or notice. In the event that Mr. Weatherley-White is terminated without cause or resigns for good reason, he is entitled to receive severance in the form of twelve months’ continuation of his current base salary and an amount equal to the average of his last two years’ bonus. If Mr. Weatherley-White’s employment is terminated by reason of death or disability, in addition to any accrued and unpaid salary, he (or his estate) would also receive any pro-rata bonus.

If Mr. Weatherley-White’s employment, six months prior to, or within two years following, a change of control, is terminated involuntarily by Vivo USA other than for cause, death, disability, Mr. Weatherley-White shall be entitled to twelve months’ continuation of his current base salary and a bonus equal to the greater of (1) the average of his last two years’ bonus or (2) two-thirds of his base salary.

The appointment letters of the non-executive directors of the Company are generally terminable upon one month’s written notice and do not contain provisions providing for special payments upon termination or change in control.

***Equity Incentive Plan***

On July 3, 2017, the board of directors approved adoption of the Company’s 2017 Omnibus Incentive Plan (the "Incentive Plan”), subject to approval by shareholders, the provisions of which will be described in a Current Report on Form 6-K filed by the Company. Shareholder approval for the Incentive Plan will be sought at the Company’s Annual General Meeting, which is expected to occur on September 5, 2017.

**C. Board Practices**

***Board Composition***

Our business affairs are managed under the direction of our board of directors, which currently comprises five members. Kevin Chin has served as a director since April 27, 2016. Gary Hui has served as a director since December 21, 2016. Edward Hyams has served as a director since November 2, 2016. Peter Sermol has served as a director since December 21, 2016. Philip Comberg has served as a director since May 1, 2016. Our board of directors has determined that Messrs. Hyams and Sermol are "independent" under the listing rules of The Nasdaq Stock Market.

***Classification of Directors***

Pursuant to our Articles, which were adopted upon the closing of the Business Combination, the directors of VivoPower are divided into three classes, as nearly equal in number as possible and designated as Class A, Class B and Class C. The initial term of the initial Class A Directors, Gary Hui and Philip Comberg, shall expire at the Company's first annual general meeting; the initial term of the initial Class B Directors, consisting of Peter Sermol and Edward Hyams, shall expire at the second annual general meeting; and the initial term of the initial Class C Directors, consisting of Kevin Chin, shall expire at the third annual general meeting. Commencing at the first annual general meeting following the adoption of the Articles and at each succeeding annual general meeting of VivoPower thereafter, successors to the class of directors whose term expires at that annual general meeting shall be elected for a term to expire at the third annual meeting following such election. Kevin Chin is the Chairman of the board.

***Corporate Governance and Committees of the Board***

*Corporate Governance*

The Sarbanes-Oxley Act of 2002, as well as related rules subsequently implemented by the SEC, requires foreign private issuers, including our company, to comply with various corporate governance practices. In addition, Nasdaq rules provide that foreign private issuers may follow home country practice in lieu of the Nasdaq corporate governance standards, subject to certain exceptions and except to the extent that such exemptions would be contrary to U.S. federal securities laws. We currently do not intend to take advantage of any such exemptions.

We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable requirements of the rules adopted by the SEC.

Because we are a foreign private issuer, our directors and senior management are not subject to short-swing profit and insider trading reporting obligations under Section 16 of the Exchange Act. They will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules.

***Committees of the Board***

We have established an audit committee, a nominating committee and a remunerations committee and have a charter for each of these committees.

**Audit Committee Information**

The audit committee is comprised of Peter Sermol, Edward Hyams and Kevin Chin. Each of the members of the audit committee, other than Mr. Chin, is independent under the applicable Nasdaq listing standards. Pursuant to Nasdaq's "phase-in" rules for newly listed companies, we have one year from the date on which we are first listed on Nasdaq to have our audit committee be comprised solely of independent members. We intend to identify an additional independent director to serve on the audit committee within the applicable time period, at which time Mr. Chin resign from the committee. The audit committee has a written charter, a form of which is available free of charge on VivoPower's website at www.vivopower.com.

The purpose of the audit committee, as specified in the audit committee charter, includes, but is not limited to, assisting the board of directors in overseeing and monitoring:

- the Company's accounting and financial reporting processes and internal control over financial reporting;
- the audit and integrity of the Company’s financial statements;
- the qualifications, independence, remuneration, engagement terms with and performance of the Company’s registered public accounting firm;
- the Company's compliance with accounting, regulatory and related legal and requirements;
- the adequacy and security of the Company’s compliance and fraud-detection procedures; and
- risk assessment and risk management.

**Financial Experts on Audit Committee**

Subject to Nasdaq’s "phase-in” rules for newly listed companies, the audit committee is required to be composed exclusively of "independent directors,” as defined for audit committee members under the Nasdaq listing standards and the rules and regulations of the SEC, who are "financially literate,” as defined under Nasdaq’s listing standards. Nasdaq’s listing standards define "financially literate” as being able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. In addition, VivoPower is required to certify to Nasdaq that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual’s financial sophistication. The board of directors has determined that Kevin Chin satisfies Nasdaq’s definition of financial sophistication and also qualifies as an "audit committee financial expert” as defined under rules and regulations of the SEC.

**Nominating Committee Information**

The nominating committee of the board of directors is comprised of Edward Hyams, Peter Sermol and Kevin Chin. Each of the members of the nominating committee, other than Mr. Chin, is independent under the applicable Nasdaq listing standards. Pursuant to Nasdaq’s "phase-in” rules for newly listed companies, we have one year from the date on which we are first listed on Nasdaq to have our nominating committee be comprised solely of independent members. We intend to identify one additional independent director to serve on the nominating committee within the applicable time period, at which time Mr. Chin will resign from the committee. The nominating committee has a written charter, a form of which is available free of charge at VivoPower’s website at www.vivopower.com. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on VivoPower’s board of directors.

**Selection of Director Nominees**

The nominating committee considers persons identified by its members, management, shareholders, investment bankers and others. Pursuant to its charter, the nominating committee, before any appointment is made by the board of directors, evaluates the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment, and consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, taking care that appointees have enough time available to devote to the position.

The nominating committee considers a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person’s candidacy for membership on the board of directors. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and diverse mix of board members. The nominating committee will not distinguish among nominees recommended by shareholders and other persons.

**Remuneration Committee Information**

The remuneration committee consists of Peter Sermol, Edward Hyams and Kevin Chin. Each of the members of the remuneration committee, other than Mr. Chin, is independent under the applicable Nasdaq listing standards. Pursuant to Nasdaq's "phase-in" rules for newly listed companies, we have one year from the date on which we are first listed on Nasdaq to have our remuneration committee be comprised solely of independent members. We intend to identify an additional independent director to serve on the remuneration committee within the applicable time periods, at which time Mr. Chin will resign from the committee. The remuneration committee has a written charter, a form of which will be available free of charge on VivoPower's website at www.vivopower.com. The remuneration 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, with the exception of the chief executive officer (whose remuneration is determined by the board of directors), 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.

***Code of Business Conduct and Ethics***

We have adopted a Code of Business Conduct and Ethics applicable to all of our directors, executive officers and employees, including our chief executive officer, chief financial officer, controller, or other persons performing similar functions, which is a "code of ethics" as defined in Item 16B of Form 20-F promulgated by the SEC. The full text of the Code of Business Conduct and Ethics is posted on the investor relations section of our website at www.vivopower.com.

If we make any amendment to the Code of Business Conduct and Ethics or grant any waivers, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC. Under Item 16B of Form 20-F, if a waiver or amendment of the Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer, or controller and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we are required to disclose such waiver or amendment on our website in accordance with the requirements of Instruction 4 to such Item 16B.

**D. Employees**

As of March 31, 2017, we had 151 employees and subcontractors with 137 located in the Australia, 8 in the U.S., 4 in U.K. and 2 in Asia. As of March 31, 2016, we had 6 employees and subcontractors with 0 located in the Australia, 5 in the U.S., 1 in U.K. and 0 in Asia. The following table shows the breakdown of our global workforce of employees and subcontractors by category of activity as of the dates indicated:

| Summary | Australia | US | U.K. | Asia | Total |
|---|---|---|---|---|---|
| Sales and Business Development | 10 | 2 | - | 2 | 14 |
| Central Services and Management | 27 | 4 | 4 | - | 35 |
| Engineering and Power Services | 100 | 2 | - | - | 102 |
| Total | 135 | 8 | 4 | 2 | 149 |

None of our employees work under any collective bargaining agreements. We have never experienced labor-related work stoppages or strikes and believe that we have good relations with our employees.

**E. Share Ownership**

The following table sets forth information regarding the beneficial ownership of VivoPower ordinary shares as of July 25, 2017 by:

- each of our executive officers and directors; and
- all of our executive officers and directors as a group.

The beneficial ownership of VivoPower's ordinary shares is based on 13,557,376 ordinary shares issued and outstanding on July 25, 2017. 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.

Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all ordinary shares beneficially owned by them.

| Name and Address of Beneficial Owner (1) | Number of Shares Beneficially Owned | Percentage of Outstanding Shares |
|---|---|---|
| Kevin Chin(2) | 1,266,531(3)(4) | 9.3% |
| Gary Hui(2) | 325,045(5) | 2.4% |
| Dr. Philip Comberg | 0 | 0% |
| Edward Hyams | 0 | 0% |
| Peter Sermol | 0 | 0% |
| Carl Weatherley-White | 12,610 | 0.1% |
| All directors and executive officers as a group (6 persons) | 1,604,186 | 11.8% |

(1) Unless otherwise indicated, the business address of each of the individuals is c/o VivoPower International PLC, 91 Wimpole Street, Marylebone, London W1G 0EF, U.K.
(2) The business address for each of the individuals is c/o Arowana Inc., at Level 11, 153 Walker Street, North Sydney, NSW 2060, 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 Arowana International Limited, of which Mr. Chin is a director.
(5) These shares are held by Beira Corp., an entity controlled by Mr. Hui.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

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% and more of our ordinary shares.

The beneficial ownership of VivoPower's ordinary shares is based on determined based on 13,557,376 ordinary shares issued and outstanding on July 25, 2017. 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.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Approximate Percentage of Beneficial Ownership |
|---|---|---|
| The Panaga Group Trust(1) | 1,241,531 | 9.2% |
| Arowana International Limited(2) | 8,176,804 | 60.3% |

(1) According to a Schedule 13D filed on January 9, 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 January 31, 2017 on behalf of 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 Arowana Inc., at Level 11, 153 Walker Street, North Sydney, NSW 2060, Australia.

**B. Related Party Transactions**

***Advances from Related Persons***

Arowana Energy Holdings Limited, a subsidiary of AWN was indebted to Aevitas for approximately A$587,967 for deferred consideration under a transaction relating to the sale of VivoPower Australia ordinary shares, which was repaid in connection with the closing of the Business Combination via the Letter Amendment to the Arowana Energy Holdings and Aevitas share sale agreement.

Aevitas is indebted to the following entities which are subsidiaries of AWN via their holdings in Aevitas notes:

- Arowana Australasian Special Situations 1A pty Ltd <Arowana Australasian Special Situations Trust 1A A/C>: 666,666 Aevitas notes held.
- Arowana Australasian Special Situations 1B pty Ltd <Arowana Australasian Special Situations Trust 1B A/C>: 666,666 Aevitas notes held.
- Arowana Australasian Special Situations 1C pty Ltd <Arowana Australasian Special Situations Trust 1C A/C>: 666,667 Aevitas notes held.

Aevitas is indebted to the following entities via their holdings in Aevitas convertible notes:

- The Panaga Group Trust, of which Mr. Kevin Chin is a beneficiary and one of the directors of the corporate trustee of such trust, holds 4,500 Aevitas notes.
- Sd & K Investments Pty Ltd atf <Hoskins Family A/C> an entity controlled by Mr Dudley Hoskin holds 43,249 convertible notes.

Aevitas was indebted to APG, an affiliate of Mr. Chin's for approximately $528,439, which was also repaid in connection with the closing of the Business Combination via the APG Aevitas Repayment Notice

VivoPower USA LLC is indebted to AWN via a related party receivable account of $227,163. Interest is payable at a rate of 6% per annum. The total amount outstanding has subsequently been repaid.

VivoPower International Services Ltd. is indebted to AWN via a related party loan on normal commercial terms with interest charged at 8.5% per annum and principal is repayable one year after the initial drawdown date. Interest is payable monthly. At March 31, 2017 the principal balance due to AWN by VivoPower International Services Limited under this loan was $18,992,636.

Kevin Chin or entities controlled by Kevin Chin are investors in ReNu Energy, with whom we entered into the Alliance Agreement discussed above at Item 4.B.

***VivoPower Policy on Conflicts of Interest***

VivoPower's Code of Ethics requires that situations that could be reasonably expected to give rise to a conflict of interest be fully disclosed to the Company's Compliance Officer, and provides that conflicts of interest may only be waived by the board of directors or an appropriate committee of the board of directors. Under the Code of Ethics, a conflict of interest is deemed to occur when an employee's private interest interferes, or appears to interfere, with the interests of the Company as a whole, and in general the Code of Conduct provides that, subject to certain exceptions in the Code, the following should be considered conflicts of interest: (i) no employee may be employed or engaged by a business that competes with the Company or deprives it of any business; (ii) no employee should use corporate property, information or his or her position with the Company to secure a business opportunity that would otherwise be available to the Company; (iii) no employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier, financing partner or competitor of the Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions; (iv) no employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee's performance of duties or responsibilities to the Company, or requires the employee to devote time to it during such employee's working hours at the Company except that with the prior approval of the board of directors of the Company, an employee may hold up to 5% ownership interest in a publicly traded company that is in competition with the Company; provided that if the employee's ownership interest in such publicly traded company increases to more than 5%, the employee must immediately report such ownership to the Compliance Officer; no employee may hold any ownership interest in a privately held company that is in competition with the Company except with the prior approval of the board; and no employee may hold any ownership interest in a company that has a business relationship with the Company if such employee's duties at the Company include managing or supervising the Company's business relations with that company.

VivoPower's audit committee, pursuant to its written charter, is responsible for maintaining oversight of conflict of interest transactions to help to ensure that they are appropriately disclosed and make recommendations to the board of directors regarding authorization. The audit committee considers all relevant factors when determining whether to approve a conflict of interest transaction, including whether the conflict of interest transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. VivoPower requires each of its directors and executive officers to complete an annual directors' and officers' questionnaire that elicits information about conflict of interest transactions.

These procedures are intended to determine whether any such conflict of interest impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

VivoPower also complies with English law provisions in relation to directors' conflicts contained in the Companies Act 2006 and specific provisions contained in the Company's articles of association. The Companies Act 2006 permits directors of U.K. public limited companies to have conflicts of interests provided that their articles of association permit directors to authorize a conflict and the directors do authorize any such conflict in accordance with such provision.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information**

See "Item 18—Financial Statements" and the financial statements referred to therein.

**Legal Proceedings**

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. Although we believe that the outcome of any such matters will not have a material adverse effect on our business, such outcomes are not ascertainable in advance and litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, damages or penalties and other factors.

**Dividend Policy**

We have 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.

**B. Significant Changes**

Not applicable.

**ITEM 9. THE OFFER AND LISTING**

**A. Offering and Listing Details**

The following table sets forth the reported high and low sale prices in US dollars on the Nasdaq Capital Market for our ordinary shares for each quarter, the most recent six months and the first trading day.

| | High | Low |
|---|---|---|
| **Annual highs and lows** | | |
| Calendar year ended December 31, 2016 (from December 29, 2016) | $ 7.34 | $ 5.50 |
| **Quarterly highs and lows** | | |
| First quarter calendar 2017 | 7.08 | 3.99 |
| Second quarter calendar 2017 | 4.73 | 2.80 |
| **Monthly highs and lows** | | |
| Dec-16 | 7.34 | 5.50 |
| Jan-17 | 7.08 | 3.99 |
| Feb-17 | 5.31 | 4.60 |
| Mar-17 | 5.01 | 4.00 |
| Apr-17 | 4.73 | 3.20 |
| May-17 | 4.02 | 3.29 |
| June-2017 | 3.09 | 2.80 |
| First Trading Day | | |
| December 29, 2016 | $ 7.34 | $ 6.50 |

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Since December 29, 2016, our ordinary shares have been listed on The Nasdaq Capital Market under the symbol "VVPR."

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

## ITEM 10. ADDITIONAL INFORMATION

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

We incorporate by reference into this Annual Report the description of our memorandum and articles of association set forth under "Description of VivoPower Securities – Key Provisions of our Articles of Association" in our registration statement on Form F-4 (File No. 333-213297) filed with the SEC on November 21, 2016.

**C. Material Contracts**

See "Item 4.B-Business Overview," "Item 5.B-Liquidity and Capital Resources", "Item 6-Directors, Senior Management and Employees" and "Item 7.B-Related Party Transactions."

In April, 2017, a subsidiary of the Company, VivoPower (USA) Development LLC ("DevCo") entered into a joint venture with Innovative Solar Systems, LLC ("Innovative Solar"), a developer of utility-scale ground mounted solar projects based in Asheville, North Carolina. The Company intends to design, finance and construct each project that it acquires through the joint venture under its build, transfer and operate model. The joint venture is governed by an Amended and Restated Operating Agreement between Innovative Solar Ventures I LLC ("JV LLC"), DevCo and Innovative Solar, effective as of April 17, 2017 ("JV Operating Agreement"), which set forth the terms and conditions of the establishment and operation of the JV LLC. The purpose of the JV LLC is to provide funding for and invest in early stage development of solar fields throughout the United States, including by investing in project companies holding utility-scale solar assets. Under the JV Operating Agreement, DevCo is entitled to appoint three members of the JV LLC Board of Directors, and Innovative Solar is entitled to appoint two members. Under the JV Operating Agreement, the JV LLC is managed by a manager, which initially is ISV I Management LLC. The JV Operating Agreement provides a mechanism for the funding, development and sale to DevCo as well as third parties of utility-scale solar projects in the JV LLC's portfolio.

The Company is also an investor in two utility-scale solar energy projects in North Carolina, in Bladen County and Robeson County, respectively, NC-31 and NC-47. These projects have achieved commercial operation. The Membership Interest Purchase Agreement, dated as of June 14, 2016, by and between Innovative Solar Systems, LLC and IS-31 Holdings, LLC, and the Membership Interest Purchase Agreement, dated as of August 29, 2016, by and between Innovative Solar Systems, LLC and IS-47 Holdings, LLC, by which the interests in the applicable project companies were acquired, have previously been filed with the SEC and are hereby incorporated by reference. In addition, the Financing Agreement, dated July 29, 2016, among Innovative Solar 31, LLC, KeyBank National Association and the Lenders party thereto, and Financing Agreement, dated as of October 25, 2016, by and among Innovative Solar 47, LLC and Keybank National Association, have also been previously filed and are hereby incorporated by reference.

**D. Exchange Controls**

There are no government laws, decrees, regulations or other legislation in the United Kingdom that may affect the import or export of capital, including the availability of cash and cash equivalents for use by us, or that may affect the remittance of dividends, interest or other payments by us to non-resident holders of our ordinary shares, other than withholding tax requirements. There is no limitation imposed by English law or our articles of association on the right of non-residents to hold or vote shares.

**E. Taxation**

**U.K. Tax Considerations**

*The following statements are a general guide to certain aspects of current U.K. tax law and the current published practice of HM Revenue and Customs, both of which are subject to change, possibly with retrospective effect.*

*The following statements are intended to apply to holders of ordinary shares who are only resident for tax purposes in the U.K., who hold the ordinary shares as investments and who are the beneficial owners of the ordinary shares. The statements may not apply to certain classes of holders of ordinary shares, such as dealers in securities and persons acquiring ordinary shares in connection with their employment. Prospective investors in ordinary shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the ordinary shares should consult their own tax advisers.*

***Dividends***

*Withholding tax*

We will not be required to deduct or withhold U.K. tax at source from dividend payments we make.

*Individuals*

U.K. resident and domiciled holders do not have to pay tax on the first £5,000 of dividend income (the "dividend allowance”). However, tax will be levied on any dividends received over the dividend allowance at 7.5% on dividend income within the basic rate band, 32.5% on dividend income within the higher rate band and 38.1% on dividend income within the additional rate band. In the Spring Budget 2017, the U.K. government announced an intention to reduce the amount of the dividend allowance from £5,000 to £2,000 for dividends received from April 6, 2018.*Corporate shareholders within the charge to U.K. corporation tax*

Holders of ordinary shares within the charge to U.K. corporation tax which are "small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 (for the purposes of U.K. taxation of dividends) will not be subject to U.K. corporation tax on any dividend received from us provided certain conditions are met (including an anti-avoidance condition).

Other holders within the charge to U.K. corporation tax will not normally be subject to tax on dividends from us, provided that one of a number of possible exemptions applies.

If the conditions for exemption are not met or cease to be satisfied, or such a holder elects for an otherwise exempt dividend to be taxable, the holder will be subject to U.K. corporation tax on dividends received from us, at the rate of corporation tax applicable to that holder.

***Capital gains***

*Individuals*

For individual holders who are resident in the U.K. and individual holders who are temporarily non-resident and subsequently resume residence in the U.K. within a certain time, the principal factors that will determine the U.K. capital gains tax position on a disposal or deemed disposal of ordinary shares are the extent to which the holder realizes any other capital gains in the U.K. tax year in which the disposal is made, the extent to which the holder has incurred capital losses in that or earlier U.K. tax years, and the level of the annual allowance of tax-free gains in that U.K. tax year (the "annual exemption”). The annual exemption for the 2017/2018 U.K. tax year is £11,300.

Subject to any annual exemption or relief, an individual holder will be subject to gains above the annual exemption amount at a rate of 10% or 20% depending on the total amount of the individual’s taxable income.

*Companies*

A disposal or deemed disposal of ordinary shares by a holder within the charge to U.K. corporation tax may give rise to a chargeable gain or allowable loss for the purposes of U.K. corporation tax, depending on the circumstances and subject to any available exemptions or reliefs. Corporation tax is charged on chargeable gains at the rate applicable to that company. Holders within the charge to U.K. corporation tax will, for the purposes of computing chargeable gains, be allowed to claim an indexation allowance which applies to reduce capital gains (but not to create or increase an allowable loss) to the extent that such gains arise due to inflation.

***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

The statements in this section entitled "Stamp Duty and Stamp Duty Reserve Tax ("SDRT") are intended as a general guide to the current United Kingdom stamp duty and SDRT position. The discussion below relates to holders wherever resident, but investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

*General*

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply):

(i) No stamp duty or SDRT will arise on the issue of our shares;

(ii) An agreement to transfer our shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser;

(iii) Instruments transferring our shares will generally be subject to stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty;

(iv) If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled.

*Depositary Receipt Systems and Clearance Services*

U.K. domestic law provides that where our ordinary shares are issued or transferred to a depositary receipt system or clearance service (or their nominees or agents) SDRT (in the case of an issue of shares) and stamp duty or SDRT (in the case of a transfer of shares) may be payable, broadly at the higher rate of 1.5% of the amount or value of the consideration given (or, in certain circumstances, the value of the shares) (rounded up to the nearest £5 in the case of stamp duty). Generally, transfers within such depositary receipt system or clearance service are thereafter not subject to stamp duty or SDRT, provided that (in the case of a clearance service) no election under section 97A of the Finance Act 1986 has been made (as to which, see further below).

However, following the European Court of Justice decision in C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v. The Commissioners of Her Majesty's Revenue & Customs and the First-tier Tax Tribunal decision in HSBC Holdings Plc and The Bank of New York Mellon Corporation v. The Commissioners of Her Majesty's Revenue & Customs ("HMRC")has confirmed that a charge to 1.5% SDRT is no longer payable when new shares are issued to a depositary receipt system or clearance service (such as, in our understanding, DTC).

HMRC remains of the view that where our shares are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration given or, in certain circumstances, the value of our shares.

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986 which has been approved by HMRC and which applies to our shares. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of our shares into such a clearance service and on subsequent agreements to transfer such shares within such clearance service. It is our understanding that DTC has not made an election under section 97A(1) of the Finance Act of 1986, and that therefore transfers or agreements to transfer shares held in book entry (i.e., electronic) form within the facilities of DTC should not be subject to U.K. stamp duty or SDRT.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

**Certain Material U.S. Federal Income Tax Considerations**

The following is a summary of certain material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of our ordinary shares by a U.S. holder (as defined below). This summary addresses only the U.S. federal income tax considerations for U.S. holders that hold such ordinary shares as capital assets. This summary does not address all U.S. federal income tax matters that may be relevant to a particular U.S. holder. This summary does not address tax considerations applicable to a holder of ordinary shares that may be subject to special tax rules including, without limitation, the following:

- banks, financial institutions or insurance companies;
- tax-exempt entities or organizations, including an "individual retirement account" or "Roth IRA" as defined in Section 408 or 408A of the Code (as defined below), respectively;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons that hold the ordinary shares as part of a "hedging," "integrated" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or persons that will hold our shares through such an entity;
- S corporations;
- certain former citizens or long-term residents of the United States;
- persons that received our shares as compensation for the performance of services;
- holders that own directly, indirectly, or through attribution 10% or more of the voting power or value our shares; and
- holders that have a "functional currency" other than the U.S. dollar.

Further, this summary does not address the U.S. federal estate, gift, or alternative minimum tax considerations, or any U.S. state, local, or non-U.S. tax considerations of the acquisition, ownership and disposition of our ordinary shares.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, existing, proposed and temporary U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, in each case as in effect and available on the date hereof. All the foregoing is subject to change, which change could apply retroactively, and to differing interpretations, all of which could affect the tax considerations described below. There can be no assurances that the U.S. Internal Revenue Service, or the IRS, will not take a position concerning the tax consequences of the acquisition, ownership and disposition of our ordinary shares or that such a position would not be sustained.

For the purposes of this summary, a "U.S. holder" is a beneficial owner of ordinary shares that is (or is treated as), for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity that is treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds ordinary shares, the U.S. federal income tax consequences relating to an investment in our ordinary shares will depend in part upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor regarding the U.S. federal income tax considerations of acquiring, owning and disposing of our ordinary shares in its particular circumstances.

As indicated below, this discussion is subject to U.S. federal income tax rules applicable to a "passive foreign investment company," or a PFIC.

The following summary is of a general nature only and is not a substitute for careful tax planning and advice. Persons considering an investment in our ordinary shares should consult their own tax advisors as to the particular tax consequences applicable to them relating to the acquisition, ownership and disposition of our ordinary shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

*Distributions*. Subject to the discussion under "*Passive Foreign Investment Company Considerations*," below, the gross amount of any distribution actually or constructively received by a U.S. holder with respect to ordinary shares will be taxable to the U.S. holder as a dividend to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of earnings and profits will be non-taxable to the U.S. holder to the extent of, and will be applied against and reduce, the U.S. holder's adjusted tax basis in the ordinary shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. holder as either long-term or short-term capital gain depending upon whether the U.S. holder has held our ordinary shares for more than one year as of the time such distribution is received. However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. With respect to non-corporate U.S. holders, dividends generally will be taxed at the lower applicable long-term capital gains rate if our ordinary shares are readily tradable on an established securities market in the U.S. or we are eligible for benefits of the income tax treaty between the U.S. and the U.K. and certain other requirements are met. In addition, if we are classified as a PFIC in a taxable year in which a dividend is paid or the prior year, this lower tax rate will not be available. U.S. Holders should consult their tax advisors regarding the availability of such lower rate for any dividends paid with respect to our ordinary shares.

In general, the amount of a distribution paid to a U.S. holder in a foreign currency will be the dollar value of the foreign currency calculated by reference to the spot exchange rate on the day the U.S. holder receives the distribution, regardless of whether the foreign currency is converted into U.S. dollars at that time. Any foreign currency gain or loss a U.S. holder realizes on a subsequent conversion of foreign currency into U.S. dollars will be U.S. source ordinary income or loss. If dividends received in a foreign currency are converted into U.S. dollars on the day they are received, a U.S. holder should not be required to recognize foreign currency gain or loss in respect of the dividend.

*Sale, Exchange or Other Taxable Disposition of Our Ordinary Shares*. Subject to the discussion below under "*Passive Foreign Investment Company Considerations*," a U.S. holder will generally recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other taxable disposition of ordinary shares in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale or exchange and the U.S. holder's tax basis for those ordinary shares. Subject to the discussion under "*Passive Foreign Investment Company Considerations* " below, this gain or loss will generally be a capital gain or loss and will generally be treated as from sources within the United States. The adjusted tax basis in an ordinary share generally will be equal to the cost of such ordinary share. Capital gain from the sale, exchange or other taxable disposition of ordinary shares of a non-corporate U.S. holder is generally eligible for a preferential rate of taxation applicable to capital gains, if the non-corporate U.S. holder's holding period determined at the time of such sale, exchange or other taxable disposition for such ordinary shares exceeds one year (i.e., such gain is long-term taxable gain). The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

*Medicare Tax*. Certain U.S. holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of ordinary shares. Each U.S. holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our ordinary shares.

*Passive Foreign Investment Company Considerations*. If we are classified as a passive foreign investment company, or PFIC, in any taxable year, a U.S. holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A corporation organized outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to the income and assets of its subsidiaries, either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average quarterly value of its total gross assets (which, assuming we are not a CFC for the year being tested, would be measured by fair market value of the assets, and for which purpose the total value of our assets may be determined in part by the market value of our ordinary shares, which is subject to change) is attributable to assets that produce "passive income" or are held for the production of "passive income."

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions and the excess of gains over losses from the disposition of assets which produce passive income, and also includes amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares. If a non-U.S. corporation owns directly or indirectly at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. If we are classified as a PFIC in any year with respect to which a U.S. holder owns our ordinary shares, we will continue to be treated as a PFIC with respect to such U.S. holder in all succeeding years during which the U.S. holder owns our ordinary shares, regardless of whether we continue to meet the tests described above, unless (i) we cease to be a PFIC and (ii) the U.S. holder makes a "deemed sale" election under PFIC rules.

We believe that we were not a PFIC during our 2016 taxable year and do not expect to be a PFIC during our 2017 taxable year. Our status for any taxable year will depend on our assets and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable year. The market value of our assets may be determined in large part by reference to the market price of our ordinary shares, which is likely to fluctuate. Further, even if we determine that we are not a PFIC after the close of our taxable year, there can be no assurances that the IRS will agree with our conclusion.

If we are a PFIC, then unless a U.S. holder makes one of the elections described below, a special tax regime will apply to both (a) any "excess distribution" by us to such U.S. holder (generally, the U.S. holder's ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by the U.S. holder in the shorter of the three preceding years or the U.S. holder's holding period for our ordinary shares) and (b) any gain realized on the sale or other disposition of the ordinary shares. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over the U.S. holder's holding period, (b) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at the U.S. holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, dividend distributions made to the U.S. holder will not qualify for the lower rates of taxation applicable to long-term capital gains discussed above under "Distributions."

Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares. If a U.S. holder makes the mark-to-market election, the U.S. holder generally will recognize as ordinary income any excess of the fair market value of the ordinary shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ordinary shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. holder makes the election, the U.S. holder's tax basis in the ordinary shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ordinary shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). The mark-to-market election is available only if we are a PFIC and our ordinary shares are "regularly traded" on a "qualified exchange." Our ordinary shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter (subject to the rule that trades that have as one of their principle purposes the meeting of the trading requirement are disregarded). The Nasdaq Capital Market is a qualified exchange for this purpose and, consequently, if the ordinary shares are regularly traded, the mark-to-market election will be available to a U.S. holder.

We do not currently intend to provide the information necessary for U.S. holders to make qualified electing fund elections if we were treated as a PFIC for any taxable year. U.S. holders should consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

If we are determined to be a PFIC, the general tax treatment for U.S. holders described in this section would apply to indirect distributions and gains deemed to be realized by U.S. holders in respect of any of our subsidiaries that also may be determined to be PFICs.

If a U.S. holder owns ordinary shares during any taxable year in which we are a PFIC and the U.S. holder recognizes gain on a disposition of our ordinary shares, receives distributions with respect to our ordinary shares, or has made a mark-to-market election with respect to our ordinary shares the U.S. holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to the company, generally with the U.S. holder's federal income tax return for that year. In addition, in general, a U.S. person who is shareholder of a PFIC is required to file an IRS Form 8621 annually to report information regarding such person's PFIC shares if on the last day of the shareholder's taxable year the aggregate value of all stock owned directly or indirectly by the shareholder exceeds $25,000 ($50,000 for joint filers), or for stock owned indirectly through another PFIC exceeds $5,000. If a U.S. person holds an interest in a domestic partnership (or a domestic entity or arrangement treated as a partnership for U.S. federal income tax purposes) or an S corporation that owns interest in a PFIC, as long as the partnership or S corporation itself has filed the form and has made a qualified electing fund or mark-to-market election, the members of the partnership aren't required to file the IRS Form 8621. If our company were a PFIC for a given taxable year, then U.S. holders should consult their tax advisor concerning their annual filing requirements.

**The U.S. federal income tax rules relating to PFICs are complex. Prospective U.S. holders are urged to consult their own tax advisers with respect to the acquisition, ownership and disposition of our ordinary shares, the consequences to them of an investment in a PFIC, any elections available with respect to our ordinary shares and the IRS information reporting obligations with respect to the acquisition, ownership and disposition of our ordinary share.**

*Backup Withholding and Information Reporting*. U.S. holders generally will be subject to information reporting requirements with respect to dividends on ordinary shares and on the proceeds from the sale, exchange or disposition of ordinary shares that are paid within the United States or through U.S.-related financial intermediaries, unless the U.S. holder is an "exempt recipient." In addition, U.S. holders may be subject to backup withholding on such payments, unless the U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Backup withholding is not an additional tax, and the amount of any backup withholding will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

*Certain Reporting Requirements With Respect to Payments of Offer Price*. U.S. holders paying more than $100,000 for our ordinary shares generally may be required to file IRS Form 926 reporting the payment of the offer price for our ordinary shares to us. Substantial penalties may be imposed upon a U.S. holder that fails to comply. Each U.S. holder should consult its own tax advisor as to the possible obligation to file IRS Form 926.

*Foreign Asset Reporting*. Certain U.S. holders who are individuals are required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their U.S. federal income tax return. An asset with respect to which an IRS Form 8621 has been filed does not have to be reported on IRS Form 8938, however, U.S. holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

**F. Dividends and Paying Agents**

Not applicable.

**G. Statements by Experts**

Not applicable.

**H. Documents On Display**

We are subject to the reporting requirements of foreign private issuers under the Exchange Act. Pursuant to the Exchange Act, we file reports with the SEC, including this Annual Report. We also submit reports to the SEC, including Form 6-K Reports of Foreign Private Issuers. You may read and copy such reports at the SEC's public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Such reports are also available to the public on the SEC's website at www.sec.gov. Some of this information may also be found on our website at www.vivopower.com.

You may request copies of our reports, at no cost, by writing to or telephoning us as follows:

VivoPower International PLC
Attention: Carl Weatherley-White
28th Floor, 140 Broadway,
New York, NY 10005
Telephone: (718) 230-4580, x2406

**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency rates, although we also have some exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

*Foreign Exchange Risk*

The majority of our sales in 2017 are denominated in U.S. dollars, Australian dollars and British pounds sterling, with the remainder in other currencies such as Singapore dollars, and the majority of our costs and expenses are denominated in U.S. dollars. Most of our cash and cash equivalents and restricted cash are denominated in U.S. dollars. Therefore, fluctuations in currency exchange rates should have a minimal impact on our financial stability.

Fluctuations in exchange rates, particularly between the U.S. dollar, Australia dollar and British pound sterling, may result in fluctuations in foreign exchange gains or losses. As of March 31, 2017, we held $5.2 million in accounts receivable, of which $1.6 million were denominated in British pounds sterling, and the remaining $3.6 million were denominated in Australian dollars.

We have not entered into any hedging transactions to reduce the foreign exchange rate fluctuation risks, but may do so in the future when we deem it appropriate to do in light of the significance of such risks. However, if we decide to hedge our foreign exchange exposure in the future, we cannot assure you that we will be able to reduce our foreign currency risk exposure in an effective manner, at reasonable costs, or at all. See "Item 3. Key Information—D. Risk Factors—Risks Related to our Business and Industry—Fluctuations in foreign currency exchange rates may negatively affect our revenue, cost of sales and gross margins and could result in exchange losses."

Our financial statements are expressed in U.S. dollars, while some of our subsidiaries use different functional currencies, such as the Australian dollar and British pound sterling. The value of your investment in our common shares will be affected by the foreign exchange rate between the U.S. dollar and other currencies used by our subsidiaries. To the extent we hold assets denominated in currencies other than U.S. dollars, any appreciation of such currencies against the U.S. dollar will likely result in an exchange gain while any depreciation will likely result in an exchange loss when we convert the value of these assets into U.S. dollar equivalent amounts. On the other hand, to the extent we have liabilities denominated in currencies other than U.S. dollars, any appreciation of such currencies against the U.S. dollar will likely result in an exchange loss while any depreciation will likely result in an exchange gain when we convert the value of these liabilities into U.S. dollar equivalent amounts. These and other effects on our financial condition resulting from the unfavorable changes in foreign currency exchange rates could have a material adverse effect on the market price of our common shares, the dividends we may pay in the future, and your investment.

*Interest Rate Risk*

Our interest rate risk relates primarily to variable-rate restricted cash, bank balances and borrowings. It is our policy to keep our restricted cash, bank balances and borrowings at floating rates of interest so as to minimize the interest rate risk. Our fair value interest rate risk relates mainly to fixed-rate borrowings. Our management reasonably believes that that a change in interest rate to the relevant financial instruments will not result in material changes to our financial position or results of operations.

*Credit Risk*

Our maximum exposure to credit risk arises from the carrying amounts of the respective recognized financial assets as stated in our consolidated statements of financial position.

In order to minimize credit risk, we have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. We will negotiate with the counterparties of the debts for settlement plans or changes in credit terms, should the need arise. In this regard, we consider that our credit risk is significantly reduced.

Our credit risk primarily relates to our trade and other receivables, restricted cash, bank balances and amounts due from related parties. We generally grant credit only to clients and related parties with good credit ratings and also closely monitors overdue debts. In this regard, we consider that the credit risk arising from our balances with counterparties is significantly reduced.

*Liquidity Risk*

We have built an appropriate liquidity risk management framework for the management of short-term and long-term funding and liquidity. We manage liquidity risk by closely and continuously monitoring our financial position. We aim to maintain sufficient cash flows with internally generated funds and banking facilities. We also review forecasted cash flows on an on-going basis to ensure that we have sufficient liquidity in each region to meet the working cpital requirements of the business.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of March 31, 2017, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

### ITEM 16. [Reserved]

### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See "Item 6.C-Board Practices-Audit Committee." Our Audit Committee consists of Kevin Chin, Peter Sermol and Edward Hyams. Our board of directors has determined that Kevin Chin qualifies as an "audit committee financial expert" under applicable SEC rules.

### ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics that is applicable to all of our employees, executive officers and directors. The Code of Business Conduct and Ethics is available on our website at www.vivopower.com. Our board of directors is responsible for overseeing the Code of Business Conduct and Ethics and approving any waivers of the Code of Business Conduct and Ethics for employees, executive officers and directors. We expect that any amendments to the Code of Business Conduct and Ethics, or any waivers of its requirements, will be disclosed on our website.

### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the fees billed or incurred by PKF Littlejohn LLP for audit, audit-related, tax and all other services rendered for the year ended March 31, 2017. The costs in the table below also include the costs incurred by Marcum LLP for the audit and audit-related costs for the year ended March 31, 2016.:

| Fees Billed to or Accrued by the Company | Year Ended March 31, 2017 | 2016 |
|---|---|---|
| Audit fees | $ 246,462 | - |
| Audit-related fees | 56,719 | |
| Tax fees | - | - |
| All other fees | - | - |
| Total fees | $ 303,181 | - |

**Audit Fees**

PKF Littlejohn LLP were appointed auditors during the course of the year. The audit fees of $242,462 for 2017 represent $175,000 for the fees of PKF Littlejohn LLP for the audit of the 2017 financial statements. The remaining $71,462 relates to the audit fees of Marcum LLP for the audit of the 2016 financial statements.

**Audit-Related Fees**

Represents costs incurred for the review of Company's registration statement on Form F-4 by Marcum LLP.

**Tax Fees**

There were no tax fees incurred by either PKF Littlejohn LLP, or, Marcum LLP, when they were appointed auditors for the Group.

**All Other Fees**

Consist of aggregate fees billed for products and services provided by the independent registered public accounting firm other than those disclosed above. These fees consisted of an amount paid for the use of an online accounting research tool.

All services provided by PKF Littlejohn to the Company in fiscal 2017 and 2016 were approved by means of specific pre-approvals by the audit committee.

**Pre-Approval Policies for Non-Audit Services**

The audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. These policies generally provide that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval procedure described below.

The audit committee pre-approves all auditing services and the terms of non-audit services, but only to the extent that the non-audit services are not prohibited under applicable law and the committee determines that the non-audit services do not impair the independence of the independent registered public accounting firm. In situations where it is impractical to wait until the next regularly scheduled quarterly meeting, the chairman of the audit committee has been delegated authority to approve audit and non-audit services. The chairman is required to report any approvals to the full committee at its next scheduled meeting.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. Any proposed services exceeding pre-approved amounts will also require separate pre-approval by the Audit Committee.

**ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The chart below sets forth the shares repurchased by the Company in the last fiscal year

| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum value of shares that may yet be purchased under the program |
|---|---|---|---|---|
| 3/1/17 through 3/31/17 | 129,805 | $4.50 | 129,805 | $9,415,878 |

On March 30, 2017, the Company repurchased 129,805 shares at a price of $4.50 for a total sum of $591,915.80, including commission, pursuant to a share buy-back program authorized by the board of directors. The shares are currently held as treasury shares.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

On March 1, 2017, the Company provided notice to Marcum LLP ("Marcum"), the Company's prior independent registered public accounting firm, that the Company had terminated its engagement with Marcum. In replacement of Marcum, the Company retained PKF Littlejohn LLP as the Company's independent registered public accounting firm. The dismissal of Marcum was approved by the Company's board of directors and was not based on any disagreement between the Company and Marcum. Since the Company's inception in February 2016, there have been no disagreements with Marcum of type described in Item 16F of Form 20-F. Marcum's report on the financial statements of the Company for the fiscal year ended March 31, 2016 did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

**ITEM 16G. CORPORATE GOVERNANCE**

As a U.K. company, we are subject to applicable to laws of England and Wales including the Companies Act 2006. In addition, as a foreign private issuer listed on the Nasdaq Capital Market, we are subject to the Nasdaq corporate governance listing standards. However, the Nasdaq Capital Market's listing standards provide that foreign private issuers are permitted to follow home country corporate governance practices in lieu of the Nasdaq rules, with certain exceptions.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

## PART III

**ITEM 17. FINANCIAL STATEMENTS**

Financial statements are filed as part of this Annual Report, starting on page F-1.

**ITEM 18. FINANCIAL STATEMENTS**

Financial statements are filed as part of this Annual Report, starting on page F-1.

**ITEM 19. EXHIBITS**

The exhibits listed on the Exhibit Index following the signature page hereof are incorporated herein by reference.

## SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: July 31, 2017

**VIVOPOWER INTERNATIONAL PLC**

| | |
|---|---|
| By: | /s/ Philip Comberg |
| Name: | Philip Comberg |
| Title | Chief Executive Officer |

**VIVOPOWER INTERNATIONAL PLC**

| | |
|---|---|
| By: | /s/ Carl Weatherley-White |
| Name: | Carl Weatherley-White |
| Title: | Chief Financial Officer |

**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
| 1.1 | Articles of Association (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.1 | Membership Interest Purchase Agreement, dated June 14, 2016, by and between Innovative Solar Systems, LLC and IS-31 Holdings, LLC (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.2 | Financing Agreement, dated July 29, 2016, among Innovative Solar 31, LLC, Keybank National Association and the Lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.3 | Solar Power Facility Engineering, Procurement and Construction Agreement, dated July 29, 2016, by and between Innovative Solar 31, LLC and Grupo Gransolar, LLC (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.4 | Development Services Agreement in relation to the IS31 solar photovoltaic project in Bladenboro, North Carolina, dated July 29, 2016, by and between Innovative Solar 31 and VivoPower USA, LLC (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.5 | Service Agreement, dated August 4, 2016, by and between VivoPower International Services Limited and Philip Comberg (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.6 | Employment Agreement, dated July 13, 2016, by and between VivoPower USA, LLC and Carl Weatherley-White (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form F-4 (File No. 333-213297), filed with the SEC on August 24, 2016). |
| 4.7 | Membership Interest Purchase Agreement, dated August 29, 2016, by and between Innovative Solar Systems, LLC and IS-47 Holdings, LLC (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Company's Registration Statement on Form F-4/A (File No. 333-213297), filed with the SEC on October 13, 2016). |
| 4.8 | Financing Agreement, dated October 25, 2016, among Innovative Solar 47, LLC, Keybank National Association and the Lenders party thereto (incorporated by reference to Exhibit 10.11 to Amendment No. 3 to the Company's Registration Statement on Form F-4/A (File No. 333-213297), filed with the SEC on November 16, 2016). |
| 4.9 | Amended and Restated Operating Agreement between Innovative Solar Ventures I LLC, VivoPower (USA) Development LLC and Innovative Solar LLC, effective as of April 17, 2017.* |
| 8 | List of Subsidiaries. |
| 11 | Code of Business Conduct and Ethics. |
| 12.1 | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 12.2 | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 13.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 13.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Confidential treatment has been requested or granted for certain portions omitted from this Exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

**VIVOPOWER INTERNATIONAL PLC**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF VIVOPOWER INTERNATIONAL PLC**

We have audited the accompanying consolidated statement of financial position of VivoPower International PLC as of March 31, 2017 and the related consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VivoPower International PLC as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (LASB).

/s/ PKF Littlejohn LLP

**PKF Littlejohn LLP**

1 Westferry Circus
Canary Wharf

31 July 2017

MARCUM
ACCOUNTANTS ▲ ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of VivoPower International PLC

We have audited the accompanying consolidated statement of financial position of VivoPower International PLC and Subsidiaries (the "Company") as of March 31, 2016, and the related consolidated statements of loss and comprehensive loss, changes in shareholder's deficit and cash flows for the period from February 1, 2016 (inception) through March 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of VivoPower International PLC and Subsidiaries, as of March 31, 2016, and the consolidated results of its operations and its cash flows for the period from February 1, 2016 (inception) through March 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Marcum LLP

New York, NY
August 10, 2016

MARCUMGROUP
MEMBER

Marcum LLP ▪ 750 Third Avenue ▪ 11th Floor ▪ New York, New York 10017 ▪ Phone 212.485.5500 ▪ Fax 212.485.5501 ▪ marcumllp.com

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2017

(USD in thousands, except per share amounts)

| | Note | For the year ended 31 March 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | $ 32,250 | $ - |
| Cost of sales | | (4,977) | - |
| **Gross profit** | | 27,273 | - |
| General and administrative expenses | | (9,316) | (279) |
| Depreciation of property, plant and equipment | 11 | (103) | - |
| Amortisation of intangible assets | 12 | (548) | - |
| **Operating profit/(loss)** | | 17,306 | (279) |
| Transaction related costs | 3 | (5,800) | - |
| Finance income | 8 | 13 | - |
| Finance expenses | 9 | (600) | (2) |
| **Profit/(loss) before income tax** | | 10,919 | (281) |
| Income tax expenses | 10 | (5,338) | - |
| **Profit/(loss) for the year** | | $ 5,581 | $ (281) |
| | | | |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences recognised directly in equity | | 599 | - |
| **Total comprehensive income/(loss) for the year** | | $ 6,180 | $ (281) |
| | | | |
| **Earnings/(loss) per share** | | dollars | dollars |
| Basic | 24 | $ 0.73 | $ (0.05) |
| Diluted | 24 | $ 0.73 | $ (0.05) |

All results are generated from continued operations.

Consolidated Statement of Financial Position

As at 31 March 2017
(USD in thousands)

| | Note | As at 31 March | | | |
|---|---|---|---|---|---|
| | | | 2017 | | 2016 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | $ | 2,163 | $ | 3 |
| Intangible assets | 12 | | 46,320 | | - |
| Deferred tax assets | 10 | | 2,312 | | - |
| Other receivables | 15 | | 1,167 | | 7,875 |
| Investments | 14 | | 18,060 | | - |
| **Total non-current assets** | | | 70,022 | | 7,878 |
| | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 16 | | 10,970 | | 28 |
| Trade and other receivables | 15 | | 19,844 | | - |
| **Total current assets** | | | 30,814 | | 28 |
| | | | | | |
| **TOTAL ASSETS** | | | 100,836 | | 7,906 |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | | 8,262 | | 186 |
| Finance lease payable | 21 | | 145 | | - |
| Provision for income tax | 10 | | 2,361 | | - |
| Provisions – current | 19 | | 1,339 | | - |
| Loans and borrowings | 18 | | 90 | | 8,001 |
| **Total current liabilities** | | | 12,197 | | 8,187 |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 18 | | 19,925 | | - |
| Provisions | 19 | | 237 | | - |
| Deferred tax liabilities | 10 | | 3,776 | | - |
| Finance lease payable | 21 | | 95 | | - |
| | | | 24,033 | | - |
| **Total liabilities** | | | 36,230 | | 8,187 |
| | | | | | |
| **Equity** | | | | | |
| Share capital | 22 | | 163 | | 72 |
| Share premium | | | 40,215 | | - |
| Cumulative translation reserve | | | 599 | | - |
| Share subscription receivable | | | | | (72) |
| Other reserves | 23 | | 18,329 | | - |
| Retained earnings/(accumulated deficit) | | | 5,300 | | (281) |
| **Total Equity** | | | 64,606 | | (281) |
| | | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | $ | 100,836 | $ | 7,906 |

These financial statements were approved by the Board of Directors on 28 July 2017 and were signed on its behalf by Philip Comberg.

Consolidated Statement of Cash Flow

for the year ended 31 March 2017
(USD in thousands)

| | Note | For the year ended 31 March | |
|---|---|---|---|
| | | **2017** | **2016** |
| **Cash generated from/(used in) operating activities** | 16 | $ 6,376 | $ (95) |
| **Net cash generated from/(used in) operating activities** | | 6,376 | (95) |
| **Cash flows from investing activities** | | | |
| Interest received | 8 | 13 | - |
| Purchase of property plant and equipment | 11 | (94) | (3) |
| Investment in capital projects | 14 | (18,060) | - |
| Cash received from acquisitions | 20 | 1,485 | - |
| Acquisitions | | (10,080) | - |
| **Net cash used in investing activities** | | (26,736) | (3) |
| **Cash flows from financing activities** | | | |
| Financing agreements | | 330 | - |
| Loans from related parties | | 19,818 | 126 |
| Funds received from issuing shares | | 167 | - |
| Costs from listing | | (11,469) | - |
| Funds received from listing | | 22,456 | - |
| **Net cash generated from financing activities** | | 31,302 | 126 |
| Net increase in cash and cash equivalents | | 10,942 | 28 |
| Cash and cash equivalents at the beginning of the year | | 28 | - |
| **Cash and cash equivalents at the end of the year** | | $ 10,970 | $ 28 |

Consolidated Statement of Changes in Equity

for the year ended 31 March 2017
(USD in thousands)

| | Share Capital | Share Premium | Share Subscription Receivable | Other Reserves | Cumulative Translation Reserve | Retained Earnings /(Accumulated Deficit) | Total |
|---|---|---|---|---|---|---|---|
| At 1 February 2016 | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | - | - | (281) | (281) |
| Issue of new shares | 72 | - | (72) | - | - | - | - |
| **At 31 March 2016** | **72** | **-** | **(72)** | **-** | **-** | **(281)** | **(281)** |
| | | | | | | | |
| Total comprehensive income for the year | - | - | | - | 599 | 5,581 | 6,180 |
| Redenomination of share capital | (4) | - | | - | - | - | (4) |
| Issue of new shares | 95 | 40,215 | 72 | - | - | - | 40,382 |
| Equity instruments | - | - | | 25,072 | - | - | 25,072 |
| Capital raising costs | - | - | | (9,722) | - | - | (9,722) |
| Share option reserve | - | - | | 3,713 | - | - | 3,713 |
| Treasury shares | | | | | | | |
| Purchase of shares | - | - | | (592) | - | - | (592) |
| Other reserves | - | - | | (142) | - | - | (142) |
| **At 31 March 2017** | **163** | **40,215** | **-** | **18,329** | **599** | **5,300** | **64,606** |

For further information on "Other Reserves" please see note 23.

**1. Reporting entity**

VivoPower International PLC ("VivoPower" or the "Company") is a company domiciled in the United Kingdom. The address of the Company's registered office is 91 Wimpole Street, Marylebone, London, W1G 0EF. The consolidated financial statements of the Company as at and for the year ended 31 March 2017 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 is consolidated is Arowana International Limited.

**2. Accounting policies**

Summary of significant accounting policies:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**2.1 Basis of preparation**

VivoPower International PLC consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), 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 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 these financial statements.
All financial information presented in US Dollars has been rounded to the nearest thousand.

***Significant accounting policies***

**2.1.1 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 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.

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 unrealised income and expense arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity invested investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**2.2.2 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 Limited and the Aevitas Group of companies. 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.

The Group has taken advantage of the provisions of IFRS 3 in accounting for the business combinations arising from the acquisitions of Aevitas O Holdings Pty Ltd and VivoPower Pty Ltd. Accordingly, the financial statements currently recognise the Directors' best estimate of the individual allocation of goodwill and other separately identifiable assets acquired. The completion of the purchase price allocation exercise will be finalised within 12 months following the date of acquisition.

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

Customer relationships – 7 years
Trade names – 14 years
Favourable supply contracts – 5 years
Databases – 5 years

### 2.2.3 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

### 2.2.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition 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 recognised in the income statement as incurred.

### 2.2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised 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 are apportioned between the repayment of capital and interest. The capital element of future lease payments is included in the Statement of Financial Position as a liability. Interest is 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 are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating leases incentives are recognised as a reduction in the rental expense over the lease term.

### 2.2.6 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 recognised 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 recognised in the Statement of Comprehensive Income.

An impairment loss in respect of goodwill is not reversed. In the case of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

### 2.2.7 Financial instruments

Financial assets and liabilities are recognised 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.

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 categorised 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.

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

*Trade and other receivables*
Trade and other receivables are stated at amounts receivable less any allowance for the expected future issue of credit notes and for non-recoverability due to credit risk.

*Trade payables*
Trade payables are non-interest bearing and are stated at their amortised cost.

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

*Repurchase of share capital (treasury shares)*
When share capital recognised 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 recognised as a deduction from equity, and excluded from the number of shares in issue when calculating earnings per share.

**2.2.8 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 also dealt with directly in equity.

**2.2.9 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.

### 2.2.10 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.

### 2.2.11 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 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 recognised 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.

### 2.2.12 Revenue recognition

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 BTO revenues, electrical installations, electrical servicing and maintenance and generator sales.

Revenue associated with longer term projects is recognised on a percentage completion basis. Revenue for smaller jobs and projects is recognised upon completion.

IFRS 15, is mandatory for adoption from accounting periods beginning on or after 1 January 2017. However, the group has elected to adopt the standard early, 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:

BTO 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.

Aevitas revenue is recognised when jobs are completed. On longer term projects revenue is recognised on a percentage completion basis. The projects have defined milestones which determines the timing of the billing to the customers. The achievement of the milestones then also provides an accurate indication of how much of the project is complete.

### 2.2.13 Segment reporting

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, USA, UK and Australasia. The secondary segment is based upon product groups and the split is between Aevitas and the core VivoPower business.

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 its performance and make decisions about resources to be allocated to the segment, 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.

**2.2.14 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.

**2.2.15 New standards, amendments and interpretations not yet adopted**

The IASB and IFRIC have issued the following standards and with an effective date after the date of the financial statements and have not been applied in preparing these consolidated financial statements.

*IFRS 15 – "Revenue from Contracts with Customers" - early adoption*
As this is the first period of financial reporting for the group, management took the decision to adopt IFRS 15 early as it represented a major development in the recognition of revenue under International Financial Reporting Standards.

Compared to IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations, there was no material difference adopting IFRS 15 early.

The standard is effective for annual periods beginning on or after 1 January 2017, however, the group took advantage of early application.

*IFRS 16 Leases*
IFRS 16 specifies how a company will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 will be applicable to annual reporting periods beginning on or after 1 January 2019.

*Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*
Amends IAS 12 Income Taxes, which is effective for annual periods beginning on or after 1 January 2017 to clarify the following aspects:

Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

The carrying amount of an asset does not limit the estimation of probable future taxable profits.

Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 3. Critical 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.

**Critical accounting judgements:**

### 3.1 IFRS 10 – Consolidated Financial Statements

The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The group has assessed whether it controls project companies in which the group has an interest.

The group assessed control by reviewing, first, whether the group had power over the entity, secondly, had exposure, or rights, to variable returns from its involvement with the project, and finally, whether it had the ability to use its power over the investee to affect the amount of the project's returns.

On assessing the three criteria, all of which must exist, the group concluded that it did not in fact have control and elected not to consolidate the project companies into the consolidated financial statements of the group.

### 3.2 Transaction related costs

The transaction related costs were incurred by the business in preparation for the entry onto Nasdaq. The costs incurred were recharged costs from Arowana International Limited including legal, accounting and professional fees in relation to our operations in the United States. The costs by nature are one-off, and therefore, have no bearing on the financial performance of the business. To enable comparability in future periods the costs are disclosed separately on the face on the Statement of Comprehensive Income.

**Critical estimates:**

### 3.3 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.

### 3.4 Share option reserve

As part of the Initial Public Offering Listing, VivoPower International 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 VivoPower international PLC the share-based payment transaction would be equity settled. The fair value of the options were determined at the grant date, using the Black Scholes Model, and not remeasured subsequently. As the options have no vesting conditions the related expense are recognized immediately.

### 3.5 Convertible preference shares and loan notes

As part of the IPO listing process VivoPower International PLC acquired the Aevitas Group. The instruments previously issued by Aevitas were restructured to become convertible into VivoPower International PLC 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. Segmental information

The business operates in three principal countries or regions:

- United Kingdom
- United States
- Australasia

**a)** Primary segment analysis – by geography

From continuing operations

| (US dollars in thousands) | United States | Australasia | United Kingdom | Total |
|---|---|---|---|---|
| Revenue | 24,945 | 5,705 | 1,600 | 32,250 |
| Costs of sales | - | (4,977) | - | (4,977) |
| **Gross profit** | **24,945** | **728** | **1,600** | **27,273** |
| Administrative expenses | (4,120) | (879) | (4,317) | (9,316) |
| Depreciation and amortisation | (3) | (647) | (1) | (651) |
| **Operating Profit** | **20,822** | **(798)** | **(2,718)** | **17,306** |
| Transaction related costs | (5,800) | - | - | (5,800) |
| Finance income | 1 | 7 | 5 | 13 |
| Finance expense | (172) | (372) | (56) | (600) |
| **Profit before taxation** | **14,851** | **(1,163)** | **(2,769)** | **10,919** |
| Income tax expense | (6,116) | 332 | 446 | (5,338) |
| **Profit for the year** | **8,735** | **(831)** | **(2,323)** | **5,581** |

**b)** Secondary segment analysis – by product group

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| BTO revenue | **25,036** | - |
| Other revenue | **7,214** | - |
| **Total** | **32,250** | - |

More than 10% of the revenue relates to one customer.

**c)** Segment Net Assets

| (US dollars in thousands) | United States | Australia | United Kingdom | Total |
|---|---|---|---|---|
| Tangible assets | 53 | 2,097 | 13 | 2,163 |
| Goodwill | - | 30,393 | - | 30,393 |
| Other intangible assets | - | 15,927 | - | 15,927 |

Goodwill and intangible assets are categorised dependent where the assets reside. The value of goodwill was generated on the acquisition of VivoPower Pty Limited and Aevitas Group Limited, two Australian entities.

**5. Operating Profit**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Operating profit is stated after charging: | | |
| Amortisation of intangible assets | **548** | - |
| Depreciation of property, plant and equipment | **103** | - |
| Operating lease costs – land and buildings | **174** | - |

**6. Auditor's remuneration**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Audit of these financial statements | **175** | - |
| Amounts receivable by auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **-** | - |
| Additional services in respect of the prior year | **71** | - |
| Other services relating to taxation | | - |
| All other services | **57** | - |
| **Total** | **303** | - |

Additional services relating to prior year are fees incurred with Marcum LLP, our previous auditor:

**7. Staff numbers and costs**

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

| | 2017 | 2016 |
|---|---|---|
| Sales and Business Development | **5** | - |
| Central Services & Management | **12** | 1 |
| Production | **26** | - |
| **Total** | **43** | 1 |

Their aggregate remuneration costs comprised:

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Salaries, wages and incentives | **5,605** | 102 |
| Social security costs | **398** | - |
| Pension contributions | **196** | - |
| Short-term compensated absences | **403** | - |
| **Total** | **6,602** | 102 |

Directors' emoluments were US$1,704,809 (2016: nil) of which the highest paid director received US$1,297,504 (2016: nil). Director emoluments include employer social security costs.

Key Management Personnel:

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Salaries, wages and incentives | **3,014** | - |
| Social security costs | **194** | - |
| Pension contributions | **39** | - |
| Short-term compensated absences | **101** | - |
| **Total** | **3,348** | - |

Key management personnel are those below the Board level that have a significant impact on the global operations of the business. The number of key management personnel, including directors for the year ended 31 March 2017 was 11 (2016: nil).

**8. Finance income**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Foreign exchange gains | **13** | - |

**9. Finance expense**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Bank interest payable | **10** | - |
| Finance lease interest payable | **-** | - |
| Related party interest payable | **570** | 1 |
| Foreign exchange losses | **20** | 1 |
| **Total** | **600** | 2 |

**10. Income tax expenses**

The tax charge comprises:

| **(US dollars in thousands)** | **2017** | 2016 |
|---|---|---|
| **Current tax** | | |
| UK Corporation tax | **-** | - |
| Foreign tax | **2,361** | |
| | | |
| **Total current tax** | **2,361** | - |
| | | |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **2,977** | - |
| **Current year** | | |
| UK tax | **(451)** | - |
| Foreign tax | **3,428** | - |
| | | |
| **Total deferred tax** | **2,977** | - |
| **Total tax on profit on ordinary activities** | **5,338** | - |

The difference between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is shown below.

| **(US dollars in thousands)** | **2017** | 2016 |
|---|---|---|
| **Group profit on ordinary activities before tax** | **10,919** | - |
| Tax on group profit on ordinary activities at the standard corporation tax rate of 20% | **(2,184)** | - |
| Effects of: | | |
| Expenses that are not deductible in determining taxable profits | **(20)** | - |
| Tax rates of subsidiaries operating in other jurisdictions | **(3,108)** | - |
| Change in tax rates | **(26)** | - |
| **Total tax charge for the year recognised in the Consolidated statement of Comprehensive Income** | **(5,338)** | - |

The UK standard corporation tax rate for the year to 31 March 2017 was 20%. The rate of corporation tax will reduce to 19% with effect from 1 April 2017. A further reduction to 17% will take effect from 1 April 2020. This was substantively enacted on 6 September 2016, and therefore, all UK deferred tax assets are recognised at a rate of 17%.

**10.1 Deferred tax**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Deferred tax assets | **2,312** | - |
| Deferred tax liabilities | **(3,776)** | - |
| **Net deferred tax liability** | **(1,464)** | - |

These assets and liabilities are analysed as follows:

| Deferred tax assets | Tax losses | Total |
|---|---|---|
| **1 April 2016** | - | - |
| Credit/(charged) to statement of comprehensive income | 739 | 739 |
| Acquisition | 1,573 | 1,573 |
| Credited to equity | - | - |
| **31 March 2017** | 2,312 | 2,312 |

| Deferred tax liabilities | Accelerated allowances | Other timing differences | Total |
|---|---|---|---|
| | | | US$000 |
| **1 April 2016** | - | - | - |
| Credit/(charged) to statement of comprehensive income | (13) | (3,763) | (3,776) |
| Credited to equity | - | - | - |
| **31 March 2017** | (13) | (3,763) | (3,776) |

Deferred tax has been recognised in the current period using the tax rates applicable to each of the tax jurisdictions in which the Company 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 | Leasehold improvement | Fixtures and Fittings | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2016 | 3 | - | - | - | - | 3 |
| Additions | 34 | 44 | 16 | - | - | 94 |
| Acquisition | 488 | 1,588 | 1,876 | 156 | 11 | 4,119 |
| **At 31 March 2017** | 525 | 1,632 | 1,892 | 156 | 11 | 4,216 |
| | | | | | | |
| **Depreciation** | | | | | | |
| At 1 April 2016 | - | - | - | - | - | - |
| Depreciation | 24 | 45 | 31 | 3 | - | 103 |
| Acquisition | 303 | 982 | 619 | 38 | 8 | 1,950 |
| **At 31 March 2017** | 327 | 1,027 | 650 | 41 | 8 | 2,053 |
| | | | | | | |
| **Net book value** | | | | | | |
| **At 31 March 2017** | 198 | 605 | 1,242 | 115 | 3 | 2,163 |

The group has $326,938 of assets held under finance lease. Details of the liabilities are shown in note 21.

Held within Plant & Equipment are $0.9 million of Solar Panel systems relating to our Australian Amaroo Project.

## 12. Intangible Assets

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| | **-** | - |
| Goodwill | **30,393** | - |
| Other intangible assets | **15,927** | - |
| **Carrying value at 31 March** | **46,320** | - |

### (a) Goodwill

Goodwill arose on the purchase of Aevitas O Holdings Limited and VivoPower Pty Limited on 28 December 2016.

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| As at 1 April | **-** | - |
| Additions | **30,024** | - |
| Foreign exchange on translation | **369** | - |
| **Carrying value at 31 March** | **30,393** | - |

The carrying amounts of goodwill by CGU are as follows:

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Aevitas O Holdings Limited | **9,781** | - |
| VivoPower Pty Limited | **20,243** | - |
| Foreign exchange on translation | **369** | |
| **Total** | **30,393** | - |

**Goodwill impairment tests**

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 Units (CGUs) 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 believe 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 CGUs products and services within those markets.

Each CGU was assessed to have a value in excess of its respective carrying value and hence no adjustments to goodwill were considered necessary.

Key assumptions:

- the discount rate was based on the weighted average cost of capital of 8.33%

- no sensitivity analysis is provided as the Company expects no foreseeable changes in the assumptions that would result in impairment of the goodwill.

**(b) Other Intangible assets**

| (US dollars in thousands) | Customer Relationships | Trade names | Favourable supply contracts | Data bases | Other | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2016 | - | - | - | | - | - |
| Additions | 9,953 | 2,488 | 2,488 | 734 | 812 | 16,475 |
| **At 31 March 2017** | **9,953** | **2,488** | **2,488** | **734** | **812** | **16,475** |
| | | | | | | |
| **Amortisation** | | | | | | |
| At 1 April 2016 | - | - | - | | - | - |
| Amortisation | 347 | 43 | 122 | 36 | - | 548 |
| **At 31 March 2017** | **347** | **43** | **122** | **36** | **-** | **548** |
| | | | | | | |
| **Net book value** | | | | | | |
| **At 31 March 2017** | **9,606** | **2,445** | **2,366** | **698** | **812** | **15,927** |

## 13. Investment in subsidiaries

The principal operating undertakings in which the group's interest at the year-end is more than 20%.

| Subsidiary undertakings | Percentage of ordinary shares held | Registered address |
|---|---|---|
| VivoPower International Services Limited | 100% | 3rd Floor 37 Esplanade, St Helier, Jersey, JE2 3QA |
| VivoPower International Holdings Limited | 100% | 91 Wimpole Street, London, England, United Kingdom W1G 0EF |
| VivoPower Pty Limited | 100% | 153 Walker St, North Sydney NSW, Australia 2060 |
| Aevitas O Holdings Pty Limited | 100% | |
| Aevitas Group Limited | 99.9% | |
| Aevitas Holdings Pty Limited | 100% | |
| Electrical Engineering Group Pty Limited | 100% | |
| JA Martin Electrical Limited | 100% | |
| Kenshaw Electrical Pty Limited | 100% | |
| VivoPower WA Pty Limited | 100% | |
| VVP Project 1 Pty Limited | 100% | |
| VVP Project 2 Pty Limited | 100% | |
| Amaroo Solar Tco Pty Limited | 100% | |
| Amaroo Solar Hco Pty Limited | 100% | |
| Amaroo Solar Fco Pty Limited | 100% | |
| Amaroo Solar Pty Limited | 100% | |
| SC Tco Pty Limited | 100% | |
| SC Hco Pty Limited | 100% | |
| SC Fco Pty Limited | 100% | |
| SC Oco Pty Limited | 100% | |
| ACN 613885224 Pty Limited | 100% | |
| VivoPower USA LLC | 100% | 251 Little Falls Drive, Wilmington, New Castle, DE, USA 19808 |
| VivoRex LLC | 100% | |
| VivoPower Singapore Pte Limited | 100% | Level 36, UOB Plaza 1, 80 Raffles Place, Singapore 048624 |

Associate undertakings

| Associate undertakings | Percentage of ordinary shares held | Registered address |
|---|---|---|
| V.V.P. Holdings Inc. | 40% | Unit 10A, Net Lima Building, 5th Avenue cor. 26th Street, E-Square Zone, Crescent Park West, Bonifacio Global City, Taguig, Metro Manila |
| VivoPower Philippines Inc. | 64% | |
| VivoPower RE Solutions Inc. | 64% | |

The Philippine entities above, listed as Associates, are under the control of VivoPower Singapore Pte Limited, and therefore are consolidated into the consolidated financials of VivoPower International PLC. This is in line with IFRS 10 [7] where it satisfies all three criteria to determine whether control exists.

The Philippine entities are closely managed by the Director of VivoPower Singapore Pte Limited, all controls are carefully monitored to minimize risk.

14. **Investments**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Project investments | **18,060** | - |
| **Total** | **18,060** | - |

The value of the investments carried as at 31 March 2017 represents the fair value of project investment. The investments relate to the two North Carolina projects, one of which was fully operational as at 31 March 2017, and second was fully operational in May 2017. The group will monitor the carrying value of these investments to assess for impairment on a quarterly basis.

15. **Trade and other receivables**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| **Current receivables** | | |
| Trade receivables | **5,248** | - |
| Accrued income | **13,183** | - |
| Prepayments | **563** | - |
| Other receivables | **722** | - |
| Related party receivable | **128** | - |
| **Total** | **19,844** | - |
| | | |
| **Non-current receivables** | | |
| Loan due from Associate | **549** | - |
| Other receivables | **618** | - |
| **Total** | **1,167** | - |

**Analysis of trade receivables:**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Trade and other receivables | **5,250** | - |
| Less: credit note provision | **(2)** | - |
| **Total** | **5,248** | - |

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

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| United Kingdom | **1,600** | - |
| Australia | **3,648** | - |
| **Total** | **5,248** | - |

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

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| 0-90 days | **5,092** | - |
| Greater than 90 days | **156** | - |
| **Total** | **5,248** | - |

## 16. Cash and cash equivalents

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Cash at bank and in hand | **10,970** | 28 |

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

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| A-1+ | **2,341** | - |
| A-1 | **8,161** | - |
| A-2 | **468** | - |
| **Total** | **10,970** | - |

**Cash flow from operating activities:**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Profit/(loss) for the year | **5,581** | (281) |
| Adjustments for: | | |
| Income tax expense | **5,338** | 0 |
| Transaction related costs | **5,800** | |
| Finance expenses | **600** | 0 |
| Depreciation of property, plant and equipment | **103** | 0 |
| Amortisation of intangible assets | **548** | 0 |
| Operating cash flows before movements in working capital and provisions | **17,970** | (281) |
| | | |
| Increase in trade and other receivables | **(21,007)** | - |
| Increase in trade and other payables | **8,074** | 186 |
| Increase in provisions | **1,339** | 0 |
| **Cash generated from/(used in) operating activities** | **6,376** | (95) |

## 17. Trade and other payables

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Trade payables | **2,158** | 185 |
| Accruals | **1,297** | 1 |
| Related party payable | **1,445** | - |
| Treasury shares | **592** | - |
| Payroll liabilities | **1,972** | - |
| Sales tax payable | **412** | - |
| Deferred income | **305** | - |
| Other creditors | **81** | - |
| **Total** | **8,262** | 186 |

## 18. Loans and borrowings

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| **Current liabilities** | | |
| Bank loan | **90** | - |
| Related Party Loan | - | 8,001 |
| | | |
| **Non-current liabilities** | | |
| Bank loan | **933** | - |
| Related party loan | **18,992** | - |
| **Total** | **20,015** | 8,001 |

The bank loan with ANZ Bank is repayable over an 11.5 year period at a monthly repayment amount of AUD 9,783 for 138 months. The related party loan is with Arowana International Limited. Repayments of the loan will commence from April 2018 and is therefore non-current in nature.

## 19. Provisions

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| **Current provisions** | | |
| Employee entitlements | **1,339** | - |
| | | |
| **Non-current provisions** | | |
| Employee entitlements | **237** | - |
| **Total** | **1,576** | - |

Employee entitlements include long term leave and vacation provisions.

## 20. Business combinations

***Aevitas Group of Companies***

On December 28, 2016, VivoPower acquired 99.9% of Aevitas Group Limited for a consideration of $9.5 million.

Aevitas provides energy and power generation solutions including design, supply, installation and maintenance of power systems, control systems, with an increasing focus on solar and renewable energy and energy efficiency. Since acquiring Aevitas in December 2016, VivoPower has introduced a focused origination strategy to identify attractive solar projects across Aevitas' existing customer base.

Aevitas operates via J.A. Martin Electrical Pty Limited ("JA Martin") and Electrical Engineering Group Pty Limited, encompassing the operations of Kenshaw Electrical Pty Limited ("Kenshaw").

JA Martin is based in Tomago (Newcastle, New South Wales), Mount Thorley (Hunter Valley, New South Wales) and Gunnedah (Liverpool Plains, New South Wales) and has been operating primarily in the Newcastle region, Hunter Valley and western New South Wales for over 40 years. JA Martin primarily provides products and services through its switchboards control rooms, electrical maintenance and service and electrical contracting projects divisions.

Kenshaw has been operating from its base in Cardiff (Newcastle, New South Wales) for over 20 years. Kenshaw provides power generator sales & service, electrical motors installation and service, and motor management services and non-destructive preventative maintenance testing. Customers include hospitals, data centres, and a range of government departments and industrial businesses.

Aevitas' mission is to be its customers' trusted integrated power expert. Aevitas has long standing client relationships and operates in a region that has amongst the highest cost of power across Australia and has been demonstrating increasing appetite for solar power solutions. This client base provides a natural pipeline of new solar projects which will help accelerate the growth of VivoPower's BTO business model in Australia.

The following table provides the book values of the identifiable assets and liabilities acquired and their fair value to the group.

| | |
|---|---|
| **(US dollars in thousands)** | |
| Cash and cash equivalents | 1,292 |
| Current assets | 4,587 |
| Non-current assets | 8,034 |
| Investment in VivoPower Pty Limited | 4,569 |
| Current liabilities | (3,427) |
| Intangible assets | 604 |
| Goodwill | 8,702 |
| Non-current liabilities | (295) |
| Borrowings (1) | (24,329) |
| **Total net assets** | **(263)** |
| | |
| Goodwill (see note 12) | 9,781 |
| **Total consideration** | **9,518** |
| Satisfied by: | |
| Cash consideration | 9,518 |
| **Total consideration transferred** | **9,518** |
| | |
| Net cash outflow arising on acquisition: | |
| Cash consideration | 9,518 |
| Less: Cash and cash equivalent balances acquired | (1,292) |
| | **8,226** |

(1)Borrowings relate to convertible preference shares and loan notes that are categorised as equity within the financials of VivoPower International PLC.

The revenue and operating loss since the acquisition date to 31st March 2017 was $5.6 million and $0.5 million respectively.

***VivoPower Pty Limited***

On December 28, 2016, VivoPower acquired 100% of VivoPower Pty Limited for a consideration of $23.1 million.

VivoPower Australia is a next generation renewable energy company that is involved in the origination, financing, construction, transfer, operation and optimisation of solar electricity generation facilities globally. VivoPower Australia operates a BTO model involving the design, installation, transfer and maintenance of solar power plants through on site generation facilities and large scale grid feed projects. As of 31 March 2017, VivoPower Australia had 2 employees located at 2 offices.

The business is organized primarily into a single pillar, being the provision of solar services. Within this, there are two key target submarkets, the Commercial, Industrial and Government (CIG) sectors and Utility-Scale projects.

The CIG sub market focuses on solar facilities which are situated behind-the-meter for CIG clients. VivoPower Australia constructs solar generation facilities on customer's sites and feed energy directly to the client. In this fashion, VivoPower Australia disintermediates the wholesale electricity market, the electricity grid and the electricity retailer sharing in the savings with the client.

The Utility Scale sub market focuses on wholesale electricity generation through large or Utility Scale sized installations. These are generally situated on large tracts of land and are directly connected to the distribution (low voltage) or transmission (high voltage) grids. These large projects sell electricity directly to the spot market or to electricity retailers/traders.

The revenue and operating loss since the acquisition date to 31 March 2017 was $0.1m and ($0.2m) respectively.

The following table provides the book values of the identifiable assets and liabilities acquired and their fair value to the group:

| **(US dollars in thousands)** | |
|---|---|
| | |
| Cash and cash equivalents | 193 |
| Trade and other receivables | 127 |
| Other assets | 541 |
| Property plant and equipment | 920 |
| Deferred tax assets | 610 |
| Intangible assets | 1,545 |
| Goodwill | 31 |
| Trade and other payables | (107) |
| Borrowings | (1,013) |
| Deferred tax liabilities | - |
| **Total net assets** | **2,847** |
| | |
| Goodwill (see note 12) | 20,243 |
| **Total consideration** | **23,090** |
| | |
| Satisfied by: | |
| Issue of shares in VivoPower International PLC | 17,853 |
| 19.88% shareholding by Aevitas | 4,674 |
| Cash consideration | 563 |
| **Total consideration transferred** | **23,090** |
| | |
| Net cash outflow arising on acquisition: | |
| Cash consideration | 563 |
| Less: Cash and cash equivalent balances acquired | (193) |
| | **370** |

## 21. Obligations under finance leases

| (US dollars in thousands) | Minimum lease payments: | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Amounts payable under finance leases: | | - | | - |
| Less than one year | **165** | - | **145** | - |
| Later than one year but not more than five | **107** | - | **95** | - |
| | **272** | | **240** | - |
| Future finance charges | **(32)** | - | **-** | - |
| **Total obligations under finance lease** | **240** | - | **-** | - |

## 22. Called up share capital

| | **2017** | 2016 |
|---|---|---|
| Allotted, called up and fully paid | | |
| Ordinary shares of $0.012 each as at 31 March | **$ 162,689** | $ 72,125 |
| | | |
| Number allotted | | |
| Ordinary shares of $0.012 each | **13,557,376** | 5,514,375 |

| | **No. of shares** |
|---|---|
| At 1 April 2016 | 5,514,375 |
| Issue of new shares | 8,043,001 |
| **At 31 March 2017** | **13,557,376** |

## 23. Other reserves

| **(US dollars in thousands)** | **2017** | 2016 |
|---|---|---|
| | | |
| Equity instruments | **25,072** | - |
| Capital raising costs | **(9,722)** | - |
| Share option reserve | **3,713** | - |
| Treasury shares (see note 25) | **(592)** | - |
| Other reserves | **(142)** | - |
| **Total** | **18,329** | - |

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 31 December 2016. 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. As at 31 March 2017 there were 828,000 options outstanding.

**24. Earnings per share**

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

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| Profit/(loss) for the year | **5,581** | (281) |
| | | |
| Weighted average number of shares in issue ('000s) | **7,624** | 5,514 |
| | | |
| Basic earnings/(loss) per share (dollars) | **0.73** | (0.05) |
| Diluted earnings/(loss) per share (dollars) | **0.73** | (0.05) |

**25. Treasury shares**

On 30 March 2017, the Company repurchased 129,805 shares at a price of $4.50 for a total sum of $591,915.80, including commission. The shares are being held as treasury shares.

**26. Operating lease commitments**

| (US dollars in thousands) | 2017 | 2016 |
|---|---|---|
| | **Property** | Property |
| Commitments under non-cancellable operating leases expiring: | | |
| Within one year | **15** | - |
| Later than one year and less than five years | **159** | - |

The group leases several buildings and office facilities. The terms of the leases vary from location to location. The main leases are in New South Wales, Australia and run for a period for a period of 5 years and 1 year. The leases are due to expire in 2019 and 2017 respectively.

**27. Pensions**

The group's principal pension plan comprises the compulsory Superannuation scheme in Australia, where the company contributes 9.5%. The pension charge for the year represents contributions payable by the group which amounted to US$196,005 (2016: nil) in respect of the Australian scheme. New schemes will be completed for the UK and US during the forthcoming year.

There were no outstanding or prepaid contributions at either the beginning or end of each financial year.

## 28. Financial instruments

**(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 Financial 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 cash resources of $10.9 million with related party loan of $19.0 million. The ratio of current assets to current liabilities is 2.5:1. The group manages its liquidity as a whole and ensures that there are sufficient available cash resources for each group company to operate effectively.

**(c) Credit risk**

The primary risk arises from the group's receivables from customers. The majority of the group's customers are long standing and have been with the subsidiary companies 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 15 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 related party loans are denominated in USD, and therefore, foreign currency risk is eliminated.

**(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.

**29. Related party transactions**

Kevin Chin is also Chief Executive of Arowana International Limited, an Australian registered company, listed on the Australian Stock Exchange (ASX). During the course of the year, a number of services were provided to VivoPower International PLC and its subsidiaries from a number of Arowana companies.

Arowana International Limited is a majority shareholder of VivoPower International PLC and the extent of the transactions between the two groups is listed below.

Arowana International Limited during the course of the year Arowana has helped fund investments in renewable energy projects. Additionally, prior to VivoPower's Nasdaq listing it was a source of working capital funding. As at 31 March 2017, there was in place a related party loan of $18,992,263. The loan interest is payable monthly in arrears and the first capital repayment on the loan is due on 1 April 2018.

There were additional short term balances outstanding at the year-end $1,404,919.23 which are due for repayment at the end of May 2017.

- Arowana Group (Asia) Pte Ltd – provided specialist consultancy advice relating to Singapore for $97,745. The amount paid during the year was $97,745. The balance outstanding at the end of the financial year was nil.

- Arowana Partners Group Pty Limited - Kevin Chin, receives a Non-Executive Director's fee per month of $20,312. The total costs charged to VivoPower during the course of the financial year were $250,000. The balance outstanding at the end of the financial year was $250,000. Payments were made during April 2017 to clear the balance.

**30. Key management personnel compensation**

Key management personnel, which are those roles that have a group management aspect to them are included in note 7 to the consolidated financial statements.

**31. Ultimate controlling party**

The ultimate controlling party and the results into which these financials are consolidated is Arowana International Limited.

CONFIDENTIAL TREATMENT REQUESTED FOR PORTIONS OF THIS DOCUMENT. PORTIONS FOR WHICH CONFIDENTIAL TREATMENT IS REQUESTED HAVE BEEN MARKED WITH THREE ASTERISKS [***] AND A FOOTNOTE INDICATING "CONFIDENTIAL TREATMENT REQUESTED". MATERIAL OMITTED HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

***Execution Version***

**AMENDED & RESTATED OPERATING AGREEMENT OF**
**INNOVATIVE SOLAR VENTURES I LLC**

This Amended and Restated Limited Liability Company Operating Agreement (this "Agreement") of Innovative Solar Ventures I LLC, a Delaware limited liability company (the "Company"), is made and entered into as of April 17, 2017 (the "Effective Date"), by and among the Company and the members set forth on Schedule A attached hereto (the "Members").

WHEREAS, this Agreement sets forth the understandings of the parties hereto with respect to the organization and operation of the Company and the scope and conduct of its business; and

WHEREAS, this Agreement amends, restates and supersedes in all respects any and all prior operating agreements of the Company.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements herein contained, and intending to be legally bound, the parties hereto hereby agree as follows:

ARTICLE I
GENERAL PROVISIONS; DEFINITIONS

Section 1.1 Formation; Name; Principal Place of Business; Registered Agent.

(a) Formation. The Members hereby organize a limited liability company pursuant to the Delaware Limited Liability Company Act, Del. Code Tit. 6 Section 18-101, *et seq.* (the "Act") and the provisions of this Agreement and, for that purpose, have caused a Certificate of Formation (the "Certificate") to be prepared, executed and filed with the Secretary of State of the State of Delaware on April 22, 2016. The Company and the Members, each hereby approves, authorizes and ratifies the actions of Jasso Lopez PLLC and its agents, in filing the Certificate with the Secretary of State of the State of Delaware. The Members shall furnish to the Manager, if the Manager so requests, a power of attorney which may be filed in those jurisdictions as the Manager may reasonably deem appropriate with the Certificate and any amendments and any additional information as is required from the Manager to complete any documents, including Certificates of Formation, this Agreement, amendments thereto and assumed name certificates, and to execute and cooperate in the filing, recording and publishing of those documents at the request of the Manager. The Manager shall not be required to deliver a Certificate of Formation to each Member.

(b) Name. The name under which the Company shall conduct its business is Innovative Solar Ventures I LLC.

(c) Principal Place of Business. The Company's principal place of business shall be located at 1095 Hendersonville Road, Asheville, North Carolina 28803. The Company may have such other business offices within or without the State of Delaware as determined from time to time by the Manager.

(d) Registered Agent. The registered office of the company in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The name of the registered agent at such address for service of process on the Company in the State of Delaware is Corporation Service Company. The registered office and the registered agent of the Company may be changed by the Manager from time to time in accordance with the then applicable provisions of the Act and any other applicable laws.

Section 1.2 Fiscal Year. The Fiscal Year of the Company shall begin on the 1st day of January and end on the 31st day of December of each year (the "Fiscal Year").

Section 1.3 Liability of Members. The Members shall have no personal liability for the repayment and discharge of debts and obligations of the Company.

Section 1.4 Purposes of Company. The Company's purpose is to provide funding for and invest in early stage development of solar fields throughout the United States of America, including by investing in the Project Companies, and to engage in such other lawful activities as the Manager may reasonably deem necessary or desirable to accomplish and further such purpose.

Section 1.5 Authorized Equity. The authorized limited liability company interests of the Company shall consist of common membership interests ("Membership Interests") and developer interests ("Developer Interests"). All Developer Interests shall be issued to the Developer in consideration of the undertaking herein and the contribution pursuant to the Contribution Agreement. Except as expressly set forth in this Agreement, (a) the Developer Interests shall be treated as ordinary Membership Interests for all purposes under this Agreement, (b) all references to Membership Interests in this Agreement shall be deemed to refer to both Membership Interests and Developer Interests and (c) holders of the Developer Interests shall vote on a one-to-one (1:1) basis with the Members holding Membership Interests. Schedule A hereto lists the name and mailing address of, and number of Membership Interests or Developer Interests owned by, each Member. Such Schedule A shall be maintained with the records of the Company at the Company's principal office and is hereby incorporated by reference and made a part of this Agreement.

Section 1.6 Definitions. For the purposes of this Agreement, unless the context otherwise requires:

(a) "Abandoned Project" has the meaning set forth in Section 2.12.

(b) "Abandonment Notice" has the meaning set forth in Section 2.12(a).

(c) "Accounting Period" means the following periods: The initial Accounting Period will begin upon the initial formation of the Company, and each subsequent Accounting Period will begin immediately after the close of the next preceding accounting period. Each Accounting Period will close at the close of business on the first to occur of (i) the date immediately preceding the day that the Company makes a distribution in accordance with Section 4.2, (ii) the date immediately prior to the date that the Company liquidates pursuant to Article VI, or (iii) at such other time as may be required by governmental rules and regulations imposed upon the Manager.

(d) "Act" has the meaning set forth in the Section 1.1(a).

(e) "Additional Project Company" has the meaning set forth in Section 2.13.

(f) "Affiliate" means, with respect to a specified Person, (i) any Person who or which directly or indirectly owns, controls, or holds with power to vote, 10% or more of any class of equity securities of such specified Person; (ii) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote, by such specified Person; (iii) any Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person; or (iv) any officer, director or partner of, or any Person who or which serves in a similar capacity with respect to, such specified Person, or of which such specified Person is an executive officer, director or general partner, or with respect to which such specified Person serves in a similar capacity.

(g) "Agreement" has the meaning set forth in the preamble.

(h) "Approved Costs" means all (i) Organization and Offering Expenses, (ii) expenses reflected in the progress billing schedule included within the Development Agreement, (iii) fees, costs and expenses arising or incurred in connection with the offer and Disposition of Project Companies and Approved Projects, including fees and expenses for legal, accounting, placement agent, broker-dealer and consulting services and fees and expenses incurred by or on behalf of the Company in connection with the consummation of any transaction contemplated by Sections 2.11(a), (b) or (f), (iv) 50% of all expenses described in Section 2.4(a)(iv) through (vi), and (v) expenses of the Company and the Project Companies approved by a Board Supermajority; provided, however, that, in the case of clauses (i), (ii) and (iii), such fees, costs and expenses are in accordance with the Approved Development Budget.

(i) "Approved Development Budget" means the spending plan set forth on Exhibit A, as may be amended by approval of a Board Supermajority; provided that the Approved Development Budget shall not exceed $[***][1].

(j) "Approved Project" means each Solar Project owned by a Project Company, which, for the avoidance of doubt, shall consist of those Solar Projects contributed pursuant to the Contribution Agreement as well as Solar Projects owned by any Additional Project Companies acquired by the Company.

(k) "Assumed Tax Rate" has the meaning set forth in Section 4.2(d).

(l) "Board" has the meaning set forth in Section 2.1.

(m) "Board Supermajority" means at least 61% of the total number of Directors comprising the Board.

(n) "Business Day" means a day when banks are open for business in the State of North Carolina.

(o) "Capital" means the excess of the Company's assets over its liabilities at market.

(p) "Capital Account" has the meaning set forth in Section 3.4.

(q) "Capital Commitment" of a Member means the amount set forth as such Member's Capital Commitment in the Subscription Agreement delivered by such Member to the Manager and the Company.

(r) "Capital Contribution" means the total amount of cash or assets contributed to the Company by each Member, from time to time, in accordance with the terms hereof, including the amount set forth in such Member's Subscription Agreement or Contribution Agreement but excluding any unfunded Capital Commitment.

(s) "Certificate" has the meaning set forth in Section 1.1(a).

(t) "Closing Date" means the first date on which a Member is admitted to the Company, as reflected by the date of the Manager's acceptance of such Member's Subscription Agreement.

(u) "Code" means the Internal Revenue Code of 1986.

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[1] Confidential treatment requested

(v) "Commitment Fee" means an amount equal to $[***][2]

(w) "Committed Member" has the meaning set forth in Section 3.1(b).

(x) "Company" has the meaning set forth in the preamble.

(y) "Contribution Agreement" means that certain Membership Interest Purchase Agreement between the Company and the Developer dated April 16, 2017 pursuant to which the Developer has sold and contributed all of the ownership interests in each of the Approved Projects (other than Additional Project Companies) to the Company in exchange for Developer Interests.

(z) "Defaulting Member" has the meaning set forth in Section 3.1(c)(i).

(aa) "Deficiency Percentage" applicable to a Defaulting Member on a certain date means a fraction, expressed as a percentage, equal to (i) the amount by which such Defaulting Member's total initial Capital Contribution plus its Capital Commitment exceeds its total Capital Contributions on or prior to such determination date divided by (ii) such Defaulting Member's total initial Capital Contribution plus its Capital Commitment.

(bb) "Deployment Period" means the period of time beginning on the Effective Date and ending on the earlier to occur of (i) the fifth annual anniversary of the Effective Date and (ii) the date on which Members have made all Capital Contributions required to satisfy fully their respective Capital Commitments.

(cc) "Developer" means Innovative Solar Systems, LLC, an Affiliate of the Manager.

(dd) "Developer Directors" has the meaning set forth in Section 2.3(b).

(ee) "Developer Interests" has the meaning set forth in Section 1.5.

(ff) "Development Agreement" means that certain Development Services Agreement between the Company and the Developer dated the Effective Date, as such may be amended in accordance with its terms and this Agreement.

(gg) "Disposition" of a Project Company means the sale, exchange or other disposition by the Company of all or any portion of its ownership interest in a Project Company for cash or in exchange for other securities, or any other event resulting in cash proceeds or other consideration to the Company with respect to a Project Company, including the receipt by the Company of a liquidating dividend or other like distribution in respect of such Project Company.

(hh) "Disqualification Event" has the meaning set forth in Section 2.3(c).

(ii) "Disqualified Designee" has the meaning set forth in Section 2.3(c).

(jj) "Distributable Cash Flow" means the amount received by the Company from the Disposition of a Project Company (other than a VivoPower Disposition), less any (i) Recycle Amount, (ii) Approved Costs, (iii) Commitment Fee and (iv) Reserves.

(kk) "Distribution Share" has the meaning set forth in Section 4.2(a)(iii).

(ll) "Due Diligence Period" has the meaning set forth in Section 2.11(a)(i).

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(mm) "Election Notice" has the meaning set forth in Section 5.2(b).

(nn) "Effective Date" has the meaning set forth in the preamble.

(oo) "Exculpated Party" has the meaning set forth in Section 2.6.

(pp) "Fiscal Year" has the meaning set forth in Section 1.2.

(qq) "Foreign Member" has the meaning set forth in Section 3.4.

(rr) "Funding Shortfall" means the expenses of the Company and the Project Companies, as described in Section 2.4, including Organization and Offering Expenses and expenses incurred in accordance with the Development Agreement, exceed Approved Costs.

(ss) "Good Management Standard" means that a Person will perform its management functions (a) in good faith and in a manner it reasonably believes to be in the best interests of the Company and (b) in a manner intended, in the exercise of reasonable judgment, to cause the Company and the Project Companies to comply in all material respects with all applicable material contracts, applicable material governmental approvals and applicable law. The Good Management Standard is not intended to be limited to an optimum set of practices, methods and acts, but rather a spectrum of possible but reasonable practices, methods and acts.

(tt) "Indemnified Party" has the meaning set forth in Section 2.7.

(uu) "Independent Expert" has the meaning set forth in Section 3.10.

(vv) "ISVI Management" means ISVI Management LLC, a Delaware limited liability company owned and controlled by John Green and Richard Green.

(ww) "Loss" has the meaning set forth in Section 2.6.

(xx) "Manager" has the meaning set forth in Section 2.1.

(yy) "Members" has the meaning set forth in the preamble.

(zz) "Membership Interests" has the meaning set forth in Section 1.5.

(aaa) "Membership Percentage" means for each Member, at any time, the proportion, expressed as a percentage, that the amount of such Member's Capital Contributions bears to the aggregate total of all Members' Capital Contributions.

(bbb) "Nameplate Capacity" has the meaning set forth in Section 2.14(b)(ii).

(ccc) "Net Losses" has the meaning set forth in Section 3.5.

(ddd) "Net Profits" has the meaning set forth in Section 3.5.

(eee) "Offer Notice" has the meaning set forth in Section 5.2(a).

(fff) "Offered Project" has the meaning set forth in Section 2.14(b)(i).

(ggg) "Offered Project Company" has the meaning set forth in Section 2.14(b)(i).

(hhh) "Organization and Offering Expenses" means all fees, costs and expenses arising or incurred before or after the date of this Agreement in connection with the formation of the Company and the offer and sale of Membership Interests, including fees and expenses for legal, accounting, placement agent, broker-dealer and consulting services.

(iii) "Permitted Disposition" means any Disposition that complies with the requirements set forth in Section 2.11.

(jjj) "Person" means any individual, partnership, limited partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity or any foreign equivalent of any of the foregoing.

(kkk) "Project Companies" means the limited liability companies which own the projects set forth on Schedule B and the membership interests in which are held by the Company, as such may be amended in accordance with this Agreement.

(lll) "Project Purchase Deposit" has the meaning set forth in Section 2.11(a)(ii).

(mmm) "Purchase Notice" has the meaning set forth in Section 2.11(b).

(nnn) "Recycle Amount" has the meaning set forth in Section 2.11(g).

(ooo) "Reserves" has the meaning set forth in Section 2.4(d).

(ppp) "ROFO Exercise Notice" has the meaning set forth in Section 2.11(a)(ii).

(qqq) "ROFO Notice" has the meaning set forth in Section 2.14(b).

(rrr) "Rule 506(d) Related Party" has the meaning set forth in Section 2.3(c).

(sss) "Solar Project" means an early-stage utility-scale ground mount solar photovoltaic system.

(ttt) "Specified Price" has the meaning set forth in Section 5.2(a).

(uuu) "Specified Terms" has the meaning set forth in Section 5.2(a).

(vvv) "Subject Project Company" has the meaning set forth in Section 2.11(b).

(www) "Subscription Agreement" means, in respect of each Member other than the Developer, the Subscription Agreement executed by such Member and accepted by the Manager governing such Member's purchase of a Membership Interest.

(xxx) "Success Fee" has the meaning set forth in Section 2.11(d).

(yyy) "Tax Distribution" has the meaning set forth in Section 4.2(d).

(zzz) "Tax Liability Amount" has the meaning set forth in Section 4.2(d).

(aaaa) "Third Party Sale Premium" has the meaning set forth in Section 2.11(c).

(bbbb) "VivoPower" means VivoPower (USA) Development LLC, a Delaware limited liability company and wholly-owned subsidiary of VivoPower (USA) LLC, a Delaware limited liability company.

(cccc) "VivoPower-Acquired Project" means Approved Projects owned by Project Companies sold to VivoPower (or its designated affiliate) pursuant to Section 2.11.

(dddd) "VivoPower Directors" has the meaning set forth in Section 2.3(b).

(eeee) "VivoPower Disposition" means any sale of a Project Company to VivoPower (or its designated affiliate) in accordance with Sections 2.11(a) or (b).

(ffff) "VivoPower Disposition Proceeds" means all cash received by the Company and constituting (i) a VivoPower Purchase Price, (ii) a Project Purchase Deposit, (iii) a Third Party Sale Premium or (iv) a Success Fee.

(gggg) "VivoPower Per-Watt Purchase Price" for a purchase by VivoPower (or its designated Affiliate) of a Project Company means the [***][3].

(hhhh) "VivoPower Purchase Agreement" has the meaning set forth in Section 2.11(a)(ii).

(iv) "VivoPower Purchase Price" for a Project Company purchased by VivoPower (or its designated Affiliate) in accordance with Section 2.11 means an amount in cash equal to the product of (i) the applicable VivoPower Per-Watt Purchase Price and (ii) the Nameplate Capacity of the Approved Project owned by such Project Company expressed in watts.

(jjjj) "VivoPower Third Party Sale" has the meaning set forth in Section 2.11(c).

ARTICLE II
MANAGEMENT OF THE COMPANY

Section 2.1 Generally. The business and affairs of the Company will be managed by a manager (the "Manager"), subject to the oversight of a Board of Directors (the "Board") as set forth in this Agreement. The initial Manager shall be ISV I Management. Subject to the terms of this Agreement, including any decisions, powers and authority reserved to the Members and the Board herein, the Manager shall have the exclusive right, authority, obligation and responsibility to direct, manage and control the business of the Company and to take actions for and on behalf of the Company, in each case in accordance with the Good Management Standard. The Board shall be the manager of the Company for purposes of the Act, including Section 18-402 thereof. The Members shall have no power to participate in the management of the Company except as expressly set forth in this Agreement or the Act. Neither the Board nor the Manager shall be liable for the return or repayment of all or any portion of the capital or profits of any Member (or assignee), it being expressly agreed that any return of capital or profits made pursuant to this Agreement shall be made solely from the assets (which shall not include any right of contribution from the Board or the Manager) of the Company.

[3] Confidential treatment requested

Section 2.2 Authority of the Manager.

(a) The Manager shall have the power and duty on behalf of and in the name of the Company to carry out, or designate such other party to carry out, any and all of the objects and purposes of the Company set forth in Section 1.4, and to perform all acts and enter into and perform all contracts and other undertakings which it reasonably may deem necessary or advisable or incidental thereto, except as otherwise provided herein or reserved to the Members or the Board, in each case as set forth herein.

(b) The Manager shall perform and discharge all of its duties and obligations hereunder and take all actions for and on behalf of the Company in accordance with the Good Management Standard; provided that no breach of this Section 2.2(b) shall result from, and the Manager shall not be responsible hereunder for, the negligence or willful misconduct of, or breach of contract by, any other Person.

(c) The Parties acknowledge and agree that various management and operating and maintenance responsibilities with respect to the Company and the Project Companies have been undertaken by the Developer pursuant to the Development Agreement. The Manager shall be responsible for enforcing and supervising the performance of the Developer under the Development Agreement or of any other counterparty that is an Affiliate of the Developer or Manager under a material contract to which the Company is a party, in each case on behalf of the Company and in each case in accordance with the Good Management Standard.

(d) Notwithstanding anything to the contrary contained in this Agreement, the Manager shall not be deemed to have breached any provision of this Agreement, and the Manager shall not bear any responsibility, for actions or omissions taken or not taken in accordance with the direction of the Board.

Section 2.3 Board of Directors.

(a) Size and Composition. The number of Directors constituting the Board shall be fixed at five (5); provided that, in accordance with Section 3.1(c), in the event that VivoPower is a Defaulting Member and as long as VivoPower continues to be a Defaulting Member, for purposes of voting on any matter presented to the Board, the number of Directors constituting the Board shall be deemed to be three (3). Directors need not be residents of the State of Delaware. Each Director elected shall hold office until his or her death, legal incapacity, resignation, or removal in the manner hereinafter provided. The Directors shall be two Developer Directors and three VivoPower Directors, except as expressly provided in the foregoing.

(b) Constituency Directors. The Developer shall be entitled to elect two Directors to the Board (the "Developer Directors”). The initial Developer Directors shall be John Green and Richard Green. Subject to Section 3.1(c)(i)(B), VivoPower shall be entitled to elect three Directors to the Board ("VivoPower Directors”). The initial VivoPower Directors shall be Rick Borry, Carl Weatherly-White and Nicholas Olmsted.

(c) Meetings. Meetings of the Board may be called by any two (2) Directors. Notice of the date, place, if any, and time of any meeting of the Board shall be given to each Director by the Directors calling the meeting. Notice shall be duly given to each Director (i) in person or by telephone at least 24 hours in advance of the meeting, (ii) by sending written notice by reputable overnight courier, telecopy, facsimile or electronic transmission, or delivering written notice by hand, to such Director’s last known business, home or electronic transmission address at least 48 hours in advance of the meeting, or (iii) by sending written notice by first-class mail to such Director’s last known business or home address at least 72 hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting. At all meetings of the Board, the presence (in person or by telephone conference or videoconference) of a Board Supermajority shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board for which notice was properly given, the Directors present shall adjourn the meeting and shall notify those Directors not in attendance of the time of the reconvened meeting and of any facilities to be made available to allow the participation in such meeting by telephone conference or videoconference of all Directors not able to attend physically.

(d) Rule 506 Disqualification. Each Person with the right to designate or participate in the designation of a Director as specified above hereby represents and warrants to the Company that, to such Person's knowledge, none of the "bad actor" disqualifying events described in Rule 506(d)(1) promulgated under the Securities Act of 1933 (each, a "Disqualification Event"), is applicable to such Person's initial designee named above except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable. Any Director designee to whom any Disqualification Event is applicable, except for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable, is hereinafter referred to as a "Disqualified Designee". Each Person with the right to designate or participate in the designation of a Director as specified above hereby covenants and agrees (A) not to designate or participate in the designation of any Director designee who, to such Person's knowledge, is a Disqualified Designee and (B) that in the event such Person becomes aware that any individual previously designated by any such Person is or has become a Disqualified Designee, such Person shall as promptly as practicable take such actions as are necessary to remove such Disqualified Designee as a Director and designate a replacement designee who is not a Disqualified Designee.

(e) Rule 506(d) Related Parties. Each Person with the right to designate or participate in the designation of a Director pursuant to this Agreement hereby represents that neither such Person nor any of its Rule 506(d) Related Parties is subject to a Disqualification Event, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable. For purposes of this Agreement, "Rule 506(d) Related Party" means, with respect to any Person, any other Person that is a beneficial owner of such first Person's securities for purposes of Rule 506(d) of the Securities Act of 1933. Each Person with the right to designate or participate in the designation of a Director pursuant to this Agreement hereby agrees that it shall notify the Company promptly in writing in the event a Disqualification Event becomes applicable to such Person or any of its Rule 506(d) Related Parties, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable.

(f) Resignation and Removal. Any Director may resign at any time by giving written notice to the Members of the Company. The resignation shall take effect at the time specified in the notice, if so specified, and need not be accepted by the Members to be effective. If any resigning Director is a Member, such resignation shall not affect the Director's rights and liabilities as a Member. Any Developer Director may be removed at any time, with or without cause, by the Developer. Any VivoPower Director may be removed (i) at any time, with or without cause, by VivoPower.

(g) Vacancies and Tenure. Any vacancy in a Developer Director office may only be filled by the Developer. Any vacancy in a VivoPower Director office may only be filled by VivoPower. Each Director, whether elected initially or to fill a vacancy or a position resulting from an increase in the number of Directors, shall hold office until his or her earlier death, resignation or removal.

(h) Matters Requiring Board Supermajority Approval. In addition to and not limitation of any other Member or Board votes or consents set forth in this Agreement, without the prior affirmative vote or written consent of a Board Supermajority, the Company shall not, and none of the Board or any Director, Manager, officer or other representative of the Company shall cause or permit the Company (or any Project Company or other subsidiary of the Company) to, take any of the following actions:

(i) making any changes to any organizational documents, including this Agreement, that would have a disproportionate material adverse effect on Members holding Membership Interests (other than the Developer) relative to their effect on the Developer;

(ii) entering into, amending, canceling, suspending, renewing, terminating, or waiving any right or condition precedent in the Development Agreement or any other contract (or series of related contracts) involving consideration in excess of $100,000 during any 12- month period;

(iii) making any changes to the definition of "Distributable Cash Flow" in Section 1.6(s) or to Section 4.2 of this Agreement, making any distribution to the Members or Manager not in accordance with this Agreement or making, or causing the Company to make, any advance payments of compensation or other consideration to the Manager, Developer or any of its Affiliates, except in accordance with this Agreement or the Development Agreement;

(iv) acquiring any Additional Project Companies in accordance with Section 2.13;

(v) incurring any indebtedness for borrowed money, or hypothecating, encumbering or granting any security interest in any assets;

(vi) issuing any Membership Interests or other equity securities, including securities exchangeable or convertible into equity securities, other than (A) pursuant to Section
3.2 or (B) equity securities issued by Project Companies and other subsidiaries of the Company to the Company;

(vii) guaranteeing or incurring in the name or on behalf of the Company aggregate obligations to pay money or perform any contract or other obligation of any person;

(viii) purchasing or redeeming any Membership Interests, except as expressly set forth in this Agreement;

(ix) except (A) as expressly set forth in this Agreement or (B) in connection with the admission of any Person as a new Member in accordance with the requirements of this Agreement, requiring any Member to make, or accepting from any Member, any Capital Contribution on or after the Effective Date;

(x) commencing or settling any litigation, arbitration or other legal proceeding if the amount in controversy or settlement exceeds $100,000;

(xi) filing for, or consenting to, any bankruptcy or other insolvency proceeding;

(xii) distributing, conveyancing or transferring assets to any third party, the Manager or the Developer, other than Permitted Dispositions;

(xiii) intentionally incurring any expenses other than Approved Costs;

(xiv) directly or indirectly establishing or owning any subsidiary other than Project Companies;

(xv) making any change in any method of accounting or accounting practice or policy used by the Company, other than such changes required by United States Generally Accepted Accounting Principles;

(xvi) entering into or being a party to any transaction with any Director, Member or Manager or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) or Affiliate of any such Person, except for (A) reimbursements of expenses incurred in furtherance of the Company's business and (B) transactions contemplated by this Agreement, the Development Agreement, and the Contribution Agreement;

(xvii) causing the Company to take any action within its control that is intended to, or will knowingly, result in an event of default, or in the acceleration of any material obligation or termination of any material right, under any contract to which the Company is a party;

(xviii) pursuing any remedies available to the Company under any material contract to which it is a party (other than the Contribution Agreement and the Development Agreement);

(xix) lending any funds of the Company to any Person;

(xx) making any investments or otherwise acquiring any equity interest in any Person, other than the Project Companies, or engaging in any speculative energy or credit sales, any forward contracts or any similar transactions;

(xxi) hiring any employees or entering into or adopting any bonus, profit sharing, thrift, compensation, option, pension, retirement, savings, welfare, deferred compensation, employment, termination, severance or other employee benefit plan, agreement, trust, fund, policy or arrangement for the benefit or welfare of any directions, officers or employees of the Company;

(xxii) materially changing, amending or substituting the insurance required to be maintained by the Company or any Project Company;

(xxiii) dissolving or winding up the Company;

(xxiv) solely with respect to an insurance property claim arising in connection with a Solar Project, settling any such claim for less than the full amount of the replacement value of the applicable Solar Project less any applicable deductible;

(xxv) any amendment or failure to obtain (if obtainable consistent with generally accepted solar industry practices) or, as a result of the breach of its terms, revocation of, any permit or other governmental authorization required to be held by the Company (or applicable Project Company) for the operation, ownership, management or maintenance of a Solar Project or the sale or transmission of power therefrom in a manner that would have or could reasonably be expected to have a material adverse effect, individually or collectively, on the Company;

(xxvi) causing the Company or any Project Company to engage in any business or activity that is not within the purpose of such Person, as set forth in its organizational documents, or to change such purpose;

(xxvii) sale of any Approved Project or Project Company to an Affiliate of the Developer or Manager; and

(xxviii) approving any amendment to the Approved Development Budget;

provided that, notwithstanding anything in this Agreement to the contrary, the actions set forth in Sections 2.3(h)(i), (ii), (iii), (xi), (xii) and (xvii) shall require the vote of at least one VivoPower-appointed Director.

Section 2.4 Expenses; Development Budget.

(a) Subject to the Members' indemnification obligations pursuant to this Agreement, all of the Company's and the Project Companies' expenses shall be borne by the Company (or reimbursed to the Manager or Developer to the extent such expenses are advanced by him or it). The Company's and Project Companies' expenses include:

(i) expenses related to transactions, fees, costs of any attorneys (including any attorneys employed or engaged by the Developer), outside accountants or other experts or consultants whose services are rendered in connection with specific transactions (including reimbursement of the Company's advisers, whether or not they are Affiliates of the Developer), and any legal fees and costs (including settlement and indemnification costs) arising in connection with any litigation or regulatory investigation instituted against the Company, any Project Company or the Developer in connection with the affairs of the Company or any Project Company;

(ii) all out-of-pocket costs of the administration of the Company, including accounting, audit, annual financial statement, federal income tax Form K-1s, tax return preparation, consulting and legal expenses, costs of holding any meetings of Members, costs of any liability insurance obtained on behalf of the Company and/or the Manager with respect to any Exculpated Party, costs associated with the maintenance of books and records of the Company, and costs associated with the preparation and dispatch to the Members of checks, financial reports and notices and providing other information to existing and prospective Members;

(iii) all expenses incurred in connection with the registration, qualification or exemption of the Company under any applicable laws;

(iv) all expenses incurred in connection with any litigation, including appeals, involving the Company (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith;

(v) all expenses for indemnity or contribution payable by the Company to any Person, whether payable under this Agreement or otherwise (including any insurance coverage therefor) and whether payable in connection with any litigation, including appeals, involving the Company or otherwise;

(vi) any withholding or transfer taxes imposed on the Company or any of the Members as a result of its or their earnings, investments or withdrawals (which amounts will be assessed, where applicable to particular Members, directly against such Members pursuant to the terms of this Agreement); and

(vii) costs of any preparation or audit of the Company's financial statements, the preparation of its tax returns, any outside accounting or bookkeeping services and the fees and expenses of the Company's and Developer's legal counsel (to the extent related to the affairs of the Company or any Project Company).

(b) The Developer has advanced and, subject to approval by a Board Supermajority, will advance Organization and Offering Expenses on behalf of the Company. All such advances shall be repaid to the Developer by the Company at or promptly following each Closing Date.

(c) Under the Development Agreement, the Developer will provide administrative and solar field development services to the Company and the Project Companies and the Company will reimburse, advance funds for or pay all direct and indirect expenses of the Company and the Project Companies incurred or payable by the Developer or any Project Company in connection with the Developer's provision of such services, including any such expenses incurred or becoming payable prior to the Effective Date to the extent that such expenses are reflected in the progress billing schedule included within the Development Agreement and within the Approved Development Budget.

(d) The Board, by approval of a Board Supermajority, may establish reserves for the Company for various obligations and liabilities of the Company ("Reserves").

Section 2.5 Reliance by Third Parties. Persons dealing with the Company are entitled to rely conclusively upon a certificate of the Manager to the effect that it is the then acting Manager of the Company and has the power and authority of a Manager as herein set forth.

Section 2.6 Exculpation. Except as may be otherwise required by applicable law and without prejudice to the provisions of the Development Agreement, including Federal securities laws, none of VivoPower, the Manager, the Developer, their respective Affiliates or their respective principals, heirs, executors, administrators, partners, members, stockholders, trustees, employees, employers, officers, directors, managers, agents, attorneys, advisors, successors or assigns (each, an "Exculpated Party") shall have any liability to the Company or any Member for any loss, liability, damage, cost, penalty or expense ("Loss") suffered or sustained by the Company or any Member that arises out of any action or inaction of an Exculpated Party, unless such action or inaction (i) was undertaken or omitted in connection with providing services to the Company or any Project Company or the performance of the Exculpated Party's duties under this Agreement, the Development Agreement, the Contribution Agreement or as required by law, (ii) was not taken or omitted to be taken by the Exculpated Party in the good faith belief that such act or omission was in the Company's best interests, and (iii) is finally adjudicated by a court of competent jurisdiction (without any further right of appeal or further proceeding) to constitute bad faith, actual fraud, gross negligence, willful misconduct, a criminal felony related to the Company's business or a material breach of this Agreement or the Development Agreement. No Exculpated Person shall have any fiduciary or other duty to the Company or any Member, except as expressly set forth in this Agreement or to the extent otherwise required by law. Any Exculpated Party may consult with counsel and accountants in respect of Company affairs and be fully protected and justified in any action or inaction which is taken in accordance with the advice or opinion of such counsel or accountants and is, in the good faith belief of such Exculpated Party, in accordance with this Agreement, any other applicable agreements and applicable law, provided that such counsel and accountants shall have been selected with reasonable care. Notwithstanding the foregoing, the provisions of this Section 2.6 shall not be construed so as to relieve (or attempt to relieve) any Exculpated Party of any liability, to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 2.6 to the fullest extent permitted by law.

Section 2.7 Indemnification. To the fullest extent permitted by law, the Company shall indemnify and hold harmless each Exculpated Party from and against any Loss suffered or sustained by any or all of them by reason of the fact that they are or were an Exculpated Party, including any judgment, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action or proceeding, provided that such Loss resulted from, an action or inaction of an Exculpated Party, which was, in the good faith judgment of an Exculpated Party, in or not opposed to the best interests of the Company. The Company shall advance to an Exculpated Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding for which such Exculpated Party is entitled to indemnification by the Company under the terms of this Agreement, provided that such advances shall not exceed $200,000 in connection with any individual action or proceeding. Notwithstanding the foregoing, no Exculpated Party will be indemnified against any Loss arising from (i) violation of Federal or state securities laws, (ii) fraud, gross negligence or willful misconduct or (iii) any other intentional or criminal wrongdoing of such Exculpated Party. Each Exculpated Party shall agree, that in the event he, she or it receives any such advance, such Exculpated Party shall promptly reimburse the Company for such fees, costs and expenses to the extent that he, she or it shall be determined by a final, non-appealable judgment that he, she or it was not entitled to indemnification under this section. Absent such a prompt reimbursement, any Capital Account of such Exculpated Party shall be reduced, but not below zero, to the extent of the reimbursable amount. To the extent that such reimbursement exceeds the Capital Account of the Exculpated Party, such party shall remain liable to pay the excess to the Company. The provisions of this Section 2.7 survive for a period of three years from the date of dissolution of the Company; provided that, if at the end of such period, there are any actions, proceedings or investigations then pending, the Manager will so notify the Members at such time (which notice will include a brief description of each such action, proceeding or investigation and of the liabilities asserted therein) and the foregoing provisions of this Section 2.7 will survive with respect to each such action, proceeding or investigation set forth in such notice (or any related action, proceeding or investigation based upon the same or similar claim) until such date that such action, proceeding or investigation is ultimately resolved; and provided further that the provisions of this Section 2.7 do not limit the obligations of the Members under the Act.

Section 2.8 Officers and Agents.

(a) The Manager may appoint officers to run the day-to-day operations of the Company. The Manager may appoint such Persons to act as authorized agents for the Company as the Manager reasonably deems appropriate. Each such authorized agent shall have such authority and shall perform such duties as may be provided in this Agreement, which the Manager may from time to time prescribe or which may be set forth in an employment agreement approved by the Manager.

(b) Any authorized agent may resign at any time by giving written notice to the Company, and such resignation shall take effect after the giving of such notice at the time specified therein or, if the time when it shall become effective shall not be specified therein, when accepted by the Manager. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective. All agents shall be subject to removal at any time by the Manager with or without cause, subject to the terms of any employment agreement approved by the Manager between the Company and such agent.

Section 2.9 Removal of Manager; Election of Replacement Manager.

(a) The Manager may be removed at any time by a majority of the Board:

(i) for fraud, gross negligence or intentional misconduct of the Manager;

(ii) following any filing for bankruptcy or the initiation of any insolvency proceeding by or on behalf of the Manager or Developer or foreclosure or involuntary transfer of the Membership Interests held by the Developer;

(iii) in the event of material breach by the Manager of its obligations hereunder (unless the action or inaction that has led directly to such breach has been caused or expressly directed, accepted or approved in writing by VivoPower or a Board Supermajority) and such breach has not been cured within thirty (30) days after Manager has received notice or has obtained actual knowledge of such breach;

(iv) in the event of material breach by the Developer of its obligations under the Development Agreement or the Contribution Agreement and such breach has not been cured within thirty (30) days after Developer has received notice or has obtained actual knowledge of such breach;

(v) following termination of the Development Agreement; or

(vi) following a transfer by Developer of all of its Membership Interests.

(b) In the event of the removal, death, retirement or resignation of both John Green and Richard Green from the Manager, a new Person may be appointed as the Manager hereunder by a majority of the Board.

Section 2.10 Meetings. Meetings of Members, if any, shall be held at the request of the Manager or any Member. Notice of any such meeting shall be delivered to the Members at least 30 days prior to the meeting, which shall be held at a mutually agreed location.

Section 2.11 Dispositions of Project Companies.

(a) VivoPower Right of First Offer.

(i) Notwithstanding Section 2.11(c), VivoPower shall have the right at any time during the Deployment Period to conduct due diligence on, and request additional information from the Company and Manager in respect of, any Approved Project or Project Company. For a period of 45 days following VivoPower's receipt of a ROFO Notice pursuant to Section 2.14 (the "Due Diligence Period"), VivoPower shall have the right to continue due diligence on the Offered Project and/or Offered Project Company. In the event that during the Due Diligence Period either the power purchase agreement or the interconnection agreement for the Approved Project become available for execution in final form, the Due Diligence Period shall end on the date VivoPower is provided notice of such event and a complete copy of such agreement or agreements.

(ii) If, within 15 calendar days following the Due Diligence Period, VivoPower (or its designated Affiliate) delivers written notice to the Company of its intention to purchase the applicable Offered Project Company in accordance with this Section 2.11(a) (a "ROFO Exercise Notice") and pays to the Company a non-refundable cash deposit equal to $[***][4] per watt of Nameplate Capacity for the Offered Project (the "Project Purchase Deposit"), (A) the Company and VivoPower (or its designated Affiliate) shall finalize a purchase agreement in the form substantially similar to the form executed between Affiliates of VivoPower and the Developer with respect to the "NC31" and "NC47" transactions, with adjustments for the stage and location of the applicable Offered Project (the "VivoPower Purchase Agreement"), including all exhibits thereto, to give effect to VivoPower's (or its designated Affiliate's) right to purchase, and (B) the Company and VivoPower (or its designated Affiliate) shall within 45 calendar days of payment to the Company of the Project Purchase Deposit and delivery to the Company of the ROFO Exercise Notice, or such longer period as agreed by VivoPower and the Company or as may be reasonably necessary to obtain all third party and governmental consents and approvals directly applicable to the applicable Offered Project or Offered Project Company, consummate the sale of such Offered Project Company to VivoPower (or its designated Affiliate) for the VivoPower Purchase Price (crediting the Project Purchase Deposit against the VivoPower Purchase Price) in accordance with the terms of the VivoPower Purchase Agreement and other documentation and this Section 2.11(a).

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(iii) If VivoPower shall not have delivered a ROFO Exercise Notice to the Company within the applicable 15-day period or otherwise notifies the Company that VivoPower does not intend to exercise its rights under this Section 2.11(a) with respect to an Offered Project Company, then VivoPower shall be deemed to have irrevocably waived its rights under this Section 2.11(a) and Section 2.11(b) with respect to such Offered Project Company.

(iv) The Company and, pursuant to the Development Agreement, the Developer will continue to perform all solar field development in the ordinary course with respect to an Offered Project until consummation of any sale of the Offered Project Company that owns such Offered Project in accordance with this Section 2.11(a), and any expenses associated therewith incurred in accordance with the terms of the Development Agreement will be deemed to be Approved Costs.

(b) VivoPower-Initiated Purchase.

(i) VivoPower (or its designated Affiliate) shall have the right to purchase any Project Company in accordance with this Section 2.11(b), provided that, if the Manager has delivered a ROFO Notice to VivoPower with respect to a particular Project Company in accordance with Section 2.14, then the terms of Section 2.11(a) and, if applicable, Section 2.11(c) shall govern the sale of such Project Company.

(ii) During the Deployment Period, VivoPower may elect in its sole discretion to deliver a written notice to the Company of its (or its designated Affiliate's) intention to purchase a Project Company (the "Subject Project Company") in accordance with the terms of this Section 2.11(b) (a "Purchase Notice") and pay to the Company a non-refundable Project Purchase Deposit. In such event, the Company and VivoPower (or its designated Affiliate) shall (A) promptly finalize and execute a VivoPower Purchase Agreement and other appropriate documentation governing the sale of such Subject Project Company to VivoPower (or its designated Affiliate) and (B) promptly (and in any event within 90 calendar days of the Company's receipt of the applicable Purchase Notice from the VivoPower or such longer period as agreed by VivoPower and the Company or as may be reasonably necessary to obtain all third party and governmental consents and approvals directly applicable to the applicable Offered Project or Offered Project Company) consummate the sale of such Subject Project Company to VivoPower for the VivoPower Purchase Price (crediting the Project Purchase Deposit against the VivoPower Purchase Price) in accordance with the terms of such agreement and other documentation and this Section 2.11(b).

(c) Subsequent Sale by VivoPower.

(i) This Section 2.11(c) shall apply if, during the nine-month period immediately after VivoPower's (or its designated Affiliate's) acquisition of a Project Company pursuant to Sections 2.11(a) or (b), VivoPower (or its designated Affiliate):

(A) has not pursued material further development of the applicable Approved Project in accordance with applicable project documents; and

(B) directly or indirectly through any Affiliate or otherwise enters into any agreement, arrangement or understanding with a third party to sell such Project Company or all or substantially all of its assets to such third party (a "VivoPower Third Party Sale"), or consummates any VivoPower Third Party Sale, and the value of the distribution that the Developer received under Section 4.2(b) is less than the amount the Developer would have received under Section 4.2(a) if VivoPower had not acquired the applicable Project Company from the Company pursuant to Section 2.11(a) or (b) and such VivoPower Third Party Sale had instead been consummated by the Company (such excess, the "Third Party Sale Premium").

(ii) In the event of an anticipated Vivo Third Party Sale, (A) VivoPower shall deliver written notice to the Company of such anticipated VivoPower Third Party Sale as promptly as reasonably practicable (and in any event within 5 calendar days) after it becomes reasonably likely or certain that definitive documentation governing such sale will be executed or the sale will be consummated, whichever is earlier, including in such notice the identity of the third party acquirer, the anticipated or actual closing date, the identity of the Project Company and Approved Project, the nature and amount of the purchase price and VivoPower's calculation of the Third Party Sale Premium; (B) immediately following consummation of such VivoPower Third Party Sale VivoPower shall pay to the Company (in return for no additional consideration, including additional Membership Interests) an amount in cash equal to the Third Party Sale Premium (treating any contingent consideration as if it had been received); (C) such payment of the Third Party Sale Premium by VivoPower to the Company shall not be treated as a Capital Contribution for purposes of this Agreement; and (D) the Third Party Sale Premium shall be deemed to constitute VivoPower Disposition Proceeds for purposes of Section 4.2(b).

(d) Success Fees.

(i) Upon a VivoPower-Acquired Project achieving commercial operation, as reasonably set forth in its applicable project agreements, irrespective of the identity of the then- current owner of such VivoPower-Acquired Project, then

(A) VivoPower shall promptly (and in any event within 10 calendar days of VivoPower acquiring knowledge of such project achieving commercial operation) deliver written notice thereof to the Company, including the identity of the VivoPower-Acquired Project and the Project Company that owns or previously owned such project and the Nameplate Capacity of such VivoPower- Acquired Project;

(B) VivoPower shall pay to the Company (in return for no additional consideration, including no additional Membership Interests) [***][5] (a "Success Fee");

(C) such payment of the Success Fee by VivoPower to the Company shall not be treated as a Capital Contribution for purposes of this Agreement; and

(D) the Success Fee shall be deemed to constitute VivoPower Disposition Proceeds for purposes of Section 4.2(b).

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(ii) Any Success Fee payable hereunder shall be in addition to any other payments to which the Company is entitled from VivoPower under this Agreement. Unless and until a Success Fee has been paid by VivoPower to the Company in respect of the relevant VivoPower-Acquired Project which achieved commercial operation, VivoPower shall

(A) inform any third party who or which acquires, directly or indirectly, legal or beneficial ownership of all or any part of such VivoPower-Acquired Project's assets of the existence of the obligations set forth in this Section 2.11(d); and

(B) require any such third party to deliver written notice to VivoPower promptly (and in any event within 5 calendar days) of the occurrence of achievement of commercial operation, as set forth in its applicable project agreements.

(e) Conflicts of Interest.

(i) The Company and Members acknowledge and agree that actual or potential conflicts of interest may arise in connection with the enforcement of the Company's and VivoPower's rights under this Sections 2.11(a) through (d). Accordingly, notwithstanding anything in this Agreement to the contrary, all rights and obligations of the Company under Sections 2.11(a), (b) and (c) will be exercised and discharged by the Company under the exclusive direction and control of the Manager and the Developer Directors in accordance with the provisions of this Agreement.

(ii) The Company and Members acknowledge and agree that actual or potential conflicts of interest may arise in connection with the enforcement of the Company's and Developer's rights under the Development Agreement. Accordingly, notwithstanding anything herein to the contrary, any enforcement of the Company's rights, including the pursuit of any remedies available to the Company, under the Development Agreement shall be under the exclusive direction and control of VivoPower in accordance with the provisions of this Agreement.

(f) Other Sales. During the Deployment Period, once it becomes desirable to sell an Approved Project, as determined by the Manager, subject to Sections 2.11(a) and (b), the Company will exercise its commercially reasonable best efforts to sell the Project Company that owns such Approved Project. After the Deployment Period, the Company will exercise its commercially reasonable best efforts to sell all Project Companies for a period of time to be determined by the Board prior to the end of the Deployment Period. At the end of such period, for any Project Companies that remain unsold, the Company shall distribute any limited liability company interests in such Project Companies to the Members in accordance with Sections 4.2(a)(iii) and 4.2(e) as if such interests were Distributable Cash Flow. Any dispositions of Project Companies under this Section 2.11(f) may be to third parties or Affiliates of the Developer and the Manager, as determined by the Manager in accordance with this Agreement, provided that any sale of Project Companies to Affiliates of the Developer and/or the Manager shall require approval by a Board Supermajority.

(g) Recycle Amount. An amount equal to the after-tax proceeds (assuming a tax rate equal to the Assumed Tax Rate) of [***] [6] (the "Recycle Amount") shall not be considered Distributable Cash Flow for any purposes of this Agreement but shall be retained by the Company and, subject to any required Board approval, used to fund Approved Costs (but shall not reduce the unfunded amount of any Member's Capital Commitment).

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Section 2.12 Solar Project Abandonment.

(a) If the Manager determines that development of any Approved Project ceases to be economically viable for any reason or otherwise ceases to be in the Company's best interest (an "Abandoned Project"), then the Manager shall notify the Board of such determination, which notice shall include the identity of the proposed Abandoned Project and support for such determination as is reasonably necessary to review such determination or as otherwise requested by the Board (such notice, an "Abandonment Notice").

(b) Following receipt of the Abandonment Notice, the Board shall either (i) approve the abandonment of the proposed Abandoned Project, in which case the Manager shall abandon the proposed Abandoned Project in accordance with Section 2.12(c), or (ii) reject the abandonment of the Abandoned Project, in which case the Manager shall cause the development of the applicable Approved Project to continue in accordance with this Agreement and the Development Agreement.

(c) Following the approval of the Board of the Manager's determination of an Abandoned Project, (i) the Company shall terminate such development, (ii) use commercially reasonable efforts to minimize losses associated with such Abandoned Project and to dissolve and liquidate the Project Company that owns the Abandoned Project, (iii) the Company and the Developer shall amend Schedule B to remove the Project Company that owns the Abandoned Project in accordance with Section 8.4(b), and (iv) the Development Agreement shall be amended accordingly.

Section 2.13 Additional Project Companies. Pursuant to the terms of the Development Agreement, and subject to (a) the approval by the Board in accordance with Section 2.3(h)(iv) and (b) availability of additional Solar Projects, the Company shall have the right to acquire from the Developer (in return for no additional consideration, including no additional Membership Interests) limited liability companies owning up to an additional 0.610 gigawatts expected Nameplate Capacity of Solar Projects. Upon the acquisition of such additional limited liability companies, (i) any limited liability companies transferred to the Company pursuant to such option shall be deemed to be Project Companies for all purposes of this Agreement from and after the effective date of such transfer (each such limited liability company, an "Additional Project Company"); (ii) any such Solar Projects owned by Additional Project Companies shall be deemed to be Approved Projects; and (iii) Schedule B shall be amended in accordance with Section 8.4 to reflect the Company's acquisition of any such Additional Project Companies.

Section 2.14 Notice of Intent to Sell. During the Deployment Period, (a) the Manager shall exercise its commercially reasonable efforts to keep the Board informed of the status of each Approved Project and the timing of its planned Disposition and (b), if the Manager has determined it advisable to effect a Disposition of any Project Company, the Manager shall deliver written notice of such determination to each Member, which notice shall be delivered at least 60 days prior to any such Disposition (or such lesser period of time as may be necessary to adhere to the deadlines and timing provisions of Section 2.11), containing the following (such notice, the "ROFO Notice"):

(i) the identity of the applicable Approved Project (the "Offered Project") and Project Company (the "Offered Project Company");

(ii) the projected electricity generating capacity of the Offered Project consistent with the applicable project agreements ("Nameplate Capacity");

(iii) all leases, permits, consents, authorizations and approvals necessary for the Offered Project and a draft of each of the interconnection agreement and power purchase agreement under negotiation, if any; and

(iv) such other information as is reasonably necessary for VivoPower to make a decision as to the exercise of its rights under Section 2.11(a) with respect to the Offered Project Company.

ARTICLE III
CAPITAL ACCOUNTS OF MEMBERS AND OPERATION THEREOF

Section 3.1 Capital Contributions.

(a) Each Person admitted as a Member pursuant to this Agreement (other than in connection with a Transfer) shall contribute, on or prior to the applicable Closing Date, the amount of the initial Capital Contribution set forth in such Member's Subscription Agreement, and such Capital Contribution will be deemed made as of such Closing Date and will be set forth on an updated Schedule A to this Agreement that will be maintained by the Manager in the principal offices of the Company. The Developer's contribution of ownership interests in the Project Companies to the Company shall be treated as a Capital Contribution to the Company by the Developer.

(b) In addition to any initial Capital Contribution, the amount, if any, of each Member's Capital Commitment is set forth in such Member's Subscription Agreement. The Manager shall reflect each Member's Capital Contributions and Capital Commitments on Schedule A hereto and shall update Schedule A from time to time as appropriate. Each Member who or which has made a Capital Commitment is referred to herein as a "Committed Member". Each Committed Member shall make Capital Contributions, in U.S. dollars, from time to time, (i) on the date specified in a written drawdown notice substantially in the form of Exhibit B given by the Manager, which date shall not be less than ten calendar days after such notice has been given, and (ii) in such amounts as may be necessary to fund Approved Costs, including those set forth in the most recent invoice submitted by the Developer and approved by the Company.

(c) The Company shall be entitled to enforce the obligations of each Committed Member to make the contributions to capital and liquidated damages and interest payments specified in this Article III, and the Company shall have all remedies available at law or in equity if any such contribution that is required to be made hereunder by a Member who or which has not withdrawn from the Company is not so made. The remedies provided for in this Section 3.1 are in addition to and not in limitation of any other right or remedy of the Company provided by law or equity, this Agreement or any other agreement entered into by or among any one or more of the Members or the Company (including any Subscription Agreement). If a Committed Member fails to make a Capital Contribution or liquidated damages or interest payment, such Committed Member shall pay all costs and expenses incurred by the Manager and the Company in connection with such failure, including attorneys' fees and expenses. The Manager may elect to take or not to take any of the following actions under this Section 3.1 with respect to a Defaulting Member, and no such decision shall constitute a breach of this Agreement or of any duty stated or implied in law or equity to any Member, regardless of whether the same or different remedies are applied to Defaulting Members:

(i) If a Committed Member fails to make a Capital Contribution or liquidated damages or interest payment when due, then such Committed Member shall have 10 calendar days to cure such failure; provided that there shall be no cure period if such Committed Member has received two cure periods during the preceding 12 month period. If such failure to contribute capital is not cured within such 10-day period (or if such Committed Member shall already have received two cure periods during the preceding 12 months), then the Manager shall notify such Committed Member that it is a "Defaulting Member"; provided that no Member shall be a Defaulting Member if such Member's failure to make a Capital Contribution was the result of such Member reasonably believing in good faith either that (i) the Manager or Developer is in material breach of its obligations hereunder or (ii) the amount of the required Capital Contribution was not properly determined in accordance with this Agreement, and in both such circumstances, at least five days prior to the due date for the applicable Capital Contribution, such Member has delivered written notice to the Manager providing a reasonably detailed description of the basis of such belief and, on the applicable due date, has paid the portion, if any, of the Capital Contribution that is not being reasonably disputed. A Committed Member shall cease to be a Defaulting Member upon it making the applicable outstanding Capital Contributions (or the outstanding portion thereof) and any liquidated damages and interest payments required in respect of such failure to make a Capital Contribution. While any Member is a Defaulting Member, (A) such Defaulting Member shall not have the right to vote on any matter presented to Members for a vote; (B) if the Defaulting Member is VivoPower, (x) only one of such Defaulting Member's Directors shall be entitled to vote on any matter presented to the Board for a vote and (y) the Manager may elect to apply proceeds of any Project Purchase Deposit or the VivoPower Purchase Price received pursuant to Section 2.11 to the unpaid balance of such Defaulting Member's Capital Commitment; and (C) the Manager may elect to impose any one or more of the remedies set forth in Sections 3.1(c)(ii) through 3.1(c)(v) in addition, or as an alternative, to any remedies provided by law or equity, this Agreement or any other agreement entered into by or among any one or more of the Members or the Company, including any Subscription Agreement.

(ii) The Manager may elect to require any Defaulting Member, upon becoming a Defaulting Member, to pay liquidated damages in an amount equal to 5% of any past- due amount for the first calendar day past due plus 0.5% of any past-due amount per additional day past due and continuing to accrue until the earlier of (A) the full due and unpaid Capital Contribution plus accrued liquidated damages being paid by such Defaulting Member or any permitted transferee of such Defaulting Member's Membership Interests or other third party (in accordance with all applicable provisions of this Agreement) and (B) the 61st day after the date on which the Capital Contribution was first due; provided, however, that if the applicable Member has timely made its Capital Contribution for each of May 2017, June 2017 and July 2017, then above liquidated damages shall be in an amount equal to 2.5% of any past-due amount for the first calendar day past due plus 0.25% of any past-due amount per additional day past due; provided further that the Manager shall not elect to impose the remedy set forth in this clause (ii) if the applicable Member shall have provided notice to the Manager at least 10 calendar days prior to the due date of such Member's Capital Contribution of such Member's inability to timely make such Capital Contribution in full, including a reasonably detailed explanation therefor, and the schedule for funding of Approved Costs or the amount of the required Capital Contribution can, in the reasonable judgment of the Manager, be modified without any material adverse effect on the Company or any Project Company, including by use of any after-tax proceeds received by the Company from Dispositions of Project Companies, so as to accommodate the limitations on such Member's ability to comply with its obligations. The parties hereto acknowledge and agree that (x) in the event of any Member's failure to timely make such Member's Capital Contribution in full, it would be difficult to calculate the actual damages suffered by the Company and the other Members and (y) such amounts payable do not constitute a penalty and represent a reasonable estimation of actual damages that would be suffered by the Company and the other Members in such event. Amounts collected in excess of the applicable Member's due and unpaid Capital Contribution pursuant to this clause (ii) shall be deemed income of, or a reimbursement to the Company, as appropriate, and not a Capital Contribution by such Member.

(iii) The Manager may cause the Company to commence legal proceedings against the Defaulting Member to collect the due and unpaid Capital Contribution, liquidated damages or interest (accruing from the due date of the capital call) at a rate equal to the lesser of (A) 18% per annum, compounded daily and (B) the maximum rate allowable by law, as well as the expenses of collection, including attorneys' fees. Amounts collected in excess of the Defaulting Member's due and unpaid Capital Contribution pursuant to this clause (iii) shall be deemed income of, or a reimbursement to the Company, as appropriate, and not a Capital Contribution by the Defaulting Member. Notwithstanding anything else in this Agreement to the contrary, no increase in a Capital Commitment shall be effective without consent of the affected Member.

(iv) Subject to the restrictions set forth in Article V, upon notice to the Defaulting Member, the Manager may require such Defaulting Member to assign to one or more Persons (with the prior consent of such Person or Persons), including any Member or the Manager, the Defaulting Member's Membership Interests attributable to the unpaid balance of such Defaulting Member's Capital Commitment, and such Person or Persons shall assume responsibility for the entire unpaid balance of the Defaulting Member's Capital Commitment and all other obligations associated with such portion of the Defaulting Member's Membership Interest in the Company.

(v) The Manager may defer making distributions to such Defaulting Member for only so long as such Member remains a Defaulting Member. The Manager may, but shall not be obligated to, apply the amount of any such distribution to satisfy all or any part of such Defaulting Member's obligation to make unpaid Capital Contributions (in which case such amounts shall be deemed to have been distributed to such Defaulting Member and then contributed by such Defaulting Member pursuant to Section 3.1(b)). If any such distribution consists of securities or other non-cash assets, the Manager may, on behalf of such Defaulting Member, cause the Company to sell or otherwise liquidate such in-kind distribution upon such terms and conditions, and at such times, as the Manager reasonably deems appropriate, apply the proceeds of such sale or other liquidation, net of transactions fees, taxes and other expenses, to satisfy all or any part of such Defaulting Member's obligation to make unpaid Capital Contributions (in which case such net amounts shall be deemed to have been then contributed by such Defaulting Member pursuant to Section 3.1(b)). All items of profit or loss generated from the holding or disposition of any such deferred distribution shall be allocated solely to the Capital Account of the Defaulting Member on whose behalf such amounts are held, and the corresponding items of taxable income, gain, loss and deduction shall, to the maximum extent permissible, also be allocated solely to such Defaulting Member.

Section 3.2 Subsequent Closings. If a Funding Shortfall occurs and the Board does not approve sufficient additional Approved Costs to satisfy such shortfall within 15 calendar days of its occurrence or VivoPower becomes a Defaulting Member and remains a Defaulting Member, the Manager may issue additional Membership Interests, accept new Capital Contributions and may permit existing Members to increase their Capital Contributions during the 12-month period following the initial Closing Date. Subsequently-admitted Members, or Members who or which increase their Capital Contributions after the date of the initial Closing Date, will be required to contribute to the Company an amount equal to the Capital Contributions such Member would have made had all Members been admitted to the Company at the initial Closing Date, together with interest on such amounts calculated at an annual rate of 8%, compounded annually, from the initial Closing Date.

Section 3.3 Procedures for Additional Capital Contributions. Any existing Member wishing to make an additional Capital Contribution must notify the Manager of such Member's proposed Capital Contribution at least ten business days (or such shorter period as may be acceptable to the Manager) before a Closing Date. The Manager may reasonably require additional representations and warranties, together with supporting reasonable documentation, as a condition to accepting any such proposed additional Capital Contribution and may refuse to accept all or any portion of any such proposed Capital Contribution. If the Manager accepts any proposed Capital Contribution, the contributing Member shall make available to the Company the cash to be contributed prior to the next Closing Date. Any such Capital Contribution will be deemed for all purposes of this Agreement to have been made on the applicable Closing Date. The amounts and effective dates of all additional Capital Contributions shall be recorded on supplements to this Agreement maintained by the Manager. The Manager may terminate the offering of Membership Interests at any time. The aggregate of all Capital Contributions shall be available to the Company to carry on its business, and no interest shall be paid by the Company to subscribers on any funds after their contribution to the Company. Unless otherwise determined by the Manager, all Membership Interests are subscribed for upon receipt of a wire of the subscriber and are issued subject to the collection of the funds represented by the wire. If the Manager determines to accept a check or draft, if a check or draft of a subscriber for Membership Interests representing payment for a Membership Interest is returned unpaid, the Company shall cancel that subscriber's Membership Interest as represented by the returned check or draft, and the Manager shall file an amendment to the Certificate reflecting the cancellation in any jurisdiction where the filing may be necessary. Any liabilities incurred or profits earned by the Company in connection with the Company's investing or trading allocable to any canceled Membership Interest shall be allocated among the remaining Members. Each subscriber agrees to reimburse the Company for any liabilities incurred in connection with any cancellation of Membership Interests issued to him, her or it.

Section 3.4 Capital Accounts. A capital account (the "Capital Account") shall be established on the books of the Company for each Member. The Capital Account of each Member shall be in an amount equal to such Member's Capital Contribution, adjusted as hereinafter provided. At the end of each Accounting Period, the Capital Account of each Member shall be (i) increased or decreased pursuant to Section 3.5, and (ii) decreased by the amount of any withdrawals made by, or distributions made to, such Member as of the end of such Accounting Period. At the appropriate time, the Capital Account of each Member shall also be decreased, in the case of any Member which is a foreign corporation, foreign entity or foreign Person (a "Foreign Member"), by such Foreign Member's respective share of any taxes as shall be withheld and paid over by the Company during the preceding fiscal year pursuant to Section 4.2(b).

Section 3.5 Allocation of Net Profits and Net Losses. Except as otherwise provided in this Agreement, Net Profits and Net Losses for each Fiscal Year (or portion thereof) shall, after giving effect to all Capital Account adjustments attributable to the Capital Contributions and distributions made with respect to such Fiscal Year (or portion thereof), be allocated among the Members such that the Capital Account of each Member, immediately after making such allocation, is, as nearly as possible, equal (proportionately) to the distributions that would be made to such Member pursuant to Section 4.2 or Section 6.2, as the case may be, if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their book values, all Company liabilities were satisfied (limited with respect to each non-recourse liability to the book values of the assets securing such liability), and the net assets of the Company were distributed in accordance with Section 4.2 or Section 6.2, as the case may be, to the Members immediately after making such allocation; provided, however, that the Net Losses allocated to a Member shall not exceed the maximum amount of Net Losses that can be so allocated without causing such Member to have a negative adjusted Capital Account balance at the end of any Fiscal Year. The "Net Profits" or "Net Losses" of the Company, as appropriate, shall be the taxable income or tax loss of the Company as determined for Federal income tax purposes for a given taxable year, taking into account any separately stated items, increased by the amount of any tax exempt income of the Company during such taxable year and decreased by the amount of any Code Section 705(a)(2)(B) expenditures (within the meaning of Treasury Regulation Section 1.704-1 (b)(2)(iv)(i)) of the Company during such taxable year; provided, however, that items of income, gain, loss and deduction attributable to Section 704(c) Property shall be determined in accordance with the principles of Treasury Regulation Section 1.704-1 (b)(2)(iv)(g).

Section 3.6 Valuation of Capital; Net Asset Value. The Manager (or any other Person so designated by the Manager) shall determine the Company's net asset value and the valuation of any assets distributed in kind by the Company as follows:

(a) Securities which are listed on a national securities exchange shall be valued at their last sales prices on the date of determination on the largest national securities exchange on which such securities shall have traded on such date or, if the date of determination is not a date upon which a national securities exchange on which such securities are listed was open for trading, on the last prior date on which such securities exchange was so open not more than ten days prior to the date of determination. If no such sales of such securities occurred on either of the foregoing dates, such securities shall be valued at the "bid" price for long positions and "asked" price for short positions on the largest national securities exchange on which such securities are traded on the date of determination or, if the date of determination is not a date upon which such a national securities exchange was open for trading, on the last prior date on which such a national securities exchange was so open not more than 10 days prior to the date of determination. Securities which are not listed on a national securities exchange shall be valued at representative "bid" quotations if held long by the Company and representative "asked" quotations if held short by the Company, unless included in the NASDAQ National Market System, in which case they shall be valued based upon their last sales prices (if such prices are available). Securities for which no such market prices are available shall be valued at such value as reasonably determined by the Manager.

(b) All other assets and liabilities of the Company (except goodwill, which shall not be taken into account) shall be assigned such value as the Manager, or such other party designated by the Manager, may reasonably determine.

Section 3.7 Liabilities. Liabilities shall be determined in accordance with generally accepted accounting principles, applied on a consistent basis; provided, however, that the Board may provide reserves for estimated accrued expenses, liabilities or contingencies, including general reserves for unspecified contingencies in accordance with Section 2.4(d).

Section 3.8 Allocation for Tax Purposes. For each fiscal year, items of income, deduction, gain, loss or credit as determined for Federal income tax purposes shall be allocated among the Members in such manner as to reflect amounts allocated to the Capital Accounts of the Members under this Agreement. Notwithstanding anything to the contrary in this Agreement, there shall be allocated to the Members such gains or income as shall be necessary to satisfy the "qualified income offset" requirements of Treasury Regulation § 1.704-1(b)(2)(ii)(d).

Section 3.9 Determination by the Manager of Certain Matters. All matters concerning the allocation of profits, gains and losses among the Members including taxes thereon, and accounting procedures not expressly provided for by the terms of this Agreement shall be determined by the Manager in accordance with the terms of this Agreement.

Section 3.10 Independent Expert. In the event any Member disagrees with any determination of the Manager in respect of the matters set forth in Sections 3.6 through 3.9, the applicable Member shall notify the Manager of such disagreement, which notice shall include a reasonably detailed explanation of such disagreement. During the thirty (30) day period following the delivery of such notice, the Members and Manager shall use their commercially reasonable efforts to reach agreement on the disputed items or amounts and any discussions relating thereto shall be governed by Rule 408 of the Federal Rules of Evidence and any applicable similar state rule(s) and evidence of such discussions shall not be admissible in any future proceedings between the parties to this Agreement. If, during such period, the Members and Manager are unable to reach agreement on all disputed items, they shall promptly thereafter mutually engage and submit such dispute to Doman Energy or another independent expert ("Independent Expert") reasonably satisfactory to each Member and the Manager. The Independent Expert's determination shall be based solely on presentations by the Member(s) and the Manager (*i.e.*, not on the basis of independent review). The Members and the Manager shall cause the Independent Expert to deliver a written report setting forth its determination of the amounts or items in dispute. Such report shall be final and binding on the Members and the Manager.

ARTICLE IV
DISTRIBUTIONS AND WITHDRAWALS OF CAPITAL

Section 4.1 Distributions and Withdrawals in General. No Member shall be entitled to receive distributions from the Company or withdraw any amount from its Capital Account, except as provided in Section 4.2 or Section 6.2. Distributions to Members will be made by the Company to Members, in amounts and at times in accordance with this Agreement and as may be determined by a Board Supermajority from time to time. All distributions will be made solely from Distributable Cash Flow.

Section 4.2 Distributions.

(a) The Company will distribute Distributable Cash Flow as soon as reasonably practicable after receipt and in no event more than 30 days following receipt of such Distributable Cash Flow. Such distributions shall be distributed to the Members in the following amounts and order of priority:

(i) First, [***][7] to Members (other than the Developer) pro rata in accordance with their respective Membership Percentages and one-third to the Developer until each Member (other than the Developer) has received an amount equal to the sum of (A) the aggregate Capital Contributions made by such Member and (B) a [***][8] on each Capital Contribution made by such Member calculated from the date of receipt of such Capital Contribution by the Company, as such sum is reduced by prior distributions to such Member pursuant to this Article IV;

(ii) Second, [***][9] to the Developer and [***][10] to Members (other than the Developer) pro rata in accordance with their respective Membership Percentages until the Developer has received in the aggregate an amount equal to the total amount distributed to Members (other than the Developer) pursuant to this Article IV, including this Section 4.2(a)(ii) but excluding Section 4.2(b); and

(iii) Thereafter, [***][11] to the Members (other than the Developer) pro accordance with their respective Membership Percentages and [***][12] to the Developer;

provided, however, that, if any Member becomes a Defaulting Member, then, for so long as such Member remains a Defaulting Member, provisions of Section 3.1(c)(v) shall apply. No Member who or which was previously a Defaulting Member but has ceased to be a Defaulting Member shall have any claim or other entitlement to reimbursement, clawback or other payment applied to satisfy such Defaulting Member’s obligation to make unpaid Capital Contributions or pay liquidated damages, interest or other amounts hereunder.

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(b) The Company will distribute VivoPower Disposition Proceeds as soon as reasonably practicable after receipt and in no event more than 30 days following receipt of such VivoPower Disposition Proceeds. Such proceeds shall be distributed exclusively to the Developer. The Company will distribute the Commitment Fee to each Member that makes a Capital Contribution as soon as reasonably practicable after receipt of the applicable Capital Contribution and in no event more than 30 days following receipt of such Capital Contribution.

(c) If any withholding or other tax is imposed with respect to a Member's distributions hereunder, the amount distributed to such Member pursuant to Section 4.2(a) shall be reduced by the amount of such withholding or other tax. Notwithstanding any provision of this Agreement to the contrary, the Manager shall withhold and pay over to the Internal Revenue Service, pursuant to Sections 1441, 1445 and 1446 and any other withholding tax provisions of the Code, or any successor provision, at such times as required by such Sections, such amounts as the Company is required to withhold under such Sections, as from time to time in effect, on account of each Foreign Member's distributive share of the Company's items of gross income which are subject to withholding tax pursuant to such Section. To the extent that a Foreign Member claims to be entitled to a reduced rate of, or exemption from, U.S withholding tax pursuant to an applicable income tax treaty, or otherwise, the Foreign Member shall furnish the Manager with such information and forms as they may require and are necessary to comply with the regulations governing the obligations of withholding tax agents. Each Foreign Member represents and warrants that any such information and forms furnished by it shall be true and accurate, and agrees to indemnify the Company and each of the Members from any and all damages, costs and expenses, including attorneys' fees, resulting from the filing of inaccurate or incomplete information or forms relating to such withholding taxes. Any amount of withholding taxes withheld and paid over by the Manager with respect to a Foreign Member's distributive share of the Company's gross income shall be treated as a distribution to such Foreign Member and shall be charged against the Capital Account of such Foreign Member.

(d) <u>Tax Distributions</u>. To the extent of Distributable Cash Flow, the Company shall distribute to each Member with respect to each taxable year of the Company (excluding the taxable year in which the Company is being liquidated) an amount of cash equal to such Member's Tax Liability Amount for such taxable year (a "<u>Tax Distribution</u>"). For this purpose, a Member's "<u>Tax Liability Amount</u>" for any such taxable year of the Company means an amount equal to the Assumed Tax Rate multiplied by (a) the taxable income (including separately stated items) and gain allocated to such Member for such taxable year of the Company (as shown on the applicable Internal Revenue Service Form 1065 Schedule K-1 filed by the Company), minus (b) the cumulative losses that have been allocated to such Member for each taxable year of the Company to the extent such losses have not previously reduced taxable income and gain pursuant to this provision. The "<u>Assumed Tax Rate</u>" shall mean the rate representing the highest federal and applicable state income tax rate in effect for an unmarried individual resident of the state of North Carolina, taking into account the character of income. To the extent feasible, Tax Distributions shall be made on a quarterly basis based on estimates of the Company's taxable income to facilitate the Members' ability to make quarterly estimated tax payments with respect to their income from the Company. At such time as the taxable income or loss of the Company for a taxable year is finally determined for purposes of the filing of its federal income tax return for the relevant year, the amounts of any excess Tax Distributions calculated in the manner provided above received by the Members shall be used to offset the Company's obligation to make future Tax Distributions to the Members for subsequent taxable years or by so reducing the proceeds of liquidation otherwise payable to such Member. All Tax Distributions made to a Member pursuant to this Section 4.2(d) shall be treated as an advance distribution to such Member and shall reduce the amount of any distribution (other than Tax Distributions) to which such Member thereafter becomes entitled under this Agreement, whether from proceeds of the liquidation of the Company or otherwise. Notwithstanding the foregoing, no Tax Distribution shall be payable in connection with a sale or liquidation of the Company (including a sale of substantially all of the Company's assets).

(e) If the Manager elects to distribute securities in kind to the Members, for purposes of Section 4.2 such securities shall be valued in the manner set forth in Section 3.6 above.

## ARTICLE V
## TRANSFER; WITHDRAWAL, DEATH, DISABILITY

Section 5.1 Transfer, Withdrawal, Death, etc. of Members.

(a) Subject to Sections 5.1(b) and 5.1(c), and except for any Transfer to another Member pursuant to Section 5.2, no Member may transfer, sell, pledge, assign, hypothecate, gift, give or otherwise dispose of ("Transfer") his, her or its Membership Interests or any portion thereof, either voluntarily or involuntarily by operation of law, without the prior written consent of a Board Supermajority; provided that any Member may Transfer its Membership Interests or any portion thereof to an Affiliate without consent of a Board Supermajority; provided further, however, that (i) any subsequent direct or indirect Transfer of the stock, membership interests or other ownership interests of such Affiliate shall be treated as a Transfer of Membership Interests for purposes of this Agreement and (ii) unless such Affiliate has sufficient assets (or is otherwise sufficiently creditworthy), as reasonably determined by the Manager, to satisfy any obligations to make Capital Contributions or other payments hereunder associated with such Transferred Membership Interests, the transferring Member shall remain responsible for performance of all of its obligations under this Agreement, including its obligations to make Capital Contributions. Any Transfer not made in accordance with the preceding sentence shall be void. If a Board Supermajority consents to a Transfer of a Member's Membership Interests, such Transfer's effectiveness shall be conditioned upon the transferee executing this Agreement or a joinder to this Agreement. No Member may voluntarily withdraw from the Company except in connection with a Transfer of 100% of such Member's Membership Interests.

(b) The withdrawal, death, disability, incompetency, termination, bankruptcy, insolvency or dissolution of a Member or the Manager shall not dissolve the Company. The legal representatives of a Member shall succeed as assignee to such Member's Membership Interests upon the death, disability, incompetency, termination, bankruptcy, insolvency or dissolution of such Member, but shall not be admitted as a substituted Member without the consent of the Manager.

(c) In the event of death, disability, incompetency, termination, bankruptcy, insolvency or dissolution of a Member: (i) the Person to whom or which the Member's interest is purported to be transferred shall not become a Member and shall only be entitled to the economic benefits attributable to such interest, and (ii) the interest of such Member shall continue at the risk of the Company business until the termination of the Company.

Section 5.2 Right of First Offer.

(a) In the event a Member desires to Transfer any of its Membership Interests (other than to an Affiliate in which such Member owns, directly or indirectly, or is under common control with such Affiliate by a Person that owns directly, or indirectly, at least fifty percent (50%)), prior to offering the Membership Interests to any third party, such Member shall give notice ("Offer Notice") to each other Member specifying the price (the "Specified Price") and other terms (the "Specified Terms") at and on which the Member is willing to Transfer its Membership Interests.

(b) Each non-transferring Member (or any Affiliate of any non-transferring Member designated by it) shall have the right, for a period of 20 calendar days after receipt of an Offer Notice, to inform the transferring Member in writing of its election to purchase the subject Membership Interests at the Specified Price and on the Specified Terms (such notice, the "Election Notice"). Any Election Notice, if given, shall be irrevocable.

(c) If more than one Member (or its Affiliate) has delivered an Election Notice, each such Member (or its Affiliate) will be entitled to acquire that portion of the subject Membership Interests which is equal to the *product of* (1) the Membership Interests subject to the Officer Notice, *multiplied by* (2) the fraction, the numerator of which is the Membership Interest of such Member and the denominator of which is the aggregate Membership Interest of all Members that have given an Election Notice. If any Member elects not to give an Election Notice, each of the other Members may elect to acquire the Membership Interests subject to an Offer Notice not otherwise subject to an Election Notice, pro rata as provided in the prior sentence; provided that, if a Member defaults on its obligation to purchase the subject Membership Interests pursuant hereto, the transferring Member shall not be required to sell its Membership Interests to the remaining Members unless all such Membership Interests are being acquired by the remaining Members.

(d) The closing of the Transfer of the Membership Interests covered by any Election Notice shall occur no later than 60 days after the Election Notice is given or such later date as may be required to obtain any applicable governmental consents or approvals or to satisfy any reporting or waiting period under any applicable law, or at such other time as the parties agree.

(e) If the right of first offer is exercised, at the closing of the Transfer, (1) each Member which has given an Election Notice shall pay (by wire transfer of immediately available United States Dollars to such United States bank accounts as the transferring Member giving the Offer Notice may designate in a written notice to the Company and the other Members no later than five Business Days prior to the closing date for the transfer pursuant to the Election Notice) an amount equal to the *product of* (i) the cash price of the Membership Interests set forth in the Officer Notice, *multiplied by* (ii) the fraction referred to in Section 5.2(c), and (2) the Member that gave the Offer Notice shall take the following actions (i) such Member shall Transfer to each Member entitled to purchase, as provided in Section 5.2(c), all right, title and interest in and to the Membership Interests, free and clear of all liens; and (ii) such Member shall take all such further actions and execute, acknowledge, and deliver all such further documents that are necessary to effectuate the Transfer of the Membership Interests contemplated by this Section. Upon the closing of such Transfer, (1) all of such transferring Member's obligations and liabilities associated with the Membership Interests which are the subject of such transfer will terminate except those obligations and liabilities accrued through the date of such closing, (2) such Member shall have no further rights as a Member in respect of the Membership Interests which re the subject of such Transfer; and (3) all the rights, obligations and liabilities associated with the Membership Interests which are the subject of such Transfer shall become the rights, obligations and liabilities of each Person acquiring such Membership Interests.

(f) If non-transferring Members (or their Affiliates) have not given Election Notices to purchase all of such Membership Interests offered for sale for the Specified Price on the Specified Terms, or the Election Notices have been given buy the closing of the Transfer of the Membership Interests has not occurred within 60 days after such Election Notices have been given despite good faith negotiation by the parties, then thereafter for a period of 180 calendar days, the transferring Member may Transfer the Membership Interests to a third party for the Specified Price (or a higher price) on the Specified Terms (or better terms to the transferring Member). If such Transfer is not consummated within such 180-day period, then any subsequent Transfer by such Member of its Membership Interests shall again be subject to the right of first offer as set forth in this Section 5.2.

## ARTICLE VI
## DURATION AND TERMINATION OF COMPANY

Section 6.1 Duration. The Company shall continue until terminated pursuant to the provisions of this Section 6.1. The Company may be terminated:

(a) at any time, by unanimous decision of the Board;

(b) upon sale or distribution of substantially all remaining assets of the Company in accordance with this Agreement; or

(c) in accordance with applicable law.

Section 6.2 Termination. On termination of the business of the Company, the Manager shall, within a reasonable time period after completion of a final audit of the Company's books and records (which shall be performed within 90 days of such termination), make distributions out of Company assets, in the following manner and order:

(a) for the payment of the Company's liabilities and obligations to its creditors other than Members (including Members who are creditors), and the expenses of liquidation; and

(b) to the Members in accordance with Section 4.2.

Notwithstanding the foregoing, upon dissolution, the Manager and/or any liquidator of the Company shall have the authority to place the Company's assets in a trust or some other arrangement rather than distribute such assets in accordance with Section 6.2(a) and Section 6.2(b) above. The investments therein and any proceeds from a disposition of such investments will be distributed to the Members when appropriate, as determined by the Manager and/or the liquidator.

ARTICLE VII
TAX RETURNS; REPORTS TO MEMBERS

Section 7.1 Filing of Tax Returns. The Manager shall prepare and file, or cause the accountants of the Company to prepare and file, a Federal information tax return in compliance with the Code and any required state and local income tax and information returns for each tax year of the Company.

Section 7.2 Member Information Rights.

(a) As soon as practicable following the completion of each taxable year, the Company intends to prepare and mail, or cause its accountants to prepare and mail, to each Member a report setting forth in sufficient detail such information as shall enable such Member to prepare his, her or its respective Federal income tax returns in accordance with the laws, rules and regulations then prevailing.

(b) In addition, the Company shall provide to each Member that is not a Defaulting Member:

(i) draft and definitive documents with respect to Approved Project development milestones, including power sales contracts, land leases, purchase agreements, interconnection agreements, resource analyses and permits;

(ii) annual audited financial statements audited by Sheehan & Company or such other regionally recognized independent accounting firm reasonably selected by the Manager within 120 days after completion of each Fiscal Year;

(iii) unaudited financial statements for the previous quarter no later than 45 days after the end of each fiscal quarter beginning with the second quarter of the 2017 Fiscal Year;

(iv) prompt notification of any material litigation involving the Company or any Project Company;

(v) the right upon reasonable notice and at reasonable times to inspect all properties, records and files of the Company and interview senior executives of the Company and the Company's auditors;

(vi) auditor letters to management of the Company;

(vii) notices of material defaults under material contracts of the Company or any Project Company; and

(viii) such other information as Members may reasonably request from time to time.

Section 7.3 Tax Matters Partner. The Manager shall at all times constitute, and have full powers and responsibilities as, the Tax Matters Partner (as defined in the Code) of the Company with respect to such return for purposes of Section 6231(a)(7) of the Code.

ARTICLE VIII MISCELLANEOUS

Section 8.1 General. This Agreement: (a) shall be binding on the executors, administrators, estates, heirs, and legal successors and representatives of the Members, and (b) may be executed, through the use of separate signature pages or in any number of counterparts with the same effect as if the parties executing such counterparts had all executed one counterpart; provided, however, that the counterparts, in the aggregate, shall have been signed by all of the Members.

Section 8.2 Method of Distribution. All distributions made pursuant to this Agreement shall be made in cash or securities or both, in the same form as purchased or received by the Company.

Section 8.3 Power of Attorney. Each of the Members hereby appoints the Manager as his, her or its true and lawful representative and attorney-in-fact, in such Member's name, place and stead to make, execute, sign, acknowledge, swear to and file:

(a) the Certificate and all amendments thereto as may be required under the Act;

(b) any amendment to this Agreement duly approved as provided in Section 8.4; and

(c) any business certificate, fictitious name certificate, amendment thereto, or other instrument or document of any kind necessary or desirable to accomplish the business, purpose and objectives of the Company, or required by any applicable Federal, state or local law.

The power of attorney hereby granted by each of the Members is coupled with an interest, is irrevocable, and shall survive, and shall not be affected by, the subsequent death, disability, incompetency, termination, bankruptcy, insolvency or dissolution of such Member.

Section 8.4 Amendments to Company Agreement.

(a) The terms and provisions of this Agreement may be modified or amended at any time and from time to time with the approval of a Board Supermajority insofar as is consistent with the laws governing this Agreement; provided, however, that, without the consent of the Board, the Manager may (i) amend the Company's records, including Schedule A hereto, to reflect changes validly made in the membership of this Company and the Capital Contributions of the Members in accordance with this Agreement or (ii) amend or modify this Agreement to the extent necessary to form, qualify or continue the Company in all jurisdictions in which the Company conducts or plans to conduct business.

(b) Notwithstanding Section 8.4(a), Schedule B may be amended at any time or from time to time by mutual written agreement of the Company and Developer (i) with approval of the Board or (ii) without such approval if such amendment (A) is reasonably necessary to reduce taxable income or gain recognized by the Company or the Members in connection with any sale of interests, (B) reflects the removal of an Abandoned Project in accordance with Section 2.12 or (C) reflects the addition of one or more Additional Project Companies. The Manager is expressly authorized to cause the Company to take any actions reasonably necessary to give effect to any amendment to Schedule B adopted in accordance with this Section 8.4(b), including liquidating or dissolving Project Companies and acquiring Additional Project Companies from the Developer pursuant to appropriate documentation.

(c) Notwithstanding anything herein to the contrary, this Section 8.4 may not be amended without the written consent of all Members.

Section 8.5 Adjustment of Basis of Company Property. In the event of a distribution of Company property to a Member or an assignment or other transfer (including by reason of death) of all or part of the interest of a Member in the Company, at the request of a Member, the Manager may cause the Company to elect, pursuant to Section 754 of the Code, or the corresponding provision of subsequent law, to adjust the basis of the Company property as provided by Section 734 and 743 of the Code.

Section 8.6 Governing Law; Venue. This Agreement and all disputes arising hereunder or related hereto shall be governed by and construed and enforced under the laws of the State of Delaware, without giving effect to the principles of choice or conflicts of laws thereof. Each of the parties hereto consents and agrees to the exclusive personal jurisdiction of any state or federal court sitting in the State of Delaware, and waives any objection based on venue or forum non conveniens with respect to any action instituted therein, and agrees that any dispute concerning the conduct of any party in connection with this Agreement shall be heard only in the courts described above. EACH OF THE COMPANY AND THE MEMBERS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.7 Notices. Each notice relating to this Agreement shall be in writing and delivered in person or by registered or certified mail. All notices to the Company shall be addressed to its principal place of business with copies addressed to (a) 91 Distant View Drive, Asheville, North Carolina 28803 and (b) 171 Rolling Meadows Road, Fletcher, North Carolina 28732. All notices addressed to a Member shall be addressed to such Member at the address set forth on Schedule A hereto. Any Member may designate a new address by notice to that effect given to the Company. Unless otherwise specifically provided in this Agreement, a notice shall be deemed to have been effectively given when mailed by registered or certified mail to the proper address or delivered in person.

Section 8.8 Agreement Binding Upon Successors and Assigns. Except as herein otherwise specified, this Agreement shall inure to the benefit of and shall be binding upon the heirs, executors, administrators or other representatives, successors and assigns of the respective parties hereto.

Section 8.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures on this Agreement may be conveyed by facsimile or other electronic transmission and shall be binding upon the parties so transmitting their signatures. Counterparts with original signatures shall be provided to the other parties following the applicable facsimile or other electronic transmission; provided, however, that failure to provide the original counterpart shall have no effect on the validity or the binding nature of this Agreement.

Section 8.10 Confidential Information.

(a) Each Member agrees to keep confidential, and not to make any use of (other than for purposes reasonably related to his, her or its Membership Interests or for purposes of filing such Member's tax returns) or disclose to any Person, any information or matter relating to the Company and its affairs and any information or matter related to any Project Company (other than disclosure to such Member's directors, employees, agents, advisors, lenders or other Persons providing financing or representatives responsible for matters relating to the Company who agree to be bound by the provisions of this Section 8.10 (each such Person, an "Authorized Representative")); provided that (i) such Member and his, her or its Authorized Representatives may make such disclosure to the extent that (w) the information to be disclosed is publicly known at the time of proposed disclosure by such Member or Authorized Representative, (x) the information otherwise is or becomes legally known to such Member other than through disclosure by the Company, the Manager, the Company or any Affiliate of, or other party that is subject to (and the Member is aware is subject to) a confidentiality agreement with, any of the foregoing entities, (y) such information is required to be disclosed by any Member or any of its Affiliates as a result of any law, rule or regulation of any stock exchange or other regulatory authority having jurisdiction over such Member or its Affiliates, or (z) such Member is required to disclose any such information in connection with any legal or administrative proceeding or investigation, provided that such Member will, to the extent permitted by law, notify the Manager immediately in writing of the existence, terms and circumstances surrounding such a request so that the Manager may seek a protective order or other appropriate remedy and/or take steps to resist or narrow the scope of the disclosure sought by such request, and such Member agrees to cooperate with the Manager in seeking a protective order or other remedy if requested by the Manager; provided further that, if a protective order or other remedy is not obtained and, in the opinion of such Member's counsel, disclosure is required, such Member may make such disclosure without liability under this Agreement as long as such Member and/or his, her or its Authorized Representatives furnish only that portion of the information which is legally required to be disclosed, and such Member gives the Manager notice of the information to be disclosed as far in advance of its disclosure as practicable and uses its reasonable best efforts to ensure that confidential treatment will be accorded to all such disclosed information; (ii) such Member (and each employee, representative or other agent of the Member) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of an investment in the Company and all material of any kind (including opinions or other tax analyses that are provided to the Member relating to such tax treatment and tax structure); and (iii) such Member may disclose such information to a prospective transferee; provided that such Member has provided the Manager with at least five business days' prior written notice of such anticipated disclosure along with identification of such prospective transferee and such prospective transferee shall have entered into a confidentiality agreement reasonably acceptable to the Manager and containing customary terms used in confidentiality agreements in connection with corporate acquisitions before any such information is disclosed. Each Member agrees to be liable for a breach of this Section 8.10 by any of his, her or its Authorized Representatives and acknowledges and agrees that the Company and the Manager would be damaged irreparably and would not have an adequate remedy at law if this Section 8.10(a) is not performed in accordance with its specific terms or is otherwise breached. Accordingly, in addition to any other remedy to which it may be entitled at law or in equity, the Company and the Manager will be entitled to an injunction or injunctions to prevent breaches or threatened breaches of this Section 8.10(a) and to enforce specifically this Section 8.10(a), without bond or other security being required. The rights and remedies in this Section 8.10(a) are cumulative and in addition to any other rights and remedies otherwise available at law or in equity. Nothing will be considered an election of remedies or a waiver of the right to pursue any other right or remedy to which a party may be entitled.

(b) Except as provided in Section 8.10(a)(ii) above, the Manager may, to the maximum extent permitted by applicable law or this Agreement, keep confidential from any Member any information the disclosure of which the Company or the Manager is required by law, agreement or otherwise to keep confidential; provided that, in the event of any litigation between the Company or the Manager on the one hand and any Member on the other, no Member will be deemed to have waived any right to discovery of such information solely on the basis of this Section 8.10(b).

(c) The Manager will use reasonable efforts to keep confidential any information relating to a Member obtained by the Manager in connection with or arising out of the Company that the Member requests in writing to the Manager to be kept confidential (it being understood that the identity of any Member may be disclosed to any other Member).

Section 8.11 Elimination of Member and Manager Fiduciary Duties. The following expressly supplements the limitations of the liability of the Members set forth in this Agreement. Each of the parties hereto acknowledges and agrees that, (a) to the fullest extent permitted by applicable law, the Manager shall have no fiduciary duties to the Company or to the Members, and the Members shall have no fiduciary duties to the Company or to each other hereunder, and (b) the applicability of default principles of fiduciary duty to the conduct of the Manager or the Members, whether under the Act or other applicable law, is hereby explicitly disclaimed and of no force or effect as regards the Company.

Section 8.12 Joint Efforts. To the full extent permitted by applicable law, neither this Agreement nor any ambiguity or uncertainty contained herein shall be construed against any of the parties hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been prepared by the joint efforts of the respective attorneys for, and has been reviewed by, each of the parties hereto.

Section 8.13 Legal Counsel. Each Member acknowledges and understands that this Agreement and related documents have been prepared by counsel for the Company and the Developer and that such counsel has not represented or been engaged to provide services to any Member. Each Member further acknowledges and understands that such counsel or other counsel may hereafter be engaged by the Company, by the Developer or by the Manager to provide legal services and representation as any of them may determine, and, in such event, such counsel or other counsel may concurrently represent the Company, the Developer or the Manager. Each Member acknowledges and understands that counsel for the Company or any other Member does not represent any Member in the absence of a clear and explicit agreement to that effect between the Member and such counsel with respect to the Company or the Manager, and in the absence of such agreement, such counsel shall owe no duties to any Member (even if such counsel represents such other Member in matters unrelated to the Company).

Section 8.14 Not for Benefit of Creditors. The provisions of this Agreement (including this Section 8.14) are intended only for the regulation of relations among current, prospective and former Members, the Manager and the Company. Subject to the provisions of Sections 2.6 and 2.7 as they apply to an Exculpated Party, this Agreement is not intended for the benefit of non-Member creditors and no rights are granted to non-Member creditors under this Agreement.

Section 8.15 Interpretation. In this Agreement:

(a) any reference to an "Article," "Section," "Exhibit" or "Schedule" refers to the corresponding Article, Section, Exhibit or Schedule of or to this Agreement, unless the context indicates otherwise;

(b) the headings of Articles and Sections are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement;

(c) all words should be construed to be of such gender or number as the circumstances require;

(d) the words "including," "includes" or "include" are to be read as listing non- exclusive examples of the matters referred to, whether or not words such as "without limitation" or "but not limited to" are used in each instance;

(e) where a Person "shall", "will" or "must" perform in some manner or otherwise act or omit to act, it means that the Person is legally obligated to do so in accordance with this Agreement;

(f) except as expressly set forth herein, any reference to a statute or regulation is deemed also to refer to any amendments or successor legislation, and all rules and regulations promulgated thereunder, as in effect at the relevant time;

(g) any reference to a contract or other document as of a given date means the contract or other document as amended, supplemented or modified from time to time through such date;

(h) the use of "or" is not intended to be exclusive unless expressly indicated otherwise; and

(i) the words "herein," "hereof," "hereunder" or "hereto" refer to this Agreement in its entirety and not to a particular Section, paragraph or other part of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the date first set forth above.

**THE COMPANY**
Innovative Solar Ventures I LLC
By: ISVI Management LLC
Manager

By: John E. Green
John Green
Managing Member

By: Richard H. Green
Richard Green
Managing Manager

[*Signature Page to Amended and Restated Operating Agreement of Innovative Solar Ventures I LLC* ]

**MEMBERS**

**INNOVATIVE SOLAR SYSTEMS, LLC**

By: John E. Green

John Green
Managing Member

By: Richard H. Green

Richard Green
Managing Manager

[*Signature Page to Amended and Restated Operating Agreement of Innovative Solar Ventures I LLC*]

**MEMBERS**

**VIVOPOWER (USA) DEVELOPMENT LLC**

By: ______________________________

Carl Weatherly White
Chief Financial Officer

[*Signature Page to Amended and Restated Operating Agreement of Innovative Solar Ventures I LLC* ]

**SCHEDULE A**

**MEMBERS**

| **Member Name and Address** | **Asset or Capital Contribution** | **Capital Commitment** | **Membership Percentage** | **# of Membership Interests or Developer Interests** |
|---|---|---|---|---|
| Innovative Solar Systems, LLC<br>1095 Hendersonville Road<br>Asheville, NC 28803 | Schedule B Project Companies | $ [***][13] | [***]%[14] | [***][15] |
| VivoPower (USA) Development LLC<br>140 Broadway<br>New York, NY 10005 | $ [***][16] | $ [***][17] | [***]%[18] | [***][19] |
| | | **TOTAL:** | **100%** | **27,600** |

13 Confidential treatment requested
14 Confidential treatment requested
15 Confidential treatment requested
16 Confidential treatment requested
17 Confidential treatment requested
18 Confidential treatment requested
19 Confidential treatment requested

**SCHEDULE B**

**PROJECT COMPANIES**

**[***]**[20]

[20] Confidential treatment requested

**Exhibit A**

**Operating Agreement of Innovative Solar Ventures I LLC - Approved Development Budget**

**[***][21]**

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[21] Confidential treatment requested

**EXHIBIT B**

**FORM OF DRAWDOWN NOTICE**

**[*See attached*]**

**EXHIBIT B**

[INNOVATIVE SOLAR VENTURES I LETTERHEAD]

**ATTENTION – DRAWDOWN NOTICE – ACTION REQUIRED**

[*Date*], 201_

[*Name of Member*]
[*Address*]
[*City, State and Zip Code*]
Attention: [*Representative Name*]

**Drawdown Notice of Innovative Solar Ventures I LLC (the "*Fund*")**

Call No. [*number*]

Dear [*Representative Name*]:

This letter constitutes a drawdown notice pursuant to Section 3.1(b) of the Amended and Restated Operating Agreement of the Fund, dated April 17 , 2017 (the "*Operating Agreement*"). We are writing to notify you that, pursuant to such Section, the Fund is calling capital from you in the amount of $[*insert amount*] (your "*Capital Contribution*"), which represents [*number*]% of your unfunded Capital Commitment. Subject to the following paragraph, the full amount of our Capital Contribution is due on or before [*date not less than ten calendar days after this notice has been delivered to Member*] and must be wired in immediately available funds to the Fund's account as specified below. Failure to timely make your Capital Contribution is subject to the remedies set forth in the Operating Agreement.

Once the Fund receives your Capital Contribution, the Commitment Fee that will be payable to you by the Company pursuant to Section 4.2(b) of the Operating Agreement in respect of your Capital Contribution will be [***][22]. The Commitment Fee will be shown as a credit on this drawdown notice unless you are a Defaulting Member. In that case, (i) the amount of your credit is $[*amount*] [N/A], (ii) your Capital Contribution may be reduced by such amount and (iii) the Fund will not separately pay the Commitment Fee to you.

As of the date of this drawdown notice:

1. the Fund's total Capital Commitments are $[*amount*];
2. your original total Capital Commitment was $[*amount*];
3. prior to your Capital Contribution your unpaid Capital Commitment is $[*amount*] and after your Capital Contribution is paid will be $[*amount*]; and
4. the aggregate of amounts referred to in Section 2.11(g) of the Operating Agreement that have been retained but would otherwise be distributable to Members is $[*amount*].

The wire instructions for your Capital Contribution are as follows:

Bank:

ABA
Swift

[22] Confidential treatment requested

Innovative Solar Ventures I LLC Drawdown Notice No. __
[*Date*], 201_

A/C Innovative Solar Ventures I LLC
REF [*Member Name*]

Please instruct the financial institution handling the wire transfer to include your name, as a Member of the Fund, on the wire transfer.

The purpose of your Capital Contribution is to pay the following Approved Costs which are consistent with the Approved Development Budget:

| | | |
|---|---|---|
| 1. | Organization and Offering Expenses: | $___ |
| 2. | Expenses payable pursuant to Section 4 of the Development Agreement per the Progress Billing Schedule (as defined in the Development Agreement): | $___ |
| 3. | Reasonable documented fees, costs and expenses incurred by the Company in connection with the offer and Disposition of Project Companies and Approved Projects, including reasonable documented fees and expenses for legal, accounting, placement agent, broker- dealer and consulting services and other fees and expenses incurred by or on behalf of the Company in connection with the consummation of any transaction contemplated by Sections 2.11(a), (b) or (f) of the Operating Agreement: | $___ |
| 4. | Expenses described in Section 2.4(a)(iv) through (vi) of the Operating Agreement: | $___ |
| 5. | Expenses of the Company and the Project Companies approved by a Board Supermajority: | $___ |

A true and complete copy of the most recent invoice submitted by the Developer and approved by the Company as well as other supporting documentation for the foregoing (as well as the status report and other documentation required by Section 4 of the Development Agreement) are enclosed with this drawdown notice or have been previously provided to you and are identified in a list enclosed herewith.

All capitalized terms used in this letter have the meanings set forth in the Operating Agreement unless the context otherwise requires.

If you should have any questions regarding this information, please feel free to contact John Green at (828) 215-9064.

Sincerely,

ISVI Management LLC,
Manager of Innovative Solar Ventures I LLC

By: ____________________________________________________________________

John Green
Managing Member

**SUBSIDIARIES OF THE REGISTRANT**

| Name | Jurisdiction |
|---|---|
| VivoPower International Services Limited | Jersey |
| VivoPower International Holdings Limited | UK |
| VivoPower Pty Limited | Australia |
| Aevitas O Holdings Pty Limited | Australia |
| Aevitas Group Limited | Australia |
| Aevitas Holdings Pty Limited | Australia |
| Electrical Engineering Group Pty Limited | Australia |
| JA Martin Electrical Limited | Australia |
| Kenshaw Electrical Pty Limited | Australia |
| VivoPower WA Pty Limited | Australia |
| VVP Project 1 Pty Limited | Australia |
| VVP Project 2 Pty Limited | Australia |
| Amaroo Solar Tco Pty Limited | Australia |
| Amaroo Solar Hco Pty Limited | Australia |
| Amaroo Solar Fco Pty Limited | Australia |
| Amaroo Solar Pty Limited | Australia |
| SC Tco Pty Limited | Australia |
| SC Hco Pty Limited | Australia |
| SC Fco Pty Limited | Australia |
| SC Oco Pty Limited | Australia |
| ACN 613885224 Pty Limited | Australia |
| VivoPower USA LLC | United States |
| VivoRex LLC | United States |
| VivoPower Singapore Pte Limited | Singapore |

# VIVOPOWER INTERNATIONAL PLC CODE OF BUSINESS CONDUCT AND ETHICS

## I. PURPOSE

This Code of Business Conduct and Ethics (the "Code”) contains general guidelines for conducting the business of VivoPower International PLC, a company registered in England and Wales, and its subsidiaries and affiliate entities (collectively, the " Company”) consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- compliance with applicable laws, rules and regulations;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission (the "SEC”) and in other public communications made by the Company;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

## II. APPLICABILITY

This Code applies to all directors, officers and employees of the Company, whether they work for the Company on a full-time, part-time, consultative or temporary basis (each, an "employee” and collectively, the "employees”). Certain provisions of the Code apply specifically to our Chief Executive Officer, Chief Financial Officer, Financial Controller and other employees working in the finance department.

This Code shall be administered by the Company’s Chief Financial Officer (hereinafter, and together with any person the Chief Financial Officer shall designate to assist in the performance of his or her duties, the "Compliance Officer”). If you have any questions regarding the Code or would like to report any violation of the Code, please contact the Compliance Officer.

This Code is without prejudice to the provisions of the Company's Articles of Association and the general duties of directors of the Company under the Companies Act 2006. The Companies Act provides that the "general duties" of directors are the duties to: (a) promote the success of the Company, (b) act within powers, (c) exercise reasonable care, skill and diligence, (d) exercise independent judgment, (e) avoid conflicts of interest, (f) not accept benefits from a third party, and (g) declare interests in proposed transactions with the Company.

III. CONFLICTS OF INTEREST

***Identifying Conflicts of Interest***

A conflict of interest occurs when an employee's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. An employee should actively avoid any private interest that may impact such employee's ability to act in the interests of the Company or that may make it difficult to perform the employee's work objectively and effectively. In general, the following should be considered conflicts of interest:

- Competing Business. No employee may be employed or engaged by a business that competes with the Company or deprives it of any business.

- Corporate Opportunity. No employee should use corporate property, information or his or her position with the Company to secure a business opportunity that would otherwise be available to the Company. If an employee discovers a business opportunity that is in the Company's line of business through the use of the Company's property, information or position, the employee must first present the business opportunity to the Company before pursuing the opportunity in his/her individual capacity.

- Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier, financing partner or competitor of the Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.

- Financial Interests.

  (i) No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee's performance of duties or responsibilities to the Company, or requires the employee to devote time to it during such employee's working hours at the Company except with the prior approval of the Board of Directors of the Company ("Board");

  (ii) An employee may hold up to 5% ownership interest in a publicly traded company that is in competition with the Company; provided that if the employee's ownership interest in such publicly traded company increases to more than 5%, the employee must immediately report such ownership to the Compliance Officer;

  (iii) No employee may hold any ownership interest in a privately held company that is in competition with the Company except with the prior approval of the Board;

(iv) No employee may hold any ownership interest in a company that has a business relationship with the Company if such employee's duties at the Company include managing or supervising the Company's business relations with that company; and

(v) Notwithstanding the other provisions of this Code,

(a) a director or any immediate family member of such director (collectively, "Director Affiliates") or a senior officer or any immediate family member of such senior officer (collectively, "Officer Affiliates") may continue to hold his or her investment or other financial interest in a business or entity (an "Interested Business") that:

(1) was made or obtained either (x) before the Company invested in or otherwise became interested in such business or entity; or (y) before the director or senior officer joined the Company (for the avoidance of doubt, regardless of whether the Company had or had not already invested in or otherwise become interested in such business or entity at the time the director or senior officer joined the Company); or

(2) may in the future be made or obtained by the director or senior officer, provided that at the time such investment or other financial interest is made or obtained, the Company has not yet invested in or otherwise become interested in such business or entity;

provided that such director or senior officer shall disclose such investment or other financial interest to the Board;

(b) an interested director or senior officer shall refrain from participating in any discussion among senior officers of the Company relating to an Interested Business and shall not be involved in any proposed transaction between the Company and an Interested Business; and

(c) before any Director Affiliate or Officer Affiliate (i) invests, or otherwise acquires any equity or other financial interest, in a business or entity that is in competition with the Company; or (ii) enters into any transaction with the Company, the related director or senior officer shall obtain prior approval from the Board.

For purposes of this Code, a company or entity is deemed to be "in competition with the Company" if it competes with the Company's business of developing and/or investing in utility scale or commercial-scale solar energy projects and/or any other business in which the Company is engaged.

- Service on Boards and Committees. No employee shall serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests could reasonably be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any board or committee position. The Company may revisit its approval of any such position at any time to determine whether an employee's service in such position is still appropriate.

The above is in no way a complete list of situations where conflicts of interest may arise. The following questions might serve as a useful guide in assessing a potential conflict of interest situation not specifically addressed above:

- Is the action to be taken legal?
- Is it honest and fair?
- Is it in the best interests of the Company?

***Family Members and Work***

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship and the terms and conditions of the relationship must be no less favourable to the Company compared with those that would apply to an unrelated party seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For the purposes of this Code, "family members" or "members of employee's family" include an employee's spouse or partner, siblings, parents, in-laws and children.

***Disclosure of Conflicts of Interest***

The Company requires that employees fully disclose any situations that could reasonably be expected to give rise to a conflict of interest. If an employee suspects that he or she has a conflict of interest, or a situation that others could reasonably perceive as a conflict of interest, the employee must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law and applicable rules of the Nasdaq Capital Market.

IV. ANTI-BRIBERY COMPLIANCE

The Company and its employees are subject to anti-bribery and anti-corruption legislation in a number of areas where the Company does business. Anti-bribery and anti- corruption legislation such as the U.S. Foreign Corrupt Practices Act ("FCPA") and the United Kingdom Bribery Act 2010 ("Bribery Act") generally prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. A violation of FCPA, Bribery Act or similar legislation does not only violate the Company's policy but also constitutes a civil or criminal offense under applicable laws. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country. Moreover, "facilitating payments" of any kind are expressly not permitted, and should not in any circumstances be made.

V. GIFTS AND ENTERTAINMENT

The giving and receiving of appropriate gifts may be considered common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, an employee's ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment is in compliance with applicable law (including those identified in the prior section above), insignificant in amount and not given in consideration or expectation of any action by the recipient. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports. The Company's policy on the procedure in respect of the receipt of gifts and entertainment is set out in the Staff Handbook.

We encourage employees to submit gifts received to the Company in accordance with the policy set out in the Staff Handbook. While it is not mandatory to submit small gifts, gifts of over $100 must immediately be notified to the Compliance Officer, who shall determine whether the gift may be retained by the recipient or whether it is appropriate for the gift to be retained by the Company. Bribes and kickbacks are criminal acts, strictly prohibited by law. An employee must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world.

VI. PROTECTION AND USE OF COMPANY ASSETS

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's financial position. Any use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- exercise reasonable care to prevent theft, damage or misuse of Company property;
- promptly report any actual or suspected theft, damage or misuse of Company property;
- safeguard all electronic programs, data, communications and written materials from unauthorized access; and
- use Company property only for legitimate business purposes.

Except as approved in advance by the Chief Executive Officer and Chief Financial Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company.

Prohibited political contributions include:

- any contributions of the Company’s funds or other assets for political purposes;
- encouraging individual employees to make any such contribution; and
- reimbursing an employee for any political contribution.

VII. COMPLIANCE WITH LAWS AND REGULATIONS

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to their positions at the Company. If any doubt exists about whether a course of action is lawful, the employee should seek advice immediately from the Compliance Officer.

VIII. INSIDER TRADING

From time to time employees and directors may have or receive information about the Company or other companies that has not been disclosed publicly ("inside information”). Inside information that is likely to be considered important by investors is material. As further detailed in the Company’s insider trading policy,a copy of which has separately been provided to you, employees or directors who have material inside information about the Company must refrain from trading in the Company’s securities, advising anyone else to do so or communicating the information to anyone outside the Company until the information is disseminated to the public. The prohibition on insider trading also applies to the securities of companies with which the Company does business and as to which employees and directors may have important information that has not been publicly disclosed. Regardless of whether they have material inside information, employees and directors are not permitted to engage in speculative transactions in the Company’s securities, including short sales, transactions in put or call options, hedging transactions and other inherently speculative transactions.

All employees and directors should be familiar with the Company’s insider trading policy. Violation of the Company’s insider trading policy may result in civil liability and criminal penalties, as well as disciplinary action by the Company. Questions about the Company’s policy should be directed to the Compliance Officer.

IX. INTELLECTUAL PROPERTY AND CONFIDENTIALITY

The Company’s intellectual property rights and confidential information are vital to the business of the Company. These intellectual property rights and confidential information must only be used by employees, directors and officers of the Company for legitimate Company purposes. Employees must comply with any intellectual property and confidentiality policies of the Company in place from time to time, as well as procedures for the use of confidentiality agreements. All employees have provisions relating to ownership of intellectual property rights and confidentiality in their employment agreements.

## X. ACCURACY OF FINANCIAL REPORTS AND OTHER PUBLIC COMMUNICATIONS

The Company is required to report its financial results and other material information about its business to the public and the SEC. It is the Company's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- financial results that seem inconsistent with the performance of the underlying business;
- transactions that do not seem to have an obvious business purpose; and
- requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the finance department have a special responsibility to ensure that all of the Company's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading.

Prohibited actions include but are not limited to:

- issuing or reissuing a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of IFRS, generally accepted auditing standards or other professional or regulatory standards);
- not performing audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not withdrawing an issued report when withdrawal is warranted under the circumstances; or
- not communicating matters required to be communicated to the Company's Audit Committee.

## XI. COMPANY RECORDS

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are a source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timesheets, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. An employee is responsible for understanding and complying with the Company's record keeping policy. An employee should contact the Compliance Officer if he or she has any questions regarding the record keeping policy.

## XII. DISCRIMINATION AND HARASSMENT

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin, sexual orientation or any other protected class under any applicable law, rule or regulation. For further information, employees should consult the Compliance Officer.

## XIII. FAIR DEALING

Each employee should endeavour to deal fairly with the Company's customers, suppliers, competitors and employees. No-one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

## XIV. HEALTH AND SAFETY

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence or threats of violence are not permitted.

Each employee is expected to perform his or her duty to the Company in a safe manner, not under the influence of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

## XV. SOCIAL MEDIA

Employees are expected to use good judgment when using social media and to ensure that their activities are consistent with the Company's policies, including the policies on protection of confidential corporate information and intellectual property. Any questions concerning the use of social media should be directed to the Compliance Officer.

## XVI. VIOLATIONS OF THE CODE

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If an employee knows of or suspects a violation of this Code, it is such employee's responsibility to immediately report the violation to the Compliance Officer, who will work with the employee to investigate his or her concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Compliance Officer and the Company will protect the employee's confidentiality to the extent possible, consistent with the law and the Company's need to investigate the employee's concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. An employee's conduct, if it does not comply with the law or with this Code, can result in serious consequences for both the employee and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action, including termination of employment.

XVII. WAIVERS OF THE CODE

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and may be promptly disclosed to the public if so required by applicable laws and regulations and rules of the Nasdaq Capital Market.

XVIII. CONCLUSION

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. Further details are set out in the Staff Handbook. If employees have any questions about these guidelines, they should contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management positions. If an employee engages in conduct prohibited by the law or this Code, such employee will be deemed to have acted outside the scope of his or her employment. Such conduct will subject the employee to disciplinary action, including termination of employment.

This Code is in addition to and supplements any existing Company policy relating to a similar or related subject matter.

Exhibit 12.1

**CERTIFICATION**

I, Dr. Philip Comberg, certify that:

1. I have reviewed this annual report on Form 20-F of VivoPower International PLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Intentionally omitted];

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 31, 2017

By: /s/ Dr. Philip Comberg
Dr. Philip Comberg
Chief Executive Officer (Principal Executive Officer)

Exhibit 12.2

**CERTIFICATION**

I, Carl Weatherley-White, certify that:

1. I have reviewed this annual report on Form 20-F of VivoPower International PLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Intentionally omitted];

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 31, 2017

By: /s/ Carl Weatherley-White
Carl Weatherley-White
Chief Financial Officer (Principal Accounting Officer)

Exhibit 13.1

**SECTION 1350 CERTIFICATION (CEO)**
**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of VivoPower International PLC (the "Company") for the fiscal year ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Philip Comberg, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2017

By: /s/ Dr. Philip Comberg
Dr. Philip Comberg
Chief Executive Officer (Principal Executive Officer)

Exhibit 13.2

**SECTION 1350 CERTIFICATION (CEO)**
**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of VivoPower International PLC (the "Company") for the fiscal year ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl Weatherley-White, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2017

By: /s/ Carl Weatherley-White
Carl Weatherley-White
Chief Financial Officer (Principal Accounting Officer)