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

FORM 20-F

☐ 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, 2018

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 . . . . . .

For the transition period from _____ to _____

Commission file number 1-37974

VIVOPOWER INTERNATIONAL PLC

(Exact name of Registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organization)

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

Carl Weatherley-White, Chief Executive Officer
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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	**The Nasdaq Capital Market**

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	13,557,356

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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Introduction

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, 2018, as "fiscal 2018" or "FY 2018."

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.

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 acquire, invest in, develop or sell our investments in energy projects or joint ventures;
- our ability to attract and retain customers;
- the growth rates of the markets in which we compete;
- our liquidity and working capital requirements;
- our ability to raise sufficient capital to realize development opportunities and thereby generate revenue;
- 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 expectations regarding demand for solar power by energy users or investor in projects;
- our expectations regarding changes in the cost of developing and constructing solar projects;
- our ability to compete in our industry and innovation by our competitors; and,
- 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 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, and is qualified in its entirety by reference to, our historical consolidated financial statements for the years presented. Historical information as of and for the years ended March 31, 2018, 2017 and 2016, is derived from, and is qualified in its entirety by reference to, our consolidated financial statements. The financial statements for 2018 and 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	For the Year Ended March 31, 2018	2017	2016
				(2 months)
Revenue	4	$ 33,647	$ 32,250	$ -
Cost of sales		(28,524)	(4,977)	-
Gross profit		5,123	27,273	-
General and administrative expenses		(12,814)	(9,316)	(279)
Gain on sale of assets	5	1,356	-	-
Depreciation of property, plant and equipment	12	(420)	(103)	-
Amortization of intangible assets	13	(840)	(548)	-
Operating (loss)/profit	6	(7,595)	17,306	(279)
Restructuring costs	7	(1,873)	-	-
Impairment of assets	8	(10,191)	-	-
Impairment of goodwill	13	(11,092)	-	-
Transaction costs	3	-	(5,800)	-
Finance income	10	9	13	-
Finance expense	10	(3,395)	(600)	(2)
(Loss)/profit before income tax		(34,137)	10,919	(281)
Income tax expenses	11	6,258	(5,338)	-
(Loss)/profit for the year		(27,879)	5,581	(281)
Other comprehensive income				
Currency translation differences recognized directly in equity		222	599	-
Total comprehensive (loss)/income		$ (27,657)	$ 6,180	$ (281)
Earnings per share [1]				
Basic	24	$ (2.06)	$ 0.73	$ (0.05)
Diluted	24	$ (2.06)	$ 0.73	$ (0.05)
Weighted average number of shares used in computing (loss)/earnings per share		13,557,356	7,624,423	5,514,375

(1) Basic and diluted earnings 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 the consolidated financial statements starting on page F-1.

Consolidated Statement of Financial Position Data

	Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
Cash and cash equivalents	$ 1,939	$ 10,970	$ 28
Current assets	21,278	30,814	28
Current liabilities	(20,610)	(12,197)	(8,187)
Current ratio	1.03	2.53	-0.003
Property and equipment, net	1,915	2,163	3
Total assets	76,312	100,836	7,906
Debt, current and long-term	22,340	20,255	8,001
Total shareholders' equity/(deficit)	$ 37,003	$ 64,606	$ (281)

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 tables below provide information with respect to the exchange rate to U.S. dollars used in operations. The average exchange rate is computed using the relevant exchange rate on the last business day of each month during the period indicated. The exchange rate on the last practicable date, July 13, 2018, was 1.32 USD:GBP and 0.74 USD:AUD.

	Average	
Year Ended March 31,	**USD:GBP**	**USD:AUD**
2016 *(2 months)*	1.42	0.74
2017	1.30	0.75
2018	1.34	0.77

	USD:GBP		USD:AUD	
Month	**High**	**Low**	**High**	**Low**
January 2018	1.42	1.35	0.81	0.78
February 2018	1.43	1.38	0.80	0.78
March 2018	1.42	1.38	0.79	0.77
April 2018	1.43	1.38	0.78	0.75
May 2018	1.36	1.32	0.76	0.74
June 2018	1.35	1.31	0.77	0.73

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 and our business faces significant risk and uncertainty. You should carefully consider the following information, together with the other information in this Annual Report and in other documents we file with or furnish to the Securities and Exchange Commission (the "SEC"), before deciding to invest in or maintain an investment in any of our securities. Our business, as well as our financial condition or results of operations could be materially and adversely affected by any of these risks, as well as other risks and uncertainties not currently known to us or not currently considered material. The market price of our shares could decline as a result of any of these risks or uncertainties, and you could lose all or part of your investment.

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 the development of a few relatively large 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 utility-scale solar power plant projects could have a significant negative impact on our business. In addition, demand from prospective 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.

If we continue to experience losses, and we are not able to raise additional financing on sufficiently attractive terms or generate cash through sales of projects or other assets, we may not have sufficient liquidity to sustain our operations and to continue as a going concern.

We experienced a loss in the year ended March 31, 2018, of $27.9 million, including an operating loss of $7.6 million. If we are unable to generate sufficient revenue from solar energy projects or other segments of our business, or if we are unable to reduce our expenses sufficiently, we may continue to experience substantial losses. If losses continue, and we are unable to raise additional financing on sufficiently attractive terms or generate cash through sales of material assets or other means, then we may not have sufficient liquidity to sustain our operations and may not be able to continue as a going concern. The accompanying consolidated financial statements are prepared on a going concern basis and do not include any adjustments that result from uncertainty about our ability to continue as a going concern.

We expect to require some combination of additional financing, mergers and acquisitions of projects and / or investments to execute our strategic development plans and to operate and grow our business.

Our business is capital intensive and our initiatives involve substantial and ongoing deployments of capital for the development, construction and operation of our projects. For fiscal year 2018, we had $18.9 million of capital expenditures. In addition, we are subject to substantial and ongoing administrative and related expenses required to operate and grow a public company. Together these items impose substantial requirements on our cash flow. As of March 31, 2018, our cash and cash equivalents was $1.9 million. As a result, we expect to require some combination of additional financing, selling assets, mergers and acquisitions of projects, investments or other vehicles in order to carry out our strategic development plans and meet the operating cash flow requirements necessary to realize the benefits of our joint venture with ISS (the "ISS Joint Venture") and to operate and grow our business. We may not be able to obtain the requisite funding in order to execute our strategic development plans or to meet our cash flow needs. Our inability to obtain funding or engage in strategic transactions could have a material adverse effect on our business, our strategic development plan for future growth, our financial condition and our results of operations.

We may not be able to generate sufficient cash flow to service all our indebtedness and our other ongoing liquidity needs, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

As of March 31, 2018, we had an aggregate of $22.3 million in debt obligations. Our ability to make scheduled payments on or to refinance our debt obligations and to fund our planned capital expenditures, acquisitions and other ongoing liquidity needs depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. There can be no assurance that we will maintain a level of cash flow from operating activities or that future borrowings will be available to us in an amount or on terms sufficient to permit us to pay the principal and interest on our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell material assets, or to seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. We could also face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations or risk not being able to continue as a going concern.

Despite our current level of indebtedness, we may still be able to incur more debt. This could further exacerbate the risks to our financial condition described above.

We may be able to incur additional indebtedness in the future. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

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 parties, 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 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 parties. If any of these financial parties 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 parties 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 party 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.

A deterioration or other negative change in economic or financial conditions could have a material adverse effect on our business or operating results.

Our business depends on the availability of third party financing on attractive terms. If a deterioration, volatility or other negative changes occurred in economic or financial conditions, our access to such financing, or the terms on which we are able to access such financing, could be significantly and negatively affected. Financial markets are subject to periods of substantial volatility and such volatility is difficult or impossible to predict in advance. Debt markets may become tighter and providers of financing may require more restrictive terms, higher lending rates, or both, or may elect not to provide financing at all. In addition, more restrictive markets for financing may result in increased competition for fewer resources on the part of other developers of energy projects or other borrowers. Increases in volatility, increasing restrictions in credit terms, increases in interest rates, increases in yield expectations for solar projects, or worsening conditions in financial markets generally could delay or prevent the successful development of projects in our portfolio and thereby have a material adverse effect on our business or operating results.

The market value of our investments may decrease, which may cause us to take accounting charges or to incur losses if we decide to sell them following a decline in their values.

The fair market value of investments we have made in solar projects and/or portfolios of solar projects may decline. For example, for the year ended March 31, 2018, we recorded an impairment of $10.2 million with respect to our NC-31 and NC-47 projects in North Carolina in connection with a sale, as discussed further in "Item 5. Operating and Financial Review and Prospects – A. Operating Results – *Impairment of Assets*." The fair market values of the investments we have made or may make in the future may increase or decrease depending on a number of factors, many of which are beyond our control, including the general and economic and market conditions affecting the renewable energy industry, wholesale electricity prices, expectations of future market electricity prices, and long-term interest rates. Any deterioration in the market values of our investments could cause us to record impairment charges in our financial statements, which could adversely affect our results of operations. If we sell any of our investments when prices for such investments have fallen, the sale may be at less than the investment's carrying value on our financial statements, which could result in a loss.

Revenue from our joint venture with Innovative Solar Systems, LLC ("ISS") may be delayed or may not be fully realized, which could have a material adverse effect on our financial position, results of operations or cash flows.

Our joint venture with ISS consists of a portfolio of 38 utility-scale solar projects in 9 different states, representing a total electricity generating capacity of approximately 1.8 gigawatts. These projects are at varying stages of progress and will take many months or years to complete, as further discussed in "Item 4. Information on the Company – B. Business Overview." The successful development of and generation of revenue from these projects is subject to a range of risks and uncertainties, including risks and uncertainties relating to economic and market conditions, political and regulatory conditions, and business and other factors beyond our control. In addition, generating revenue from a given project in the ISS Joint Venture portfolio 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 or transmission related issues; (v) labor problems; (vi) cost and budgetary issues; (vii) environmental issues; (viii) force majeure events; and (ix) access to project financing (including debt, equity or tax credits) on sufficiently attractive terms or at all. Accordingly, the actual amount of revenues earned and the actual periods during which revenues are earned may vary substantially from our plans and projections. Our inability to realize revenue from the ISS Joint Venture portfolio, or any delays in realizing revenue from the ISS Joint Venture portfolio, could have a material adverse effect on our financial position, results of operations or cash flows.

Doing business through joint ventures is a key part of our business and any disagreements or discontinuations could disrupt our operations, put assets at risk or affect the continuity of our business.

Joint ventures, and in particular, the ISS Joint Venture, are a key part of how we do business. While a joint venture partner may provide local knowledge and experience, entering into joint ventures often requires us to surrender a measure of control over the assets and operations devoted to the joint venture, and occasions may arise when we do not agree with the business goals and objectives of our partner, or other factors may arise that make the continuation of the relationship unwise or untenable. Any such disagreements or discontinuation of our relationship with the joint venture partner could disrupt our operations, put assets dedicated to the joint venture at risk, or affect the continuity of our business. If we are unable to resolve issues with a joint venture partner, we may decide to terminate the joint venture and either locate a different partner and continue to work in the area or seek opportunities for our assets in another market. The unwinding of an existing joint venture could prove to be difficult or time-consuming, and the loss of revenue related to the termination or unwinding of a joint venture and costs related to the sourcing of a new partner or the mobilization of assets to another market could adversely affect our financial condition, results of operations or cash flows.

Cost increases, delays and other constraints to the availability of sufficient electric transmission capacity could have a significant and negative effect on our ability to develop, acquire and/or sell solar energy projects and therefore a significant and negative effect on our results of operations.

Utility-scale solar energy development depends on the availability of sufficient electricity transmission infrastructure for the delivery of electricity from the solar plant to customers. If transmission infrastructure is inadequate, or if upgrades or other changes are needed to the infrastructure for our power plants to be constructed, interconnected or made operational, or if there are delays in or unforeseen costs associated with such changes, then our solar energy projects, such as those in our ISS Joint Venture portfolio, could be delayed, subjected to increased costs or canceled, which could have a substantial and negative effect on our revenues and therefore on our results of operations.

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

Our ability to generate cash flows and earnings relies on project investor demand for our solar projects. An increase in market interest rates in the countries in which we operate is likely to result in our project investors requiring higher rates of return on solar projects that they acquire from us or finance on our behalf. In recent years, interest rates have been increasing in certain important countries in which we operate, such as the United States. 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 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 increase the 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. In 2018, for example, new tariffs were imposed in the United States on a range of solar cells and modules manufactured abroad, and 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 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.

U.S. tariffs that went into effect in 2018 could have a material adverse effect on our ability to successfully develop, and realize revenue from, projects in our ISS Joint Venture portfolio and, therefore, could have a significant and negative effect on our results of operations in general.

In 2018, a range of imported solar cells and modules have become subject to tariffs in the United States. In particular, solar modules are subject to a four-year tariff at a rate of 30% in the first year, declining 5% in each of the three subsequent years, and solar cells are subject to a tariff-rate quota, in which the first 2.5 gigawatts of cells imported each year are exempt from tariffs and cells above that amount are subject to the same tariff as modules. In addition, the United States has announced widespread tariffs on aluminum and steel imports from various countries, the impact of which is as yet unknown but has resulted in uncertainty regarding the cost of various components used in the construction of solar projects. These tariffs are likely to cause price increases or other price volatility, delays in project development and completion, supply problems and other issues, any of which could have a material adverse effect on our ability to successfully develop and realize revenue from projects in our ISS Joint Venture in the United States, and therefore could have a significant and negative effect on our results of operations overall.

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 ("PPAs") 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 acquiring, building, 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 a number of projects in our pipeline, including our ISS Joint Venture portfolio, are not acquired or completed, or their acquisition or completion is delayed, 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, including our ISS Joint Venture portfolio, 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 organically, some of the projects in our pipeline may not be completed or proceed to construction as a result of various factors, or their sale, construction or completion may be subject to delays that may be substantial. 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 any number of projects are not completed, or their completion is delayed, 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, in particular revenue related to our ISS Joint Venture portfolio, 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 solar development revenue is generated from a limited number of investment 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, 76% of our total revenue was derived from development of the two North Carolina projects, both with the same two tax equity and investment partners, and all as a result of our alliance with ISS. The loss of an alliance partner 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 for solar energy systems. These government economic incentives could be further reduced or eliminated altogether. 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 Accord 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.

Our business in the United States relies on the federal investment tax credit under Section 48 of the Internal Revenue Code (the "Code"). Tax reform recently carried out in the United States has significantly reduced tax rates for corporations, which may have a negative effect on the appetite of investors for project investments that are eligible for the federal investment tax credit, and which therefore could have a negative impact on our ability to secure capital at an attractive cost for our United States projects.

The U.S. federal government recently enacted a set of broad reforms of tax rates and policies that include a large reduction in corporate tax rates. Such a reduction may diminish the appetite that investors have for utilizing the federal investment tax credit under Section 48 of the Code (the "ITC"). Because investors utilizing the ITC have been an important source of capital for solar energy projects in the US, including our projects, a decrease in investor appetite for utilizing the ITC in solar projects could have a substantial and negative effect on our ability to secure capital at an attractive cost for our United States solar projects.

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. 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. In addition, 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 internationally, 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 few years as the 38 projects currently within the ISS Joint Venture portfolio achieve an advanced stage of development and are presented to the Company for acquisition, as further described in "Item 4. Information on the Company – B. Business Overview". By comparison, to date the Company has developed only two large-scale solar projects, being the North Carolina projects: NC-31 and NC-47. We expect that this growth in activity will place significant stress on our operations, management, employee base and ability to meet capital requirements sufficient to support this growth over the next 12 to 36 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 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.

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 internationally as well as in the power services market in Australia, which is operated by our subsidiary, Aevitas Group Limited. Some of our competitors: (i) have substantially more financial, technical, engineering and manufacturing resources than we do to develop products that currently and may compete favorably against our products; (ii) have substantial government-backed financial resources or parent companies with substantially greater depth of resources than available to us; (iii) may have longer and more established operating records than we do; or (iv) may have greater brand recognition, access to customers or financing partners, or economies of scale than we do. We expect that our competitors will continue to improve their ability to develop, invest in, and sell solar energy projects, 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 in order to retain or gain market share or undertake other measure to increase the competitiveness of our products or services, which could have a material adverse effect on our business, financial condition or results of operations.

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

We have developed a relatively new portfolio of solar assets, including several power plants that have only recently commenced operations, and we have 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 Australian power services workforce may become unionized resulting in higher cost of operation and reduced labor efficiency.

None of our workforce is currently unionized. The power services business in Australia represents the largest proportion of our workforce, which includes 144 operational personnel, or 74% of our total workforce as of March 31, 2018. This part of our business operates in the Hunter Valley region of Australia whose economy is predominately driven by the mining industry and many businesses in the area are unionized. In periods of strong growth and activity in the mining sector, such as has been experienced over the past 12 months, the labor market usually becomes extremely competitive, which may entice our workforce to seek collective bargaining through union representation. Unionization of our power services workforce could result in additional costs for industrial relations, legal and consulting services, higher labor rates, new requirements for additional employment benefits, more restrictive overtime rules, and less flexible work scheduling, all of which could result in a significant increase in the cost of labor and the requirement for additional labor to maintain existing productivity. Should this occur, it could have a material adverse effect on our business, financial condition or results of operation.

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. For example, as discussed further in "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information - *Legal Proceedings,*" on February 26, 2018, Philip Comberg, our former Chief Executive Officer and director, filed a claim in the High Court of Justice Queen's Bench Division in the United Kingdom against us and our subsidiary, VivoPower International Services Limited ("VISL"). Subsequently filed claim particulars stated that the claim is for declarations in respect of payments alleged to be due to Mr. Comberg, damages, restitution in relation to services allegedly rendered by Comberg, interest and costs. On April 9, 2018, we and VISL filed a defense and counterclaims against Mr. Comberg. In the defense, we and VISL denied the claims made by Mr. Comberg and asserted that Mr. Comberg was terminated for cause and/or by the acceptance on the part of VISL of Mr. Comberg's own repudiatory breach of Mr. Comberg's service agreement. We and VISL also filed counterclaims against Mr. Comberg for damages in an amount of approximately $27 million plus certain amounts to be quantified. We and VISL alleged in the counterclaims that, inter alia, Mr. Comberg failed properly to oversee financial accounting and reporting and to ensure that these functions were properly staffed for a Nasdaq listed company; misrepresented our and our subsidiaries' cash resources to our Board; failed adequately to manage investor communications and relationships; failed properly to manage the operations and functions of our Investment Committee; and, provided misleading and exaggerated information to us about his experience and past roles. In addition to the foregoing litigation, we may be subject in the future to, or may file ourselves, 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 solar products or power service within the planned timelines and contracted obligations, 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.

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.

The success of our company is heavily dependent on the continuing services of key personnel and retention of additional personnel.

Our industry is characterized by intense competition for personnel. The success of our company is highly dependent on the contributions of executives and other key personnel, and if we were to lose the contributions of any such personnel, it could have a negative impact on our business and results of operations. Moreover, our growth plan will require us to hire additional personnel in the future. If we are not able to attract and retain such personnel, our ability to realize our growth objectives will be compromised. In addition, talented employees may choose to leave the company because of our cost reduction initiatives. When talented employees leave, we may have difficulty replacing them and our business may suffer. While we strive to maintain our competitiveness in the marketplace, there can be no assurance that we will be able to successfully retain and attract the employees that we need to achieve our business objectives.

If we are unable to maintain effective internal controls over financial reporting or effective disclosure controls and procedures, or if material weaknesses in our internal controls over financial reporting or in our disclosure controls and procedures develop, it could negatively affect the reliability or timeliness of our financial reporting and result in a reduction of the price of our ordinary shares or have other adverse consequences.

There can be no assurance that our internal controls or our disclosure controls and procedures will provide adequate control over our financial reporting and disclosures and enable us to comply with the requirements of the Sarbanes-Oxley Act. In addition, carrying out our growth plan may require our controls and procedures to become more complex and may exert additional resource requirements in order for such controls and procedures to be effective. Any material weaknesses in our internal controls over financial reporting, or in our disclosure controls and procedures, may negatively affect the reliability or timeliness of our financial reporting and could result in a decrease in the price of our ordinary shares, limit our access to capital markets, harm our liquidity or have other adverse consequences.

We are subject to a substantial range of requirements as a public company, which impose significant demands on the time and resources of our company and executive personnel.

As a public company listed on The Nasdaq Stock Market ("Nasdaq"), we are subject to a wide range of legal and regulatory requirements, including the Securities Act Exchange of 1934, as amended, and the rules and regulations thereunder, as well as the requirements of Nasdaq, in addition to other applicable securities laws. Maintaining compliance with these requirements is expensive and time-consuming, has imposed substantial and ongoing costs on our business and can divert the attention and time of our executive personnel from our operating activities, which could have negative impacts on our business and results of operations. In addition, director and officer liability insurance for public companies is expensive and in the future, we may be required to accept reduced coverage or incur significantly higher costs to maintain similar coverage, which could make it more difficult for us to attract and retain qualified directors or executive personnel.

Our restructuring may not produce some or all the desired benefits and there may be losses that have a significant and negative effect on our business.

During the year ended March 31, 2018, we undertook a strategic restructuring of our business to align operations, personnel, and business development activities to focus on a fewer number of areas of activity that we believe have the most potential to generate profitability and return, as discussed in further detail in "Item 4. Information on the Company – B. Business Overview" and "Item 5. Operating and Financial Review and Prospects - A. Operating Results - *Exceptional and non-recurring expenses.*" While we believe these steps will have a positive impact on our business, the restructuring may also be disruptive or produce unanticipated costs, and we may not realize the benefits from the restructuring that we hoped to achieve. In addition, the time and expense of restructuring impose additional burdens on the company and its personnel and impede their ability to focus sufficiently on the day to operation and growth of the business. Failure to realize the anticipated benefits of restructuring could have a significant and negative effect on our business.

Risks Related to Ownership of Our Ordinary Shares

We cannot assure you that our ordinary shares will always trade in an active and liquid public market. In addition, at times trading in our ordinary shares on Nasdaq has been highly volatile with significant fluctuations in price and trading volume, and such volatility and fluctuations may continue to occur in the future. Low liquidity, high volatility, declines in our stock price or a potential delisting of our ordinary shares may have a negative effect on our ability to raise capital on attractive terms or at all and may cause a material adverse effect on our operations.

The market price of our ordinary shares may be influenced by many factors, many of which are beyond our control, including those described above in "Risks Related to our Business and Operations." As a result of these and other factors, investors in our ordinary shares may not be able to resell their shares at or above the price they paid for such shares or at all. The market price of our ordinary shares has frequently been highly volatile and has fluctuated in a wide range. The liquidity of our ordinary shares as reflected in daily trading volume on Nasdaq has usually been low. As of July 13, 2018, the trading price of our ordinary shares on Nasdaq was $1.91 per share. At certain points in the past three months, the trading price of our ordinary shares on Nasdaq has fallen below $2.00 per share. If the trading price of our ordinary shares was to fall below $1.00 for a sustained period, we may not be able to meet Nasdaq's continued listing standards in the future. Low liquidity, high volatility, declines in our stock price or potential delisting of our ordinary shares may have a material adverse effect on our ability to raise capital on attractive terms or at all and a material adverse effect on our operations.

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 reported results of operations.

In connection with the preparation of our consolidated financial statements included in "Item 17. Financial Statements", we use certain estimates and assumptions, which are more fully described in Notes 2 and 3 of the financial statements filed as part of this Annual Report, starting on page F-1. The estimates and assumptions we use in the preparation of our consolidated financial statements affect the reported amounts of assets and liabilities, 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. 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 financial statement presentation, financial condition, results of operations and cash flows, any of 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 substantial 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, 2018. 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.

We are a holding company whose material assets consist of our holdings in our subsidiaries, upon whom we are dependent for distributions.

We are a holding company whose material assets consists of our holdings in our subsidiaries. We do not have independent sources of revenue generation. Although we intend to cause our subsidiaries to make distributions to us in an amount necessary to cover our obligations, expenses, taxes and any dividends we may declare, if one or more of our operating subsidiaries became restricted from making distributions under the provisions of any debt or other agreements or applicable laws to which it is subject, or is otherwise unable to make such distributions, it could have a material adverse effect on our financial condition and liquidity.

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 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.

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.

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. 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 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".

VivoPower is an international solar power producer that develops, owns and operates photovoltaic ("PV") solar projects. VivoPower partners with long-term investors, suppliers and developers to accelerate the growth of its operating portfolio of solar projects. In addition, the Company provides critical energy infrastructure solutions to commercial and industrial customers throughout Australia.

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 aggregate consideration of $23.1 million, consisting of $0.6 million of cash and the remainder in shares of 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. The primary business activity of VivoPower Australia is to invest in the origination, development, construction, financing, operation and optimization of solar electricity generation and storage facilities in Australia. 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. The primary business activity of Aevitas is to provide solar energy and power generation solutions to over 650 active clients in New South Wales, Australia, including the design, supply, installation and maintenance of power and control systems, with an increasing focus on solar energy and storage, as well as energy efficiency products and strategies.

VivoPower has 32 subsidiary and associated entities, 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 is an international solar power producer that develops, owns and operates PV solar projects in a capital efficient manner. VivoPower partners with long-term investors, suppliers and developers to accelerate the growth of its portfolio of solar projects. In addition, the Company provides critical energy infrastructure solutions to commercial and industrial customers throughout Australia. Management analyzes our business in three reportable segments: Solar Development, Power Services, and Corporate Office. Solar Development is the development, construction, financing and operation of solar power generating plants. Power Services is represented by Aevitas operating in Australia and its focus on the design, supply, installation and maintenance of power and control systems. Corporate Office is the Company's corporate functions, including costs to maintain Nasdaq public company listing, comply with applicable SEC reporting requirements, and related investor relations and is located in the United Kingdom. See Note 4.2 to our consolidated financial statements included herein for a breakdown of our financial results by reportable segment.

Solar Development

Over the last six months, VivoPower has executed a strategic shift to prioritize its solar development initiatives in the United States and Australia, and to cease initiatives in Latin America, Europe and Asia. Importantly, the Company has determined that our previous strategy of acquiring developed solar projects from third-party developers to sell to long term owners (the "build, transfer, operate" or "BTO" model) was not sufficiently profitable due to increased competition from strategic and institutional investors seeking acquisitions directly from developers before commercial operations had begun.

We believe that a unique market opportunity exists in solar development as a result of three powerful trends: (i) an accelerating demand for solar power generation by energy users, fueled by continued declines in the Levelized Cost of Energy ("LCOE"), as well as the increasing Corporate Social Responsibility ("CSR") requirements; (ii) continued reduction in the cost of developing, designing and constructing solar electrical generation facilities as well as commercial viability of new technologies such as battery storage; and, (iii) increased availability and reduced cost of institutional and corporate capital for solar projects.

Successful solar development requires an experienced team that can manage many work streams on a parallel path, from initially identifying attractive locations to completing on time and budget. This process involves achieving key milestones such as site control, permitting, interconnection and transmission, design and engineering, power marketing, equipment procurement and financing. We have the ability to identify attractive projects and the capacity to create value by controlling development and construction to ensure that projects are not only built on time and on budget but are also able to generate attractive returns to institutional investors.

Since long-term investors typically value projects on the basis of long term rates of return (IRR), the development profit that may be created by a developer is the difference between the cost to develop projects and the fair market value of such projects. We believe that successful project development results in a significantly lower cost basis than buying projects that are already developed.

With this approach, we believe that we can achieve attractive risk-adjusted returns in the current market, and we target a multiple of invested capital ("MOIC") of approximately 1.75x - 2.00x. To achieve this return, we focus on managing capital in a disciplined manner during the early development stages and obtaining lower cost capital once projects achieve an advanced stage.

The stages of solar development can be broadly characterized as: (i) early stage; (ii) advanced stage; (iii) construction stage; and (iv) operations stage. Early stage development is primarily focused on securing site control, data collection, community engagement, preliminary permitting, and offtake analysis. We consider site control to be achieved once we have obtained purchase or lease options, easements or other written rights of access to the land necessary for the construction and operation of the solar project. This stage requires very little capital deployment, and we seek to have a broad set of development projects that have different characteristics to minimize project concentration risks.

During the mid-stage development period, we pursue the following stringent set of development criteria:

- Transmission Interconnection Study. Identification of a point of interconnection to the transmission or distribution system, obtained a queue position with the relevant electric system operator and commenced or completed a system impact study (or equivalent). A system impact study and its approval by the relevant transmission or distribution system operator is a prerequisite to the design and construction of the facilities that will interconnect the solar project with the transmission or distribution system.

- Solar Insolation Estimate (PVsyst). Obtained a PVsyst solar report, the solar industry standard software report, which gathers solar insolation information and incorporates the characteristics and design of the proposed solar project to create an expected energy output for the project.

- Environmental Impact Study and Permitting. Completion of an environmental impact study (or equivalent) as a prerequisite to obtaining the key permits necessary for the construction and operation of our project. Depending on the size and location of the project, we generally initiate the studies needed for an environmental impact study approximately 18 months prior to the anticipated construction start date and receive the material permits shortly before financing close and start of construction. To consider this milestone completed, we will have either finished an environmental impact study or received the material permits for the construction and operation of our solar project.

Once achieving mid-stage development criteria, a project is considered to be at an advanced stage, which indicates a high degree of confidence for successful completion. The most important goal of this stage is to obtain a revenue contract to sell power to a credit worthy counterparty, usually through a Power Purchase Agreement (PPA), which supports third-party financing. Long-term PPAs range from 10-25 years with creditworthy off takers, typically obtained by responding to requests for proposals or conducting bilateral negotiations with utility, commercial, industrial, municipal, or financial enterprises. In certain markets with liquid electricity trading, it is possible to enter into financial hedges to support a minimum price of power sold into such markets.

Once achieving an advanced stage, a project will enter the construction stage. During this stage, key contracts such as the PPA and interconnection agreements are finalized and executed. Estimated costs to build and operate the project are determined with selected contractors, internal technical resources and engineers. All the definitive contracts between the projects, financing parties and the EPC firm who will build the project may be executed, and the construction is completed, so that the project can be commissioned and interconnected to the grid, achieving its commercial operations date ("COD") under the PPA.

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

From a capital perspective, each phase of development requires a different level of capital commitment, which we manage carefully to minimize our risks and to maximize our returns, as follows:

- Early stage development generally requires deployment of capital in an amount up to 2% of the eventual cost of building the project, and is typically funded by VivoPower's corporate working capital;

- Advanced stage development, which can be partly funded by co-development capital partners of VivoPower, generally requires deployment of capital in an amount up to 10% of the eventual cost of building the project;

- Construction Stage development requires funding for 100% of the cost of building the project, which funding may be arranged and/or obtained by VivoPower from a variety of capital sources, including construction loans, tax equity investments, as well as construction equity investments, in an amount that depends on debt capacity of the project among other factors; and,

- The Operations Stage requires no additional funding, although the construction stage financing may be refinanced with lower cost and longer-term debt, depending on market conditions.

VivoPower takes an opportunistic approach to solar development and engages with capital partners at various stages of the development process, depending on the specific project. Some or all of the below may be applicable to any particular project, and in any given reporting period we may be reporting some, none, or all of these revenues:

- Gains on the sale of some or all of VivoPower's equity interests in projects, typically at the advanced, construction, or operations stage. Considerable value is added throughout the process from initial identification of a development project to a project with an agreed PPA and interconnection agreement with the utility. Sale of equity interests at this stage generates a gain on sale of an investment asset, which recognizes the increase in value of a late-stage project over an early stage project.

- Development fees are earned by VivoPower to manage the construction of the project on behalf of project investors. As noted above, when a project enters the construction stage and the majority or all the equity has been sold to investors, we enter into a development services agreement with the investors to provide development services in consideration for a development fee. The specific development services generally include, among other services: (a) assistance in dealing with customers, the utility, governmental agencies, local organizations, and other parties; (b) coordination of contractors, suppliers, consultants and others participating in the design or installation of the project; (c) coordination of independent engineers, environmental consultants and title reviews for assessment of project feasibility; (d) administration and management of the project in accordance with the EPC agreement and any other supply or installation contracts; (e) preparation and submission of construction loan advances or other payments under the lending arrangements for the project; and, (f) and other services.

- Asset management fees are earned by VivoPower from contracts with project investors to manage all aspects of the on-going project operation for them. This involves care and maintenance of the asset, monitoring and reporting generation, invoicing under the PPA, payment of suppliers, maintaining accounts and producing financial reports as required.

- Revenue from power generation is earned by VivoPower where an equity stake is retained in the project. The Company's proportionate share of generation revenue, less operating and financing costs, is distributed on a periodic basis and is recognized in revenue.

- Sale of Solar Renewable Energy Certificates ("SRECs") and Large-scale Generation Certificates ("LGCs"). In certain jurisdictions within the United States, power generated from solar creates SRECs, which are certifications attached to each megawatt-hour of electricity verifying that it was produced from renewable source. SRECs can be separated from the power produced by generation and bought and sold on the open market. The end users of these SRECs fall into two major categories: (i) companies or organizations that use them to meet their sustainability targets regarding use of energy from renewable sources; and (ii) regulated enterprises such as Load Serving Entities ("LSEs") that must meet renewable compliance requirements. The Company, through its wholly-owned subsidiary, VivoRex, LLC, has contracts to purchase all of the SRECs produced by two of the Company's developments in North Carolina completed in 2017. The SRECs are then sold with a view to generating a profit on them, which increases the return on the project for investors. In Australia, LGCs play a similar role to SRECs in creating additional revenue from renewably-generated energy.

United States

In 2016, the Company developed its first two major solar projects, located in North Carolina, United States, known as NC-31 and NC-47 (together the "NC Projects"). VivoPower acquired 100% of these projects on June 14, 2016, and August 29, 2016, respectively. On July 29, 2016, and October 25, 2016 and prior to commencement of construction, third-party investors acquired the majority of these projects, with the Company retaining a 14.5% and 10.0% non-controlling equity interest in NC-31 and NC-47, respectively ("Residual Interests"). The Company invested $18.1 million in the year ended March 31, 2017 and an additional $3.5 million in the year ended March 31, 2018 in these projects, for a total cost of $21.6 million related to the Residual Interests. The Company entered into a development services agreement with the investors for each project, with development fees agreed of $11.6 million and $13.8 million, for the NC-31 and NC-47 projects, respectively. The first of the NC Projects, NC-31, became fully operational in March 2017, and the second, NC-47, followed in May 2017. As development fee revenue is recognized on a percentage completion basis as the value is accrued by the end user over the life of the contract, $24.6 million of development fee revenue was recognized in the year ending March 31, 2017, with the remaining $0.8 million recognized in year ended March 31, 2018. Subsequent to March 31, 2018, the Company sold the Residual Interests to the majority investor in the projects (see "Item 5. Operating and Financial Review and Prospects - A. Operating Results - *Impairment of Assets"* for further details).

Pursuant to our strategy, in April 2017, we used the proceeds of our development profit related to the NC Projects for the acquisition of a 50% interest in a joint venture (the "ISS Joint Venture") with the early-stage solar development company, Innovative Solar Systems, LLC from whom we had initially acquired the NC Projects. The ISS Joint Venture owns a diversified portfolio of 38 utility-scale solar projects in 9 different states, representing a total electricity generating capacity of approximately 1.8 gigawatts DC. As the projects in the ISS Joint Venture reach an advanced stage, the manager of the ISS Joint Venture must first present them to VivoPower under a right of first refusal to purchase such projects from the ISS Joint Venture at a fixed price. It is expected that the first project will become development ready and be presented to the Company under the right of first refusal for potential acquisition in July 2018. VivoPower anticipates that the ISS Joint Venture will provide the opportunity to generate 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 belief that solar equipment and installation costs will continue to fall at a rapid rate, which would increase the revenue the Company could generate from the projects.

Under the terms of the ISS Joint Venture, the Company committed to invest $14.9 million in the ISS Joint Venture for a 50% equity interest in the portfolio of 38 projects, an amount which included $0.8 million in potential brokerage commissions that have not been required and which have been credited towards the Company's commitment. In addition, an initial capital contribution of $0.5 million was made on behalf of the Company by a top-tier U.S.-based solar EPC firm, in consideration for a right to provide certain engineering services related to the ISS Joint Venture portfolio projects. The $14.9 million commitment is allocated to each of the 38 projects based on monthly capital contributions determined with reference to completion of specific project development milestones under an approved development budget for the ISS Joint Venture. The Company contributed to the ISS Joint Venture an additional $12.4 million of the $14.9 million commitment over the course of the year ended March 31, 2018, which after giving effect to the payment by the EPC firm and a proportionate amount of the commission credit, left a remaining capital commitment at March 31, 2018, of $1.3 million, which is recorded in trade and other payables.

The projects within the ISS Joint Venture are currently all in early stage or advanced stage development and are expected to be sold, constructed, and/or to commence operation during the next three fiscal years. Substantially all of these identified projects are located in attractive energy markets and in areas that we have determined have acceptable solar resources and other attractive project characteristics. For all the projects, the ISS Joint Venture has secured control of the land necessary to construct the solar facilities, identified transmission interconnection and established a strategy to obtain PPAs.

The following chart sets forth the ISS Joint Venture solar projects in development and indicates the key development criteria that have been met for each solar project:

US Solar Portfolio Development Milestone

Project	State	Capacity (MW)	Land Control	PVSyst	Environmental Impact Study	System Impact Study	Interconnection Executed	PPA Executed
FY2019 Solar Projects								
IS 211	WA	54	✔	✔	✔	✔		
IS 137	TX	27	✔	✔				
IS 75	TX	55	✔	✔				
IS 165	TX	62	✔	✔				
Subtotal		198						
FY2020 Solar Projects								
IS 145	TX	62	✔	✔				
IS 330	FL	41	✔	✔	✔			
IS 320	CO	41	✔	✔	✔	✔		
IS 168	FL	43	✔	✔	✔			
IS 144	TX	82	✔	✔				
IS 78	FL	75	✔	✔	✔	✔		
IS 86	GA	27	✔	✔	✔	✔		
IS 341	TX	27	✔	✔				
IS 83	GA	27	✔	✔	✔	✔		
IS 207	TX	83	✔	✔				
IS 239	CO	55	✔	✔	✔			
IS 305	TX	41	✔	✔				
IS 339	OK	69	✔	✔				
IS 111	GA	27	✔	✔	✔	✔		
IS 244	KS	34	✔	✔				
IS 107	TX	87	✔	✔				
IS 177	TX	34	✔	✔				
IS 90	GA	27	✔	✔	✔	✔		
IS 267	OK	41	✔	✔				
IS 195	TX	41	✔	✔				
IS 229	KS	69	✔	✔				
IS 84	SC	30	✔	✔	✔	✔		
Subtotal		1,066						
FY2021 Solar Projects								
IS 88	NM	87	✔	✔	✔			
IS 112	GA	20	✔	✔	✔	✔		
IS 307	TX	50	✔	✔	✔			
IS 76	SC	21	✔	✔	✔			
IS 291	KS	34	✔	✔				
IS 371	CO	86	✔	✔	✔			
IS 129	SC	26	✔	✔	✔			
IS 269	CO	55	✔	✔	✔			
IS 132	SC	26	✔	✔	✔			
IS 276	TX	50	✔	✔	✔			
IS 370	WA	74	✔	✔	✔			
Subtotal		528						
Total US Pipeline		1,793						

Australia

In addition to its U.S. solar assets, VivoPower has developed and acquired a diverse portfolio of operating solar projects in Australia, totaling 2,738 kilowatts across 81 sites in every Australian state and the Australian Capital Territory. VivoPower's Australia projects are fully-contracted with high-quality commercial, municipal and non-profit customers under long-term power purchase agreements.

In May 2017, to further support our strategy in Australia, VivoPower entered into an alliance agreement with ReNu Energy Limited (ASX: RNE) of Australia, pursuant to which ReNu Energy has a right of first offer to acquire solar projects originated by VivoPower in Australia below 5 megawatts in size (the "Alliance Agreement") for the five-year term of the agreement, which may be extended by VivoPower for a further five years. Under the terms of the Alliance Agreement, ReNu Energy will pay an annual alliance fee calculated based on the total megawatts of projects acquired from VivoPower within the prior five-year period. For each project acquired, ReNu Energy will also pay an up-front origination fee to VivoPower and will generally enter into a long-term agreement under which VivoPower will provide asset management services.

In September 2017, VivoPower announced the sale of the 600-kilowatt Amaroo Solar PV Project, the largest rooftop solar project in the Australian Capital Territory, to ReNu Energy for a total purchase price of $1.9 million, and the sale was completed in February 2018. VivoPower continues to operate and manage the Amaroo Solar PV Project on behalf of ReNu Energy, in addition to operating all of our owned projects across the country.

VivoPower continues to opportunistically pursue attractive monetization opportunities for its operating Australian assets, through both third-party sales as well as potential alternative methods, such as asset securitization.

In addition to the owned and operating projects, VivoPower is continuing to develop and finance new solar projects throughout Australia, both individually and with experienced partners. In January 2018, VivoPower, in partnership with leading Australian solar installer, Autonomous Energy, was appointed as a preferred supplier for solar power purchase agreements for the New South Wales state and local government, enabling government councils and other organizations to acquire solar goods and services from VivoPower. In February 2018, VivoPower signed a term sheet for the development of a portfolio of utility-scale solar projects in New South Wales, to total 50 megawatts or more, with an established Australian engineering partner. VivoPower is involved in discussions with numerous large corporate and municipal electricity offtakers throughout Australia for the development of medium-to-large scale behind-the-meter and utility-scale solar PV projects to help those customers meet their renewable energy procurement goals. In many cases, VivoPower is working with Aevitas for the design, engineering and construction of these new solar PV projects. Our relationship with Aevitas positions us favorably against competing solar developers in Australia who must contract with independent EPC firms for the construction of their solar projects.

Power Services

VivoPower, through its wholly-owned Australian subsidiary, Aevitas, also provides critical energy infrastructure generation and distribution solutions including the 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 in excess of 650 active 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. Aevitas was formed in 2013 through the acquisitions of J.A. Martin Pty Limited ("J.A. Martin") and Kenshaw Electrical Pty Limited ("Kenshaw"), and was acquired by VivoPower in December 2016. Structural and cyclical factors have created a strong operating environment for Aevitas, particularly the strong growth in infrastructure investing and a recovery in the mining sector.

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 to originate behind-the-meter solar projects and convert these opportunities into development revenues. In addition, the Alliance Agreement signed with ReNu Energy Limited is expected to enhance our ability to transfer projects for which we can provide ongoing power services.

Aevitas has several core competencies, encompassing a range of electrical, mechanical and non-destructive testing services, including:

- Switchboards & Motor Control Centres ("MCCs"): includes supply and design of switchboards and MCCs, the core of any electrical distribution network;
- Power Generation & Distribution: includes the design, supply, installation and maintenance of standby generators, control systems and switchboards;
- Electric Motors: includes design of customized motor solutions to fit legacy infrastructure and advice on the latest energy efficient motors; and,
- Non-Destructive Testing: includes electrical and mechanical preventative and diagnostic testing services including solar panel arrays.

J.A. Martin

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

J.A. Martin operates from three premises in New South Wales, including a factory in Newcastle which manufactures, and services customized industrial switchboards and motor control centers. It has two office and workshop facilities, in the Hunter Valley for servicing the infrastructure, mining and industrial sectors, and in the Liverpool Plains for servicing customers in the infrastructure and mining sectors.

J.A. Martin has several core competencies, which include: customized industrial switchboard and motor control center design, manufacture and maintenance; industrial electrical engineering, project management for mining, infrastructure and industrial applications; solar farm electrical contracting and EPC; electrical maintenance and servicing (with a service fleet of 70 service vehicles); and, industrial, mining and infrastructure CCTV and data cabling.

The Australian solar generation market is demonstrating a strong growth profile. Bloomberg New Energy Finance ("BNEF") predicts that investment in large-scale solar will total $2.3 billion in 2018. In addition, there is significant growth of behind the meter ground mount and roof-top solar installations as commercial, industrial and government entities respond to concerns about energy security and costs by embracing cheaper solar power solutions. J.A. Martin has recently completed the provision of electrical installation and services for two new solar farms (totaling 4.8 megawatts and 9.7 megawatts, respectively). J.A. Martin is now approved by the Clean Energy Council (CEC) to be able to complete the entire EPC process, not just the electrical component, and is very well positioned competitively to leverage the strong growth outlook for Australian solar.

Kenshaw

Founded in 1981, Kenshaw has a unique mix of electrical, mechanical and non-destructive testing capabilities for customers across a broad range of industries, operating from its base in Newcastle, New South Wales. Kenshaw's success has been built on the capability of its highly skilled personnel to be able to provide a wide range of power generation solutions, products and services across the entire life-cycle for electric motors, power generation, mechanical equipment and non-destructive testing. From the head office in Newcastle, Kenshaw's engineers provide regular and responsive service to long-standing clients ranging from data centers, mining and agriculture to aged care, hospitals, transport and utility services.

Kenshaw has several core competencies, which include: generator design, turn-key sales and installation; generator servicing and emergency breakdown services; customized motor modifications; non-destructive testing services including crack testing; diagnostic testing such as motor testing, oil analysis, thermal imaging and vibration analysis; and, industrial electrical services.

A key market for Kenshaw is the data center sector and we are benefiting from this growth through its long-term relationship with one of Australia's leading data center companies, Canberra Data Centre (CDC). Kenshaw has been engaged by CDC since 2012 to install and maintain generators, a capability that Kenshaw is leveraging with other data centers.

A second market for Kenshaw is the growth in aged care facilities, which, according to a 2015 Intergenerational Report by the Australian Treasury Department, is expected to require the development of approximately 76,000 new locations by 2024 in order to meet demand, as the number of Australians aged 65 years and over is forecast to more than double over the next 40 years. Kenshaw has built up significant experience through servicing longstanding customers such as Hunter New England Health, Anglican Care, and BUPA for which it delivers customized back up power solutions and services as well as generator and thermal imaging services.

While maintaining and growing its core competency in power generation, Kenshaw is working to extend its strategy to include battery storage solutions. Battery storage is rapidly becoming commercially viable and will shortly become a standard feature in both solar and other commercial applications. BNEF reports that more than five gigawatts of storage projects were initiated in Australia during 2017 and expects the market to continue to grow strongly. Accordingly, Kenshaw is evaluating a number of battery manufacturers to seek preferred supplier arrangements and commence revenue generation.

Industry Background

Solar power is the world's largest potential energy source and is the fastest-growing form of renewable energy. Between 2003 and 2017, cumulative installed solar capacity increased at an average annual growth rate of 43%, according to the International Energy Agency ("IEA") [2018 Snapshot of Global Photovoltaic Markets] and the European Photovoltaic Industry Association ("EPIA") [Global Market Outlook for Photovoltaics 2014-2018]. Yet, solar energy's contribution to global energy generation remains insignificant, contributing less than 2% globally, even as panel costs have dropped more than 92% over the same period, according to BNEF [Q12018 Global PV Market Outlook].

As noted above, battery storage is rapidly becoming commercially viable and will shortly become a standard feature of our solar projects. VivoPower is actively evaluating battery storage technology in all of our potential solar projects. We believe that battery storage will help lower grid-wide peaks, smooth intraday variations and accelerate the reduction of fossil-fueled generation, and replace it with cleaner emission-free renewable energy.

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 power source to low carbon generation. Appetite for renewable energy among corporations is increasing quickly, as demonstrated by the organization RE100. RE100 is a collection of 122 major global corporations that have committed to source 100% of their power from renewable energy by a specified year. RE100 members collectively represent approximately 159 terawatt-hours ("TWh") of annual demand. Furthermore, Deutsche Bank 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 of 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 New Energy Outlook 2018, the cost of lithium-ion batteries has fallen 79% (from $1000/kWh to $209/kWh) since 2010 on a dollar per kWh basis. 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 4,014,804 thousand megawatt hours ("MWh") of electricity in 2017 according to IEA data. Approximately 30.1% of this was generated from coal-fired power stations, with gas-fired power stations contributing approximately 31.7% of generation. FERC data for utility scale generation plants of 1 megawatt or greater capacity shows that the U.S. had 1,186 gigawatts of installed generating capacity at the end of April 2018. Of this installed capacity, solar represented just 2.8%. 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 59% from 2010 to 2018.

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 allows 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. FITs typically apply to distributed solar facilities connected to the electrical 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 distributed solar facilities connected to the electrical 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 solar 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. Per BNEF, in 2016 about 10.1 terawatt-hours of electricity was generated from solar PV technologies representing only 4.2% of Australia's total electricity generation and Australia is still highly reliant on heavily polluting coal generation, contributing 154 terawatt-hours or 63% of total electricity generation in 2016 [BNEF Australia County Profile].

According to BNEF, Australia installed 1.2 gigawatts of solar PV in 2017 and reached a cumulative installed capacity of 7.1 gigawatts, the vast majority of which has historically come in the form of small-scale residential and commercial roof-top systems. BNEF projects solar capacity additions in 2018 and 2019 of 1.2 gigawatts and 2.7 gigawatts, respectively [BENF 2018 Australia Energy Market Outlook]. Unlike in the past, a significant proportion of this growth is expected to come from large, utility-scale solar PV installations, with 3.6 gigawatts of utility-scale capacity expected to be added between 2018 and 2019 compared to 2.4 gigawatts of small-scale projects over the same period.

Customers

Solar Development – In this segment, we serve three categories of customers. The first category is buyers of electricity from our power plants, which consists mainly of local utilities and electricity retailers, along with commercial, industrial, and municipal customers through long-term, fixed-price PPAs. Our ability to generate revenue and profits depends on our ability to secure such PPAs for our projects and the timely payment of such parties under the PPAs. The second category is suppliers and service providers such as engineering, procurement and construction companies with whom we work to complete the development and construction of our solar projects. The third category is providers of long term equity capital to finance the solar projects that we develop, which includes strategic companies and passive institutional investors.

Power Services – Through Aevitas, we have over 650 commercial and industrial customers primarily in New South Wales, Australia. Our customers are in a wide range of industries, with a meaningful number in manufacturing, mining, data center, hospitals, and solar, all of whom rely on our products and services for essential energy infrastructure.

Suppliers

Solar Development - 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, PV Hardware, and NEXTracker. 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 our capability to secure equipment contracts on attractive terms with such suppliers of modules, inverters and other equipment.

Power Services - Our product supply strategy is based on supplying quality reliable products competitively.

- J.A. Martin – We utilize our strong business relationships with our many suppliers, such as Schneider Electric and NHP Electrical Engineering Products. These relationships are integral to the realization of our commercial goals and our ability to meet the demands of our customers in a very competitive marketplace.

- Kenshaw – Our relationships with our primary suppliers enables us to sell and service their equipment as dealers or agents. We are a primary supplier and service agent for Cummins generators and WEG electric motors. Kenshaw also maintains long term relationship with other equipment manufacturers such as Toshiba and FG Wilson. This allows us to offer a complete solution to our clients with flexibility of product choice. While equipment manufacturers are vital to our success, it is the working relationships with all of our suppliers that allows us to maintain our competitive advantage in delivering orders and projects.

Intellectual Property

The agreements we enter into with suppliers generally permit us to use the intellectual property required to operate the solar power plants we develop or sell and service the product lines we represent. 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

Solar Development - The revenue generated by our projects is principally dependent on the number of megawatt hours generated in a given time period. The quantity of electricity generation from a solar power project depends heavily on insolation conditions, which are variable from season to season and year to year. In addition, PPAs often have different rates for summer and non-summer periods. Accordingly, variability and seasonality in insolation may cause our revenues from power generation and sales of SPECs and LGCs to vary significantly from period to period. We base our decisions about which projects to acquire and develop as well as our electricity generation estimates, in part, on the findings of long-term insolation and other studies conducted on the project site and its region, which involve uncertainty and require us to exercise considerable judgment. We may make incorrect assumptions in conducting these insolation and other meteorological studies. Any of these factors could cause our projects to generate less electricity than we expect and reduce our revenue from electricity, SREC and LGC sales, which could have a material adverse effect on our business prospects, financial condition and results of operations. Variability or seasonality in electricity generations generally will not have a significant effect on revenues we earn from the gain on sale of investments, development fees, or asset management fees.

Power Services – There is no material seasonality which impacts this business.

Competition

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

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 screening projects that offer attractive PPAs with creditworthy counterparties, as well as our significant in-house engineering expertise in both our Solar Development and Power Services businesses.

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 extended expiration date for tax credits for solar facilities commencing construction before 2020 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. In Australia, generators of renewable energy benefit from a number of federal- and state-level incentives, most notably the sale of LGCs as prescribed by the national Renewable Energy Target ("RET").

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

- PPA rates
- Availability of incentives
- 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

Power Services – We operate in a highly competitive marketplace, and thus our customers consistently assess price, delivery, service levels and quality. Competition is generally with OEMs, wholesalers, and other companies with similar capabilities as us. Other competitive considerations in this segment are:

- Delivery lead times of products, services and projects;
- Customer market awareness and misinformation around inferior quality products;
- Degree to which a product requires customization or is unique; and,
- Aggressive margins and tactics from competitors.

We actively work to secure contracts and long-term agreements with major customers and service clients to maintain a base continuous revenue stream. This base allows the opportunity to target major projects as opportunities arise.

Regulatory Matters

Solar Development - 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 and accelerated depreciate schedules permit an owner of a solar project to claim applicable credits and deduct depreciation from income on an accelerated basis on their tax returns. Net metering policies allow customers to deliver to the electric grid any excess electricity produced by their on-site solar power systems, and to be credited for that excess electricity at a rate that is often at or near the full retail price of electricity.

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

Our business is also affected by trade policy and regulations. Examples include tariffs on solar modules and solar cells, such as the tariffs discussed above under "Item 3. Key Information – D. *Risk Factors - "U.S. tariffs that went into effect in 2018 could have a material adverse effect on our ability to successfully develop, and realize revenue from, projects in our ISS Joint Venture portfolio and, therefore, could have a significant and negative effect on our results of operations in general*." Such tariffs can have a significant impact on the pricing and supply of solar cells and solar modules.

Power Services – We continuously review our operations to ensure compliance with statutory requirements, including all applicable federal, state and local government regulations. There are no material government regulation affecting this business.

Government Subsidies

Solar Development - 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.

Power Services – There are no government subsidies applicable to this business.

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.

C. Organizational Structure

VivoPower has 32 subsidiaries and associate undertakings (collectively with VivoPower, "the Group"). The following list shows the Company's shareholdings in subsidiaries, associate and joint ventures owned directly and indirectly as at March 31, 2018.

Subsidiaries	Incorporated	% Owned	Purpose
VivoPower International Services Limited	Jersey	100%	Operating company
VivoPower International Holdings Limited	United Kingdom	100%	Dormant
VivoPower USA, LLC	United States	100%	Operating company
VivoRex, LLC	United States	100%	Operating company
VivoPower US-NC-31, LLC	United States	100%	Holding company
VivoPower US-NC-47, LLC	United States	100%	Holding company
VivoPower (USA) Development, LLC	United States	100%	Holding company
VivoPower Pty Limited	Australia	100%	Operating company
VivoPower WA Pty Limited	Australia	100%	Operating company
VVP Project 1 Pty Limited	Australia	100%	Holding company
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%	Dormant
Juice Capital Fund 1 Pty Limited	Australia	100%	Holding 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 Singapore Pte Limited	Singapore	100%	Operating company

Associate and Joint Venture Undertakings	Incorporated	% Owned	Purpose
VivoPower Philippines Inc.	Philippines	64%	Operating company
VivoPower RE Solutions Inc.	Philippines	64%	Operating company
Innovative Solar Ventures I, LLC	United States	50%	Operating company
V.V.P. Holdings Inc.	Philippines	40%	Holding company

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.

In addition, the Company holds our non-controlling minority investments in the NC Projects through the following companies, which are not subject to significant influence and therefore accounted for on a cost basis.

Investees	Incorporated	% Owned	Purpose
US-NC-31 Sponsor Partner, LLC	United States	14.45%	Holding company
US-NC-47 Sponsor Partner, LLC	United States	10%	Holding company

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 2018.

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 minimal investment in plant and equipment, with $0.8 million invested in plant & equipment in fiscal 2018 (including solar panel systems) ($1.3 million in fiscal 2017), $0.8 million invested in vehicle assets in fiscal 2018 ($0.6 million in fiscal 2017), of which $0.6 million were held under finance leases ($0.3 million in fiscal 2017), and $0.3 million invested in computer equipment and leasehold improvements ($0.3 million in fiscal 2017).

In addition, as part of our business model, we invest in solar development 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 the NC Projects, are material to our business but not consolidated in our financial results as our minority equity interest is not subject to significant influence and therefore is accounted for on a cost basis.

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" or in other parts of this Annual Report. 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.

A. Operating Results

Overview

VivoPower is an international solar power producer that develops, owns and operates photovoltaic (PV) solar projects in a capital efficient manner. VivoPower operates its business through three operating segments: (i) Solar Development, (ii) Power Services, and (iii) Corporate Office, each as described more fully below.

During the year ended March 31, 2018, the Company and its subsidiaries (the "Group") generated revenue of $33.6 million, gross profit of $5.1 million, operating loss of $7.6 million, and net loss of $27.9 million. For the year ended March 31, 2017, the Group generated revenue of $32.3 million, gross profit of $27.2 million, operating profit of $17.3 million and net profit of $5.6 million. There were no measurable operations in the two-month period of 2016 for which to compare the current or prior year results.

The results of operations for the year ended March 31, 2018 were significantly influenced by a change in the mix of operations. In the prior year ended March 31, 2017, our operations were dominated by the completion of the Group's first solar project, NC-31, and near completion of a second project, NC-47, both located in North Carolina, United States (together, the "NC Projects"). These NC Projects contributed $24.6 million to revenue and gross profit in fiscal year 2017. In addition, a $1.6 million preferred supplier agreement was recognized in revenue and gross profit during that year. Aevitas Group Limited ("Aevitas") had been acquired only three months prior to March 31, 2017, and accordingly contributed a lesser amount of $5.6 million to revenue and $0.7 million to gross profit.

This is in contrast to the current year ended March 31, 2018, wherein $0.8 million was contributed to revenue and gross profit from the completion of the NC Projects and a full year of operation of Aevitas contributed $31.8 million of revenue and $4.3 million of gross profit. None of the 38 solar projects in the ISS Joint Venture achieved a construction stage of development during the year and accordingly did not contribute to profitability in the year ended March 31, 2018.

The results of operations for the year ended March 31, 2018, reflect higher general and administrative costs, which included $2.4 million annualized effect of the Aevitas and VivoPower Australia acquisitions in the prior year (only three months of operations were included in the year ended March 21, 2017) and $3.1 million of non-recurring remuneration costs and consulting fees. As a result of the strategic restructuring of our business, a number of employees and contractors were transitioned from the business and accordingly $1.5 million of remuneration expense in the year ended March 31, 2018, will be non-recurring. In addition, AWN re-charged $1.6 million of third-party consulting fees to the Company related to our solar development business. These services included international solar procurement consulting, project evaluations, engineering review and technical validation related to the EPC contract for NC-31, a solar project in North Carolina which was substantially completed on 27 March 2017. These costs by their nature were one-time and are not expected to recur in the future.

The results of operations for the year ended March 31, 2018, were further negatively impacted by $1.9 million of one-time restructuring costs, $10.2 million impairment of assets and $11.1million impairment of goodwill. The $1.9 million of one-time restructuring costs represented the costs of streamlining our solar development activities to focus on U.S. and Australian investments only and legal fees related to the restructuring, all as further described below in this section under "*Restructuring Costs.*" The impairment of assets relates to the sale, subsequent to the year-end, of the Company's 14.5% and 10.0% equity interests, respectively, in the NC-31 and NC-47 projects, the $11.4 million balance of which has been reflected as assets held for sale within current assets at March 31, 2018. The impairment is further discussed below in this section under "*Impairment of Assets."* The impairment of goodwill relates to goodwill acquired in the acquisition of VivoPower Australia as part of the Business Combination ($10.5 million) and the first-time consolidation of three Philippine-based controlled entities ($0.6 million), all as further discussed below in this section under "*Impairment of Goodwill."*

Management analyzes our business in three reportable segments: Solar Development, Power Services, and Corporate Office. Solar Development is the development, construction, financing and operation of solar power generating plants. Power Services is represented by Aevitas operating in Australia and its focus on the design, supply, installation and maintenance of power and control systems. Corporate Office is the Company's corporate functions, including costs to maintain Nasdaq public company listing, comply with applicable SEC reporting requirements, and related investor relations and is located in the United Kingdom. The following are the results of operations for the years ended March 31 by reportable segment:

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

2017 **(US dollars in thousands)**	**Solar Development**	**Power Services**	**Corporate Office**	**Total**
Revenue	$ 26,636	$ 5,614	$ -	$ 32,250
Costs of sales	(29)	(4,948)	-	(4,977)
Gross profit	**26,607**	**666**	**-**	**27,273**
General and administrative expenses	(4,544)	(598)	(4,174)	(9,316)
Gain on sale of assets	-	-	-	-
Depreciation and amortization	(4)	(646)	(1)	(651)
Operating profit/(loss)	**22,059**	**(578)**	**(4,454)**	**17,306**
Restructuring costs	-	-	-	-
Impairment of assets	-	-	-	-
Impairment of goodwill	-	-	-	-
Transaction costs	-	-	(5,800)	(5,800)
Finance expense – net	(174)	(363)	(50)	(587)
Profit/(loss) before taxation	**21,885**	**(941)**	**(10,025)**	**10,919**
Income tax expense	(6,078)	294	446	(5,338)
Profit/(loss) for the year	**$ 15,807**	**$ (647)**	**$ (9,579)**	**$ 5,581**

As the company was formed on February 1, 2016, only administrative expenses of $0.3 million were reported in the two-month period ended March 31, 2016 and relate entirely to the Corporate Office segment.

While overall revenue rose $1.4 million year-over-year from 2017 to 2018, the revenue in the current year was largely generated from a full twelve months of operation within the Power Services segment (Aevitas), which had a lower gross profit margin of 13.6% (2017: 11.9%) than Solar Development activities. General and administrative expenses were actively managed down across the business, including in Power Services segment, which represented twelve months of operation in the current year compared to three months in the prior year as Aevitas was acquired on December 29, 2016. Amortization expense was higher in the Power Services business year-over-year due to a full year amortization of intangible assets acquired as part of the Aevitas and VivoPower Australia acquisitions on December 29, 2016.

A gain on the sale of solar assets arose in the current year in the Australian business as the Amaroo solar project was sold to ReNu Energy under the terms of the Alliance Agreement and, as noted above and discussed in more detail below, while our results of operations were negatively impacted by $5.0 million of one-time restructuring costs, $10.2 million impairment of assets, and $11.1 million impairment of goodwill.

Financing costs increased year-over-year predominately due to the full year impact of the convertible loan notes and preferred share financing in Power Services (Aevitas) and the $19.0 million AWN related party loan advanced in the prior year. In addition, $0.4 million of borrowing costs was incurred in the current year related to a $2.0 million short-term loan ("DEPCOM Loan") provided by SolarTide, LLC, an affiliate of DEPCOM Power, an engineering, procurement, and construction firm that was involved in the development of the NC Projects.

As of March 31, 2018, the Group had net assets of $37.0 (2017: $64.6) million, with intangible assets, including goodwill of $36.4 (2017: $46.3) million and investments of $14.1 (2017: $18.1) million.

As of March 31, 2018, the Group's current assets were $21.3 (2017: $30.8) million, which was comprised of $1.9 (2017: $11.0) million of cash and cash equivalents, $7.9 (2017: $19.8) million of trade and other receivables, and $11.4 (2017: nil) million of assets held for sale related to the NC Projects. Current liabilities were $20.6 (2017: $12.2) million, which resulted in a current asset-to-liability ratio of 1.03:1 (2017: 2.53:1) at year-end.

Cash used for the year was $9.0 (2017: cash generated $11.0) million, arising from cash generated by operating activities of $8.9 (2017: $6.3) million, cash used in investing activities of $16.6 (2017: $26.7) million, and cash used in financing activities of $1.3 (2017: cash generated $31.4) million. At March 31, 2018, the Group had cash reserves of $1.9 (2017: $11.0) million and debt of $22.3 (2017: $20.3) million, giving a net debt position of $20.4 (2017: $9.3) million.

Investing activities in the current year were comprised of a $14.1 million investment in the ISS Joint Venture, $3.6 million investment in the NC Projects, purchase of $0.6 million of operating assets in Power Services (Aevitas) businesses, $0.6 million investment in a solar project in Australia, offset by $2.3 million proceeds on sale of assets, principally the sale of the Amaroo solar project. Of the total $14.1 million investment in the ISS Joint Venture, only $12.8 million was funded during the year ended March 31, 2018, with the remaining $1.3 million commitment recorded as a current liability in trade and other payables.

Financing activities included finance lease borrowings of $0.3 million, net of repayments, on motor vehicle assets in Power Services (Aevitas) businesses, $2.0 million proceeds of the DEPCOM Loan, and a $0.8 million short-term loan from AWN, offset by finance expense of $3.4 million and repayment of bank loan on the sale of the Amaroo solar project.

Revenue

Revenue for the year ended March 31, 2018, increased $1.4 million to $33.7 million, from $32.3 million in the prior year. As the company was formed in February 1, 2016, there were no reportable revenues in the two-month period ended March 31, 2016.

Revenue by product and service is follows:

	For the Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
Development fees	$ 828	$ 24,555	$ -
Electrical products and related services	31,631	5,615	-
Other revenue	1,188	2,080	-
Total revenue	$ 33,647	$ 32,250	$ -

Development fee revenue for the year ended March 31, 2018 of $0.8 million was earned on the final stage of completion of the second of the two NC Projects. A total of $25.4 million in development fees were earned on the two NC Projects, with $24.6 million being recognized in the year ended March 31, 2017, and the final $0.8 million recognized in the current year. Solar development fee revenue is recognized on a percentage completion basis meaning that projects are invoiced upon substantial completion and revenue is accrued as a project progresses through different stages of completion. Deferred revenue as of March 31, 2018, related to the NC Projects was $ nil (2017: $13.2) million.

Development fee revenue is earned to manage the construction of projects on behalf of investors and accordingly, only earned when a project reaches the construction stage of development. Since the completion of the second NC Project in May 2017, no other projects have matured to the construction stage of development. The number and type of these projects that become ready for construction in any reporting period may vary widely and as a result, will cause substantial variations in our operating results as the solar development revenue derived from each individual project is significant.

The sale of electrical products and related services is generated from Australia-based business of Aevitas focused on the design, supply, installation and maintenance of power and control systems. 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. The revenue reported for power services for the year ended March 31, 2018, represents twelve months of operation, compared to the prior year ended March 31, 2017, which represented only three months of operation as Aevitas was acquired on December 29, 2016.

Other revenue for the year ended March 31, 2018, includes $0.4 million from the sale of Solar Renewable Energy Certificates ("SRECs") purchased from the NC Projects, $0.3 million earnings distribution related to the equity investment in the NC Projects carried at cost, asset management fees of $0.2 million earned from provision of management services to the NC Projects, $0.1 million power generation income from Australian solar projects, and $0.2 million of miscellaneous other revenue in Aevitas.

The Company has a ten-year contract with the NC Projects to purchase all of the SRECs produced by the projects over that time period. SRECs are a form of renewable energy certificate or "green tag" existing in the United States. SRECs exist in states, like North Carolina, that have Renewable Portfolio Standard ("RPS") legislation with specific requirements for electricity suppliers to secure a portion of their power from solar generators. Under the SREC program, one SREC is created for every megawatt-hour of solar power generated and is sold separately from the power and represents the "solar" aspect of the electricity that was produced. All of the SRECs purchased by the Company from the NC-47 project are sold to one commercial customer under a five-year contract, which generated $0.3 million of the revenue reported, and the SRECs purchased from NC-31 project are sold at a lower price through the wholesale market to businesses looking to meet their solar RPS requirement or otherwise meet energy sustainability targets, which generated $0.1 million of the revenue reported.

Other revenue for the year ended March 31, 2017 was comprised of a $1.6 million from a global preferred supplier agreement, $0.4 million earnings distribution related to the equity investment in the NC Projects carried at cost, and $0.1 million power generation income from Australian solar projects.

Revenue by geographic location is follows:

	For the Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
United States	$ 1,662	$ 24,945	$ -
Australia	31,985	5,705	-
United Kingdom	-	1,600	-
Total revenue	$ 33,647	$ 32,250	$ -

Reflecting the change in mix of operations contributing to revenue in the most recent year between solar development fees and power services as discussed above, only $1.7 million of revenue, or 0.5%, was generated in the United States during the year ended March 31, 2018, as compared with $24.9 million, or 77.3%, in the prior year.

United States revenue of $1.7 million for the year ended March 31, 2018, includes $0.8 million of solar development fees and $0.9 million of other revenue from the sale of SREC's ($0.4 million), distribution of earnings from the NC Projects ($0.3 million), and provision of management services to the NC Projects ($0.2 million). This compares to total United States revenue of $24.9 million in the prior year, which was comprised of $24.6 million of solar development fees on the NC Projects and $0.3 million distribution of earnings from the NC Projects. The difference was largely due to no solar development projects achieving an advanced stage of development during the year ended March 31, 2018 and accordingly not contributing to revenue during that year.

Australian revenue of $32.0 million for the year ended March 31, 2018, is comprised of $31.7 million of revenue from power services provided by Aevitas, $0.2 million of miscellaneous other revenue earned by Aevitas, and $0.1 million of power generation income from Australian solar projects. This compares to total Australian revenue of $5.7 million in the prior year, comprised of $5.6 million of power service revenue provided by Aevitas in the three months of operation following acquisition on December 29, 2016, and $0.1 million of power generation income from Australian solar projects. The difference in Australian revenue is primarily due to the fact that our prior year results reflected only approximately three months of Aevitas results of operations.

Revenue in the United Kingdom for the year ended March 31, 2017, was earned from a one-time global preferred supplier arrangement with one supplier that was recognized as revenue when the legal obligation to pay had been satisfied.

No more than 10% of revenue was earned from any one customer in the year ended March 31, 2018. In the prior year, 40.3% of revenue was earned from one customer and 35.8% of revenue was earned from a second customer, both solar development revenue from the NC Projects.

Cost of Sales

Cost of sales totaled $28.5 million for the year ended March 31, 2018, and by product or service is as follows:

	For the Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
Development fees	$ -	$ -	$ -
Electrical products and related services	27,482	4,948	-
Other revenue	1,042	29	-
Total revenue	$ 28,524	$ 4,977	$ -

Cost of sales related to electrical products and related services of $27.5 million consists of material purchases and direct labor costs, motor vehicle expenses and any directly related costs attributable to manufacturing, service, or other cost of sales.

The cost of sales related to other revenue of $1.0 million, for the year ended March 31, 2018, is comprised of the cost of SREC purchases from the NC Projects.

As noted above, the Company has a ten-year commitment to purchase SRECs from the NC Projects. The cost of sale related to SREC revenue is comprised two components: (i) $0.6 million related to SRECs purchased from NC Projects for the year ended March 31, 2018, $0.4 million from NC-47 and $0.2m from NC-31; and, (ii) $0.4m one-time onerous contract provision, which recognizes a contract to sell the SRECs on NC-47 at a loss until April 21, 2022.

There are no costs of sales associated with the development fees. These development services were provided by salaried management and employees of the Company, whose costs for the year were fully expensed in general and administrative expenses and not specifically in cost of sales. As the role and function of these employees are multi-faceted and included responsibilities across a number of projects, business development activities, general management, and administrative functions, we did not distinguish between those costs which specifically relate to the performance obligations under the solar development contract and those related to other general and administrative costs.

Cost of sales of other revenue for the year ended March 31, 2017 is related to the 0.3 million related to the $0.1 million power generation revenue from Australian solar projects. The other revenue for the year ended March 31, 2017, comprised of a $1.6 million from a global preferred supplier agreement and $0.4 million earnings distribution related to the equity investment in the NC Projects, had no associated cost of revenue.

Gross Profit

Our gross profit is equal to revenue less cost of sales and totaled $5.5 (2017: $27.3) million for the year ended March 31, 2018. Gross profit by product and service is as follows:

	For the Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
Development fees	$ 828	$ 24,555	$ -
Electrical products and related services	4,149	667	-
Other revenue	146	2,051	-
Total revenue	$ 5,123	$ 27,273	$ -

As noted above, there were no costs of sales associated with the development fees and therefore the gross margin is equal to the revenue from these activities.

The gross profit from electrical products and related services (the Aevitas business) was $4.1 million, which represents a gross margin percentage of 13.1%. This is as compared to the gross profit of $0.7 million for the year ended March 31, 2017, which represented a gross margin percentage of 11.9%. The margin improvement is due to effective cost management and increasing market demand allowing for selective price increases.

Gross profit on other revenue includes a loss on the sale of SRECs $0.2 million, as the Company sold the SRECs for less than cost. The SRECs purchased from NC-47 that are sold to a commercial customer under a five-year contract are sold at a loss of $0.1 million per year. Accordingly, an onerous contract provision for the remaining four years of the contract totaling $0.4 million has also been recognized in the current year. The SRECs purchased from NC-31 are being sold in the wholesale market and also incurred a loss on sale of $0.1 million in the current year, but the Company is developing alternative markets for future years and believes it is more likely than not that future SRECs purchases can be sold at or above cost.

The remaining gross profit from other revenue of $0.7 million for the year ended March 31, 2018, is related to $0.3 million earnings distribution related to the equity investment in the NC Projects, asset management fees of $0.2 million earned from provision of management services to the NC Projects, and $0.2 million of miscellaneous other revenue in Aevitas.

Gross profit from other revenue for the year ended March 31, 2017, related to the $1.6 million from a global preferred supplier agreement, $0.4 million earnings distribution related to the equity investment in the NC Projects carried at cost, and $0.1 million power generation income from Australian solar projects.

General and Administrative Expenses

(US dollars in thousands)	**For the Year Ended March 31,**		
	2018	**2017**	**2016**
			(2 months)
Salaries and benefits	$ 6,422	$ 4,973	$ 102
Professional fees	4,155	2,847	106
Insurance	831	257	-
Travel	503	574	30
IT licensing and support	356	278	-
Office and other expenses	547	387	41
	$ 12,814	**$ 9,316**	**$ 279**

Our general and administrative expenses increased by $3.5 million to $12.8 million for the year ended March 31, 2018, compared to $9.3 million for the year ended March 31, 2017. These expenses consist primarily of operational expenses, such as those related to employee salaries and benefits, professional fees, insurance, travel, IT, office and other expenses.

The most significant impact on these expenses year-over-year was the effect of the Aevitas and VivoPower Australia acquisitions on December 29, 2016, as only three months of operations for these were included in the results reported for the year ended March 31, 2017. A full twelve months of operations were included for these businesses in the year ended March 31, 2018. The impact on general and administrative expenses of including twelve months of operations compared to three months in the prior year is as follows:

(US dollars in thousands)	**For the Year Ended March 31,**			
	2018 As Reported	Annualized Impact of 2017 Acquisitions*	**2018** Like for Like	**2017**
Salaries and benefits	$ 6,422	$ 1,394	$ 5,028	$ 4,973
Professional fees	4,155	395	3,760	2,847
Insurance	831	151	680	257
Travel	503	69	434	574
IT licensing and support	356	108	248	278
Office and other expenses	547	240	307	387
	$ 12,814	**$ 2,357**	**$ 10,457**	**$ 9,316**

* General and administrative expense of Aevitas and VivoPower PTY for the nine months ended 31 March 2018.

On a like-for-like bases, salaries and benefits are $5.0 (2017: $5.0) million, or 48.1% (2017: 53.4%) of general and administrative expenses. Key management personnel account for $2.6 (2017: $3.3) million of the total salary and benefits expense. Salary and benefits includes $1.5 million of remuneration expense for the year ended March 31, 2018, that will be non-recurring as a number of employees and contractors were transitioned from the business as part of the strategic restructuring.

Professional fees at $3.8 (2017: $2.8) million on a like-for-like basis, or 36.0% (2017: 30.6%) of general and administrative expenses, are comprised of audit and accounting fees, consulting fees to support business development and legal fees. Included in professional fees for the year ended March 31, 2018 is $1.6 million of third-party consulting fees recharged to the Company by AWN related to our solar development business. These services included international solar procurement consulting, project evaluations, engineering review and technical validation related to the EPC contract for NC-31, a solar project in North Carolina which was substantially completed on 27 March 2017. These costs by their nature were one-time and are not expected to recur in the future.

Insurance expense of $0.7 (2017: $0.3) million is up due to the cost of directors and officers' liability insurance following the Company's listing on Nasdaq on December 29, 2016. Travel expenses are $0.4 (2017: $0.6) million, or 4.2% (2017: 6.2%), and are a result of travel requirements to support the international nature of the business. IT licensing and support expenses represent the cost of accounting, operations, email and office, file storage, and security software products and licenses. Office and other expenses includes office and meeting space rental, communication and marketing, bank fees and general office administrative costs.

Gain on Sale of Assets

The total gain on sale of assets for the year ended March 31, 2018 of $1.3 million arose in the Solar Development segment of the business from the sale of the Amaroo solar project in Australia ($1.1 million gain) and the disposal of property and equipment assets by the Aevitas business ($0.2 million gain).

The Amaroo solar project in Australia was sold to ReNu Energy on February 9, 2018, under the terms of the Alliance Agreement. Pursuant to the Alliance Agreement, ReNu Energy has a right of first offer to acquire any solar projects originated by VivoPower in Australia below 5 megawatts in size. The purchase price for the Amaroo assets was $1.9 million, which were recorded as plant and equipment with a net book value at the time of sale of $0.9 million. In addition, ReNu Energy paid a $0.1 million establishment fee, which was a one-time fee payable to VivoPower on the first transaction completed under the Alliance Agreement. The proceeds from the sale (which totaled $2.0 million) were applied to repay a corresponding bank loan of VivoPower's from ANZ Bank that had an outstanding balance of principal and interest on the transaction date of $1.0 million.

The gain of $0.2 million reflected in the Power Services segment of the business, relates to a gain on sale of assets within the Aevitas business comprised of numerous small sales of surplus vehicles as part of on-going fleet upgrade and renewal and sale of scrap materials.

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, 2018, was $1.9 (2017: $2.2) million.

Tangible asset	Estimated useful life (in years)
Computer equipment	3
Fixtures and fittings	3
Motor vehicles	5
Plant and equipment	3.5 to 10 years
Leasehold improvements	20 to 40 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 (in years)
Trade names	15
Customer relationships	10 and 20
Favorable supply contracts	15
Databases	3

Under IFRS, intangible assets and goodwill are subject to an annual impairment review and following the impairment review as of March 31, 2018, a goodwill impairment charge of $11.1 million was recorded for the year, as further discussed below in this section under "*Impairment of Goodwill*."

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

Restructuring Costs

Restructuring costs by nature are 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 our Statement of Comprehensive Income.

(US dollars in thousands)	**For the Year Ended March 31,**		
	2018	**2017**	**2016**
			(2 months)
Corporate restructuring – workforce reduction	$ 734	$ -	$ -
Corporate restructuring – professional fees	566	-	-
Corporate restructuring – terminated projects	573	-	-
	$ 1,873	**$ -**	**$ -**

During the year ended March 31, 2018, the Company undertook a strategic restructuring of our business to align operations, personnel, and business development activities to focus on a fewer number of areas of activity that we believe have the most potential for to generate profitability and return. Associated with this restructuring was the departure of a number of employees and contractors from our business. The workforce reduction cost represents the total salary, benefit, severance, and contract costs paid in the year or accruing to these individuals in the future for which no services will be rendered to the Company. Professional fees represent legal fees incurred to resolve certain disputes related to some of these separations, including the Comberg Claims (see "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information - *Legal Proceedings*"). Terminated projects are the costs incurred for business development of specific solar development projects in South America and Australia for which the decision was made not to proceed for economic reasons.

Impairment of Assets

Subsequent to March 31, 2018, the Company entered into an agreement to sell our 14.5% and 10.0% equity interests in the NC-31 and NC-47 projects, respectively, to the majority investor at the fair market value of these projects. The proceeds of sale, net of transaction costs, are $11.4 million. At March 31, 2018, the Company's investment in the NC Projects totaled $21.6 million and accordingly, an impairment of $10.2 million was recorded and the remaining net realizable value of $11.4 million reclassified to current assets as an asset held for sale.

As part of the strategic restructuring of the business to focus on the opportunities we believe have the most potential to generate profitability and return, the Company decided that holding a non-controlling equity interest in the NC Projects was not the best use of capital and accordingly decided to sell the Company's remaining equity interests to the majority investor in the NC Projects. The net realizable value of the minority equity interests is less than the recorded book value as the value established in the context of a sale is less than their potential future value under long-term ownership. This is largely due to the uncertainty surrounding the projected future value of merchant revenue from the projects, which is the revenue that will be available in the wholesale market for power from the projects once the current PPAs expire in 2027. The NC Projects have a 35-year economic life and both projects have PPAs which guarantee the price at which each megawatt-hour of power generated will be purchased by the utility for the first ten years of the projects (i.e. from 2017 to 2027). After the PPA expires, the utility may agree to enter another PPA or simply purchase the power on the wholesale market at a floating price determined by supply and demand for power over the course of the remaining 25 years to 2052. Predicting the future value of wholesale power so far into the future is difficult and yields a wide range of possible values, which in turn produce a wide range of possible asset values for assets-in-use. While the Company believes that a higher value would be realizable over the course of time were the equity interests retained, the outcome is by no means certain and the Company believes that redeployment of a lessor amount of capital in the ISS Joint Venture has the potential to produce far greater returns in a shorter period of time and with less uncertainty.

Impairment of Goodwill

An impairment charge of $10.5 million was recorded against the goodwill that arose on the acquisition of VivoPower Australia in the previous year. In addition, an impairment charge of $0.6 million was recorded on the first-time consolidation of three Philippine-based controlled entities.

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. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. In determining a cash-generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and risks specific to the cash-generating unit or asset that have not already been included in the estimate of future cash flows.

VivoPower Australia is a separate CGU for which goodwill was tested for impairment as at March 31, 2018. The recoverable amount was determined based on the present value of estimated future cash flows discounted at 12.1% for cash flows budgeted for the year ended March 31, 2019 and 15.1% for forecast cash flows thereafter. The Company's strategic shift in Australia to the development of medium-to-large scale behind-the-meter and utility-scale solar PV projects, away from our previous strategy of acquiring small developed roof-mounted solar projects from third-party developers to sell to long term owners, while expected to be more profitable in the longer-term, presents a higher degree of execution risk in the short-term as suitable opportunities need to be identified, secured and developed. In addition, the Company's cost of capital and expected return from such projects has increased as limited capital is prioritized to the best opportunities.

VivoPower Singapore Pte Ltd, a wholly-owned subsidiary, has control over three Philippines-based subsidiaries, V.V.P. Holdings Inc., VivoPower Philippines Inc., and VivoPower RE Solutions Inc. These entities have not been previously consolidated on the basis of materiality. As the activity within these entities has continued to increase, it was deemed appropriate to consolidate them with effect from April 1, 2018. Upon initial consolidation, the Group recognized negative net assets of $0.6 million which resulted in a corresponding amount of goodwill on acquisition. This goodwill was immediately deemed impaired and the impact of the provision is included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018.

Finance Expense

Finance expense consists primarily of interest expense associated with the interest payable on our outstanding loan with AWN and the Aevitas convertible preference share and loan notes reflected as equity instruments in our accounts. In addition, during the year ended March 31, 2018, the Company borrowed $2.0 million (the "DEPCOM Loan") from SolarTide, LLC, an affiliate of DEPCOM Power, an engineering, procurement, and construction firm who delivered engineering, procurement, and related services for the NC Projects. The components of finance expense are as follows:

	For the Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
			(2 months)
AWN loan	$ 1,636	$ 171	$ -
Convertible preference shares and loan notes	1,220	358	-
DEPCOM loan	217	-	-
Motor vehicle finance leases	55	6	-
Bank loan on Amaroo solar project sold during the year	17	5	-
Other finance costs	156	58	-
Foreign exchange	94	2	-
	$ 3,395	**$ 600**	**$ -**

Foreign exchange 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.

Income Tax Expense

We are subject to income tax for the year ended March 31, 2018 at rates of 19%, 22.6%, and 30% in the United Kingdom, the United States, and Australia, respectively, 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, 2018 and 2017, we did not have any uncertain tax positions that would impact our net tax provision.

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:

Market demand for solar power. Our business and revenues depend on the demand from investors and offtakers for solar power. The market demand for solar power is heavily influenced by a range of factors that include the relative costs of alternative sources of power, the cost of equipment and construction, transmission and distribution resources, governmental economic, fiscal, and political polices at both the federal and state levels in both the United States and Australia, as well as global economic and political factors affecting the cost, availability, and desirability of other energy sources. See “Item 3.C. Risk Factors” and “Item 4.B. Industry Background”.

Ability to secure capital at attractive rates and terms. Development, construction and sale of energy projects requires substantial amounts of capital of different forms, including various types of debt and equity financing. To develop and generate revenue from our projects, including our ISS Joint Venture, it is necessary to for us to have the ability to secure capital at attractive rates and terms and in amounts that are sufficient for us to complete development and sale of these projects.

Costs of equipment and construction for solar projects. Equipment and construction costs are a significant driver of whether a given project opportunity is attractive for us and prospective investors and offtakers. In recent decades, the installed cost of large solar projects in particular has declined by a substantial amount, increasing the competitiveness of solar energy versus alternative energy sources such as fossil fuels.

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 a 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.

Policy incentives in the United States for renewable energy assets. U.S. and Australian federal, state and local governments have established numerous incentives and financial mechanisms, including tax incentives, 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. Some of the other major incentives which benefit our projects include SRECs, LGCs, net metering statutes and feed-in tariff schemes. Appetite for tax incentives on the part of investors in solar projects can be subject to change, particularly as a result of decreases in corporate tax rates such as those enacted in the United States recently, or other changes in tax frameworks.

Currency Fluctuations. We conduct business in the United States, Australia and the United Kingdom. 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.

B. Liquidity and Capital Resources

Our principal sources of liquidity in the current year ended March 31, 2018 has been cash generated by our operating activities (which consisted principally of the collection of development fee revenue earned in the prior year) and the $2.0 million DEPCOM loan. Our principal uses of cash have been for investment in the ISS Joint Venture, business development, working capital and general corporate purposes. The timing of our development activities, including the timing of investments, capital deployments and sales of assets, can vary substantially and therefore have a substantial effect on our cash position and liquidity.

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, 2018, 2017 and 2016:

	Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
Net cash provided by (used in) operating activities	$ 8,897	$ 6,376	$ (95)
Net cash used in investing activities	(16,618)	(26,736)	(3)
Net cash provided by financing activities	$ (1,310)	$ 31,302	$ 126

Operating Activities

Our net cash generated from operating activities in the year ended March 31, 2018, was $8.9 million. This net cash inflow was primarily attributable to collection of trade and other receivables of $11.5 million and an increase in trade and other payables and provisions of $7.0 million, offset by the net cash used by operations of $9.6 million. This $9.6 million used by operations consists of the $27.9 million loss, increased by $6.3 million non-cash income tax expense and $1.4 gain on sale of assets, and reduced by other non-cash and non-operating components of earnings including $10.2 million impairment of assets, $11.1 million impairment of goodwill, $3.4 million of finance expense, and $1.3 million depreciation and amortization.

This is as compared to the previous year ended March 31, 2017, which generated $6.3 million of cash from operating activities. This net cash inflow was generated from the profit for the year of $5.6 million, increased by $5.3 million non-cash income tax expense, $5.8 million non-operating exceptional and non-recurring costs, and $10.0 million increase in trade and other payables and provisions, and reduced by $21.0 million increase in trade and other receivables and $0.7 million of depreciation and amortization expense.

As the company was formed on February 1, 2016, there was no meaningful operating activities for the two-month period ended March 31, 2016.

Investing Activities

Net cash used in investing activities of $16.7 (2017: $26.7) million consisted of a $14.1 (2017: nil) million investment in the ISS Joint Venture, $3.5 (2017: $18.1) million investment in the NC Projects, purchase of $0.6 (2017: $0.1) million of operating assets in Power Services (Aevitas) businesses, $0.8 (2017: nil) million investment in a solar project in Australia, offset by $2.3 (2017: nil) million proceeds on sale of assets, principally the sale of the Amaroo solar project.

Under the terms of the ISS Joint Venture agreement the Company committed to invest $14.9 million for a 50% equity interest in the portfolio of 38 projects, an amount which included $0.8 million in potential brokerage commissions that have not been required and which have been credited towards the Company's commitment. In addition, an initial capital contribution of $0.5 million was made by a top-tier U.S.-based EPC firm, in consideration for a right to provide certain engineering services. The $14.9 million investment is allocated to each of the 38 projects based on monthly capital calls agreed between the parties and determined with reference to completion of specific project development milestones under an approved development budget. The Company contributed an additional $12.4 million to the ISS Joint Venture over the course of the year ended March 31, 2018, which after giving effect to the payment by the EPC firm and a proportionate amount of the commission credit, leaves a remaining capital commitment at March 31, 2018 of $1.3 million, which is recorded in trade and other payables.

During the year ended March 31, 2018, a final $3.6 million was paid to complete to complete the funding of the NC Projects, one of which was fully operational as of March 31, 2017, and the second was fully operational in May 2017.

There was no acquisition activity in the year ended March 31, 2018. In the year ended March 31, 2017, we consummated two acquisitions for a total $10.1 million, or $8.6 million net of cash acquired. These acquisitions were the Aevitas Group of Companies for cash consideration of $9.5 million, or $8.2 million net of cash acquired, and VivoPower Pty Limited for cash consideration of $0.6 million, or $0.3 million net of cash acquired.

The companies acquired in each acquisition and added to the Group were as follows:

Aevitas Group of Companies

	Incorporated	% Owned	Purpose
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 Pty Limited

	Incorporated	% Owned	Purpose
VivoPower Pty Limited	Australia	100%	Operating company
VivoPower WA Pty Limited	Australia	100%	Operating company
VVP Project 1 Pty Limited	Australia	100%	Holding company
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%	Dormant
VivoPower Singapore Pte Limited	Singapore	100%	Operating company
V.V.P. Holdings Inc.	Philippines	40%	Holding company
VivoPower Philippines Inc.	Philippines	64%	Operating company
VivoPower RE Solutions Inc.	Philippines	64%	Operating company

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

As the company was formed on February 1, 2016, there was no meaningful investing activities for the two-month period ended March 31, 2016.

Financing Activities

Cash used by financing activities for the year ended March 31, 2018, was $1.3 million. This cash outflow for the current year was primarily due to financing expense of $3.4 million and a $1.0 million bank loan repayment on the sale of the Amaroo solar project in Australia, offset by $2.0 million proceeds on the DEPCOM Loan and a $0.8 million short-term loan from AWN, and a net $0.3 million of additional finance leases for motor vehicles within the Aevitas businesses.

Cash generated from financing activities for the year ended March 31, 2017 was $31.4 million. This cash inflow was primarily due to proceeds from related party borrowings of $20.0 million, proceeds from the Business Combination of $22.6 million in December 2016, and proceeds from other borrowings of $0.3 million. This cash inflow was offset by the costs of the Business Combination of $11.5 million.

Borrowing obligations outstanding at the end of the year were as follows:

	Year Ended March 31,		
(US dollars in thousands)	**2018**	**2017**	**2016**
Current liabilities:			
DEPCOM Loan	$ 2,000	$ -	$ -
AWN short-term loan	770	-	-
AWN loan – payments due next 12 months	900	-	-
Motor vehicle finance leases	285	145	-
Bank loan on Amaroo solar project	-	90	-
Non-current liabilities:			
AWN loan – payments due beyond 12 months	18,092	18,992	-
Bank loan on Amaroo solar project	-	933	-
Motor vehicle finance leases	293	95	-
Total Borrowing	**$ 22,340**	**$ 20,255**	**$ -**

The DEPCOM Loan was made in January 2018 and was subject to a loan fee of $0.3 million, as well as interest of 12% per annum, and was repaid in May 2018.

The $0.8 million short-term loan from AWN in current liabilities was made in March 2018, bore interest at 8.5% per annum, and was repaid in April 2018.

The $19.0 million loan from AWN bears interest at 8.5% per annum paid monthly in arrears. The loan is repayable in equal monthly instalments of $75,000 for twelve months beginning April 2018, with the remainder repayable in 36 equal monthly instalments thereafter; $900,000 has accordingly been classified as a current liability.

The $0.9 million ANZ Bank loan which was secured by the Amaroo project assets was repaid in February 2018 on sale of the Amaroo solar project. The loan was denominated is AUD and 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.

Aevitas has a finance lease facility to a maximum limit of $0.6 million with Commonwealth Bank of Australia to finance its motor vehicle fleet. During the year, $0.5 million of new leases were added and $0.2 million of net principal payments were made. The obligation for future minimum lease payments under the facility are as follow:

	Minimum lease payments:		**Present value of minimum lease payments**	
(US dollars in thousands)	**2018**	2017	**2018**	2017
Amounts payable under finance leases:				
Less than one year	$ 291	$ 165	$ 285	$ 145
Later than one year but not more than five	328	107	293	95
	619	272	578	240
Future finance charges	(40)	(32)	-	-
Total obligations under finance lease	$ 579	$ 240	$ -	$ -

As the company was formed on February 1, 2016, there was no meaningful financing activities for the two-month period ended March 31, 2016.

Cash Reserves and Liquidity

Cash reserves at March 31, 2018, of $1.9 million are unrestricted and are domiciled as follows:

	Local currency	**Amount in USD**
AUD	1.3 million	$1.0 million
USD	$0.9 million	$0.9 million
Grand Total		$1.9 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 by upper management to ensure the allocation best meets the coming needs of the business.

In order to provide sufficient capital and liquidity to meet our obligations as they become due and maintain operations, subsequent to March 31, 2018, the Company sold its equity interests in the NC Projects for net proceeds of $11.4 million. These cash proceeds were used to repay the DEPCOM Loan of $2.0 million, leaving the remaining liquidity available to finance the day-to-day working capital needs of the business.

As specific projects within the ISS Joint Venture mature and are purchased out of the joint venture, the Company will secure seek additional third-party financing to develop the projects to the point where the projects may successfully be sold. Developing projects in the ISS Joint Venture portfolio and any other projects in our pipeline will take substantial amounts of time and will require substantial amounts of capital, which we intend to obtain through bank loans, credit facilities or similar vehicles and potentially to a more limited extent from our own operating cash flows or other resources. We anticipate that these projects will provide the Company the opportunity to generate significant revenues and profits over the next several years as individual projects in the portfolio mature. Nonetheless, we may need additional cash in the future due to changed business or financial conditions, delays in project development or sale, the emergence of additional investment or acquisition opportunities we wish to pursue, or other factors. However, there can be no assurance that we will be able to obtain additional financing on commercially reasonable terms or at all or generate cash resources through other means. As a result, our liquidity and ability to timely pay our obligations when due could be adversely affected.

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 sale of NC Projects, anticipated cash flows from operations, and additional project financing will be sufficient to meet our cash requirements for at least the next 12 months. We may, however, require additional cash or cash equivalents due to changing financial, economic or business conditions, changes in our development activities or the timing of project investments or dispositions, or other factors.

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

Our 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.

D. Trend Information

Other than as disclosed elsewhere in this Annual Report, 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.

E. 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.

F. Contractual Obligations and Commitments

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

2018	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	$ 21,762	$ 3,670	$ 12,061	$ 6,031	$ -
Debt obligations, interest	4,134	1,828	2,050	256	-
Finance lease obligation	619	291	328	-	-
Operating lease obligations	304	144	160	-	-
Total	$ 26,819	$ 5,933	$ 14,599	$ 6,287	$ -

2017	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
Finance lease obligation	272	165	107	-	-
Operating lease obligations	174	15	159	-	-
Total	$ 23,793	$ 1,913	$ 21,037	$ 233	$ 610

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

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

Name	Age	Position	Appointed	Resigned
Directors:				
Kevin Chin	45	Non-Executive Director and Chairman	*April 27, 2016*	
Gary Hui	49	Non-Executive Director	*December 21, 2016*	
Edward Hyams (1) (2) (3)	67	Non-Executive Director	*November 2, 2016*	
Peter Sermol (1) (2) (3)	56	Non-Executive Director	*December 21, 2016*	
Shimi Shah (1) (2) (3)	47	Non-Executive Director	*December 28, 2017*	
Carl Weatherley-White	55	Director and Executive Officer	*October 4, 2017*	*December 28, 2017*
Executive Officers:				
Carl Weatherley-White	55	Chief Executive Officer	*October 5, 2017*	
		Chief Financial Officer	*April 1, 2017*	*October 5, 2017*
Art Russell	57	Chief Financial Officer	*December 1, 2017*	

(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 directors and executive officers. There are no family relationships between any director or executive officer and any other director or executive officer.

There are no other arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management, except that: Kevin Chin is the Chairman of AWN, which is a beneficial owner of 60.3% of VivoPower and is the beneficial owner of 9.2% of VivoPower through The Panaga Group Trust; Gary Hui is an executive officer of AWN but is legally employed by VivoPower and the majority of his remuneration is recharged to AWN; and Art Russell is employed by Arowana International UK Limited, a subsidiary of AWN, and is seconded on a full-time basis to VivoPower.

Executive Officers

Carl Weatherley-White was appointed Chief Executive Officer effective October 5, 2017, upon the resignation of Mr. Comberg. Prior to his appointment as Chief Executive Officer, he served the Company as a director from October 4, 2017 to December 28, 2017, as Chief Financial Officer of the Company, commencing April 1, 2017, and as Group Director of Finance commencing 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 with 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.

Art Russell became our Chief Financial Officer on December 1, 2017 and is on secondment to us from AWN pursuant to a Secondment Agreement (described below under *Executive Agreements*). Mr. Russell is an experienced CFO with over 25 years of global experience in financial management, business performance improvement and turnaround across a diverse range of industry sectors. He has worked extensively in the private equity investment space, on both sides of the investment transaction. Prior to joining VivoPower, Mr. Russell was CFO of APC Technology Group PLC ("APC"), a business listed on AIM of the London Stock Exchange, successfully turning around the business following significant loss, near business collapse, and management change. Prior to joining APC, Mr. Russell was CFO of a U.K. based private equity investment in the aviation sector owned by KKR and Investindustrial, with regional responsibility for financial management of a $350 million turnover international business through to successful exit to a FTSE 100 PLC. Previous experience includes ten years as Senior Vice President and CFO of a private equity investment firm in Canada, responsible for acquisition activity, financing, and portfolio management. Prior to this, Mr. Russell led finance for a private equity backed international marine and fuel distribution company, joining that business after eight years in audit, tax, and financial advisory services at Deloitte. Mr. Russell holds a Bachelor of Commerce degree from the University of Alberta, Canada, and is qualified as a Chartered Accountant in both the United Kingdom and Canada.

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 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).

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.

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.

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 2001 to 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.

Shimi Shah joined our board as a non-executive director on December 28, 2017. Ms. Shah has been actively involved in investing and venture capital for over 20 years. Ms. Shah is the Chairperson of Carousel Solutions, a technology and business advisory group, focusing on assisting companies navigate expansion into and out of the Middle East and Europe, build diversified businesses, appoint boards, and provide efficient technology solutions to mitigate security risk and increase productivity. Ms. Shah is also an active independent director and advisory board member. She is a board director of Bboxx, a $25 million revenue distributed energy business, chairs the leading kid's club design company called Worldwide Kids Club, is part of the advisory committee for the Green Gateway Fund, a $250 million clean technology and sustainability fund and is on the advisory board of the North East Fund, a $200 million regional development fund. She also sits on the board of the Pay It Forward Foundation based in the US. She was previously CEO at FORSA LLC, Managing Partner at Partnerships UK (PUK), Chief Investment Officer at Hanson Capital, and has worked at 3i and Citigroup. Ms. Shah holds Masters in Management from Queens' College Cambridge and Bachelor of Science degree from King's College, London, in Management and Economics. She is an active member of the Young President's Organization (YPO) in Europe and Africa.

B. Compensation

Directors and Executive Management Compensation

The tables below set out the compensation paid to our directors and executive officers for the year ended March 31, 2018.

Name	Salary & Fees	Benefits	Pension	Annual Bonus	Long-Term Incentives	Total
Directors:						
Kevin Chin	$ 253,020	$ -	$ -	$ -	$ -	$ 253,020
Gary Hui *	$ 162,054	$ 2,333	$ -	$ -	$ -	$ 164,387
Edward Hyams	$ 68,780	$ -	$ -	$ -	$ -	$ 68,780
Peter Sermol	$ 146,683	$ -	$ -	$ -	$ -	$ 146,683
Shimi Shah **	$ 19,868	$ -	$ -	$ -	$ -	$ 19,868
Executive Officers:						
Carl Weatherley-White	$ 382,800	$ 8,235	$ -	$ -	$ -	$ 391,035
Art Russell ***	$ 81,922	$ 2,048	$ 8.076	$ -	$ -	$ 92,046
Philip Comberg †	$ 357,616	$ 14,305	$ 35,762	$ -	$ -	$ 407,682

* In addition to director fees, Gary Hui is also paid an annual salary of $360,000 through U.S. payroll, $260,000 of which is recharged to AWN; the amount presented in the table above only includes the amount that is not recharged to AWN. The retained cost is paid in compensation for additional work undertaken for the benefit of the Company, including his role on the investment committee.

** Reflects shorter period of appointment, from December 28, 2017 to March 31, 2018.

*** Reflects shorter period of employment, from December 1, 2017 to March 31, 2018.

† Reflects shorter period of employment, from April 1, 2017 to October 4, 2017.

Employment Agreements

Executive Agreements

Carl Weatherley-White entered into an employment agreement with VivoPower USA, LLC ("Vivo USA") on July 13, 2016, and was promoted to Chief Executive Officer on October 5, 2017, on the same terms. Mr. Weatherley-White's agreement provides for base compensation, currently at a rate of $382,800, and eligibility to participate in an annual bonus pool based on the Company's and Mr. Weatherley-White's performance. The payment and timing of the bonus is at the sole discretion of the Company. 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.

Art Russell is employed by Arowana International UK Limited, a subsidiary of AWN, and is seconded to VivoPower as Chief Financial Officer, pursuant to a secondment agreement dated November 24, 2017, entered into between Arowana International UK Limited and VivoPower International Services Limited ("Secondment Agreement"). The period of Mr. Russell's secondment under the Secondment Agreement commenced on December 1, 2017, and continues until November 30, 2018, or until terminated in accordance with its terms, unless otherwise extended by the parties. The cost of Mr. Russell's executive services agreement with Arowana International UK Limited is reimbursed by VivoPower International Services Limited. Mr. Russell's executive services agreement provides for base compensation, currently at a rate of $245,193, a pension contribution into his personal registered pension plan equal to 10% of base compensation, and a contribution towards private medical insurance of 2.5% of base compensation. While seconded to VivoPower, Mr. Russell is eligible to participate in the VivoPower annual bonus pool based on the Company's and Mr. Russell's performance. The payment and timing of the bonus is at the sole discretion of the Company. Mr. Russell's target bonus under the bonus is up to 100% of his base compensation. In addition to observing English public holidays, Mr. Russell is entitled to 25 days personal holiday each year. Mr. Russell is restricted from pursuing interests in other competing businesses and is subject to customary terms regarding confidentiality, intellectual property, and non-competition. The executive services agreement can be terminated by either party with one month's notice; post termination non-solicitation and non-competition provisions extend for periods between three and twelve months.

Potential Payments Upon Termination or Change in Control

Carl Weatherley-White, Chief Executive Officer, is employed on an "at will" basis and may be terminated at any time, for any reason, with or without cause on 30 days' 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 the Company 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.

Art Russell, Chief Financial Officer, may be terminated on one month's notice at any time, for any reason, with or without cause. Other than the one-month notice period, there are no other special payments upon termination or change or control.

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.

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. Shimi Shah has served as a director since December 28, 2017. Our board of directors has determined that Ms. Shah and 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 Class A Directors, Gary Hui, expired at the Company's first annual general meeting in September 2017, at which he was re-elected for a further three year term. The initial term of the Class B Directors, consisting of Peter Sermol and Edward Hyams, shall expire at the second annual general meeting to be held in 2018; and the initial term of the Class C Directors, consisting of Kevin Chin and Shimi Shah, shall expire at the third annual general meeting to be held in 2019. At each annual general meeting of VivoPower thereafter, successors to the class of directors whose term expires at that annual general meeting are elected for a term to expire at the third annual meeting following such election. Kevin Chin is the Chairman 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 an audit committee, a nominating committee and a remuneration committee and have a charter for each of these committees.

Audit Committee

The audit committee is comprised of Shimi Shah, Peter Sermol, and Edward Hyams, each of whom has been determined by the Board to be independent under the applicable Nasdaq listing standards. Ms. Shah joined the audit committee on December 28, 2017; prior to that, Mr. Chin was a member of the audit 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;
- risk assessment and risk management; and,
- maintenance of oversight of related party transactions to help ensure that they are appropriately disclosed and to make recommendations to the board regarding authorization.

The audit committee is required to be composed exclusively of "independent directors," as defined under the Nasdaq listing standards and the rules and regulations of the SEC, and each of whom must be, among other requirements, "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 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 determined that since December 28, 2017, none of the members of the audit committee satisfied Nasdaq's definition of financial sophistication or qualifies as an "audit committee financial expert" as defined under rules and regulations of the SEC. Accordingly, on July 18, 2018, the board of directors appointed Kevin Chin as a non-voting observer member of the audit committee. 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

The nominating committee of the board of directors is comprised of Shimi Shah, Peter Sermol, and Edward Hyams, each of whom the Board has determined is independent under the applicable Nasdaq listing standards. Ms. Shah joined the nominating committee on December 28, 2017; prior to that, Mr. Chin was a member of the nominating 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.

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

The remuneration committee is comprised of Shimi Shah, Edward Hyams, and Peter Sermol, each of whom the Board has determined is independent under the applicable Nasdaq listing standards. Ms. Shah joined the remuneration committee on December 28, 2017; prior to that, Mr. Chin was a member of the remuneration committee. The remuneration committee has a written charter, a form of which is 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, 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, 2018, we had 198 (2017: 151; 2016: 6) employees and subcontractors with 181 (2017: 135; 2016: nil) located in the Australia, 8 (2017: 8; 2016: 5) in the U.S., 6 (2017: 4; 2016: 1) in the U.K. and 3 (2017: 2; 2016: nil) in Asia. The following tables show the breakdown of our employees and subcontractors by category of activity as of the dates indicated:

2018

Summary	**Australia**	**US**	**U.K.**	**Asia**	**Total**
Sales and Business Development	4	2	-	3	9
Central Services and Management	29	2	6	-	37
Engineering and Power Services	148	4	-	-	152
Total	181	8	6	3	198

2017

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	98	2	-	-	100
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 13, 2018, 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 13, 2018. 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%
Edward Hyams	-	-%
Peter Sermol	-	-%
Shimi Shah	-	-%
Carl Weatherley-White	13,610	0.1%
Art Russell	-	-%
All directors and executive officers as a group (7 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., of which Mr. Hui is a director.

None of the above shareholders have different voting rights from other shareholders as of the date of this Annual Report.

Equity Incentive Plan

On July 3, 2017, the board of directors approved adoption of the Company's 2017 Omnibus Incentive Plan (the "Incentive Plan"), which was subsequently approved by shareholders. The purpose of the Incentive Plan is to provide a means through which the Company and its subsidiaries may attract and retain key personnel and to provide a means whereby personnel of the Company and its subsidiaries can acquire and maintain equity interests in the Company and align their interests with those of the Company's stockholders. Types of awards that may be granted under the Incentive Plan include options, stock appreciation rights, restricted stock and restricted stock units, stock bonus awards and performance compensation awards. The remuneration committee of the Board of Directors administers the Incentive Plan and determines the terms and conditions of the awards. Awards are evidenced by an award agreement containing the terms and conditions of each award. Under the Incentive Plan (or a Sub-Plan for Non-Employees that was also approved with the Incentive Plan), the Company may grant awards to employees, executives, officers, consults, or advisors of the Company or its subsidiaries. As of March 31, 2018, no awards had been granted under the Incentive Plan.

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 13, 2018. 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

Transactions and Balances with Related Persons

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

VivoPower USA LLC is indebted to AWN via a related party loan on normal commercial terms with interest charged at 8.5% per annum, which was repaid, together with interest, in April 2018. At March 31, 2018, the principal balance due to AWN by VivoPower USA LLC under this loan was $770,000 (2017: nil).

VivoPower International Services Ltd. is indebted to AWN via a related party loan on normal commercial terms with interest at 8.5% per annum payable monthly in arrears and principal repayable in equal monthly instalments of $75,000 for twelve months beginning April 2018, with the remainder repayable in 36 equal monthly instalments thereafter. At March 31, 2018, the principal balance due to AWN by VivoPower International Services Limited under this loan was $18,992,636 (2017: $18,992,636).

Director's fees for Kevin Chin in the amount of $21,094 per month are charged by Arowana Partners Group Pty Limited to the Company. At March 31, 2018, the Company had an account payable to Arowana Partners Group Pty Limited of $42,188 (2017: nil) in respect of these services.

Art Russell is employed by Arowana International UK Limited, a subsidiary of AWN, and under the terms of the Secondment Agreement, $26,352 per month is charged to the Company. At March 31, 2018, the Company had an account payable to Arowana International UK Limited of $80,036 (2017: nil) in respect of these services.

Gary Hui is paid an annual salary of $360,000 by VivoPower USA LLC, $260,000 of which is recharged to AWN on a monthly basis, together with related expenses. At March 31, 2018, VivoPower USA LLC has an account receivable from AWN of $242,915 (2017: $121,046) in respect of these recharges.

From time to time, costs incurred by AWN on behalf of VivoPower are recharged to the Company. During the year ended March 31, 2018, AWN recharged $1.6 million of third-party fees to VivoPower USA, LLC, related to international solar procurement consulting project evaluations, engineering review and technical validation related to the EPC contract for NC-31, a solar project in North Carolina which was substantially completed on 27 March 2017; the expense has been included in general and administrative expenses as further discussed in "Item 5. Operating and Financial Review and Prospects – A. Operating Results – General and Administrative Expenses". In addition, $202,003 was recharged to the Company related to an abandoned business development project and included in restructuring costs as further discussed in "Item 5. Operating and Financial Review and Prospects – A. Operating Results – Restructuring Costs."

Kevin Chin or entities controlled by Kevin Chin are investors in ReNu Energy, with whom we entered into the Alliance Agreement and sold the Amaroo solar project for $2.0 million during the year ended March 31, 2018, as discussed above at "Item 4. Information on the Company - B. Business Overview."

Aevitas is indebted to the following subsidiaries of AWN via their holdings in Aevitas convertible loan notes, which are accounted for as equity instruments within other reserves, and for which they earned $758,766 of interest during the year ended March 31, 2018. The outstanding amount represents the face value plus interest accrued to December 31, 2016:

- Arowana Australasian Special Situations 1A Pty Ltd <Arowana Australasian Special Situations Trust 1A A/C>: 666,666 Aevitas notes held with an outstanding amount of $4,655,366;
- Arowana Australasian Special Situations 1B Pty Ltd <Arowana Australasian Special Situations Trust 1B A/C>: 666,666 Aevitas notes held with an outstanding amount of $4,655,366; and,
- Arowana Australasian Special Situations 1C Pty Ltd <Arowana Australasian Special Situations Trust 1C A/C>: 666,667 Aevitas notes held with an outstanding amount of $4,655,366.

Subsidiaries of AWN hold the following convertible preferred shares of Aevitas, which are accounted for as equity instruments within other reserves, and for which they earned $325,185 of dividends during the year ended March 31, 2018. The outstanding amount represents the face value plus dividends accrued to December 31, 2016:

- Arowana Australasian Special Situations 1A Pty Ltd <Arowana Australasian Special Situations Trust 1A A/C>: 388,889 Aevitas preferred shares held with an outstanding amount of $1,163,843;
- Arowana Australasian Special Situations 1B Pty Ltd <Arowana Australasian Special Situations Trust 1B A/C>: 388,889 Aevitas preferred shares held with an outstanding amount of $1,163,843;
- Arowana Australasian Special Situations 1C Pty Ltd <Arowana Australasian Special Situations Trust 1C A/C>: 388,889 Aevitas preferred shares held with an outstanding amount of $1,163,843; and,
- Arowana Australasian Special Situations Fund 1 Pty Limited <Arowana Australasian Special Situation Fund >: 833,333 Aevitas preferred shares held with an outstanding amount of $2,493,948.

Aevitas is indebted to the following entities via their holdings in Aevitas convertible loan 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 notes with an outstanding amount of $31,425 representing face value plus interest accrued to December 31, 2016, and earned interest of $1,707 for the year ended March 31, 2018; and,
- Sd & K Investments Pty Ltd <Hoskins Family A/C> an entity controlled by Mr Dudley Hoskin holds 43,249 notes with an outstanding amount of $302,010, representing face value plus interest accrued to December 31, 2016, and earned interest of $16,408 for the year ended March 31, 2018.

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

- 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 shares with an outstanding amount of $13,467 representing face value plus interest accrued to December 31, 2016, and earned dividends of $732 for the year ended March 31, 2018; and,

- Sd & K Investments Pty Ltd <Hoskins Family A/C> an entity controlled by Mr Dudley Hoskin holds 43,249 shares with an outstanding amount of $129,433 representing face value plus interest accrued to December 31, 2016, and earned dividends of $7,032 for the year ended March 31, 2018

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

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

On April 9, 2018, VivoPower and VISL filed a defense and counterclaims against Mr. Comberg. In the defense, VivoPower and VISL denied that a repudiatory breach was committed by VISL and denied the other Comberg Claims and asserted that Mr. Comberg was terminated for cause and/or by the acceptance on the part of VISL of Mr. Comberg's own repudiatory breach of Mr. Comberg's service agreement. VivoPower and VISL also filed counterclaims against Mr. Comberg for damages in an amount of approximately $27 million plus certain amounts to be quantified. VivoPower and VISL alleged in the counterclaims that, inter alia, Mr. Comberg (i) failed properly to oversee financial accounting and reporting and to ensure that these functions were properly staffed for a Nasdaq listed company; (ii) misrepresented the cash resources of VivoPower and its subsidiaries to the VivoPower Board; (iii) failed adequately to manage investor communications and relationships; (iv) failed properly to manage the operations and functions of VivoPower's Investment Committee; (v) mismanaged employment and personnel related matters and relations with the Board; (vi) failed to invest half of his 2017 bonus in shares of VivoPower despite agreeing with the Company he would do so (which agreement was a condition to receiving his bonus); (vii) breached the Group's expenses policy; (viii) worked for another company while CEO of VivoPower, in breach of his services agreement; (ix) provided misleading and exaggerated information to VivoPower about his experience and past roles; and (x) failed to report his own wrongdoing in breach of his services agreement and fiduciary duties to VivoPower and VISL. VivoPower and VISL strongly believe in the merits of their litigation against Mr. Comberg and intend to continue a strong defense and pursuit of the foregoing counterclaims against Mr. Comberg.

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

Except as disclosed elsewhere in this Annual Report, there have been no significant changes since March 31, 2018.

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		
Year ended March 31, 2017 (FY2017) (from listing December 29, 2016)	7.34	3.99
Year ended March 31, 2018 (FY2018)	4.73	1.72
Quarterly highs and lows		
From listing to end FY2017 third quarter: December 29 – December 31, 2016	7.34	5.50
FY2017 fourth quarter: January 1 – March 31, 2017	7.08	3.99
FY2018 first quarter: April 1 – June 30, 2017	4.73	2.80
FY2018 second quarter: July 1 – September 30, 2017	4.07	3.18
FY2018 third quarter: October 1 – December 31, 2017	3.36	2.66
FY2018 fourth quarter: January 1 – March 31, 2018	3.14	1.72

	High	Low
Monthly highs and lows		
January 2018	3.14	2.21
February 2018	2.60	2.25
March 2018	2.52	1.72
April 2018	2.60	1.25
May 2018	6.69	1.02
June 2018	3.33	1.45

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.

On January 25, 2018, the Company's wholly owned subsidiary VivoPower USA LLC ("VivoPower USA") entered into a $2.0 million loan agreement with SolarTide, LLC, an affiliate of DEPCOM Power ("DEPCOM"), which loan was secured by a pledge by VivoPower USA of substantially all of the assets of VivoPower USA, and was scheduled to mature on April 25, 2018, with a one-month extension feature. It was repaid on May 25, 2018.

On May 25, 2018, the Company entered into a Membership Interest Purchase Agreement ("MIPA") to sell the 14.5% and 10.0% equity interests, respectively, in the NC-31 and NC-47 projects (together, the "NC Projects") to the majority investors for $11.6 million plus an earn-out based on merchant power prices received by these projects from 2027–2052. The transaction closing was subject to a number of conditions precedent including U.S. regulatory approval. As a result of this extended closing period, on May 25, 2018, the Company also entered into a Bridge Loan Agreement ("BLA") with the parent company of the majority investors in the NC Projects, New Energy Solar US Corp. ("NES"). Under the terms of the BLA, NES advanced a $4.0 million bridge loan to the Company in two installments, $2.4 million on May 25, 2018, and $1.6 million on May 30, 2018, bearing interest at 12% and repayable from the closing proceeds arising from the MIPA. The $2.4 million loan advance was used to repay the DEPCOM Loan, together with accrued fees and interest. The $1.6 million loan advance was used to support capital commitments to the ISS Joint Venture and general operational purposes. The sale was completed on July 3, 2018, upon which the bridge loan was repaid.

D. Exchange Controls

Other than applicable taxation, anti-money laundering and counter-terrorist financing law and regulation and certain economic sanctions which may be in force from time to time, there are no English laws or regulation, or any provision of our articles of association, which would prevent the import or export of capital or the remittance of dividends, interest or other payments by us to holders of our ordinary shares who are not residents of the U.K. on a general basis.

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 received up to the end of the 2017/2018 U.K. tax year, which reduces to £2,000 for dividend income received in the 2018/2019 U.K. tax year and subsequent years (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.

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 and for the 2018/2019 U.K. tax year is £11,700.

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 although the allowance has now been frozen and is calculated only on movements in inflation up to 31 December 2017.

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):

- No stamp duty or SDRT will arise on the issue of our shares;
- 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;
- 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; and,
- 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"), 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;
- brokers, dealers or traders in securities, currencies, commodities, or notional principal contracts;

- 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; and the income tax treaty between the U.S. and the U.K., 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 contrary or different 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:

- an individual who is 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 the U.S. holder's pro rata share 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 for the purposes of the PFIC tests. 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 2017 taxable year and do not expect to be a PFIC during our 2018 taxable year. Our status for any taxable year will depend on the composition of our income and the projected composition and estimated fair market values of 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, for any taxable year, 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 principal 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.

If we are a PFIC for any year during which a U.S. holder holds our ordinary shares, we must generally continue to be treated as a PFIC by that U.S. holder for all succeeding years during which the U.S. holder holds our ordinary shares, unless we cease to meet the requirements for PFIC status and the U.S. holder makes a "deemed sale" election with respect to our ordinary shares. If such election is made, the U.S. holder will be deemed to have sold our ordinary shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences applicable to sales of PFIC shares described above. After the deemed sale election, the U.S. holder's ordinary shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

The tax consequences that would apply if we were a PFIC would also be different from those described above if a U.S. holder were able to make a valid "qualified electing fund," or QEF, election. However, we do not currently intend to provide the information necessary for U.S. holders to make a QEF election if we were treated as a PFIC for any taxable year and prospective investors should assume that a QEF election will not be available. 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 correct 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 and certain entities controlled by individuals may be 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 acquisition, 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

Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to the Annual Report the contract or document is deemed to modify the description contained in this Annual Report. You must review the exhibits themselves for a complete description of the contract or document.

We are subject to the reporting requirements of foreign private issuers under the Exchange Act. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the form and content of proxy statements and our officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of 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 2018 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, Australian dollar and British pound sterling, may result in fluctuations in foreign exchange gains or losses. As of March 31, 2018, we held $5.3 (2017: $5.2) million in accounts receivable, of which $5.2 (2017: $3.6) million were denominated in Australian dollars and $nil (2017: $1.6) million were denominated in British pounds sterling.

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 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.

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.

Liquidity Risk

Our liquidity risk management framework is intended to ensure that we maintain sufficient funds to meet our obligations as they become due, and as part of our framework we continuously monitor our liquidity and cash resources and seek to maintain sufficient cash using cash flows generated by our business activities, debt arrangements and other resources. We continuously review forecasted cash flows to ensure our businesses have sufficient cash resources and liquidity to meet their obligations.

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

(a) Disclosure 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, 2018, 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.

(b) Management's annual report on internal control over financial reporting.

The Company's management, including the Company's chief executive officer and chief financial officer, are responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS as issued by the IASB. The Company's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and, provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission as of the end of the period covered by this Annual Report on Form 20-F. Based on that assessment, our management has concluded that as of March 31, 2018, our internal control over financial reporting was effective.

Because of their inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) Attestation report of the registered public accounting firm.

Not applicable.

(d) Changes in internal control over financial reporting.

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. Directors, Senior Management and Employees – C. Board Practices - *Audit Committee*." Our audit committee consists of Shimi Shah, Peter Sermol and Edward Hyams. Our board of directors determined that since December 28, 2017, none of the members of the audit committee satisfied Nasdaq's definition of financial sophistication or qualifies as an "audit committee financial expert" as defined under rules and regulations of the SEC. Accordingly, on July 18, 2018, the board of directors appointed Kevin Chin as a non-voting observer member of the audit committee. 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.

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, 2018 and 2017.

	Year Ended March 31,	
(US dollars in thousands)	**2018**	**2017**
Audit fees	$ 414	$ 246
Audit-related fees	-	57
Tax fees	13	-
All other fees	-	-
Total fees	$ 427	$ 303

Audit Fees

PKF Littlejohn LLP were re-appointed auditors for the year ended March 31, 2018. The audit fees of $414,011 represent $240,392 for the fees of PKF Littlejohn LLP and related firms for audit of 2018 financial statements. The remaining $173,619 relates to the audit fees of Whitley Penn LLP for the audit of subsidiary and investee entities.

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

There were no audit-related fees charged by PKF Littlejohn LLP for the year ended March 31, 2018. Audit related fees for the year ended March 31, 2017 represent costs incurred for review of Company's registration statement on Form F-4 by PKF Littlejohn LLP.

Tax Fees

PKF Littlejohn LLP changed $13,000 for preparation of corporate tax returns for some Australian subsidiaries.

All Other Fees

There were no other fees charged by PKF Littlejohn LLP.

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

Not applicable.

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. incorporated company, we are subject to applicable 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

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.* (incorporated by reference to Exhibit 11 to the Annual Report on Form 20-F (File No. 001-37974), filed with the SEC on August 1, 2017.
4.10	Omnibus Incentive Plan, adopted September 5, 2017 (incorporated by reference to Appendix A to the Notice of Annual General Meeting 2017 filed as Exhibit 99.1 on Form 6-K (File No. 001-37974), filed with the SEC on July 31, 2017).
4.11	Loan Agreement, dated January 25, 2018, between VivoPower USA, LLC and Solar Tide, LLC.
4.12	Membership Interest Purchase Agreement, dated May 25, 2018, by and between VivoPower US-NC-31, LLC, VivoPower US-NC-47, LLC, NES US NC-31, LLC, and NES US NC-47, LLC.
4.13	Bridge Loan Agreement, dated May 25, 2018, between VivoPower USA, LLC and New Energy Solar US Corp.
4.14	Secondment Agreement dated November 24, 2017 between VivoPower International Services Limited and Arowana International UK Limited.
8	List of Subsidiaries.
11	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 11 to the Annual Report on Form 20-F (File No. 001-37974), filed with the SEC on August 1, 2017.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* 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.

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 18, 2018

VIVOPOWER INTERNATIONAL PLC

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

VIVOPOWER INTERNATIONAL PLC

By: /s/ Art Russell
Name: Art Russell
Title: Chief Financial Officer

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of VivoPower International PLC and its subsidiaries (the "Company") as of March 31, 2018 and 2017, and the related consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for each of the two years in the period ended March 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditors since 2017.

/s/ PKF Littlejohn LLP

PKF Littlejohn LLP

1 Westferry Circus
Canary Wharf
London E14 4HD

July 18, 2018

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.

New York, NY
August 10, 2016

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 March 31, 2018
(USD in thousands, except per share amounts)

	Note	For the year ended 31 March		
		2018	2017	2016
Revenue	4	$ 33,647	$ 32,250	$ -
Cost of sales		(28,524)	(4,977)	-
Gross profit		5,123	27,273	-
General and administrative expenses		(12,814)	(9,316)	(279)
Gain on sale of assets	5	1,356	-	-
Depreciation of property, plant and equipment	12	(420)	(103)	-
Amortization of intangible assets	13	(840)	(548)	-
Operating (loss)/profit	6	(7,595)	17,306	(279)
Restructuring costs	7	(1,873)	-	-
Impairment of assets	8	(10,191)	-	-
Impairment of goodwill	13	(11,092)	-	-
Transaction costs	3	-	(5,800)	-
Finance income	10	9	13	-
Finance expense	10	(3,395)	(600)	(2)
(Loss)/profit before income tax		(34,137)	10,919	(281)
Income tax expense	11	6,258	(5,338)	-
(Loss)/profit for the year		(27,879)	5,581	(281)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences recognized directly in equity		222	599	-
Total comprehensive (loss)/income for the year		$ (27,657)	$ 6,180	$ (281)
Earnings per share				
Basic	24	$ (2.06)	$ 0.73	$ (0.05)
Diluted	24	$ (2.06)	$ 0.73	$ (0.05)

All results are generated from continuing operations.

See notes to financial statements

Consolidated Statement of Financial Position

As at March 31, 2018
(USD in thousands)

	Note	As at 31 March		
		2018	2017	2016
ASSETS				
Non-current assets				
Property, plant and equipment	12	$ 1,915	$ 2,163	$ 3
Intangible assets	13	36,402	46,320	-
Deferred tax assets	11	2,570	2,312	-
Other receivables		-	1,167	7,875
Investments	15	14,147	18,060	-
Total non-current assets		55,034	70,022	7,878
Current assets				
Cash and cash equivalents	16	1,939	10,970	28
Trade and other receivables	17	7,903	19,844	-
Assets held for sale	8	11,436	-	-
Total current assets		21,278	30,814	28
TOTAL ASSETS		$ 76,312	$ 100,836	$ 7,906
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	18	$ 14,082	$ 8,262	$ 186
Finance lease payable	19	285	145	-
Provision for income tax	11	103	2,361	-
Provisions – current	20	2,470	1,339	-
Loans and borrowings	21	3,670	90	8,001
Total current liabilities		20,610	12,197	8,187
Non-current liabilities				
Loans and borrowings	21	18,092	19,925	-
Provisions	20	288	237	-
Deferred tax liabilities	11	26	3,776	-
Finance lease payable	19	293	95	-
Total non-current liabilities		18,699	24,033	-
Total liabilities		39,309	36,230	8,187
Equity				
Share capital	22	163	163	72
Share premium		40,215	40,215	-
Cumulative translation reserve		821	599	-
Other reserves	23	18,383	18,329	(72)
Retained earnings/(accumulated deficit)		(22,579)	5,300	(281)
Total Equity		37,003	64,606	(281)
TOTAL EQUITY AND LIABILITIES		$ 76,312	$ 100,836	$ 7.906

These financial statements were approved by the Board of Directors on July 18, 2018, and were signed on its behalf by Kevin Chin.

See notes to financial statements

Consolidated Statement of Cash Flow

for the year ended March 31, 2018
(USD in thousands)

	Note	For the year ended 31 March		
		2018	2017	2016
Cash flows from operating activities				
(Loss)/profit for the year		$ (27,879)	$ 5,581	$ (281)
Income tax expense		(6,258)	5,338	-
Finance income		(9)	-	-
Finance expense		3,395	600	-
Transaction costs		-	5,800	-
Impairment of goodwill		11,092	-	-
Impairment of assets		10,191	-	-
Depreciation of property, plant and equipment		420	103	-
Amortization of intangible assets		840	548	-
Gain on sale of assets		(1,356)	-	-
Decrease/(increase) in trade and other receivables		11,457	(21,007)	-
Increase in trade and other payables		5,822	8,074	186
Increase in provisions		1,182	1,339	-
Net cash (used in)/from operating activities		8,897	6,376	(95)
Cash flows from investing activities				
Finance income		9	13	-
Proceeds on sale of property plant and equipment	5	2,297	-	(3)
Purchase of property plant and equipment	12	(1,101)	(94)	-
Investment in capital projects	15	(17,823)	(18,060)	-
Cash acquired received from acquisitions		-	1,485	-
Acquisitions		-	(10,080)	-
Net cash (used in)/from investing activities		(16,618)	(26,736)	(3)
Cash flows from financing activities				
Finance lease borrowings	19	519	-	-
Finance lease repayments	19	(181)	-	-
Financing agreements	21	2,000	330	-
Loans from related parties	21	770	19,818	126
Repayment of bank loan	21	(1,023)	-	-
Finance expense		(3,395)	-	-
Funds received from issuing shares		-	167	-
Costs from listing		-	(11,469)	-
Funds received from listing		-	22,456	-
Net cash from/(used in) financing activities		(1,310)	31,302	126
Net (decrease)/increase in cash and cash equivalents		(9,031)	10,942	28
Cash and cash equivalents at the beginning of the year	16	10,970	28	-
Cash and cash equivalents at the end of the year	16	$ 1,939	$ 10,970	$ 28

See notes to financial statements

Consolidated Statement of Changes in Equity

for the year ended March 31, 2018
(USD in thousands)

	Share Capital	Share Premium	Share Subscription Receivable	Other Reserves	Cumulative Translation Reserve	Retained Earnings (Accumulated Deficit)	Total
At February 1, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total comprehensive income for the year	-	-	-	-	-	(281)	(281)
Issue of new shares	72	-	(72)	-	-	-	-
At March 31, 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
Purchase of shares	-	-	-	(592)	-	-	(592)
Other reserves	-	-	-	(142)	-	-	(142)
	91	40,215	72	18,329	599	5,581	64,887
At March 31, 2017	163	40,215	-	18,329	599	5,300	64,606
Total comprehensive loss for the year	-	-	-	-	222	(27,879)	(27,658)
Other reserves	-	-	-	54	-	-	54
	-	-	-	54	222	(27,879)	(27,603)
At March 31, 2018	**$ 163**	**$ 40,215**	**$ -**	**$ 18,383**	**$ 821**	**$ (22,579)**	**$ 37,003**

For further information on “Other Reserves” please see note 23.

See notes to financial statements

1. Reporting entity

VivoPower International PLC ("VivoPower" or the "Company") is a public company limited by shares and incorporated under the laws of England and Wales and domiciled in the 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 March 31, 2018, comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The ultimate parent company into which these results are consolidated is Arowana International Limited.

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

During the year ended March 31, 2018, the Company undertook a strategic restructuring of its business aimed at a $3.4 million annual reduction in general and administrative expenses going forward. In addition, subsequent to year-end the Company raised $11.4 million of cash by sale of its minority equity investments in the North Carolina projects, as disclosed in note 8, $2.0 million of which was used to repay the current financing agreement disclosed in note 21. The Company's power services business represented by the Aevitas Group produced $2.4 million EBITDA for the year ended March 31, 2018, and is expected to continue to perform at or above this level. The Company is also engaged in a financing initiative within the Aevitas Group which is expected to provide an additional $2.3 million of working capital. These actions provide sufficient cash to support business operations and meet obligations as they become due through July 2019.

In order to develop the portfolio of solar projects within Innovative Solar Ventures I, LLC joint venture, as disclosed in note 15, the Company will have to seek project specific financing which would be secured and supported by the development assets within the joint venture. This is a normal part of the solar development business and the Company is confident that there are investors and capital available in the market to accomplish planned development.

To ensure success of the business, the directors have prepared and reviewed additional plans to mitigate any cash flow risk that may arise during the next twelve months. These actions include the implementation of further operational cost reductions, renegotiation of the terms of repayment of the related party loan of $19.0 million disclosed in note 21, and a further sale of assets as required.

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

All financial information presented in US dollars has been rounded to the nearest thousand.

2.2 Basis of consolidation

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

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. The 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 unrealized income and expense arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity invested investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 Intangible assets

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

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

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

In the prior year, the Group took advantage of the provisions of IFRS 3 in accounting for the business combinations arising from the acquisitions of VivoPower Pty Limited and Aevitas whereby the financial statements recognized the Directors' best estimate of the individual allocation of goodwill and other separately identifiable assets acquired. The purchase price allocation exercise was completed in the current year and revaluations reflected as disclosed in Note 13.

Amortization 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
Favorable supply contracts – 5 years
Databases – 5 years

2.4 Property, plant and equipment

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

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

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

Computer equipment - 3 years
Fixtures and fittings - 3 years
Motor vehicles - 5 years
Plant and equipment – 3.5 to 10 years
Leasehold improvements – 20 to 40 years

2.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration transferred in a business combination is the fair value at the acquisition date of the assets transferred and the liabilities incurred by the Group and includes the fair value of any contingent consideration arrangement. Acquisition-related costs are recognized in the income statement as incurred.

2.6 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 recognized as property, plant and equipment at an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives.

Lease payments 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 recognized as a reduction in the rental expense over the lease term.

2.7 Impairment of non-financial assets

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

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

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

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

2.8 Financial instruments

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

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

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

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

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

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

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

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

Trade and other receivables
Trade and other receivables are 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 amortized cost.

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

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

2.9 Taxation

Income tax expense comprises current and deferred tax.

Current tax is recognized 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 recognized 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 realized simultaneously.

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

2.10 Provisions

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

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

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

2.11 Earnings per share

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

2.12 Foreign currencies

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

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

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

2.13 Revenue 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 development revenues, electrical installations, electrical servicing and maintenance and generator sales.

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

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

Development revenue, which is revenue generated from development services relating to the building and construction of solar projects, is 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 small jobs and those completed in a limited timeframe are recognized when the job is complete. 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.

2.14 Employee benefits

Pension
The employer pension contributions are associated with defined contribution schemes. The costs are therefore recognized 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 recognized 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 recognized for the amount the Group may be required to pay because of the unused entitlement that has accumulated at the end of the reporting period.

2.15 Restructuring costs

Restructuring costs are by nature one-time incurrences and do not represent the normal trading activities of the business and accordingly are disclosed separately on the consolidated statement of comprehensive income in accordance with IAS 1 in order to draw them to the attention of the reader of the financial statements. Restructuring costs are defined in accordance with IAS 37 as being related to sale or termination of a line of business, closure of business locations, changes in management structure, or fundamental reorganizations.

2.16 New standards, amendments and interpretations not yet adopted

During the current year, the Group adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on April 1, 2017. The Group is assessing the impact on the financial statements of these adoptions.

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 2 'Amendments: Classification and Measurement of Share-based payment transactions' – effective for annual periods on or after January 1, 2018;
- IFRS 9: 'Financial Instruments' – effective for annual periods on or after January 1, 2018;
- IFRS 16: 'Leases' – effective for annual periods on or after January 1, 2019;
- IFRIC 22: 'Foreign Currency Transactions and Advance Consideration' – effective for annual periods on or after January 1, 2018; and,
- IFRIC 23: 'Uncertainty over Income Tax Treatments' – effective for annual periods on or after January 1, 2019.

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 recognized in the consolidated financial statements are discussed below.

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 Impairment of non-financial assets

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

As further disclosed in note 8, subsequent to year-end, two investments were sold for less than carrying values at March 31, 2018, indicating an impairment. Accordingly, an impairment was recorded at March 31, 2018 to reflect to the net realizable value based on the sale proceeds.

During the year ended March 31, 2018, two impairments of goodwill were recorded. To assess impairment, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and risks specific to the related cash-generating unit. Judgement was applied in making estimates and assumptions about the future cash flows, including the appropriateness of discounts rates applied, as further disclosed in note 13.

3.3 Operating profit/(loss)

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

3.4 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.

3.5 Income taxes

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

3.6 Share option reserve

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

3.7 Convertible preference shares and loan notes

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

4 Revenue and segmental information

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

The Group considers that it has three reportable segments: Solar Development, Power Services, and Corporate Office. Solar Development is the development, construction, financing and operation of solar power generating plants in the U.S. and Australia. Power Services is represented by Aevitas operating in Australia and operations focus on the design, supply, installation and maintenance of power and control systems. Corporate Office is all United Kingdom based corporate functions.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including any revenues and expenses that relate to the transactions with any of the Group's other components. Operating segments results are reviewed regularly by the Board of Directors to assess 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.

4.1 Revenue

Revenue by geographic location is follows:

(US dollars in thousands)	**2018**	2017	2016
United States	1,662	24,945	-
Australia	31,985	5,705	-
United Kingdom	-	1,600	-
Total revenue	**33,647**	32,250	-

Revenue by product and service is follows:

(US dollars in thousands)	**2018**	2017	2016
Electrical equipment and related services	31,631	5,615	-
Development fees	828	24,555	-
Other revenue	1,188	2,080	-
Total revenue	**33,647**	32,250	-

No more than 10% of the revenue relates to one customer (2017: 40.3%).

4.2 Operating segments

a) Segment results of operations

Results of operations for the year ended March 31 by reportable segment are as follows:

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

2017 (US dollars in thousands)	Solar Development	Power Services	Corporate Office	Total
Revenue	26,636	5,614	-	32,250
Costs of sales	(29)	(4,948)	-	(4,977)
Gross profit	26,607	666	-	27,273
General and administrative expenses	(4,544)	(598)	(4,174)	(9,316)
Gain on sale of assets	-	-	-	-
Depreciation and amortization	(4)	(646)	(1)	(651)
Operating profit/(loss)	22,059	(578)	(4,454)	17,306
Restructuring costs	-	-	-	-
Impairment of assets	-	-	-	-
Impairment of goodwill	-	-	-	-
Transaction costs	-	-	(5,800)	(5,800)
Finance expense - net	(174)	(363)	(50)	(587)
Profit/(loss) before taxation	21,885	(941)	(10,025)	10,919
Income tax expense	(6,078)	294	446	(5,338)
Profit/(loss) for the year	15,807	(647)	(9,579)	5,581

As the company was formed on February 1, 2016, only administrative expenses of $0.3 million were reported in the two-month period ended March 31, 2016 and relate entirely to the Corporate Office segment.

b) Segment net assets

Net assets as at March 31 by reportable segment are as follows:

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

2017 (US dollars in thousands)	Solar Development	Power Services	Corporate Office	Total
Assets	42,235	24,268	34,333	100,836
Liabilities	(27,858)	(4,620)	(3,752)	(36,230)
Net assets	14,377	19,648	30,581	64,606

All assets and liabilities reported as at March 31, 2016, relate entirely to the Corporate Office segment.

5. Gain on sale of assets

The gain on sale of assets for the year-ended March 31, 2018, totaling $1.3 million arose on the sale of the Amaroo solar project in Australia ($1.1 million gain) and sale of disposal of property & equipment assets by the Aevitas business ($0.2 million gain).

The proceeds on sale of the Amaroo solar project purchase price was $2.0 million for plant and equipment assets with a net book value $0.9 million. The proceeds of sale were applied to repay a related bank loan from ANZ Bank with an outstanding balance of principal and interest on the transaction date of $1.0 million.

The Aevitas gain on sale of assets of $0.2 million is comprised of numerous small sales of surplus vehicles as part of on-going fleet upgrade and renewal and sale of scrap materials.

6. Operating Profit

Operating profit is stated after charging:

(US dollars in thousands)	2018	2017	2016
Amortization of intangible assets	840	548	-
Depreciation of property, plant and equipment	420	103	-
Operating lease costs – land and buildings	304	174	-
Gain/(loss) on foreign exchange	59	-	-
Auditors' remuneration – audit fees	414	246	-
Auditors' remuneration – audit related services	-	57	-
Auditors' remuneration – tax services	13	-	-
Directors emoluments	1,131	1,705	-
Gain/(loss) on disposal of assets	1,356	-	-

Auditors' remuneration – audit related services for the year ended March 31, 2017, represents costs incurred for the review of the Company's registration statement by Marcum LLP.

7. Restructuring costs

(US dollars in thousands)	2018	2017	2016
Corporate restructuring – workforce reduction	734	-	-
Corporate restructuring – professional fees	566	-	-
Corporate restructuring – terminated projects	573	-	-
Total	**1,873**	-	-

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

During the year, the Board undertook a strategic restructuring of our business to align operations, personnel, and business development activities to focus on a fewer number of areas of activity. Associated with this restructuring was the departure of a number of employees and contractors from the business. The workforce reduction cost represents the total salary, benefit, severance, and contract costs paid in the year or accruing to these individuals in the future for which no services will be rendered to the Company. Professional fees represent legal fees incurred to resolve certain disputes related to some of these separations. Terminated projects are the costs incurred for business development of specific solar development projects in South America and Australia for which the decision was made not to proceed for economic reasons.

8. Impairment of assets and assets held for sale

Subsequent to March 31, 2018, the Company entered into an agreement to sell the 14.5% and 10% equity interests in two North Carolina solar project investments to the majority investor at the fair market value of these projects. The proceeds of sale, net of transaction costs, are $11.4 million. At March 31, 2018 the Company's investment in these investments totaled $21.6 million and accordingly, an impairment of $10.2 million was recorded and the remaining net realizable value of $11.4 million reclassified to current assets as an asset held for sale. These investments were previously recorded as investments, as more fully disclosed in note 15.

9. Staff numbers and costs

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

	2018	2017	2016
Sales and Business Development	9	5	-
Central Services & Management	37	12	1
Production	148	26	-
Total	**194**	43	1

Their aggregate remuneration costs comprised:

(US dollars in thousands)	**2018**	2017	2016
Salaries, wages and incentives	11,857	5,605	102
Social security costs	2,457	398	-
Pension contributions	278	196	-
Short-term compensated absences	337	403	-
Total	**14,929**	6,602	102

Directors' emoluments were $1,130,570 (2017: $1,704,809; 2016: nil) of which the highest paid director received $407,682 (2017: $1,297,504; 2016: nil). Director emoluments include employer social security costs.

Key Management Personnel:

(US dollars in thousands)	**2018**	2017	2016
Salaries, wages and incentives	2,281	3,014	-
Social security costs	217	194	-
Pension contributions	64	39	-
Short-term compensated absences	13	101	-
Total	**2,575**	3,348	-

Key management personnel are those below the Board level that have a significant impact on the operations of the business. The number of key management personnel, including directors for the year ended March 31, 2018, was 11 (2017: 11; 2016: nil).

10. Finance income and expense

(US dollars in thousands)	**2018**	2017	2016
Finance income		-	-
Interest received	9	13	-
Foreign exchange gains	-	13	-
Total	**9**	-	-
Finance expense			
Related party loan interest payable	1,636	171	1
Convertible loan notes and preference shares interest payable	1,220	358	-
Financing agreement finance cost payable	217	-	-
Finance lease interest payable	55	-	-
Bank interest payable	17	5	-
Foreign exchange losses	93	2	1
Other finance costs	157	58	-
Total	**3,395**	600	2

11. Income tax expenses

The tax charge comprises:

(US dollars in thousands)	2018	2017	2016
Current tax			
UK corporation tax	(29)	-	-
Foreign tax	2,279	(2,361)	-
Total current tax	**2,250**	(2,361)	-
Deferred tax			
Current year			-
UK corporation tax	(370)	451	-
Foreign tax	4,378	(3,428)	-
Total deferred tax	**4,008**	(2,977)	-
			-
Total tax recovery/(charge) on profit on ordinary activities	**6,258**	(5,338)	-

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

(US dollars in thousands)	2018	2017	2016
(Loss)/profit on ordinary activities before tax	(34,137)	10,919	**-**
Tax on Group (loss)/profit on ordinary activities at the weighted average corporation tax rate of 23% (2017: UK standard corporation tax rate of 20%)	7,772	(2,184)	**-**
Effects of:			-
Expenses that are not deductible in determining taxable profits	(3,872)	(20)	-
Release of prior year current tax provision	2,358	-	-
Tax rates of subsidiaries operating in other jurisdictions	-	(3,108)	-
Change in tax rates	-	(26)	-
Total tax recovery/(charge) for the year recognized in the Consolidated Statement of Comprehensive Income	**6,258**	(5,338)	-

11.1 Deferred tax

Deferred tax assets	2018	2017	2016
Deferred tax assets	2,570	2,312	-
Deferred tax liabilities	(26)	(3,776)	-
Net deferred tax asset/(liability)	**2,544**	(1,464)	-

These assets and liabilities are analyzed as follows:

Deferred tax assets	Tax losses	Other timing differences	Total
April 1, 2016	-	-	-
Credit/(charged) to statement of comprehensive income	739	-	739
Acquisition	1,573	-	1,573
March 31, 2017	2,312	-	2,313
Transfer	(720)	720	-
Credit/(charged) to statement of comprehensive income	(8)	265	257
March 31, 2018	**1,585**	**985**	**2,570**

Deferred tax liabilities	Accelerated allowances	Other timing differences	Total
April 1, 2016	-	-	-
Credit/(charged) to statement of comprehensive income	(13)	(3,763)	(3,776)
March 31, 2017	(13)	(3,763)	(3,776)
Credit/(charged) to statement of comprehensive income	5	3,745	3,750
March 31, 2018	**(8)**	**(18)**	**(26)**

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

12. Property, plant and equipment

(US dollars in thousands)	Computer Equipment	Motor Vehicles	Plant & Equipment	Leasehold improvement	Fixtures and Fittings	Total
Cost						
At April 1, 2016	3	-	-	-	-	3
Additions	34	44	16	-	-	94
Acquisition	488	1,588	1,876	156	11	4,119
At March 31, 2017	**525**	**1,632**	**1,892**	**156**	**11**	**4,216**
Foreign exchange	3	10	12	1	-	26
Additions	121	437	537	4	2	1,101
Disposals	(7)	(82)	(921)	-	-	(1,010)
At March 31, 2018	**642**	**1,997**	**1,520**	**161**	**13**	**4,333**

(US dollars in thousands)	Computer Equipment	Motor Vehicles	Plant & Equipment	Leasehold improvement	Fixtures and Fittings	Total
Depreciation						
At April 1, 2016	-	-	-	-	-	-
Additions	24	45	31	3	-	103
Acquisition	303	982	619	38	8	1.950
At March 31, 2017	**327**	**1,027**	**650**	**41**	**8**	**2,053**
Foreign exchange	2	6	4	-	-	12
Charge for the year	97	203	107	12	1	420
Disposals	(4)	(63)	-	-	-	(67)
At March 31, 2018	**422**	**1,173**	**761**	**53**	**9**	**2,418**
Net book value						
At April 1, 2016	3	-	-	-	-	3
At March 31, 2017	198	605	1,242	115	3	2,163
At March 31, 2018	**220**	**824**	**759**	**108**	**4**	**1,915**

The Group has $0.6 (2017: $0.3; 2016: nil) million of assets held under finance lease. Details of the liabilities are shown in note 19.

13. Intangible Assets

(US dollars in thousands)	2018	2017	2016
Goodwill	24,482	30,393	-
Other intangible assets	11,920	15,927	-
Carrying value at March 31	**36,402**	46,320	-

(a) Goodwill

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

(US dollars in thousands)	2018	2017	2016
As at April 1	30,393	-	-
Revaluations	3,597	-	-
Goodwill previously not recognized	627	-	-
Impairment	(11,092)	-	-
Reclassifications	138	-	-
Additions	-	30,024	-
Foreign exchange	819	369	-
Carrying value at March 31	**24,482**	30,393	-

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

(US dollars in thousands)	2018	2017	2016
Aevitas O Holdings Limited	13,949	9,800	-
VivoPower Pty Limited	10,533	20,593	-
Total	**24,482**	30,393	-

In the prior year, the Group took advantage of the provisions of IFRS 3 in accounting for the business combinations arising from the acquisitions of Aevitas O Holdings Pty Limited and VivoPower Pty Limited whereby the financial statements recognized the Directors' best estimate of the individual allocation of goodwill and other separately identifiable assets acquired. The purchase price allocation exercise was completed in the current year and gave rise to a $3.6 million revaluation of goodwill and corresponding decrease intangible assets as noted below.

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

The Group prepares cash flow forecasts using the approved budgets for the coming financial year and management projections for the following two years. Cash flows are also projected for subsequent years as management 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 CGU's products and services within those markets.

As a result of the impairment review as at March 31, 2018, an impairment charge of $10.5 million was recorded against the goodwill that arose on the acquisition of VivoPower Pty Limited in the previous year. The recoverable amount was determined based on the present value of estimated future cash flows discounted at 12.1% for cash flows budgeted for the year ended March 31, 2019 and 15.1% for forecast cash flows thereafter. The Group's strategic shift in Australia to the development of medium-to-large scale behind-the-meter and utility-scale solar PV projects, away from our previous strategy of acquiring small developed roof-mounted solar projects from third-party developers to sell to long term owners, while expected to be more profitable in the longer-term, presents a higher degree of execution risk in the short-term as suitable opportunities need to be identified, secured and developed. In addition, the Company's cost of capital and expected return from such projects has increased as limited capital is prioritized to the best opportunities.

In addition, an impairment charge of $0.6 million was recorded on the first-time consolidation of three Philippine-based controlled entities. VivoPower Singapore Pte Ltd, a wholly-owned subsidiary, has control over three Philippines-based subsidiaries, V.V.P. Holdings Inc., VivoPower Philippines Inc., and VivoPower RE Solutions Inc. These entities have not been previously consolidated on the basis of materiality. As the activity within these entities has continued to increase, it was deemed appropriate to consolidate them with effect from April 1, 2018. Upon initial consolidation, the Group recognized negative net assets of $0.6 million which resulted in a corresponding amount of goodwill on acquisition. This goodwill was immediately deemed impaired and the impact of the provision is included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018.

The CGU represented by Aevitas was assessed to have a value in excess of its respective carrying value and hence no additional adjustments to goodwill were considered necessary. Key assumptions used in the assessment of the Aevitas were:

- the discount rate was based on the weighted average cost of capital of 9.2% (2017: 8.3%); and,

- 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	Favorable Supply Contracts	Databases	Other	Total
Cost						
At April 1, 2016	-	-	-	-	-	-
Additions	9,953	2,488	2,488	734	812	16,475
At March 31, 2017	**9,953**	**2,488**	**2,488**	**734**	**812**	**16,475**
Foreign exchange	139	63	126	4	-	332
Revaluation	(4,293)	129	1,963	(584)	(812)	(3,597)
Additions	-	-	-	-	98	98
At March 31, 2018	**5,799**	**2,680**	**4,577**	**154**	**98**	**13,308**

(US dollars in thousands)	Customer Relationships	Trade Names	Favorable Supply Contracts	Databases	Other	Total
Amortization						
At April 1, 2016	-	-	-	-	-	-
Amortization	347	43	122	36	-	548
At March 31, 2017	**347**	**43**	**122**	**36**	**-**	**548**
Amortization	330	194	284	32	-	840
At March 31, 2018	**677**	**237**	**406**	**68**	**-**	**1,388**
Net book value						
At April 1, 2016	-	-	-	-	-	-
At March 31, 2017	9,606	2,445	2,366	698	812	15,927
At March 31, 2018	**5,122**	**2,443**	**4,171**	**86**	**98**	**11,920**

14. Investment in subsidiaries

The principal operating undertakings in which the Group's interest at the year-end is more than 20% are as follows:

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, UK, W1G 0EF
VivoPower USA, LLC	100%	251 Little Falls Drive, Wilmington, DE, USA 19808
VivoRex, LLC	100%	
VivoPower US-NC-31, LLC	100%	
VivoPower US-NC-47, LLC	100%	
VivoPower (USA) Development, LLC	100%	
VivoPower Pty Limited	100%	153 Walker St, North Sydney NSW, Australia 2060
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%	
Juice Capital Fund 1 Pty Limited	100%	
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 Singapore Pte Limited	100%	36, UOB Plaza 1, 80 Raffles Pl, Singapore 048624
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%	
Innovative Solar Ventures I, LLC	50%	251 Little Falls Drive, Wilmington, DE, USA 19808

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.

15. Investments

(US dollars in thousands)	% Owned	2018	2017	2016
Innovative Solar Ventures I, LLC	50%	14,147	-	-
US-NC-31 Sponsor Partner, LLC	14.45%	-	10,529	-
US-NC-47 Sponsor Partner, LLC	10%	-	7,531	-
Total		**14,147**	18,060	-

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

Under the terms of the agreement, the Company committed to invest $14.9 million, which was recorded in full at the outset and offset by a corresponding current obligation payable. The investment balance at March 31, 2018, has been reduced by a $0.7 million commission credit described below.

Under the terms of the ISS Joint Venture agreement the Company committed to invest $14.9 million for a 50% equity interest in the portfolio of 38 projects, an amount which included $0.8 million in potential brokerage commissions that have not been required and which have been credited towards the Company's commitment. In addition, an initial capital contribution of $0.5 million was made by a top-tier U.S.-based EPC firm, in consideration for a right to provide certain engineering services related to the ISS Joint Venture portfolio projects. The $14.9 million investment is allocated to each of the 38 projects based on monthly capital contributions determined with reference to completion of specific project development milestones under an approved development budget for the ISS Joint Venture. Of the $14.9 million commitment, the Company contributed an additional $12.4 million to the ISS Joint Venture over the course of the year ended March 31, 2018, which after giving effect to the payment by the EPC firm and a proportionate amount of the commission credit, left a remaining capital commitment at March 31, 2018 of $1.3 million, which is recorded in trade and other payables.

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

(US dollars in thousands)	2018	2017	2016
Current assets	13,617	-	-
Non-current assets	819	-	-
Net assets	**24,482**	-	-

No summarized statement of comprehensive income has been presented as there were no movements in comprehensive income in the year (2017: nil).

Reconciliation to carrying amounts

(US dollars in thousands)	2018	2017	2016
Opening net assets	-	-	-
Initial investment	29,808	-	-
Commission credit	(1,514)	-	-
Net assets	**28,294**	-	-
VivoPower share in %	50%	-	-
VivoPower share in $ (US dollars in thousands)	**14,147**	-	-

During the year ended March 31, 2017, the Company developed its first two major solar projects, located in North Carolina, United States, known as NC-31 and NC-47 (together the "NC Projects"). The Company acquired these projects on June 14, 2016, and August 29, 2016, respectively. On July 29, 2016, and October 25, 2016 and prior to commencement of construction, third-party investors acquired the majority of these projects, with the Company retaining a 14.5% and 10.0% non-controlling equity interest in NC-31 and NC-47, respectively ("Residual Interests"). The Company invested a total $18.1 million in the year ended March 31, 2017, and an additional $3.5 million in the year ended March 31, 2018, for a total cost of $21.6 million related to the Residual Interests. Subsequent to March 31, 2018, the Company sold the Residual Interests to the majority investor and accordingly has reclassified the investment to current assets as asset held for sale, as more fully disclosed in note 8.

16. Cash and cash equivalents

(US dollars in thousands)	2018	2017	2016
Cash at bank and in hand	**1,939**	10,970	28

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

(US dollars in thousands)	2018	2017	2016
A-1+	830	2,341	-
A-1	969	8,161	-
A-2	140	468	-
Total	**1,939**	10,970	-

17. Trade and other receivables

(US dollars in thousands)	2018	2017	2016
Current receivables			-
Trade receivables	5,333	5,248	-
Accrued income	120	13,183	-
Prepayments	391	563	-
Other receivables	2,059	722	-
Related party receivable	-	128	-
Total	**7,903**	19,844	-
			-
Non-current receivables			-
Loan due from associate	-	549	-
Other receivables	-	618	-
Total	-	1,167	-

Analysis of trade receivables:

(US dollars in thousands)	2018	2017	2016
Trade and other receivables	5,335	5,250	-
Less: credit note provision	(2)	(2)	-
Total	**5,333**	5,248	-

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

(US dollars in thousands)	2018	2017	2016
USA	129	-	-
United Kingdom	12	1,600	-
Australia	5,192	3,648	-
Total	**5,333**	5,248	-

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

(US dollars in thousands)	2018	2017	2016
0-90 days	5,326	5,092	-
Greater than 90 days	7	156	-
Total	**5,333**	5,248	-

18. Trade and other payables

(US dollars in thousands)	2018	2017	2016
Trade payables	5,644	2,158	185
Accruals	3,008	1,297	1
Related party payable	-	1,445	-
Treasury shares (see note 25 for further details)	-	592	-
Payroll liabilities	504	1,972	-
Sales tax payable	310	412	-
Deferred income	1,544	305	-
Other creditors	3,072	81	-
Total	**14,082**	8,262	186

19. Obligations under finance leases

(US dollars in thousands)	Minimum lease payments			Present value of minimum lease payments		
	2018	2017	2016	**2018**	2017	2016
Amounts payable under finance leases:						
Less than one year	291	165	-	285	145	-
Later than one year but not more than five	327	107	-	293	95	-
	618	272	-	**578**	240	-
Future finance charges	(40)	(32)	-	-	-	-
Total obligations under finance lease	**578**	240	-	-	-	-

20. Provisions

(US dollars in thousands)	2018	2017	2016
Current provisions			
Employee and contractor termination	616	-	-
Onerous contract	380	-	-
Employee entitlements	1,474	1,339	-
			-
Non-current provisions			-
Employee entitlements	288	237	-
Total	**2,758**	1,576	-

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

The onerous contract provision recognizes the loss associated with a contract to sell Solar Renewable Energy Certificates purchased from the NC-47 project at a loss until April 21, 2022.

(US dollars in thousands)	Employee Entitlements	Employee Termination	Contractor Termination	Onerous Contract	Total
At 1 April 2016	-	-	-	-	-
Acquired through business combinations	1,576	-	-	-	1,576
At 31 March 2017	**1,576**	**-**	**-**	**-**	**1,576**
Additional provisions recognized	186	32	584	380	1,182
At 31 March 2018	**1,762**	**32**	**584**	**380**	**2,758**

Employee entitlements include long term leave and vacation provisions.

21. Loans and borrowings

(US dollars in thousands)	2018	2017	2016
Current liabilities			
Financing agreement	2,000	-	-
Related party loans	1,670	-	8,001
Bank loan	-	90	-
			-
Non-current liabilities			-
Bank loan	-	933	-
Related party loan	18,092	18,992	-
Total	**21,762**	20,015	8,001

The financing agreement represents a short-term loan from SolarTide, LLC, an affiliate of DEPCOM Power, which was made in January 2018, subject to a loan fee of $0.3m, interest at 12% per annum, and was repaid in May 2018.

The related party loans in current liabilities are with Arowana International Limited. A $0.8 million loan was made in March 2018, bears interest at 8.5%, and was repaid in April 2018. The remaining $0.9 million is the current portion of the non-current related party loan described below.

The bank loan was due to ANZ Bank and was repaid in February 2018 on sale of the related Amaroo solar project. The loan was repayable over an 11.5-year period at a monthly repayment amount of approximately $7,500 per month for 138 months.

The non-current related party loan of $18.1 million loan is the non-current portion of a $19 million loan from Arowana International Limited, which bears interest at 8.5% paid monthly in arrears, and is repayable in twelve equal monthly instalments of $75,000 beginning April 2018, with the remainder repayable in 24 equal monthly instalments thereafter.

22. Called up share capital

	2018	2017	2016
Allotted, called up and fully paid			
Ordinary shares of $0.012 each as at 31 March	**$ 162,689**	$ 162,689	$ 72,125
Number allotted			
Ordinary shares of $0.012 each	**13,557,376**	13,557,376	5,514,375

	No. of shares
At April 1, 2016	5,514,375
Issue of new shares	8,043,001
At April 1, 2017	**13,557,376**
Issue of new shares	-
At March 31, 2018	**13,557,376**

23. Other reserves

(US dollars in thousands)	2018	2017	2016
Equity instruments	25,072	25,072	
Share option reserve	3,713	3,713	-
Capital raising costs	(9,722)	(9,722)	-
Treasury shares (see note 25)	(592)	(592)	-
Foreign exchange	(88)	(142)	-
Total	**18,383**	18,329	-

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

There are 2,473,367 convertible preference shares outstanding with a face value of AU$3.00 per share and mature on June 30, 2021. The value held in reserves of AU$9,956,149 represents their face value plus the dividends accrued to December 29, 2016, the date at which they became convertible to VivoPower shares. Convertible preference shares are subordinated to all creditors of Aevitas Group, rank equally amongst themselves, and rank in priority to ordinary shares of Aevitas Group.

There are 2,473,367 convertible loan notes outstanding with a face value of AU$7.00 per share and mature on June 30, 2021. The value held in reserves of AU$22,489,140 represents their face value plus the dividends accrued to December 29, 2016, the date at which they became convertible to VivoPower shares. The convertible loan notes rank equally with the unsecured creditors of Aevitas Group.

Dividends or interest is payable quarterly in arrears at a rate of 7% on the capitalized value to December 29, 2016. At maturity, or if a trigger event such as a change of control event, listing event or a disposal of substantially all of Aevitas Group has occurred, the Company can choose to redeem the instruments or convert them into VivoPower ordinary shares at a price of US$10.20 per share.

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

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

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)	2018	2017	2016
Profit/(loss) for the year	**(27,879)**	5,581	(281)
Weighted average number of shares in issue ('000s)	**13,557**	7,624	5,514
Basic earnings/(loss) per share (dollars)	**(2.06)**	0.73	(0.05)
Diluted earnings/(loss) per share (dollars)	**(2.06)**	0.73	(0.05)

25. Treasury shares

On March 30, 2017, the Company repurchased 129,805 shares at a price of $4.50 for a total sum of $591,916, including commission. The shares are being held as treasury shares.

26. Contingencies

(a) Litigation

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

On April 9, 2018, the Company filed a defense and counterclaim, denying the claims asserted by Mr. Comberg and claiming damages in an amount of approximately $27 million plus certain other amounts to be quantified. The Company believes strongly in the merits of its litigation against Mr. Comberg and intends to continue a strong defense and counterclaim.

As the outcome of the litigation is uncertain, very much dependent upon uncertain future determinations by third parties, and the amount of any possible recovery or liability cannot be reliably measured, no provision has been made in these financial statements in respect of this matter.

(b) Bank guarantees

The Group has issued bank guarantees totaling $1.0 million to customers to secure performance obligations under power services contracts. These obligations are secured by a first charge over the assets of JA Martin PTY Limited.

27. Operating lease commitments

(US dollars in thousands)	**2018**	2017	2016
	Property	Property	Property
Commitments under non-cancellable operating leases expiring:			
Within one year	**144**	15	-
Later than one year and less than five years	**160**	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.

28. Pensions

The Group's principal pension plan comprises the compulsory Superannuation scheme in Australia, where the Group contributes 9.5%. The pension charge for the year represents contributions payable by the Group which amounted to $900,483 (2017: $196,005; 2016: nil) in respect of the Australian scheme.

29. Financial instruments

(US dollars in thousands)	**2018**	2017	2016
Financial assets			
Trade and other receivables	7,511	20,448	-
Cash and cash equivalents	1,939	10,970	28
Total	**9,450**	31,418	28
Financial Liabilities			
Loans and borrowings	21,762	20,015	8,001
Trade and other payables	13,268	5,878	186
Finance leases payable	578	240	-
Total	**35,608**	26,133	8,187

(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 $1.9 (2017: $10.9) million with related party loan of $19.0 (2017: $19.0) million. The ratio of current assets to current liabilities is 1.03 (2017: 2.53:1). 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 a customer of the Group for many years. Losses have occurred infrequently. The Group is mainly exposed to credit risks from credit sales but the Group has no significant concentrations of credit risk and keeps the credit status of customers under review. Credit risks of customers of new customers are reviewed before entering into contracts. The debtor exposure is monitored by Group finance and the local entities review and report their exposure on a monthly basis.

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

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

(d) Foreign currency risk

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

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

The Group is exposed to foreign exchange risk on $7.4 million of trade and other receivables denominated in AUD. In addition, the Group is exposed to foreign exchange risk on $6.1 million or trade and other payables, of which $4.9 million is denominated in AUD and $1.2 million in GBP.

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.

30. Related party transactions

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

VivoPower is indebted to Arowana via a related party loan on normal commercial terms with interest charged at 8.5% per annum, which was repaid, together with interest, in April 2018. At March 31, 2018 the principal balance due to Arowana by VivoPower under this loan was $770,000 (2017: nil).

VivoPower is indebted to Arowana via a related party loan on normal commercial terms with interest charged at 8.5% per annum and principal repayable in equal monthly instalments of $75,000 beginning April 2018. Interest is payable monthly. At March 31, 2018, the principal balance due to Arowana by VivoPower under this loan was $18,992,263 (2017: $18,992,263).

Directors fees for Kevin Chin in the amount of $21,094 per month are charged by Arowana Partners Group Pty Limited. At March 31, 2018, the Company had an account payable to Arowana Partners Group Pty Limited of $42,188 (2017: nil) in respect of these services.

Art Russell, Chief Financial Officer, is employed by Arowana International UK Limited, a subsidiary of Arowana, and seconded to VivoPower; $26,352 per month is charged to the Company for these services. At March 31, 2018, the Company had an account payable of $80,036 (2017: nil) in respect of these services.

Gary Hui, Director, is paid an annual salary of $360,000 by VivoPower, $260,000 of which is recharged to Arowana on a monthly basis, together with related expenses. At March 31, 2018, VivoPower had an account receivable from Arowana of $242,915 (2017: $121,046) in respect of these recharges.

From time to time, costs incurred by Arowana on behalf of VivoPower are recharged to the Company. During the year ended March 31, 2018, Arowana recharged $1.6 million of third-party fees to VivoPower related to international solar procurement consulting, project evaluations, engineering review and technical validation related to the EPC contract for NC-31, a solar project in North Carolina which was substantially completed on 27 March 2017; the expense has been included in general and administrative expenses. In addition, $202,003 was recharged to the Company related to an abandoned business development project and included in restructuring costs as disclosed in note 7. At March 31, 2018, the Company has a payable to Arowana for both amounts, totalling $1,802,003 (2017: nil).

Kevin Chin or entities controlled by Kevin Chin are investors in ReNu Energy, with whom the Group into an alliance agreement and sold the Amaroo solar project for $2.0 million during the year.

Aevitas is indebted to the following subsidiaries of Arowana via their holdings in Aevitas convertible loan notes, which are accounted for as equity instruments within other reserves, and for which they earned $758,766 of interest during the year ended March 31, 2018. The outstanding amount represents the face value plus interest accrued to December 29, 2016:

- Arowana Australasian Special Situations 1A Pty Ltd <Arowana Australasian Special Situations Trust 1A A/C>: 666,666 Aevitas notes held with an outstanding amount of $4,655,366;
- Arowana Australasian Special Situations 1B Pty Ltd <Arowana Australasian Special Situations Trust 1B A/C>: 666,666 Aevitas notes held with an outstanding amount of $4,655,366; and,
- Arowana Australasian Special Situations 1C Pty Ltd <Arowana Australasian Special Situations Trust 1C A/C>: 666,667 Aevitas notes held with an outstanding amount of $4,655,366.

Subsidiaries of Arowana hold the following convertible preferred shares of Aevitas, which are accounted for as equity instruments within other reserves, and for which they earned $325,185 of dividends during the year ended March 31, 2018. The outstanding amount represents the face value plus dividends accrued to December 29, 2016:

- Arowana Australasian Special Situations 1A Pty Ltd <Arowana Australasian Special Situations Trust 1A A/C>: 388,889 Aevitas preferred shares held with an outstanding amount of $1,163,843;

- Arowana Australasian Special Situations 1B Pty Ltd <Arowana Australasian Special Situations Trust 1B A/C>: 388,889 Aevitas preferred shares held with an outstanding amount of $1,163,843;

- Arowana Australasian Special Situations 1C Pty Ltd <Arowana Australasian Special Situations Trust 1C A/C>: 388,889 Aevitas preferred shares held with an outstanding amount of $1,163,843; and,

- Arowana Australasian Special Situations Fund 1 Pty Limited <Arowana Australasian Special Situation Fund >: 833,333 Aevitas preferred shares held with an outstanding amount of $2,493,948.

Aevitas is indebted to the following entities via their holdings in Aevitas convertible loan 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 notes with an outstanding amount of $31,425 representing face value plus interest accrued to December 31, 2016, and earned interest of $1,707 for the year ended March 31, 2018; and,

- Sd & K Investments Pty Ltd <Hoskins Family A/C> an entity controlled by Mr. Dudley Hoskin holds 43,249 notes with an outstanding amount of $302,010, representing face value plus interest accrued to December 31, 2016, and earned interest of $16,408 for the year ended March 31, 2018.

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

- 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 shares with an outstanding amount of $13,467 representing face value plus interest accrued to December 31, 2016, and earned dividends of $732 for the year ended March 31, 2018; and,

- Sd & K Investments Pty Ltd <Hoskins Family A/C> an entity controlled by Mr. Dudley Hoskin holds 43,249 shares with an outstanding amount of $129,433 representing face value plus dividends accrued to December 31, 2016, and earned dividends of $7,032 for the year ended March 31, 2018

31. Key management personnel compensation

Key management personnel, which are those roles that have a Group management aspect to them are included in note 9 to the consolidated financial statements.

32. Ultimate controlling party

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

EXECUTION COPY

LOAN AGREEMENT

This Loan Agreement (this "**Agreement**" or the "**Loan Agreement**") dated as of January 25, 2018 (the "**Effective Date**"), is made and executed by and between Vivo Power USA LLC, a Delaware limited liability company ("**Borrower**") and SolarTide, LLC, a Delaware limited liability company ("**Lender**") (Borrower and Lender are collectively referred to here as the "**Parties**" and each a "**Party**.")

RECITALS

WHEREAS, Borrower is an indirect minority owner of the approximately 34.2 MW (AC) solar photovoltaic project in Bladen County, North Carolina that is referred to as the "IS-31 Solar Project" and the approximately 33.8 MW (AC) solar photovoltaic project in Robeson County, North Carolina that is referred to as "IS-47 Solar Project" (together, the **"NC VivoPower Projects**") and an indirect owner of a 50% membership interest in Innovative Solar Ventures I LLC, a Delaware limited liability company (the "**ISV Interest**");

WHEREAS, Borrower has requested that Lender provide short term financing to Borrower for the purpose of funding development expenses associated with the ISV Interest or for general corporate and working capital purposes of Borrower, VivoPower International PLC ("**PLC**") or subsidiaries of PLC; and

WHEREAS, Lender is prepared to provide such financing to Borrower, subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Loan. Subject to the terms and conditions set forth in this Agreement, Lender agrees to make disbursements to Borrower (each, a "**Loan**" and collectively, the "**Loan**") up to the maximum principal amount of Two Million and 00/100ths Dollars ($2,000,000.00) (the "**Maximum Loan Principal Amount**"), which shall be disbursed by Lender to Borrower in accordance with the draw schedule attached hereto as Schedule 1, subject to the terms and conditions set forth herein.

2. Interest Rate. The Loan amounts advanced to Borrower shall bear interest at a rate of 12% per annum, provided however, if all amounts advanced by Lender to Borrower under the Loan are repaid on or before April 25, 2018, then any accrued interest on the Loan shall be waived.

3. Origination Fee/Lender's Attorneys' Fees . On or before the earlier to occur of (a) the Maturity Date, as it may be extended hereunder, and (b) repayment of all Loans and other amounts due hereunder, Borrower shall pay to Lender an origination fee in the amount of Three Hundred Thousand and 00/100ths Dollars ($300,000.00). On the Effective Date, Borrower shall pay all of Lender's reasonable attorneys' fees associated with the documentation and closing of this Loan ("**Lender Attorney's Fees**").

4. Maturity Date. All amounts advanced to Lender under the Loan shall be immediately due and payable in full to Lender without demand, protest, or notice on April 25, 2018 (the "**Maturity Date**"), provided however, if all amounts due under the Loan are not repaid in full on or before the Maturity Date, and provided there is no Event of Default (as defined below) at such time (other than on account of such non-payment), the Maturity Date will automatically be extended until May 25, 2018. If the Maturity Date is so extended, Borrower shall be required to repay on or before the extended Maturity Date, all amounts advanced under the Loan and any accrued interest on amounts advanced under the Loan, as set forth in section 2 above.

5. Prepayment. Borrower may pay without penalty all or a portion of the amounts owed hereunder earlier than it is due. Early payments will not, unless agreed to by Lender in writing and subject to section 2 above, relieve Borrower of Borrower's obligation to pay all accrued unpaid interest and principal. Rather, early payments will reduce the principal balance due.

6. Lien on Membership Interest. To secure Borrower's obligations to repay the amounts due under this Agreement to Lender, Borrower agrees to pledge and provide a security interest in and against the following collateral (the "**Collateral**"):

    a. Borrower's one hundred percent (100%) membership interest in VivoPower US-NC-47 LLC, a Delaware limited liability company.

    b. Borrower's one hundred percent (100%) membership interest in VivoPower US-NC-31 LLC, a Delaware limited liability company.

    c. Borrower's one hundred percent (100%) membership interest in VivoPower (USA) Development LLC, a Delaware limited liability company.

7. Conditions Precedent. As express conditions to Lender's agreement to disburse on the Loan, the following shall have occurred, all in a form and manner and in substance satisfactory to Lender in its sole discretion:

    a. Lender shall have been provided: i) a fully executed Promissory Note dated of even date hereof from Borrower to Lender in the Maximum Loan Principal Amount (the "**Note**"); and ii) a fully executed Pledge Agreement from Borrower of even date hereof (the "**Pledge Agreement**").

    b. No Event of Default shall have occurred under this Agreement or any related documents executed by Borrower in connection with this Agreement (collectively, the "**Loan Documents**").

8. Effective Date. The Parties acknowledge that all of the conditions precedent identified in section 7 are satisfied on the Effective Date.

9. Method of Draw Request. Subject to the terms and conditions of this Agreement, the Borrower may borrow up to the Maximum Loan Principal Amount. The disbursements on the Loan shall be made in accordance with the Draw Schedule attached hereto as Schedule 1. With the exception of the initial draw request, which shall be disbursed immediately upon the satisfaction of the conditions precedent set forth in section 7, Borrower may provide Lender with a draw request signed by a responsible officer of Borrower specifying the amount of the requested draw amount at least two (2) business days prior to the date of the draw per the Draw Schedule. Provided that Lender receives such draw request two (2) business days prior to date of the draw on the Draw Schedule, Lender shall disburse the amount requested in the draw request on the date specified in the draw request. The amount of the draw request may exceed the amount set forth in the Draw Schedule, provided that the aggregate amount of requested disbursements shall not exceed the Maximum Loan Principal Amount. For the avoidance of doubt, following the initial draw on the Effective Date, Borrower has no obligation to borrow any amounts of the Loan.

10. Loan Disbursements. All Loan disbursements made by Lender to Borrower under this Agreement shall be used solely for development expenses associated with the ISV Interest or for general corporate and working capital purposes of Borrower, PLC or subsidiaries of PLC.

11. Representations and Warranties. As a material inducement to Lender's entry into this Agreement, the Borrower represents and warrants to the Lender as of the Effective Date and the date of each borrowing the following:

    a. **Authority/Enforceability**. The Borrower (a) is duly organized or formed, as appropriate, validly existing and in good standing under the laws of the jurisdiction described in the preamble of this Agreement, its jurisdiction of incorporation, formation or organization, as appropriate, (b) is duly authorized to transact business in each state in which the Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Borrower is doing business in compliance with all laws and regulations applicable to its organization, existence and transaction of business, and (c) has taken all corporate or other action necessary to be taken by it to authorize (i) the borrowings on the terms and conditions of this Agreement and the Note, and (ii) the execution, delivery and performance of the Loan Documents. The Borrower's legal name is as set forth in the preamble of this Agreement and on the signature pages hereof, and the Borrower has not done business under any assumed name, unless set forth on a schedule to this Agreement.

    b. **Binding Obligations**. Borrower is authorized to execute, deliver and perform its obligations under the Loan Documents, and such obligations and the Loan Documents are valid and binding obligations of Borrower in accordance with their terms.

    c. **Formation and Organizational Documents**. Borrower has delivered to the Lender all formation and organizational documents of the Borrower and Borrower's subsidiaries set forth on Schedule 2 and 3 hereto. Borrower represents and warrants that each of the subsidiaries identified on Schedule 2 hereto is a "disregarded entity" within the meaning of Treasury Regulation Section 301.7701-3 or a "partnership" for U.S. federal income tax purposes.

d. **No Violation**. The Borrower's execution, delivery, and performance under the Loan Documents do not (a) require any consent or approval not heretofore obtained under any partnership agreement, operating agreement, articles of incorporation, bylaws or other document, (b) violate any governmental requirement applicable to Borrower or any other statute, law, regulation or ordinance or any order or ruling of any court or governmental entity, or (c) conflict with, or constitute a breach or default or permit the acceleration of obligations under any agreement, contract, lease, or other document by which the Borrower is bound or regulated.

e. **Business Loan**. The Loan is a business loan transaction in the stated amount solely for the purpose of carrying on the business of the Borrower and its affiliates and none of the proceeds of the Loan will be used for the personal, family or agricultural purposes of the Borrower.

f. **Absence of Defaults**. Borrower is not in default under its organizational documents, and no event has occurred, which has not been remedied, cured or irrevocably waived: (a) which constitutes such a default; or (b) which constitutes, or which with the passage of time, the giving of notice, a determination of materiality, the satisfaction of any condition, or any combination of the foregoing, would constitute, a default or event of default by Borrower under any agreement or judgment, decree or order to which Borrower is a party or by which Borrower or any of its properties may be bound where such default or event of default could, individually or in the aggregate, involve indebtedness or other obligations or liabilities in excess of $100,000.

g. **Solvency**. After giving effect to the Loan and the transactions contemplated by this Agreement, Borrower is solvent, having assets of a fair salable value which exceed the amount required to pay its debts as they become absolute and matured (including contingent, subordinated, unmatured and unliquidated liabilities), and Borrower is able to and anticipates that it will be able to meet its debts as they mature and has adequate capital to conduct the business in which it is, and it proposes to be, engaged.

12. Event of Default. The occurrence of any of the following shall constitute a Borrower "**Event of Default**" hereunder: (i) failure to pay back the Loan amounts disbursed to Borrower, all accrued and unpaid interest due under the Note (subject to waiver of interest under section 2 above) and this Agreement and any other amounts due under the Loan Agreement and/or the Note, on the Maturity Date, as that date may be extended hereunder; (ii) material breach by Borrower of any other obligation hereunder, under the Note or under any other Loan Document executed in association with the Loan; (iii) any representation or warranty made by Borrower herein shall prove to be false or misleading in any material respect; and/or (iv) any report, certificate, financial statement or other instrument furnished by Borrower in connection with this Agreement or any other Loan Documents associated with the Loan shall prove to be false or misleading in any material respect; provided that if any default under clause (ii), (iii) or (iv) above is curable, it may be cured if Borrower, after receiving written notice from Lender demanding cure of such default: (1) cures the default within twenty (20) days; or (2) if the cure requires more than twenty (20) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

13. Remedies. Upon the occurrence and during the continuation of an Event of Default, Lender may, at its option and upon written notice to Borrower, immediately take any or all of the following actions, at the same or different times: i) declare the indebtedness due under this Agreement to be due and payable in full, whereupon the indebtedness due under this Agreement shall become immediately due and payable in full, both as to principal and interest, without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything contained herein or in any other Loan Documents to the contrary notwithstanding; ii) foreclose and sell the collateral securing the indebtedness due under this Agreement, subject to applicable state and federal laws, and apply the proceeds of sale to the indebtedness due under this Agreement; and iii) enforce any and all rights and remedies of Lender under this Agreement or applicable law.

14. Governing Law. This Loan Agreement shall be interpreted and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed in such State and without reference to the choice of law principles of the State of New York or any other state.

15. Jurisdiction. The Parties agree that any controversy or claim arising out of or relating to this Loan Agreement, or the breach hereof, including but not limited to the interpretation, validity and/or enforceability of this Loan Agreement, shall be settled by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules with hearings to take place in New York, New York or such other location as mutually agreed by the parties; provided, however, that such arbitration shall apply a "baseball" or "last offer" arbitration procedure, whereby the arbitrator(s) shall request each Party to submit to the arbitrator(s) and exchange with each other, in accordance with a procedure to be established by the arbitrator(s), its final position on the award that it believes it is entitled to obtain and the arbitrator(s) shall award only one or the other of the two positions submitted by the Parties; provided however, nothing contained herein shall prevent Lender from proceeding with its rights under Article 9 of the Uniform Commercial Code to foreclose on the Collateral upon the occurrence and during the continuation of an Event of Default.

16. Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and legal expenses, incurred in connection with the enforcement of this Agreement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

17. Relationship of the Parties. The Parties shall not be deemed to be partners or joint venturers by virtue of this Loan Agreement, nor shall either Party be an agent, representative, trustee or fiduciary of the other. The Parties understand, agree and acknowledge that (i) this Loan Agreement has been freely negotiated by both parties, and (ii) in any controversy, dispute or contest over the meaning, interpretation, validity, or enforceability of this Loan Agreement or any of its terms or conditions, there shall not be any inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Loan Agreement or any portion thereof.

18. Entire Agreement. This Loan Agreement represents the full and complete agreement of the Parties regarding the subject matter hereof, and except for the further documents and agreements expressly referenced herein or therein or contemplated hereby, including without limitation the Note and the Pledge Agreement, there are no other agreements, oral or written, with respect to the subject matter hereof.

19. Modifications, Amendments and Waivers. No waiver of any of the provisions of this Loan Agreement will be considered, or will constitute, a waiver of any of the rights or remedies, at law or equity, of the Party entitled to the benefit of such provisions unless made in writing and executed by the Party entitled to the benefit of such provision. No amendment, modification or supplement of any provision of this Loan Agreement will be valid unless the same is in writing and signed by the Parties hereto.

20. Severability. Any term or provision of this Loan Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering, invalid or unenforceable the remaining terms and provisions of this Loan Agreement or affecting the validity or enforceability of any of the terms or provisions of this Loan Agreement in any other jurisdiction.

21. Term. This Loan Agreement will automatically terminate and be of no further force and effect upon the earlier of (i) written mutual agreement of the Parties and (ii) Borrower's payment in full of the outstanding principal of the Loan and any accrued and unpaid interest to Lender. Notwithstanding anything in the previous sentence, sections 14 through 17 shall survive the termination of this Loan Agreement and the termination of this Loan Agreement shall not affect any rights any Party has with respect to the breach of this Loan Agreement by another Party prior to such termination.

22. Assignment. Neither Party hereto shall assign any of its rights or delegate any performance under this Loan Agreement, voluntarily or involuntarily, whether by merger, consolidation, dissolution, operation of law, or any other manner, except to a parent, subsidiary, or other affiliated entity, without the prior written consent of the other Party. Any purported assignment of rights or delegation of performance in violation of this provision is void.

23. Counterparts. This Loan Agreement may be signed on any number of identical counterparts, such as a faxed copy or an emailed pdf document, with the same binding effect as if the signatures were on one instrument, Original and entailed (.pdf format) signatures are binding.

24. Notices. All notices, requests, demands or other communications hereunder shall be in writing and shall be delivered personally or by reputable express courier service addressed to the relevant party hereto at the address stated below or at any other address notified by the party to the other as its address for purposes of this Agreement. Any communication so given personally and any notice so given by express courier service shall be deemed to have been delivered on the date of receipt of the intended recipient. As proof of such delivery it shall be sufficient to produce a receipt showing personal service or the receipt of a reputable courier company showing the correct address of the addressee.

To the Borrower:	VivoPower USA LLC 140 Broadway, 28th Floor New York, NY 10005 Attn: Carl Weatherley-White With a copy to (which shall not constitute notice): Stoel Rives LLP 600 University Street, Suite 3600 Seattle, WA 98101 Attn: Alexandra L. Mertens
To the Lender:	SolarTide, LLC 9200 E. Pima Center Pkwy, Ste. 180 Scottsdale, Arizona 85258 Attn: Steve Chun

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

LENDER:

SOLARTIDE, LLC
a Delaware Limited Liability Company

By: /s/ Steve Chun

Print Name: Steve Chun

Title: _____

BORROWER:

VIVOPOWER USA LLC
a Delaware Limited Liability Company

By: /s/ Carl Weatherley-White

Print Name: Carl Weatherley-White

Title: CEO

SCHEDULE 1

DRAW SCHEDULE

Initial	$	750,000
Feb 1, 2018	$	1,250,000
Total	$	2,000,000

SCHEDULE 2

VivoPower USA LLC Subsidiaries

IS-47 Solar Project Subsidiaries	**IS-31 Solar Project Subsidiaries**
VivoPower US-NC-47 LLC	VivoPower US-NC-31 LLC
US-NC-47 Sponsor Partner, LLC	US-NC-31 Sponsor Partner, LLC
US-NC-47 Sponsor, LLC	US-NC-31 Sponsor, LLC
IS-47 Holdings, LLC	IS-31 Holdings, LLC
Innovative Solar 47, LLC	Innovative Solar 31, LLC

Schedule 3

Subsidiary of VivoPower (USA) Development LLC

Innovative Solar Ventures I LLC

Exhibit 4.12

EXECUTION VERSION

MEMBERSHIP INTEREST PURCHASE AGREEMENT

by and among

VIVOPOWER US-NC-31 LLC

and

VIVOPOWER US-NC-47 LLC

as Sellers

and

NES US NC-31 LLC

and

NES US NC-47 LLC

as Buyers

dated as of

May 25, 2018

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MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT, dated as of May 25, 2018 (this "**Agreement**"), is made and entered into by and among NES US NC-31 LLC, a Delaware limited liability company ("**NC-31 Buyer**"), NES US NC-47 LLC, a Delaware limited liability company ("**NC-47 Buyer,**" and together with NC-31 Buyer, "**Buyers**"), VivoPower US-NC-31 LLC, a Delaware limited liability company ("**NC-31 Seller**") and VivoPower US-NC-47 LLC, a Delaware limited liability company ("**NC-47 Seller**," and together with NC-31 Seller, "**Sellers**"). Each of NC-31 Buyer, NC-47 Buyer, NC-31 Seller and NC-47 Seller is referred to individually as a "**Party**," and collectively as the "**Parties**."

RECITALS

A. Each Seller is a direct, wholly-owned subsidiary of VivoPower USA LLC, a Delaware limited liability company ("**Parent**").

B. NC-31 Seller owns all of the outstanding Class B Membership Interests of US-NC-31 Sponsor Partner, LLC ("**NC-31 UTP**") and NC-47 Seller owns all of the outstanding Class B Membership Interests of US-NC-47 Sponsor Partner, LLC ("**NC-47 UTP,**" and together with NC-31 UTP, the "**UTPs**").

C. NC-31 Seller desires to sell to NC-31 Buyer, and NC-31 Buyer desires to acquire from NC-31 Seller, all of the Class B Membership Interests of NC-31 UTP held by NC-31 Seller (collectively, the "**NC-31 Acquired Membership Interests**"), subject to the terms and conditions set forth herein.

D. NC-47 Seller desires to sell to NC-47 Buyer, and NC-47 Buyer desires to acquire from NC-47 Seller, all of the Class B Membership Interests of NC-47 UTP held by NC-47 Seller (collectively, the "**NC-47 Acquired Membership Interests,**" and together with the NC-31 Acquired Membership Interests, the "**Acquired Membership Interests**"), subject to the terms and conditions set forth herein.

E. As a material inducement to Buyers to enter into this Agreement, concurrently with the execution of this Agreement, Parent has issued and delivered a guarantee, in the form attached hereto as Exhibit A (the "**Parent Guarantee**"), in favor of Buyers with respect to the obligations of Sellers arising under, or in connection with, this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Terms Defined. Except as otherwise expressly provided in this Agreement, the following terms have the meanings specified or referred to in this **Section 1.1**:

"**Acquired Companies**" means NC-31 UTP, US-NC-31 Sponsor, LLC, a Delaware limited liability company, IS-31 Holdco, NC-31 Project Company, NC-47 UTP, US-NC-47 Sponsor, LLC, a Delaware limited liability company, IS-47 Holdco and NC-47 Project Company.

"**Acquired Membership Interests**" has the meaning set forth in the Recitals hereto.

"**Actual Revenue**" means revenue in United States dollars ($US) received by the Project Companies for the selling of Product.

"**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person; with the term "control" (including the related term "controlled") meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble and includes the Disclosure Schedules and the other Schedules and Exhibits hereto, all as may be amended from time to time in accordance with the provisions hereof.

"**Balance Sheet**" has the meaning set forth in **Section 3.4**.

"**Balance Sheet Date**" has the meaning set forth in **Section 3.4**.

"**Base Case Revenue**" means the expected revenue for any particular Earnout Year set forth on Exhibit B.

"**Books and Records**" means all files, documents, instruments, papers, books, reports, records, drawings, tapes, microfilms, photographs, letters, budgets, ledgers, journals, title policies, supplier lists, regulatory filings, compliance records, engineering design plans, blueprints and as built plans, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), financial statements, tax returns and related work papers and letters from accountants, budgets, ledgers, journals, minute books, membership interest certificates and books, membership interest transfer ledgers, Contracts, permits, orders, governmental approvals, internal and external correspondence and other documents relating to the operation of the Facilities (including correspondence with contractors, customers, suppliers, vendors and the like), and other similar materials that, in all such cases, are related to the business and the assets and the operations of the Acquired Companies, in whatever form (including electronic).

"**Business Day**" means any day except Saturday, Sunday or any other day on which commercial banks located in New York or North Carolina are authorized or required by Law to be closed for business.

"**Buyers**" has the meaning set forth in the preamble.

"**Buyer Indemnified Party**" has the meaning set forth in **Section 7.2**.

"Buyer Fundamental Representations" means the representations and warranties set forth in **Section 4.1**, **Section 4.2** and **Section 4.3**.

"**Claim**" means any demand, claim, action, legal proceeding (whether at law or in equity), investigation or arbitration.

"**Closing**" has the meaning set forth in **Section 2.3**.

"**Closing Date**" has the meaning set forth in **Section 2.3**.

"**Closing Payment**" means the aggregate of the NC-31 Closing Purchase Price and the NC-47 Closing Purchase Price.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Confidentiality Agreement**" means the Mutual Confidentiality Agreement, dated as of May 11, 2018, between New Energy Solar US Corp. and Parent.

"**Contract**" means any written or oral contract, agreement, binding arrangement, bond, deed of trust, note, credit or loan agreement, lease, license, evidence of indebtedness, mortgage, indenture, purchase order, binding bid, letter of credit, security agreement, binding undertaking or other agreement that is legally binding of any kind (whether written or oral and whether express or implied).

"**Deductible**" has the meaning set forth in **Section 7.4(a)**.

"**Direct Claim**" has the meaning set forth in **Section 7.5(c)**.

"**Disclosure Schedules**" means the Disclosure Schedules delivered by Sellers and Buyers concurrently with the execution and delivery of this Agreement.

"**Disputed Amounts**" has the meaning set forth in **Section 2.5**.

"**Disputed Earnout Amounts**" has the meaning set forth in **Section 2.4(d)**.

"**Distribution True-Up**" has the meaning set forth in **Section 2.6**.

"**Dollars"** or **"$**" means the lawful currency of the United States.

"**Drop Dead Date**" means September 30, 2018.

"**Earnout Payment**" has the meaning set forth in **Section 2.4**.

"**Earnout Resolution Period**" has the meaning set forth in **Section 2.4(c)**.

"**Earnout Review Period**" has the meaning set forth in **Section 2.4(b)**.

"**Earnout Statement**" has the meaning set forth in **Section 2.4(b)**.

"**Earnout Year**" means each calendar year between 2027 and 2052.

"**Effective Time**" means 11:59 p.m. (New York time) on the Closing Date.

"**Encumbrance**" means any mortgage, pledge, assessment, security interest, lease, lien, adverse claim, levy, imposition, encroachment, option, right of others, deed of trust, hypothecation, restriction (whether on voting, sale, transfer, disposition, or otherwise), charge, easement, covenant, right-of-way, reservation, title defect, adverse title matter or other encumbrance or restriction of any kind, or the interest of a vendor, lessor or other similar party under any conditional sale agreement, capital lease or other title retention agreement relating to any asset or any other contract to give any of the foregoing.

"**Facilities**" means the NC-31 Facility and the NC-47 Facility.

"**Financial Statements**" means the financial statements of each UTP and its consolidated subsidiaries required to have been delivered to the applicable Buyer under each UTP LLCA.

"**GAAP**" means United States generally accepted accounting principles as in effect from time to time consistently applied.

"**Governmental Authority**" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority including securities exchanges (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"**Governmental Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"**Holdback Amount**" means the sum of the NC-31 Holdback Amount and the NC-47 Holdback Amount.

"**Indemnified Party**" has the meaning set forth in **Section 7.4**.

"**Indemnifying Party**" has the meaning set forth in **Section 7.4**.

"**Independent Accountants**" means Whitley Penn LLP or such other qualified accounting firm mutually agreed by the Parties.

"**IS-31 Holdco**" means IS-31 Holdings, LLC, a Delaware limited liability company.

"**IS-47 Holdco**" means IS-47 Holdings, LLC, a Delaware limited liability company.

"**Knowledge of Sellers**" or "**Sellers' Knowledge**" or any other similar knowledge qualification, means the knowledge of those Persons listed in **Section 1.1(a)** of the Disclosure Schedules after reasonable and due inquiry and investigation.

"**Law**" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, binding administrative interpretation, injunction, other requirement or rule of law of any Governmental Authority.

"**Losses**" means all claims, injuries, lawsuits, liabilities, losses, damages, judgments, causes of action, deficiencies, Taxes, obligations, fines, penalties, costs and expenses, including the reasonable documented fees and disbursements of counsel (including fees of attorneys and paralegals, whether at the pre-trial, trial, or appellate level, or in arbitration) and all amounts reasonably paid in investigation, remediation, defense, or settlement of any of the foregoing.

"**Managing Member**" has the meaning set forth in each UTP LLCA.

"**Material Adverse Effect**" means any event, occurrence, fact, condition or change that is materially adverse to (a) the business, results of operations, financial condition or assets of the Acquired Companies, individually or in the aggregate, or (b) the ability of Sellers to consummate the transactions contemplated hereby; provided, however, that "Material Adverse Effect" shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Acquired Companies operate; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof other than any of the foregoing involving physical damage or destruction to or rendering unusable facilities or properties of the Acquired Companies; (v) any action required or permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyers; (vi) any matter set forth in the Disclosure Schedules; (vii) any change in applicable Laws or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (viii) the announcement or pendency of the transactions contemplated by this Agreement; (ix) any natural or man-made disaster or act of God other than any of the foregoing involving physical damage or destruction to or rendering unusable facilities or properties of the Acquired Companies; or (x) any failure by the Acquired Companies to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded) except, in the case of clauses (i), (ii), (iii), (iv), (vii) or (ix) above, to the extent that any such change, event or effect has a disproportionate effect on the business, assets, properties, financial condition or results of operations of the Acquired Companies, relative to other similarly situated companies.

"**Membership Interest Assignment**" means an Assignment and Conveyance in the form of Exhibit C.

"**Membership Interests**" has the meaning set forth in each UTP LLCA.

"**Modification Agreement**" has the meaning set forth in **Section 2.4(c)**.

"**NC-31 Acquired Membership Interests**" has the meaning set forth in the Recitals hereto.

"**NC-31 Buyer**" has the meaning set forth in the preamble.

"**NC-31 Closing Purchase Price**" means an amount equal to $6,695,000.00 minus the NC-31 Major Maintenance Reserve Adjustment Amount, as adjusted pursuant to **Section 6.2(j)**.

"**NC-31 Earnout Payment**" means the aggregate amount of the Earnout Payment attributable to the NC-31 UTP.

"**NC-31 Facility**" means that certain 34MWac solar facility located in Bladenboro, North Carolina, owned by NC-31 Project Company.

"**NC-31 Holdback Amount**" means an amount equal to $831,281.00.

"**NC-31 Major Maintenance Reserve Adjustment Amount**" means an amount equal to $546,450.63.

"**NC-31 Project Company**" means Innovative Solar 31, LLC, a North Carolina limited liability company.

"**NC-31 Purchase Price**" means the NC-31 Closing Purchase Price plus the NC-31 Earnout Payment.

"**NC-31 Seller**" has the meaning set forth in the preamble.

"**NC-31 UTP**" has the meaning set forth in the Recitals hereto.

"**NC-47 Acquired Membership Interests**" has the meaning set forth in the Recitals hereto.

"**NC-47 Buyer**" has the meaning set forth in the preamble.

"**NC-47 Closing Purchase Price**" means an amount equal to $4,941,000.00 minus the NC-47 Major Maintenance Reserve Adjustment Amount, as adjusted pursuant to **Section 6.2(j)**.

"**NC-47 Earnout Payment**" means the aggregate amount of the Earnout Payment attributable to the NC-47 UTP.

"**NC-47 Facility**" means that certain 34MWac solar facility located in Maxton, North Carolina, owned by NC-47 Project Company.

"**NC-47 Holdback Amount**" means an amount equal to $192,891.00.

"**NC-47 Major Maintenance Reserve Adjustment Amount**" means an amount equal to $574,875.00.

"**NC-47 Project Company**" means Innovative Solar 47, LLC, a North Carolina limited liability company.

"**NC-47 Purchase Price**" means the NC-47 Closing Purchase Price plus the NC-47 Earnout Payment.

"**NC-47 Seller**" has the meaning set forth in the preamble.

"**NC-47 UTP**" has the meaning set forth in the Recitals hereto.

"**NES Guarantor**" means New Energy Solar US Corp., a Delaware corporation.

"**Organizational Documents**" means (a) in the case of a Person that is a corporation, its articles or certificate of incorporation and its bylaws, regulations or similar governing instruments required by the laws of its jurisdiction of formation or organization; (b) in the case of a Person that is a partnership, its articles or certificate of partnership, formation or association, and its partnership agreement (in each case, limited, limited liability, general or otherwise); (c) in the case of a Person that is a limited liability company, its articles or certificate of formation or organization, and its limited liability company agreement or operating agreement; and (d) in the case of a Person that is none of a corporation, partnership (limited, limited liability, general or otherwise), limited liability company or natural person, its governing instruments as required or contemplated by the laws of its jurisdiction of organization.

"**Ownership Share**" means 14.45% with respect to NC-31 Seller and NC-31 UTP and 10.00% with respect to NC-47 Seller and NC-47 UTP.

"**Parent**" has the meaning set forth in the Recitals hereto.

"**Permitted Encumbrances**" means (a) restrictions on transfer imposed by applicable securities Laws, (b) restrictions on transfer set forth in the Organizational Documents of the Acquired Companies, and (c) any Encumbrances created by or through Buyers.

"**Person**" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

"Product" means the electrical energy and renewable energy certificates which are or can be produced by the Facilities.

"**Project Companies**" means NC-31 Project Company and NC-47 Project Company.

"**Purchase Price**" has the meaning set forth in **Section 2.2**.

"**Replacement-NES Tax Equity Guaranty**" means (i) with respect to NC-31 UTP, that certain Amended and Restated Guaranty and Indemnification Agreement to be made by NES Guarantor, for the benefit of the Tax Equity Investor, in the form attached as Exhibit D-1, and (ii) with respect to NC-47 UTP, that certain Amended and Restated Guaranty and Indemnification Agreement to be made by NES Guarantor, for the benefit of the Tax Equity Investor, in the form attached as Exhibit D-2.

"**Replacement-Vivo Tax Equity Guaranty**" means (i) with respect to NC-31 UTP, that certain Amended and Restated Guaranty Agreement to be made by Parent, for the benefit of the Tax Equity Investor, in the form attached as Exhibit E-1, and (ii) with respect to NC-47 UTP, that certain Second Amended and Restated Guaranty Agreement to be made by Parent, for the benefit of the Tax Equity Investor, in the form attached as Exhibit E-2.

"**Replacement Tax Equity Guaranties**" means, collectively, the Replacement-NES Tax Equity Guaranty and the Replacement-Vivo Tax Equity Guaranty.

"**Representative**" means, with respect to any Person, any and all managers, directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"**Sellers**" has the meaning set forth in the preamble.

"**Seller Indemnified Party**" has the meaning set forth in **Section 7.3**.

"**Seller Fundamental Representations**" means the representations and warranties set forth in **Section 3.1**, **Section 3.2, Section 3.3, Section 3.6(b)** and **Section 3.8**.

"**Statement of Earnout Objections**" has the meaning set forth in **Section 2.4(c)**.

"**Tax Equity Investor**" means Firstar Development, LLC, a Delaware limited liability company and, as applicable with respect to IS-47 Holdco, USB RETC FUND 2017-1, LLC, a Delaware limited liability company.

"**Taxes**" means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, together with any interest, additions or penalties with respect thereto.

"**Third-Party Claim**" has the meaning set forth in **Section 7.5(a)**.

"**Transaction Documents**" means the Membership Interest Assignment, the Parent Guarantee and the other agreements and instruments to be executed and delivered at Closing in accordance with the provisions of this Agreement.

"**UTP LLCA**" means (i) with respect to NC-31 UTP, that certain Amended and Restated Operating Agreement, dated as of July 29, 2016, by and between NC-31 Buyer and NC-31 Seller, and (ii) with respect to NC-47 UTP, that certain Amended and Restated Operating Agreement, dated as of October 25, 2016, by and between NC-47 Buyer and NC-47 Seller.

"**UTPs**" has the meaning set forth in the Recitals hereto.

ARTICLE II
PURCHASE AND SALE

Section 2.1 Purchase and Sale. Subject to the terms and conditions set forth herein, at the Closing, (a) NC-31 Seller shall sell to NC-31 Buyer, and NC-31 Buyer shall purchase from NC-31 Seller, free and clear of all Encumbrances (other than Permitted Encumbrances), all right, title and interest in and to the NC-31 Acquired Membership Interests for the NC-31 Purchase Price, and (b) NC-47 Seller shall sell to NC-47 Buyer, and NC-47 Buyer shall purchase from NC-47 Seller, free and clear of all Encumbrances (other than Permitted Encumbrances), all right, title and interest in and to the NC-47 Acquired Membership Interests for the NC-47 Purchase Price.

Section 2.2 Purchase Price. The aggregate purchase price for the Acquired Membership Interests (the "**Purchase Price**") shall be the sum of (a) the Closing Payment plus (b) any Earnout Payments payable pursuant to **Section 2.4**.

Section 2.3 Closing. Subject to the terms and conditions of this Agreement, the purchase and sale of the Acquired Membership Interests contemplated hereby shall take place at a closing (the "**Closing**") to be held at 10:00 a.m., New York time, on the third (3rd) Business Day after the last of the conditions to Closing set forth in **Article VI** has been satisfied or waived (other than any condition which, by its nature, is to be satisfied on the Closing Date) (provided that if the last such condition to Closing has been satisfied or waived within five (5) Business Days of the last day of a calendar month and the Parties are able to effectuate the Closing on the last Business Day of such calendar month, then the Closing shall occur on the last Business Day of such calendar month) at the offices of Buyers in New York, New York, or at such other time or on such other date or at such other place as Sellers and Buyers may mutually agree upon in writing (the day on which the Closing takes place being the "**Closing Date**").

Section 2.4 Earn-Out. Subject to the provisions of this **Section 2.4**, following the Closing, each Seller shall be entitled to receive additional payments (each, an "**Earnout Payment**") from the applicable UTP based on the Actual Revenue received in any Earnout Year in excess of the applicable Base Case Revenue for such Earnout Year. Any such Earnout Payment shall be determined and paid in accordance with this **Section 2.4**.

(a) Earnout Payment Calculation. For each Earnout Year, the Earnout Payment from the applicable UTP shall equal:

$$(A - B) \times O$$

Where:

A = Actual Revenue received for such Earnout Year

B = Base Case Revenue for such Earnout Year

O = The applicable Ownership Share

If such calculation produces a positive amount, such amount shall be the amount of the Earnout Payment for such Earnout Year. If such calculation produces a negative amount, then no Earnout Payment shall be owing for such Earnout Year for such UTP.

(b) Initial Determination and Review. No later than ninety (90) days after the end of each Earnout Year, Buyers shall deliver to Sellers a copy Buyers' calculation of (i) the Actual Revenue for such Earnout Year and (ii) any Earnout Payment due to Sellers for such Earnout Year (collectively, the " **Earnout Statement**"). Sellers shall have thirty (30) days (the "**Earnout Review Period**") from the date of their receipt of the Earnout Statement to review the Earnout Statement. During the Earnout Review Period, Sellers shall have reasonable access to the books and records of the Acquired Companies, in each case solely to the extent that such books and records relate to the Earnout Statement, and Buyers shall respond promptly to reasonable requests by Sellers for documents or information to the extent such documents and information are relevant to Sellers' review of the Earnout Statement; provided, however, that such access and requests by Sellers shall be during normal business hours and in a manner that does not unreasonably interfere with the normal business operations of any Acquired Company or either Buyer.

(c) Objection and Negotiated Resolution. On or prior to the last day of the Earnout Review Period, Sellers may object to the Earnout Statement, or any part thereof, by delivering to Buyers a written statement setting forth Sellers' objections in reasonable detail, indicating each disputed item or amount and the basis for Sellers' disagreement therewith (the "**Statement of Earnout Objections**"). If Sellers fail to deliver the Statement of Earnout Objections to Buyers before the expiration of the Earnout Review Period, the Earnout Statement and the associated determination of the Earnout Amount, or the determination that no Earnout Amount is due, shall be deemed to have been accepted by Sellers and shall be final and binding upon the Parties. If Sellers deliver the Statement of Earnout Objections to Buyers before the expiration of the Earnout Review Period, Buyers and Sellers shall negotiate in good faith to resolve Sellers' objections within thirty (30) days after the delivery of the Statement of Earnout Objections (the "**Earnout Resolution Period**"), and, if the same are so resolved within the Earnout Resolution Period, the Earnout Statement, as modified by the written agreement of Sellers and Buyers ("**Modification Agreement**"), and the associated determination of the Earnout Amount (if any) shall be final and binding upon the Parties.

(d) Dispute Resolution Process. If Sellers and Buyers fail to reach an agreement with respect to all of the matters set forth in the Statement of Earnout Objections before the expiration of the Earnout Resolution Period, then any amount remaining in dispute ("**Disputed Earnout Amounts**") shall be submitted for resolution to the Independent Accountants who, acting as experts and not arbitrators, shall resolve the Disputed Earnout Amounts only and make any related adjustments to the Earnout Statement. The Independent Accountants shall only decide the specific items under dispute by the Parties and their decision for each Disputed Earnout Amount must be within the range of values assigned to each such item in the Earnout Statement and the Statement of Earnout Objections, respectively. The fees and expenses of the Independent Accountants shall be paid by Sellers, on the one hand, and by Buyers, on the other hand, based upon the percentage that the amount actually contested but not awarded to Sellers or Buyers, respectively, bears to the aggregate amount actually contested by Sellers and Buyers. The Independent Accountants shall make a determination as soon as practicable within thirty (30) days (or such other time as the Parties shall agree in writing) after their engagement, and their resolution of the Disputed Earnout Amounts and their adjustments, if any, to the Earnout Statement shall be conclusive and binding upon the Parties. For the sake of clarity, any amounts not disputed by Sellers pursuant to a timely delivered Statement of Earnout Objections and any amounts that were timely disputed by Sellers but resolved by Buyers and Sellers pursuant to **Section 2.4(c)** shall not be subject to review by the Independent Accountants.

(e) Payment. Buyers shall pay any Earnout Payment due to Sellers within thirty (30) days after the earliest of (i) the end of the Earnout Review Period if Seller does not deliver a Statement of Earnout Objections during the Earnout Review Period under Section 2.4(b), (ii) mutual execution of the Modification Agreement under Section 2.4(c), or (iii) issuance of the determination by the Independent Accountants under Section 2.4(d), such payment to be made by wire transfer of immediately available funds to such bank account as is directed by Sellers by written notice to Buyers.

(f) Limitations. Each Buyer's obligations under this **Section 2.4** assumes there have been no changes to the Facilities, including any repowering, unplanned capital expenditures, addition of storage equipment or capabilities, or expansion or reduction in capacity. In the event of any such changes to the Facilities following the Closing Date, Buyers and Sellers shall negotiate in good faith to modify the calculation of the Earnout Payment to eliminate any increase in Actual Revenue attributable solely to capital expenditures and other improvements to the Facilities funded by Buyers.

Section 2.5 Holdback Amount. In the event that the disputed amounts owed to Duke Energy with respect to the NC-31 Facility interconnection agreement and NC-47 Facility interconnection agreement (as such disputes are set forth on **Section 3.5** of the Disclosure Schedules, the "**Disputed Amounts**") are resolved with Duke Energy for an amount less than the NC-31 Holdback Amount and NC-47 Holdback Amount, respectively, Buyers shall, within sixty (60) days of such resolution, pay to Sellers the portion of the Holdback Amount in excess of the amounts actually paid to Duke Energy in resolution of the disputes set forth on **Section 3.5** of the Disclosure Schedules. In the event that the Disputed Amounts with respect to the NC-31 Facility and/or the NC-47 Facility are not claimed by Duke Energy by the two year anniversary of the date hereof, Buyers shall promptly pay such unclaimed amounts to Sellers; provided that if, following such two year anniversary and repayment to Sellers, Duke Energy claims any portion of the Disputed Amounts, Sellers agree to pay the amount of such Disputed Amounts as resolved with Duke Energy.

Section 2.6 Distribution True-Up. As soon as practicable following the Closing Date, the Parties will cooperate in good faith to determine the amount of unpaid cash distributions to which the Class B Members (as defined in the UTP LLCAs) were entitled pursuant to the UTP LLCAs during the period from the most recent distribution date by each UTP through the Closing Date (the "**Distribution True-Up**"). Promptly following the mutual agreement as to the amount of the Distribution True-Up (but no later than the next occurring cash distribution by the UTPs), Buyers shall pay to Sellers the Distribution True-Up. In furtherance of the foregoing, Buyers agree to cause the UTPs to reserve twenty percent (20%) from any cash distributions to Sellers following the Closing Date until the payment of the Distribution True-Up in accordance with this **Section 2.6**.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller, as of the date hereof and of the Closing Date, jointly and severally represents and warrants to Buyers as follows:

Section 3.1 Organization and Authority of Sellers and Parent. (a) Each Seller is a limited liability company duly organized, validly existing and in good standing under the Laws of the state of Delaware. Each Seller has all necessary limited liability company power and authority to enter into this Agreement and the Transaction Documents to which it is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each Seller of this Agreement and the Transaction Documents to which it is a party, the performance by each Seller of its obligations hereunder and thereunder and the consummation by each Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite limited liability company action on the part of such Seller. This Agreement has been duly executed and delivered by each Seller, and (assuming due authorization, execution and delivery by Buyers) this Agreement constitutes a legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). When each Transaction Document to which a Seller is a party has been duly executed and delivered by such Seller (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document shall constitute a legal and binding obligation of such Seller enforceable against such Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(b) Parent is a limited liability company duly organized, validly existing and in good standing under the Laws of the state of Delaware. Parent has all necessary limited liability company power and authority to enter into the Transaction Documents to which it is a party, to carry out its obligations thereunder and to consummate the transactions contemplated thereby. When each Transaction Document to which Parent is a party has been duly executed and delivered by Parent, (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document shall constitute a legal and binding obligation of Parent enforceable against Parent in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 3.2 Capitalization.

(a) NC-31 Seller is the record owner of, and has good and valid title to, the NC-31 Acquired Membership Interests, free and clear of all Encumbrances (other than Permitted Encumbrances), and NC-47 Seller is the record owner of, and has good and valid title to, the NC-47 Acquired Membership Interests, free and clear of all Encumbrances (other than Permitted Encumbrances). All of the Acquired Membership Interests have been duly authorized and are validly issued, fully paid and non-assessable and were not issued in violation of, and are not subject to, the preemptive rights of any Person or other similar rights in respect thereto other than Permitted Encumbrances.

(b) There are no outstanding or authorized options, warrants, convertible securities or other similar rights, agreements, arrangements or commitments of any character relating to the Acquired Membership Interests or obligating either Seller to issue or sell any membership interest or any other interest in either UTP or pursuant to which either Seller or either UTP is or may become obligated to issue, sell, transfer, otherwise dispose of, register, purchase, return or redeem any equity interest in or other securities of either UTP or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase any equity interest in or other securities of either UTP, in each case, other than Permitted Encumbrances, and no equity interests or other securities of either UTP are reserved for such purpose. Other than the UTP LLCAs, there are no voting trusts, member agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Acquired Membership Interests.

Section 3.3 No Conflicts; Consents. The execution, delivery and performance by each Seller of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not: (a) result in a violation or breach of any provision of the Organizational Documents of such Seller or of the Acquired Companies; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to such Seller or the Acquired Companies; or (c) except as set forth in **Section 3.3** of the Disclosure Schedules, require the consent of, notice to or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under, or result in the acceleration of, any Contract, except in the cases of clauses (b) and (c), where the violation, breach, conflict, default, acceleration or failure to give notice would not be material. No consent, approval, permit, Governmental Order, declaration or filing with, or notice to, any Person is required by or with respect to either Seller or any Acquired Company in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except (i) as set forth in **Section 3.3** of the Disclosure Schedules and (ii) such consents, approvals, permits, Governmental Orders, declarations, filings or notices the absence of which, in the aggregate, would not be material.

Section 3.4 Financial Statements. The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved. The Financial Statements have been prepared in good faith from the books and records of each Acquired Company and fairly present in all material respects the financial condition of the applicable UTP and its consolidated subsidiaries as of the respective dates they were prepared and the results of the operations of such UTP and its consolidated subsidiaries for the periods indicated. The audited balance sheets of each UTP and its consolidated subsidiaries as of October 1, 2017 and December 31, 2017, as applicable, are referred to herein as the "**Balance Sheet**" and the date thereof as the "**Balance Sheet Date**". Neither Seller owns or holds any assets, including cash, of, used by or required by any Acquired Company or otherwise relating to the ownership or operation of either Facility.

Section 3.5 Undisclosed Liabilities. The UTPs and their consolidated subsidiaries do not have any liabilities, obligations or commitments of a type required to be reflected on a balance sheet prepared in accordance with GAAP, except those which (a) are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date; (b) have been incurred in the ordinary course of business since the Balance Sheet Date and which are not material in amount (and which do not relate to any Claim); or (c) are set forth on **Section 3.5** of the Disclosure Schedules.

Section 3.6 Absence of Certain Changes, Events and Conditions; Compliance.

(a) Except as expressly contemplated by this Agreement or as set forth on **Section 3.6(a)** of the Disclosure Schedules, from the Balance Sheet Date until the date of this Agreement, no Material Adverse Effect has occurred with respect to any Acquired Company.

(b) Each Seller has complied in all material respects with its obligations under the Organizational Documents of each Acquired Company, including its obligations as the Managing Member of each UTP, has timely delivered all reports required to be delivered by it under the Organizational Documents of each Acquired Company (or has cured any failure to deliver such reports), and, except as set forth on **Section 3.6(b)** of the Disclosure Schedules, has timely filed all tax returns and other filings relating to the taxes of each Acquired Company required to be filed by it (or has cured any failure to conduct such timely filings). Neither Seller is in material breach or default of (i) any material terms and conditions of the Organizational Documents of each Acquired Company or (ii) any other Contract related to the Acquired Companies.

Section 3.7 Legal Proceedings. There are no actions, suits, claims, investigations or other legal proceedings pending or, to Sellers' Knowledge, threatened against or by either Seller or any Affiliate of either Seller that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

Section 3.8 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of either Seller, any of the Acquired Companies or any Affiliate thereof.

Section 3.9 Parent Guarantee. Concurrently with the execution and delivery of this Agreement, Parent has delivered to Buyers the Parent Guarantee, dated as of the date hereof, in favor of Buyers. The Parent Guarantee is in full force and effect and constitutes (assuming the due execution of this Agreement by the Parties) a valid and legally binding obligation of Parent, enforceable against Parent in accordance with its terms. No event has occurred which, with or without notice, lapse of time or both, would constitute a default on the part of Parent under the Parent Guarantee.

Section 3.10 Books and Records. The Books and Records have been kept and maintained in all material respects as required by applicable Laws, and contain true, correct and complete copies of the governing documents, material meetings and consents in lieu of meetings of the members or managers of each Acquired Company, and such records accurately reflect in all material respects all transactions referred to in such minutes and consents.

Section 3.11 Accuracy of Information. The representations and warranties given by Sellers in this Agreement or any certificate, document or other instrument delivered by either Seller hereunder, do not contain any untrue statement of material fact, nor to the Knowledge of Sellers, do they omit to state a material fact necessary to make the statements or facts contained herein or therein, in light of the circumstances under which they were made, not misleading, taken as a whole.

Section 3.12 No Other Representations and Warranties. Except for the representations and warranties contained in this **Article III** (including the related portions of the Disclosure Schedules), neither Seller has made or makes any other express or implied representation or warranty, either written or oral, including any representation or warranty as to the accuracy or completeness of any information regarding the Acquired Membership Interests furnished or made available to Buyers and their Representatives (including any information, documents or material made available to Buyers or furnished to Buyers in management presentations or in any other form in expectation of the transactions contemplated hereby).

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYERS

Each Buyer, as of the date hereof and of the Closing Date, jointly and severally represents and warrants to Sellers as follows:

Section 4.1 Organization and Authority of Buyers. Each Buyer is a Delaware limited liability company duly organized, validly existing and in good standing under the Laws of the state of Delaware. Each Buyer has all necessary limited liability company power and authority to enter into this Agreement and the Transaction Documents to which it is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each Buyer of this Agreement and the Transaction Documents to which it is a party, the performance by such Buyer of its obligations hereunder and thereunder, and the consummation by such Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite limited liability company action on the part of such Buyer. This Agreement has been duly executed and delivered by each Buyer, and (assuming due authorization, execution and delivery by Sellers) this Agreement constitutes a legal, valid and binding obligation of such Buyer, enforceable against such Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). When each Transaction Document to which a Buyer is a party has been duly executed and delivered by such Buyer (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document shall constitute a legal and binding obligation of such Buyer enforceable against such Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 4.2 No Conflicts; Consents. The execution, delivery and performance by each Buyer of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not: (a) result in a violation or breach of any provision of the Organizational Documents of such Buyer; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to such Buyer; or (c) except as set forth in **Section 4.2** of the Disclosure Schedules, require the consent of, notice to or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any agreement to which such Buyer is a party, except in the cases of clauses (b) and (c), where the violation, breach, conflict, default, acceleration or failure to give notice would not have a material adverse effect on such Buyer's ability to consummate the transactions contemplated hereby. No consent, approval, permit, Governmental Order, declaration or filing with, or notice to, any Person is required by or with respect to such Buyer in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except (i) as set forth in **Section 4.2** of the Disclosure Schedules, and (ii) such consents, approvals, permits, Governmental Orders, declarations, filings or notices the absence of which would not have a material adverse effect on such Buyer's ability to consummate the transactions contemplated hereby.

Section 4.3 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of either Buyer or any Affiliate thereof.

Section 4.4 Legal Proceedings. There are no actions, suits, claims, investigations or other legal proceedings pending or, to either Buyer's knowledge, threatened against or by either Buyer or any Affiliate of either Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

Section 4.5 Investment Intent; Unregistered Securities. The Acquired Membership Interests to be held by the Buyer will be acquired for investment for its own account and not with a view to the distribution of any part thereof, without in any way affecting its right to dispose of its Membership Interests as permitted by the applicable UTP LLCA, and the Buyer has no present intention of selling, granting any participation in, or otherwise distributing, the same. It understands that the Acquired Membership Interests are characterized as a "restricted security" under federal and state securities laws inasmuch as such securities are being acquired in a transaction not involving a public offering and that under such laws and applicable regulations such securities may not be resold in the absence of an effective registration statement covering such Membership Interests or an exemption from registration under federal and state securities laws.

Section 4.6 Accredited Buyer. The Buyer is an "accredited Buyer" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act of 1933, as amended. It has such knowledge and experience in financial and business matters that it is capable of independently evaluating the risks and merits of purchasing the Acquired Membership Interests; it has independently evaluated the risks and merits of purchasing the Acquired Membership Interests and has independently determined that the Acquired Membership Interests is a suitable investment for it; and it has sufficient financial resources to bear the loss of its entire investment in the Acquired Membership Interests. It has received all the information it considers necessary or appropriate for deciding whether to acquire its respective Acquired Membership Interests and further represents that it has had an opportunity to ask questions and receive answers from the Seller regarding the terms and conditions of the offering of the Acquired Membership Interests.

Section 4.7 Regulation D Compliance. Neither the Buyer nor anyone acting on its behalf has offered any or all of the Acquired Membership Interests or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Buyer and not more than thirty-five (35) non-accredited Buyers, each of which has been offered the Acquired Membership Interests in a private sale for investment purposes only. Neither the Buyer nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of any or all of the Acquired Membership Interests or any similar securities to the registration requirements of Section 5 of the Securities Act of 1933, as amended.

ARTICLE V
COVENANTS

Section 5.1 Conduct of Business Prior to the Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyers (which consent shall not be unreasonably withheld or delayed), Sellers shall, and shall cause each Acquired Company to (a) conduct its business in the ordinary course of business consistent with past practice, and (b) use commercially reasonable efforts to maintain and preserve intact the current organization, business and franchise of the Acquired Companies and to preserve the rights, franchises, goodwill and relationships of its personnel, customers, lenders, suppliers, regulators and others having business relationships with the Acquired Companies. From the date hereof until the Closing Date, except for the actions set forth in **Section 5.1** of the Disclosure Schedules, and except as otherwise consented to in writing by Buyers (which consent shall not be unreasonably withheld or delayed), Sellers shall not cause or permit any Acquired Company to take any action that would cause any of the changes, events or conditions described in **Section 3.6** to occur.

Section 5.2 Supplement to Disclosure Schedules. From time to time prior to the Closing, Sellers shall supplement or amend the Disclosure Schedules with respect to any matter hereafter arising or of which it becomes aware after the date hereof. Any disclosure in any such supplement to the Disclosure Schedules shall not be deemed to have cured any inaccuracy in or breach of any representation or warranty contained in this Agreement, including for purposes of the indemnification or termination rights contained in this Agreement or of determining whether or not the conditions set forth in **Section 6.2** have been satisfied.

Section 5.3 [Intentionally Omitted].

Section 5.4 Confidentiality. Each Buyer acknowledges and agrees that the Confidentiality Agreement remains in full force and effect and, in addition, covenants and agrees to keep confidential, in accordance with the provisions of Confidentiality Agreement, information provided to such Buyer pursuant to this Agreement. Effective upon, and only upon, the Closing, the Confidentiality Agreement shall terminate with respect to confidential information relating solely to the Acquired Companies; provided, however, from and after the Closing each Seller will hold, and will cause its Affiliates and Representatives to hold, in strict confidence from any other Person all information and documents relating to the Facilities and the Acquired Companies, except any information or document (i) that is publicly available other than as a result of such Seller's breach of this **Section 5.4**, (ii) that is required to be disclosed pursuant to applicable Law or Governmental Order, or (iii) whose disclosure is reasonably necessary for such Seller to exercise its rights or perform its covenants and obligations under this Agreement or any other Transaction Document. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of the first sentence of this **Section 5.4** shall nonetheless continue in full force and effect.

Section 5.5 Governmental Approvals and Other Third-Party Consents.

(a) Each Party shall, as promptly as possible, use its commercially reasonable efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement. Each Party shall cooperate fully with each other Party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The Parties shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals.

(b) Notwithstanding anything in this **Section 5.5** or elsewhere in this Agreement to the contrary, neither of the Buyers nor any of its Affiliates shall be required to (i) (A) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or to hold separate, or (B) proffer, propose, negotiate, offer to effect or consent, commit or agree to any sale, divestiture, lease, licensing, transfer, disposal, divestment or other encumbrance of, or to hold separate, in each case before or after the Closing, any assets, licenses, operations, rights, businesses or interests of either Buyer or any of its Affiliates or of the Acquired Companies, or (ii) take or agree to take any other action, or agree or consent to any limitations or restrictions on the freedom of action with respect to, or its ability to own, retain or make changes in, any assets, licenses, operations, rights, businesses or interests of either Buyer or any of its Affiliates or of the Acquired Companies.

(c) All analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of any Party before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the transactions contemplated hereunder (but, for the avoidance of doubt, not including any interactions between Sellers or the Acquired Companies with Governmental Authorities in the ordinary course of business consistent with past practice, any disclosure which is not permitted by Law or any disclosure containing confidential information) shall be disclosed to the other Party or Parties hereunder in advance of any filing, submission or attendance, it being the intent that the Parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals. Each Party shall give reasonable advance notice, to the extent practicable, to each other Party with respect to any meeting, discussion, appearance or contact with any Governmental Authority or the staff or regulators of any Governmental Authority, with such notice being sufficient to provide the other Party with the opportunity to attend and participate in such meeting, discussion, appearance or contact.

(d) Sellers and Buyers shall use commercially reasonable efforts to give all notices to, and obtain all consents from, all third parties that are described in **Section 3.3** and **Section 4.2** of the Disclosure Schedules; provided, however, that Sellers shall not be obligated to pay any material consideration therefor to any third party from whom consent or approval is requested.

Section 5.6 Closing Conditions. From the date hereof until the Closing, each Party shall, and Sellers shall cause each Acquired Company to, use commercially reasonable efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in **Article VI**.

Section 5.7 Public Announcements. Unless otherwise required by applicable Law including rules of any securities exchange (based upon the reasonable advice of counsel), no Party to this Agreement shall, nor shall it cause or permit any Affiliate to, make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of each Party (which consent shall not be unreasonably withheld or delayed), and the Parties shall cooperate as to the timing and contents of any such announcement.

Section 5.8 Further Assurances. Following the Closing, each of the Parties shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances, and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

Section 5.9 Transfer Taxes. All transfer, documentary, sales, use, excise, stamp, registration, value added and other such Taxes, assessments, duties, fees, and other similar types of charges, including any penalties and interest (collectively, the "**Transfer Taxes**"), incurred in connection with this Agreement or any prior transaction (including any real property Transfer Tax, controlling interest Transfer Tax or other similar Tax) shall be borne fifty percent (50%) by Sellers on a joint and several basis and fifty percent (50%) by Buyers on a joint and several basis. Sellers shall timely file any tax return or other document with respect to such Transfer Taxes (and the other Parties shall cooperate with respect thereto as reasonably necessary).

Section 5.10 Post-Closing Reports. Notwithstanding the transactions contemplated hereby, each Seller agrees to provide (or arrange for Parent to provide) the reports and financial statements set forth on Exhibit 5.10 for the period set forth therein.

Section 5.11 UTP Guarantees; UTP LLCAs. Buyers acknowledge and agree, for the benefit of Parent, that the obligations of Parent under the Guaranty by Parent in favor of NC-31 Buyer, dated as of July 29, 2016, and the Guaranty by Parent in favor of NC-47 Buyer, dated as of October 25, 2016 (together, the "**UTP Guarantees**") terminate in full except with respect to any acts or omissions on the part of Sellers prior to the Closing Date, and Buyers hereby waive any claims under the UTP Guarantees (pursuant to Section 6 of the UTP Guarantees) with respect to any other matters so terminated. Sellers and Buyers acknowledge and agree that each Seller's indemnification obligations under Article 11 of the applicable UTP LLCAs shall survive the Closing but only with respect to any acts or omissions on the part of Sellers prior to the Closing Date.

ARTICLE VI
CONDITIONS TO CLOSING

Section 6.1 Conditions to Obligations of All Parties. The obligations of each Party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(b) Sellers shall have received all consents, authorizations, orders and approvals from the Governmental Authorities and other Persons referred to in **Section 5.5(d)** and Buyers shall have received all consents, authorizations, orders and approvals from the Governmental Authorities and other Persons referred to in **Section 5.5(d)**, in each case, in form and substance reasonably satisfactory to Buyers and Sellers, and no such consent, authorization, order and approval shall have been revoked.

(c) The Replacement Tax Equity Guaranties shall have been delivered.

Section 6.2 Conditions to Obligations of Buyers. The obligations of each Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or such Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Sellers contained in **Article III** that are not qualified by "material", "materially", "Material Adverse Effect", "material adverse effect" or similar qualification or standard shall be true and correct in all material respects at and as of the Closing Date as of made on the Closing Date (except to the extent expressly made as of another date, in which case as of such other date).

(b) The representations and warranties of Sellers contained in **Articles III** of this Agreement that are qualified by "material", "materially", "Material Adverse Effect", "material adverse effect" or similar qualification or standard shall be true and correct in all respects at and as of the Closing Date as if made on the Closing Date (except to the extent expressly made as of another date, in which case as of such other date).

(c) Each Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(d) Buyer shall have received a certificate, dated as of the Closing Date and signed by a duly authorized officer of each Seller, that each of the conditions set forth in **Section 6.2(a), Section 6.2(b)** and **Section 6.2(c)** has been satisfied.

(e) Buyers shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of each Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the managers and members of such Seller authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby.

(f) Buyers shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of each Seller certifying the names and signatures of the officers of such Seller authorized to sign this Agreement and the other documents to be delivered hereunder.

(g) Each Seller shall have delivered, or caused to be delivered, to Buyer, a Membership Interest Assignment, duly executed by such Seller.

(h) No Material Adverse Effect shall have occurred.

(i) Each Seller shall have delivered to Buyer written resignations in form and substance reasonably satisfactory to Buyer, effective as of the Closing Date, of all of the officers, directors and managers of each Acquired Company appointed by such Seller, if any.

(j) The Parties shall have agreed on an adjustment to the NC-31 Closing Purchase Price and the NC-47 Closing Purchase Price, in each case to the extent necessary to reflect certain operational and management costs, including those related to vegetative management, drainage control and reconciliation of accounts.

Section 6.3 Conditions to Obligations of Sellers. The obligations of each Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or such Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Buyers contained in **Article IV** that are not qualified by "material", "materially", "Material Adverse Effect", "material adverse effect" or similar qualification or standard shall be true and correct in all material respects at and as of the Closing Date as of made on the Closing Date (except to the extent expressly made as of another date, in which case as of such other date).

(b) The representations and warranties of Buyers contained in **Article IV** of this Agreement that are qualified by "material", "materially", "Material Adverse Effect", "material adverse effect" or similar qualification or standard shall be true and correct in all respects at and as of the Closing Date as if made on the Closing Date (except to the extent expressly made as of another date, in which case as of such other date).

(c) Each Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date.

(d) Sellers shall have received a certificate, dated as of the Closing Date and signed by a duly authorized officer of each Buyer, that each of the conditions set forth in **Section 6.3(a)**, **Section 6.3(b)** and **Section 6.3(c)** has been satisfied.

(e) Sellers shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of each Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the managers and members of such Buyer authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby.

(f) Sellers shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of each Buyer certifying the names and signatures of the officers of such Buyer authorized to sign this Agreement and the other documents to be delivered hereunder.

(g) NC-31 Buyer shall have delivered to NC-31 Seller cash in an amount equal to the sum of (x) the NC-31 Closing Payment less (y) the NC-31 Holdback Amount, by wire transfer in immediately available funds, to an account or accounts designated at least two (2) Business Days prior to the Closing Date by NC-31 Seller in a written notice to NC-31 Buyer.

(h) NC-47 Buyer shall have delivered to NC-47 Seller cash in an amount equal to the sum of (x) the NC-47 Closing Payment less (y) the NC-47 Holdback Amount, by wire transfer in immediately available funds, to an account or accounts designated at least two (2) Business Days prior to the Closing Date by NC-47 Seller in a written notice to NC-47 Buyer.

ARTICLE VII
INDEMNIFICATION

Section 7.1 Survival. Subject to the limitations and other provisions of this Agreement and except for fraud, intentional misrepresentation or willful misconduct, the representations and warranties of (a) Sellers contained in **Article III** and all Claims with respect thereto shall terminate on the date that is eighteen (18) months from the Closing Date and (b) Buyers contained in **Article IV** and all Claims with respect thereto shall terminate on the date that is eighteen (18) months from the Closing Date, except that (i) the Seller Fundamental Representations, (ii) the Buyer Fundamental Representations and (iii) all Claims with respect to clauses (i) and (ii) above shall survive Closing until the date that is sixty (60) days after the expiration of the applicable statute of limitation giving effect to any extensions thereof. All of the covenants and agreements of the Parties contained in this Agreement, which, by their terms, are to be performed or complied with in their entirety at or prior to the Closing, and all Claims with respect thereto, shall survive Closing until fully performed. All of the covenants and agreements of the Parties contained in this Agreement which, by their terms, are to be performed or complied with in whole or in part following the Closing, and all Claims with respect thereto, shall survive Closing for the period (A) provided in such covenants and agreements, if any, or until fully performed in accordance with their respective terms plus (B) an additional sixty (60) days. All liability of Sellers and Buyers, as applicable, with respect to representations, warranties, covenants and agreements shall terminate at the end of the survival period corresponding thereto as set forth in this **Section 7.1**. Notwithstanding the foregoing, any Claims asserted in writing by notice from the non-breaching Party to the breaching Party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of such survival period and such Claims shall survive until finally resolved.

Section 7.2 Indemnification By Sellers. Subject to the other terms and conditions of this **Article VII**, each Seller, jointly and severally, shall indemnify each Buyer and its Affiliates (including, after the Closing, the Acquired Companies) and Representatives, and all heirs, executors, personal representatives, successors and assigns of the foregoing (collectively, the "**Buyer Indemnified Parties**") against, and shall hold the Buyer Indemnified Parties harmless from and against, any and all Losses incurred or sustained by, or imposed upon, any Buyer Indemnified Party based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of either Seller contained in this Agreement;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by either Seller pursuant to this Agreement; or

(c) each Seller's respective Ownership Share of any amounts required to be contributed by the members of each UTP to the UTP pursuant to the terms of the applicable UTP LLCA with respect to the period relating prior to the Effective Time, whether or not due prior to or after the Effective Time.

Section 7.3 Indemnification by Buyers. Subject to the other terms and conditions of this **Article VII**, each Buyer, jointly and severally, shall indemnify each Seller and its Affiliates and Representatives, and all heirs, executors, personal representatives, successors and assigns of the foregoing (collectively, the "**Seller Indemnified Parties**") against, and shall hold the Seller Indemnified Parties harmless from and against, any and all Losses incurred or sustained by, or imposed upon, any Seller Indemnified Party based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of either Buyer contained in this Agreement; or

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by either Buyer pursuant to this Agreement.

Section 7.4 Certain Limitations. The Buyer Indemnified Party or Seller Indemnified Party making a claim under this **Article VII** is referred to as the "**Indemnified Party**," and the Party against whom such claims are asserted under this **Article VII** is referred to as the "**Indemnifying Party**". The indemnification provided for in **Section 7.2** and **Section 7.3** shall be subject to the following limitations:

(a) The Indemnifying Party shall not be liable to the Indemnified Party for indemnification under **Section 7.2(a)** or **Section 7.3(a)**, as the case may be, (i) until the aggregate amount of all Losses for which indemnification is sought under **Section 7.2(a)** or **Section 7.3(a)** exceeds an amount equal to two percent (2%) of the Closing Payment (the "**Deductible**"), at which time the Indemnifying Party shall only be liable for indemnification under **Section 7.2(a)** or **Section 7.3(a)** for Losses in excess of the Deductible. Notwithstanding the foregoing, the Deductible shall not apply to any claim for indemnification under **Section 7.2(a)** or **Section 7.3(a)** with respect to fraud, intentional misrepresentation or willful misconduct, and to any inaccuracy in or breach of any representation or warranty contained in the Seller Fundamental Representations or the Buyer Fundamental Representations, as applicable or breach of any covenants or agreements.

(b) The aggregate amount of all Losses for which an Indemnifying Party shall be liable pursuant to **Section 7.2(a)** or **Section 7.3(a)** as the case may be, shall not exceed an amount equal to fifty percent (50%) of the Closing Payment; provided, however, that (x) the aggregate amount for all Losses for which any Indemnifying Party shall be liable pursuant to **Section 7.2(a)** or **Section 7.3(a)** as the case may be, with respect to any inaccuracy in or breach of any representation or warranty contained in the Seller Fundamental Representations or the Buyer Fundamental Representations, as applicable, shall not exceed any amount equal to one hundred percent (100%) of the Purchase Price, and (y) such limitation shall not apply to any claim (i) hereunder with respect to fraud, intentional misrepresentation or willful misconduct or (ii) for breach of any covenants or agreements.

(c) Payments by an Indemnifying Party pursuant to **Section 7.2** or **Section 7.3** in respect of any Losses shall be limited to the net amount of any Losses that remains after deducting therefrom any insurance proceeds (net of any costs of collection, deductible, retroactive premium adjustment, reasonably foreseeable premium increases, reimbursement obligation or other out-of-pocket costs directly related to the insurance claim in respect of Losses) and/or any indemnity, contribution or other similar payment (net of any costs or expenses) actually received by the Indemnified Party or any of its Affiliates from any Person other than the Indemnifying Party with respect to the matter in respect of which the indemnification claim under **Section 7.2** or **Section 7.3** was made. Each Indemnified Party shall use commercially reasonable efforts to mitigate any Losses that any Indemnified Party asserts under this **Article VII**.

(d) Anything to the contrary in this Agreement notwithstanding, (i) neither Seller shall have any right to seek contribution from any Acquired Company with respect to all or any part of any of such Seller's indemnification obligations under this **Article VII**, and (ii) for the exclusive purpose of determining the amount of the Losses resulting from a breach or inaccuracy of a representation, warranty, or covenant of either Buyer or either Seller, any "materiality" or "Material Adverse Effect" qualifiers or words of similar import contained in such representation, warranty or covenant giving rise to the claim of indemnity hereunder shall in each case be disregarded and without effect (as if such standard or qualification were deleted from such representation or warranty).

(e) The representations, warranties, covenants and agreements made herein, together with the indemnification provisions herein, are intended among other things to allocate the economic cost and the risks inherent in the transactions contemplated hereby between the Parties and, accordingly, a Party shall, subject to the terms and conditions of this Agreement, be entitled to the indemnification or other remedies provided in this Agreement by reason of any breach of any such representation, warranty, covenant or agreement by another Party notwithstanding whether any employee, representative or agent of the Party seeking to enforce a remedy knew or had reason to know of such breach, provided that "representation" and "warranty" in this clause (e) shall mean, for avoidance of doubt, representations and warranties as modified by the Disclosure Schedule.

(f) Payments due to Buyer Indemnified Parties under this **Article VII** may be accomplished in whole or in part, at the option of the Buyer Indemnified Parties, by the Buyer Indemnified Parties setting off a corresponding amount owed to either Seller or its Affiliates by either Buyer or its Affiliates (including the Acquired Companies) under this Agreement, provided that written notice of such intent to set off is delivered to Seller reasonably in advance of the exercise of such set off.

(g) Except for any Third-Party claims under **Section 7.5(a)** and any damages or lost profits that are reasonably foreseeable, no Party to this Agreement shall be liable to the other Party for special, punitive, exemplary, incidental, consequential or indirect damages, or lost profits, loss of opportunity, increased financing costs, or Losses calculated by reference to any multiple of earnings or earnings before interest, Tax, depreciation or amortization (or any other valuation methodology), whether based on contract, tort, strict liability or otherwise, and whether or not arising from the other Party's sole, joint or concurrent negligence, strict liability or other fault for any matter relating to this Agreement or the transactions contemplated hereby.

Section 7.5 Indemnification Procedures.

(a) Third-Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any action, suit, claim or other legal proceeding made or brought by any Person who is not a Party or an Affiliate of a Party or a Representative of the foregoing (a "**Third-Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party is materially prejudiced by such failure. Such notice by the Indemnified Party shall, to the extent practicable, describe the Third-Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third-Party Claim at the Indemnifying Party's cost and expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense; provided that such Claim does not involve (i) a conflict of interest between the Indemnifying Party or its selected counsel, on the one hand, and the Indemnified Party, on the other hand, (ii) any defenses that the Indemnified Party could make in good faith that the Indemnifying Party could not make in good faith or otherwise under applicable Law or rules of professional conduct, (iii) any request by the Third Party for an injunction (whether temporary or permanent) or other remedy in equity which if successful could reasonably be expected to adversely affect the business, assets or operations of either Buyer or its Affiliates (including the Acquired Companies). In the event that the Indemnifying Party is permitted to assume the defense of any Third-Party Claim, subject to **Section 7.5(b)**, it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party elects not to compromise or defend such Third-Party Claim or fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, the Indemnified Party may, subject to **Section 7.5(b)**, pay, compromise, defend such Third-Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third-Party Claim. Sellers and Buyers shall cooperate with each other in all reasonable respects in connection with the defense of any Third-Party Claim, including making available (subject to the provisions of **Section 5.4**) records relating to such Third-Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket costs and expenses) to the defending Party, management employees of the non-defending Party as may be reasonably necessary for the preparation of the defense of such Third-Party Claim.

(b) Settlement of Third-Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), except as provided in this **Section 7.5(b)**. If a firm offer is made to settle a Third-Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third-Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third-Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third-Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third-Party Claim, the Indemnifying Party may settle the Third-Party Claim upon the terms set forth in such firm offer to settle such Third-Party Claim. If the Indemnified Party has assumed the defense pursuant to **Section 7.5(a)**, it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) Direct Claims. Any claim by an Indemnified Party on account of a Loss which does not result from a Third-Party Claim (a "**Direct Claim**") shall be asserted by the Indemnified Party giving the Indemnifying Party prompt written notice thereof. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. If the Indemnifying Party does not so respond within such thirty-day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

Section 7.6 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the Parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 7.7 Exclusive Remedies. Subject to **Section 9.11** and except for fraud, intentional misrepresentation or willful misconduct, the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein, and any and all claims relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this **Article VII**. In furtherance of the foregoing and except for fraud, intentional misrepresentation or willful misconduct, each Party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein, and any and all claims relating to the subject matter of this Agreement it may have against the other Parties and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this **Article VII**. Nothing in this **Section 7.7** shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to **Section 9.11**.

ARTICLE VIII
TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Sellers and Buyers;

(b) by Buyers by written notice to Sellers if:

(i) Buyers are not then in material breach of any provision of this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by either Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Article VI** and such breach, inaccuracy or failure cannot be cured by the Drop Dead Date; or

(ii) any of the conditions set forth in **Section 6.1** or **Section 6.2** shall not have been fulfilled by the Drop Dead Date, unless such failure shall be due to the failure of either Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing;

(c) by Sellers by written notice to Buyers if:

(i) Sellers are not then in material breach of any provision of this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by either Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Article VI** and such breach, inaccuracy or failure cannot be cured by such Buyer by the Drop Dead Date; or

(ii) any of the conditions set forth in **Section 6.1** or **Section 6.3** shall not have been fulfilled by the Drop Dead Date, unless such failure shall be due to the failure of either Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(d) by Buyers or Sellers by written notice to the other in the event that:

(i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited; or

(ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

Section 8.2 Effect of Termination. In the event of the termination of this Agreement in accordance with **Section 8.1**, this Agreement shall forthwith become void and there shall be no liability on the part of any Party except:

(a) as set forth in **Section 5.4,** this **Article VIII** and **Article IX**; and

(b) that nothing herein shall relieve any Party from liability for any intentional, willful and material breach of any provision hereof.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Expenses. Except as otherwise expressly provided herein (including **Section 5.9**), all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section 9.2 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third (3rd) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this **Section 9.2**):

If to Sellers:

c/o VivoPower USA LLC
140 Broadway, 28th Floor
New York, NY 10005
E-mail: notice@vivopower.com
Attention: Director of Finance

with a copy to:

c/o VivoPower USA LLC
140 Broadway, 28th Floor
New York, NY 10005
E-mail: nicholas.olmsted@vivopower.com
Attention: Nicholas Olmsted

If to Buyers:

New Energy Solar US Corp.
140 Broadway, 28th Floor
New York, New York 10005
E-mail: assetmanager@newenergysolar.com.au
Attention: Asset Manager

with a copy to:

Foley & Lardner LLP
777 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202
E-mail: dwclark@foley.com
Attention: David W. Clark

Section 9.3 Interpretation. For purposes of this Agreement: (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 9.4 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 9.5 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 9.6 Entire Agreement. This Agreement constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous representations, warranties, understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 9.7 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign any of its rights or delegate or cause to be assumed any of its obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. No permitted assignment, delegation or assumption shall relieve the Party effectuating the same of any of its obligations hereunder. Notwithstanding the foregoing, (i) each Buyer may assign all of its rights and obligations hereunder to any of its Affiliates; provided, that no such assignment will release such Buyer from any liabilities or obligations hereunder, and (ii) each Buyer or its permitted assignee may assign, transfer, pledge or otherwise dispose of its rights and interests hereunder to a trustee or lending institution(s) for the purposes of financing or refinancing, or by way of assignments, transfers, conveyances or dispositions in lieu thereof; provided, however, that no such assignment or disposition shall relieve or in any way discharge such Buyer or such assignee from the performance of its duties and obligations under this Agreement. Each Seller agrees to execute and deliver such documents as may be reasonably necessary to accomplish any such assignment, transfer, conveyance, pledge or disposition of rights hereunder so long as such Seller's rights under this Agreement are not thereby altered, amended, diminished or otherwise impaired.

Section 9.8 No Third-Party Beneficiaries. Except as provided in **Article VII**, this Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 9.9 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each Party. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 9.10 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction).

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF NEW YORK IN EACH CASE LOCATED IN THE COUNTY OF NEW YORK, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **Section 9.10(c)**.

Section 9.11 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 9.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 9.13 Non-recourse. This Agreement and the Transaction Documents may only be enforced against, and any claim, action, suit or other legal proceeding based upon, arising out of, or related to this Agreement, or the negotiation, execution or performance of this Agreement, may only be brought against the entities that are expressly named as parties and then only with respect to the specific obligations set forth herein with respect to such party. No past, present or future director, officer, employee, incorporator, manager, member, partner, stockholder, Affiliate, agent, attorney or other Representative of any Party or of any Affiliate of any Party, or any of their successors or permitted assigns, shall have any liability for any obligations or liabilities of any Party under this Agreement or for any claim or action based on, in respect of or by reason of the transactions contemplated hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Membership Interest Purchase Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

Sellers:

VIVOPOWER US-NC-31 LLC

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

VIVOPOWER US-NC-47 LLC

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

[Signature Page to Membership Interest Purchase Agreement]

Buyers:

NES US NC-31 LLC

By:	Tom Kline
Name:	Thomas Oliver Kline
Title:	Vice President

NES US NC-47 LLC

By:	Tom Kline
Name:	Thomas Oliver Kline
Title:	Vice President

Exhibit 4.13

Execution Version

BRIDGE LOAN AGREEMENT

by and between

VIVOPOWER USA LLC
a Delaware limited liability company
("***Borrower***")

and

NEW ENERGY SOLAR US CORP.
a Delaware corporation
("***Lender***")

Dated as of May 25, 2018

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BRIDGE LOAN AGREEMENT

THIS BRIDGE LOAN AGREEMENT (this "***Agreement***"), is made as of May 25, 2018 (the "***Effective Date***") by and between **VIVOPOWER USA LLC**, a Delaware limited liability company (the "***Borrower***") and **NEW ENERGY SOLAR US CORP.**, a Delaware corporation (the "***Lender***").

RECITALS

WHEREAS, certain of the terms used in these Recitals are defined in Section 1.1 of the Agreement;

WHEREAS, Borrower is in the business of developing and owning solar photovoltaic facilities throughout the United States through its subsidiaries;

WHEREAS, two (2) of Borrower's wholly-owned subsidiaries VivoPower US-NC-31 LLC, a Delaware limited liability company ("***Vivo NC-31***") and VivoPower US-NC-47 LLC, a Delaware limited liability company ("***Vivo NC-47***") hold interests in, respectively, a 34.2 MW (AC) solar photovoltaic facility in Maxton County, North Carolina (the "***NC-31 Solar Project***") and a 33.8 MW (AC) solar photovoltaic facility in Robeson County, North Carolina (the "***NC-47 Solar Project***" and together with the NC-31 Solar Project, the "***Solar Projects***");

WHEREAS, (i) Vivo NC-31 owns 100% of the Class B Membership Interests in US-NC-31 Sponsor Partner, LLC, a Delaware limited liability company ("***NC-31 Sponsor Partner***"), (ii) which owns one hundred percent (100%) of the issued and outstanding membership interests of US-NC-31 Sponsor, LLC, a Delaware limited liability company ("***NC-31 Sponsor***"), (iii) which in turn owns, together with Firstar Development, LLC, as tax equity investor, one hundred percent (100%) of the issued and outstanding membership interests of IS-31 Holdings, LLC, a Delaware limited liability company ("***NC-31 TE Partnership***"), (iv) which in turn owns one hundred percent (100%) of the issued and outstanding membership interests of Innovative Solar 31, LLC, a North Carolina limited liability company ("***NC-31 Project Company***"), which has developed and owns the NC-31 Solar Project;

WHEREAS, (i) Vivo NC-47 owns 100% of the Class B Membership Interests in US-NC-47 Sponsor Partner, LLC, a Delaware limited liability company ("***NC-47 Sponsor Partner***"), (ii) which owns one hundred percent (100%) of the issued and outstanding membership interests of US-NC-47 Sponsor, LLC, a Delaware limited liability company ("***NC-47 Sponsor***"), (iii) which in turn owns, together with Firstar Development, LLC and USB RETC Fund 2017-1, LLC, a Delaware limited liability company, as tax equity investors, one hundred percent (100%) of the issued and outstanding membership interests of IS-47 Holdings, LLC, a Delaware limited liability company ("***NC-47 TE Partnership***"), (iv) which in turn owns one hundred percent (100%) of the issued and outstanding membership interests of Innovative Solar 47, LLC, a North Carolina limited liability company ("***NC-47 Project Company***" and together with NC-31 Project Company, the "***Project Companies***"), which has developed and owns the NC-47 Solar Project;

WHEREAS, subsidiaries of Lender NES US NC-31 LLC and NES US NC-47 LLC ("***NES Buyers***") intend to enter into a Membership Interest Purchase Agreement (the "***MIPA***") with Vivo NC-31 and Vivo NC-47 for the purchase by NES Buyers of Vivo NC-31's and Vivo NC-47's Class B Membership Interests in NC-31 Sponsor Partner and NC-47 Sponsor Partner, respectively (the "***Class B Acquisition***");

WHEREAS, Borrower has requested that Lender make loans to Borrower, subject to the terms and conditions of this Agreement; and

WHEREAS, Lender is willing to make such loans upon the terms and conditions of this Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises, the representations and agreements hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions; Rules of Construction.

1.1. Definitions. The following terms, when used in this Agreement, shall have the following meanings unless otherwise indicated:

"***Affiliate***" of a specified Person means any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with the Person specified, or who holds or beneficially owns fifty percent (50%) or more of the equity interests in the Person specified or fifty percent (50%) or more of any class of voting securities of the Person specified.

"***Agreement***" has the meaning provided in the introductory paragraph hereto.

"***Applicable Laws***" means, with respect to any Person, all laws, statutes, rules, regulations, ordinances, judgments, settlements, orders, decrees, injunctions, permits and writs of any Governmental Authority having jurisdiction over such Person or the Solar Projects, as applicable.

"***Bankruptcy Event***" shall mean with respect to any Person,

(i) such Person shall commence any case, proceeding or other action (x) under any existing or future Applicable Laws relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (y) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or such Person shall make a general assignment for the benefit of its creditors;

(ii) there shall be commenced against such Person any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in the entry of an order for relief or any such adjudication or appointment, (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days or (z) the petition commencing the involuntary case is not timely controverted;

(iii) there shall be commenced against such Person any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof;

(iv) such Person shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or

(v) such Person shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

*"**Borrower**"* has the meaning set forth in the preamble to this Agreement.

"***Business Day***" means any day other than Saturday, Sunday or other day on which commercial banks in the State of New York are authorized or required to close.

"***Casualty Insurance Proceeds***" means any and all proceeds of any insurance, indemnity, warranty or guaranty payment from time to time with respect with any damage to, or destruction in whole or in part of, the Solar Projects or any Collateral.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Collateral***" means all property which is subject or is intended to become subject to the security interests or liens granted in favor of the Lender by the Borrower or any other Person under any of the Loan Documents.

"***Contractual Obligation***" of any Person, means any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound, other than the Obligations.

"***Control***" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"***Default***" is defined in the introductory paragraph of Section 6.

"***Deposit Account Control Agreement***" means, if requested by Lender pursuant to Section 4.7, a Deposit Account Control Agreement, by and among, Borrower, Lender and the applicable depositary bank, together with all Supplements thereto.

"***Disbursement***" means the Initial Disbursement or Final Disbursement.

"***Distributions***" means, collectively, with respect to the Borrower, all dividends, cash, options, warrants, rights, instruments, distributions, returns of capital or principal, fees, income, payments, interest, profits and other property, interests (debt or equity) or proceeds, including as a result of a split, revision, reclassification or other like change of its Equity Interests in any or on account of any Project Entity, from time to time received or receivable by, or otherwise distributed to, the Borrower in respect of or in exchange for any or all of such Equity Interests.

"***ECCA***" means that certain (i) Equity Capital Contribution Agreement, dated July 29, 2016 among NES US NC-31 LLC, Vivo NC-31 and NC-31 Sponsor Partner and (ii) Equity Capital Contribution Agreement, dated October 25, 2016 among NES UC NC-47 LLC, Vivo NC-47 and NC-47 Sponsor Partner.

"***Effective Date***" has the meaning set forth in the preamble to this Agreement.

"***Enforcement Costs***" is defined in Section 7.5.

"***Equity Interest***" means with respect to a Person, any (a) stock, partnership interest, membership interest or other equity interest in such Person or (b) any option, warrant or other direct or indirect right to acquire, convert into or exchange for an equity interest in such Person.

"***Event of Default***" is defined in the introductory paragraph of Section 6.

"***Final Disbursement***" is defined in Section 2.4.

"***GAAP***" means generally accepted accounting principles in the United States of America consistently applied.

"***Governmental Authority***" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state, territorial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"***Hedging Agreement***" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

"***Holding Company Operating Agreement***" has the meaning defined in the ECCA.

"***IFRS***" means the International Financial Reporting Standards.

"***Indebtedness***" of any Person at any date means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person under leases which are or should be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable, (e) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or property), (f) all deferred obligations of such Person to reimburse any bank or other Person in respect of amounts paid or advanced under a letter of credit or other similar instrument, (g) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person or is non-recourse to such Person, (h) all Indebtedness of others guaranteed directly or indirectly by such Person or as to which such Person has an obligation substantially the economic equivalent of a guarantee, (i) all net ordinary course settlement or other obligations of such Person under any Hedging Agreement or (j) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement are limited to repossession or sale of such property).

"***Initial Disbursement***" is defined in Section 2.3.

"***Investments***" has the meaning set forth in Section 5.7.

"***Lender***" has the meaning provided in the introductory paragraph hereto.

"***Lien***" means, with respect to an asset, any mortgage, pledge, hypothecation, assignment (as security), deposit arrangement, encumbrance, lien (statutory or other), charge, warrant, deed of trust, claim, restriction (whether on voting, sale, transfer, disposition or otherwise), assessment, variance, purchase right, right of first refusal, reservation, encroachment, irregularity, deficiency, default, defect, adverse claim, interest, restrictive covenant, easement or other security interest, or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever having substantially the same economic effect as any of the foregoing (including any conditional sale or other title retention agreement and any capital lease), and the authorized filing of, or any agreement to give, any financing statement relating to any such asset or property under the Uniform Commercial Code of any jurisdiction or any interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"***LLCA***" means that certain (i) Amended and Restated Operating Agreement, dated July 29, 2016 of NC-31 Sponsor Partner, between NES US NC-31 LLC and Vivo NC-31 and (ii) Amended and Restated Operating Agreement, dated October 25, 2016 of NC-47 Sponsor Partner, between NES US NC-47 LLC and Vivo NC-47.

"***Loan***" has the meaning set forth in Section 2.1.

"***Loan Documents***" means this Agreement, the Security Documents, any financing statements or other similar documents filed, recorded or delivered in connection with the foregoing, and any other instrument, document or agreement both now and hereafter executed, delivered or furnished by Borrower evidencing, guaranteeing, securing, or in connection with this Agreement or all or any part of the Obligations, together with all Supplements thereto.

"***Loan Ledger***" is defined in Section 2.6.

"***Loan Proceeds***" means all amounts disbursed as part of the Loan, whether disbursed directly to Borrower or otherwise.

"***Material Adverse Effect***" means (i) any change, circumstance, occurrence, or effect that is materially adverse to (A) the operations, business, properties, condition (financial or otherwise), of the Borrower and the Project Entities; (B) the Borrower's ability to perform the Obligations; (C) the legality, validity, binding effect or enforceability of this Agreement or any other Loan Document; or (D) the rights of Borrower under any Material Project Document; or (ii) any change, circumstance, occurrence, or effect that is, or could reasonably be expected to be, materially adverse to (x) the rights of the Lender under this Agreement, (y) title to or value of the Solar Projects and the Collateral, or (z) the validity or priority of the security interest in the Collateral created and granted by the Loan Documents.

"***Material Project Counterparty***" means a party to a Material Project Document other than a Loan Party.

"***Material Project Document***" means the Principal Project Documents (as defined in each of the ECCAs), together with all permitted Supplements thereto.

"***Maturity Date***" means the earlier of (i) the closing of the Class B Acquisition and (ii) June 30, 2018, which date shall be subject to one 30-day automatic extension if approval from Federal Energy Regulatory Commission has not been received for the Class B Acquisition, sufficient to permit the closing of the Class B Acquisition by such date, with any further extensions subject to the sole discretion of Lender.

"***Maximum Loan Amount***" means the amount of Four Million Dollars ($4,000,000).

"***Obligations***" means all present and future Indebtedness, loans, advances, debts, liabilities (including any indemnification or other obligations that survive the termination of this Agreement and other Loan Documents) and obligations of any kind and nature whatsoever (including guarantee obligations) of the Borrower to the Lender of any kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, both now existing and hereafter arising under, as a result of, on account of, or in connection with, the Loan, this Agreement and any and all Supplements thereto, or any of the other Loan Documents, including, without limitation, future disbursements, principal, interest, indemnities, fees, late charges, Enforcement Costs, and other costs and costs and expenses, whether direct, contingent, joint, several, matured or unmatured, whether from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred, together with all extensions, renewals and replacements thereof.

"***Operative Documents***" means, collectively, the Organizational Documents (including the Tax Equity Documents), the ECCA, the Project Documents and the LLCA.

"***Organizational Documents***" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"***Permit***" means all permits, licenses, approvals and authorizations of any Governmental Authority.

"***Permitted Equity Encumbrance***" means, with respect to any entity (a) those restrictions on transfer or ownership imposed by applicable securities laws and (b) restrictions imposed on transfer or ownership set forth in the applicable governing documents of such entity.

"***Permitted Liens***" means (a) the rights and interests of the Lender created by this Agreement and the other Loan Documents; (b) Liens for any Tax, assessment or other governmental charge not yet due or that are being contested in good faith by appropriate proceedings, so long as reserves have been established in accordance with GAAP, as the jurisdiction requires, in an amount sufficient so that any Taxes, assessments, accrued interest thereon or other charges or fees determined to be due may be promptly paid in full when such contest is determined, or other adequate provision for payment thereof shall have been made, and such amounts are promptly paid when due after resolution of such contest if required by such resolution; (c) materialmen's, mechanics', workers', repairmen's, employees' or other like Liens, arising in the ordinary course of business for amounts not yet due or for amounts being contested in good faith and by appropriate proceedings so long as a bond or other security reasonably satisfactory to the Lender has been posted or provided in such manner and amount reasonably satisfactory to the Lender so as to ensure that any amount determined to be due will be promptly paid in full when such contest is determined, and such amounts are promptly paid when due after resolution of such contest if required by such resolution; (d) exceptions to title with respect to any real property interest of a Project Company that does not interfere in any material respect, in the Lender's reasonable judgment (for the avoidance of doubt, any such exception included in a title commitment approved by the Lender shall be considered approved), with Borrower's ability to own and operate the Solar Projects in the ordinary course of business; (e) Liens, deposits or pledges to secure statutory obligations or performance of bids, tenders, contracts (other than for the repayment of Indebtedness or as covered under clause (c) of this definition) or leases, incurred in the ordinary course of business, not to exceed Fifty Thousand Dollars ($50,000) in the aggregate at any time; (f) Liens arising out of judgments or awards so long as an appeal or proceeding for review is being prosecuted in good faith and for the payment of which cash reserves, bonds or other security (in the case of any such other security, in form and substance reasonably acceptable to the Lender) have been provided or are fully covered by insurance; (g) involuntary liens created by the Project Documents which are junior to the Lien of the Loan Documents, in an aggregate sum of less than Twenty Five Thousand Dollars ($25,000), and which the Borrower is contesting in good faith by appropriate proceedings; (h) any other Lien not described in clauses (a) through (g) above so long as any such Liens (1) shall not have been voluntarily granted by the Borrower, (2) shall be for an amount not to exceed Twenty Five Thousand Dollars ($25,000) in the aggregate at any time, and (3) are being contested in good faith and are vacated, discharged, stayed or bonded pending appeal within thirty (30) days after the creation thereof; (i) Liens on the Class B Membership Interests in NC-31 Sponsor Partner and NC-47 Sponsor Partner created pursuant to the MIPA and (j) Liens on the membership interests in VivoPower (USA) Development LLC, a Delaware limited liability company as described on Schedule 1.1. With respect to assets consisting of Equity Interests, only the items included in clause (a) and, if applicable, clause (i) and (j) shall be Permitted Liens.

"***Person***" means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, limited liability limited partnership, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture or Governmental Authority.

"***Pledge Agreement***" the Pledge Agreement dated of even date herewith, executed by and between Borrower and the Lender, together with all Supplements thereto.

"***Proceeds***" means collectively, Casualty Insurance Proceeds, any refunded interconnection deposits or other refunds of deposits under any Project Document, any termination payments received under the Project Documents, and any payments received from permitted sales pursuant to Section 5.5.

"***Project Companies***" has the meaning given to such term in the Recitals to this Agreement.

"***Project Documents***" means, collectively, each Material Project Document and any Additional Project Document executed after the Effective Date, together with any and all other material contracts to which the Borrower is a party or of which the Borrower is a beneficiary, relating to the development, design, construction, installation, maintenance, ownership, operation sale or delivery of the Solar Projects, together with all Supplements thereto.

"***Project Entities***" means Vivo NC-31, NC-31 Sponsor Partner, NC-31 Sponsor, NC-31 TE Partnership, NC-31 Project Company, Vivo NC-47, NC-47 Sponsor Partner, NC-47 Sponsor, NC-47 TE Partnership, and NC-47 Project Company.

"***Security Agreement***" means the Security Agreements dated of even date herewith, executed by each of Vivo NC-31 and Vivo-NC-47 and the Lender, together with all Supplements thereto.

"***Security Documents***" means the Pledge Agreement, Security Agreements, the Deposit Account Control Agreement (if applicable), any financing statements or other similar documents filed, recorded or delivered in connection with the foregoing, and any other instrument, document or agreement granting or otherwise relating to a security interest in the Collateral.

"***Solar Projects***" has the meaning given to such term in the Recitals to this Agreement.

"***Solvent***" with respect to any Person as of any date of determination, means that on such date (a) the present fair salable value of the property and assets of such Person exceeds the debts and liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the property and assets of such Person is greater than the amount that will be required to pay the probable liability of such Person on its debts and other liabilities, including contingent liabilities, as such debts and other liabilities become absolute and matured, (c) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts and liabilities, including contingent liabilities, beyond its ability to pay such debts and liabilities as they become absolute and matured, and (d) such Person does not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"***Subsidiary***" as to any Person, means any corporation, partnership, limited liability company, joint venture, trust or estate in which more than 10% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class of such corporation may have voting power upon the happening of a contingency), (b) the interest in the capital or profits of such partnership, limited liability company, or joint venture or (c) the beneficial interest in such trust or estate, in each case, is at the time directly or indirectly owned or controlled through one or more intermediaries, or both, by such Person.

"***Supplement***" or "***Supplements***" means any and all extensions, renewals, modifications, amendments, restatements, consents, supplements and substitutions.

"***Tax Equity Documents***" has the meaning defined in the ECCA.

"***Taxes***" means any and all present or future income, stamp or other taxes, levies, imposts, duties, charges, fees or withholdings (including backup withholding), in each case in the nature of a tax, imposed by any Governmental Authority, together with any interest, additions to tax or penalties imposed thereon and with respect thereto.

"***Uniform Commercial Code***" or "***UCC***" means, as applicable, the Uniform Commercial Code of the jurisdiction the law of which governs the document in which such term is used or which governs the creation or perfection of the Liens granted thereunder.

1.2. Rules of Interpretation.

(a) The singular includes the plural and the plural includes the singular.

(b) The word "or" is not exclusive.

(c) A reference to any Applicable Law includes any amendment or modification to such Applicable Law, and all regulations, rulings and other Applicable Laws promulgated under such Applicable Law.

(d) A reference to a Person includes its successors and permitted assigns.

(e) Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer.

(f) The words "include," "includes" and "including" are not limiting.

(g) A reference in a document to an Article, Section, Exhibit, Schedule, Annex or Appendix is to the Article, Section, Exhibit, Schedule, Annex or Appendix of such document unless otherwise indicated. Exhibits, Schedules, Annexes or Appendices to any document shall be deemed incorporated by reference in such document.

(h) References to or definitions of any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time (to the extent permitted under the Loan Documents) and in effect at any given time.

(i) The words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document.

(j) References to "days" shall mean calendar days, unless the term "Business Days" shall be used. References to a time of day shall mean such time in New York, New York, unless otherwise specified.

(k) The Loan Documents are the result of negotiations between, and have been reviewed by Borrower, Lender and their respective counsel. Accordingly, the Loan Documents shall be deemed to be the product of all parties thereto, and no ambiguity shall be construed in favor of or against Borrower or Lender.

(l) The words "will" and "shall" shall be construed to have the same meaning and effect.

(m) The words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 2. The Loan.

2.1. The Loan. Subject to the terms and conditions of this Agreement and relying upon the representations and warranties herein set forth, the Lender agrees to make a loan (the "***Loan***") to the Borrower in the principal amount of up to the Maximum Loan Amount pursuant to the Initial Disbursement and the Final Disbursement as requested by the Borrower in writing in accordance with Section 2.7; provided that the Lender shall not be required to make any Disbursement on or after the Maturity Date. The Loan Proceeds, after paying legal and other closing costs associated with the Loan, will be disbursed to Borrower according to Borrower's wire instructions provided to Lender.

2.2. Interest. The outstanding principal balance of the Loan shall bear interest at a fixed rate of twelve percent (12%) per annum applied on a pro rata monthly basis to the principal amount of the Loan, payable no later than the Maturity Date.

2.3. Conditions Precedent to Initial Disbursement of Loan Proceeds. The obligation of Lender to disburse the initial Loan Proceeds in an amount equal to the sum of (x) Two Million Four Hundred Thousand Dollars ($2,400,000) plus (y) the costs and expenses to be paid pursuant to Section 2.3(j) as set forth on the agreed funds flow (such sum, the "***Initial Disbursement***") is subject to the satisfaction (or waiver by Lender) of the following conditions in a manner acceptable to the Lender on or before June 30, 2018:

(a) Loan Documents. The Lender shall have received fully executed and, if applicable, properly notarized original copies of the Loan Documents in form and substance acceptable to the Lender in its sole discretion.

(b) Representations and Warranties. All representations and warranties made in this Agreement and the other Loan Documents are true, correct and complete in all material respects on and as of the date of the Disbursement.

(c) Default or Event of Default. No Event of Default or Default shall have occurred and be continuing under any of the Loan Documents.

(d) Material Adverse Effect. No event or circumstance having a Material Adverse Effect shall have occurred since the date of the financial statements delivered to the Lender.

(e) Liens, Searches. The Lender shall have received lien, litigation and bankruptcy searches which evidence that all Collateral is free and clear of all Liens other than Permitted Liens and Liens evidencing the Indebtedness referred to in Section 2.3(i) , and that the Borrower and the Project Entities and all assets of the Borrower and Project Entities are not subject to any bankruptcy or insolvency proceeding or any litigation.

(f) Financial Statements. The Lender shall have received and approved unaudited financial statements of the Borrower for the year ended December 31, 2017 and the quarter ended March 31, 2018 establishing that there has been no material adverse change in the financial condition of such parties since the date of the most recent financial statements provided to the Lender.

(g) Delivery of Collateral. The Lender shall have received the original certificated Equity Interests for all applicable Collateral.

(h) UCC Filings. All applicable UCC-1 Financing Statements necessary to perfect the Collateral shall be in appropriate form for recording by the Lender in the appropriate recording offices.

(i) Payment of Debt to SolarTide, LLC. Borrower shall have paid all outstanding Indebtedness to SolarTide, LLC (which payment may be made from proceeds of the Initial Disbursement), evidenced by a payoff letter from SolarTide, LLC and a UCC-3 termination statement in form and substance reasonably acceptable to Lender.

(j) Payment of Loan Expenses. Borrower shall have paid to the Lender the amount of all invoiced legal and other closing costs and expenses associated with the Loan (which payment may be made from proceeds of the Initial Disbursement).

(k) Closing Certificate. The Lender shall have received, in form and substance satisfactory to it, a certificate of Borrower, certified by an authorized representative of Borrower, including (i) the Organizational Documents of Borrower, (ii) resolutions of the board of directors (or other relevant governing body) of Borrower approving the transaction and each Loan Document, (iii) an incumbency certification, and (iv) a good standing certificate from the Secretary of State of Delaware with respect to the Borrower. The Closing Certificate for the Borrower shall also include all Organizational Documents for Vivo NC-31 and Vivo NC-47.

2.4. Conditions Precedent to Final Disbursements of Loan Proceeds. The obligation of Lender to disburse the final Loan Proceeds in an amount equal to the sum of (x) the Maximum Loan Amount less (y) the amount of the Initial Disbursement (the "***Final Disbursement***") is subject to the satisfaction (or waiver by Lender) of the following conditions in a manner acceptable to Lender on or before June 30, 2018 (unless the condition to Section 2.4(b) has not been satisfied, in which case such outside date shall be extended day-for-day until the satisfaction of Section 2.4(b)):

(a) The conditions precedent to the Initial Disbursement as set forth in Section 2.3 shall remain satisfied (including, without limitation, those identified in paragraphs (a) through (d) thereof).

(b) Lender, or an Affiliate thereof, shall have closed on its corporate credit facility from KeyBank National Association.

2.5. Waivers of Conditions Precedent. The failure of the Lender to insist upon strict performance of the requirements for any disbursement shall not be deemed a waiver of the Lender's right to later insist upon strict compliance with such requirements for any subsequent disbursement.

2.6. The Loan Ledger. The Lender will maintain on its books a loan ledger (the "***Loan Ledger***") with respect to payments of the Loan, the accrual and payment of interest on the Loan and all other amounts and charges owing to the Lender in connection with the Loan. Except for manifest error, the Loan Ledger shall be conclusive as to all amounts owing by the Borrower to the Lender in connection with and on account of the Loan; provided that neither the failure to make any such notation nor any error in such notation shall affect the validity of Borrower's obligations to repay the full unpaid principal amount of the Loan or the other obligations of Borrower hereunder.

2.7. Disbursement Procedure.

(a) Subject to the terms and conditions set forth herein (including the satisfaction of the applicable conditions precedent set forth in Sections X2.3 and 2.4 and any additional conditions set forth in this Agreement or any of the other Loan Documents, the Borrower may request a Disbursement of the Loan (in the amounts of the Initial Disbursement or Final Disbursement, as applicable) by delivering to the Lender up to five (5) Business Days (or such shorter period as Lender may agree) prior to the proposed date of Disbursement, a Disbursement request in form and substance satisfactory to the Lender; provided, that the Initial Disbursement may be disbursed on the date of this Agreement without the requirement for such notice.

(b) Provided that all of the conditions precedent set forth in Section 2.3 and 2.4 have been satisfied as well as and any additional conditions set forth in this Agreement or any of the other Loan Documents (as applicable), the Lender shall make the Final Disbursement not later than the fifth (5^{th}) Business Day following the Lender's receipt of the Disbursement request (or such shorter period as Lender may agree).

(c) If at any time after the delivery of the Disbursement request, the Lender becomes aware that any condition to the Disbursement was not satisfied or has ceased to be satisfied, then the Lender may, by notice to the Borrower, cancel the Disbursement.

2.8. Prepayments. The Borrower shall have the right to prepay the Loan in whole only, without premium or penalty, which such prepayment will require the payment by the Borrower to the Lender of the total outstanding principal of the Loan in full.

2.9. Loan Payments. Whenever any payment to be made by the Borrower under the provisions of this Agreement is due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, in the case of any payment which bears interest, such extension of time shall be included in computing interest on such payment. All payments of principal, interest, fees or other amounts to be made by the Borrower under the provisions of this Agreement shall be paid without deduction, set-off or counterclaim to the Lender at the Lender's office specified in Section 8.3 hereof or at such other place as the Lender may designate in writing to the Borrower, in lawful money of the United States of America in immediately available funds. Except as otherwise expressly provided herein or in the other Loan Documents, payments made by Borrower under this Agreement or the other Loan Documents shall first be applied to any expenses and Enforcement Costs, next to any accrued but unpaid interest then due and owing, and then to outstanding principal then due and owing or otherwise to be prepaid.

2.10. Taxes. Except to the extent otherwise provided in this Agreement, any and all payments to or for the benefit of the Lender by Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction, setoff or counterclaim of any kind whatsoever on account of any present or future taxes, levies, imposts, deductions, charges or withholdings imposed by the United States of America or any political subdivision thereof arising from or relating to the Loans made under this Agreement and all liabilities with respect thereto.

Section 3. Representations and Warranties. The Borrower represents and warrants to the Lender that the following statements are true, correct and complete as of the Effective Date and the date of any Disbursement of Loan Proceeds hereunder:

3.1. Existence; Compliance With Laws. Borrower and each Project Entity (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, (b) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (c) is in compliance with all Applicable Laws excepting non-compliance that could not reasonably be expected to result in a Material Adverse Effect.

3.2. Power; Authorization; Enforceability.

(a) Borrower has the power and authority, and the legal right, to own or lease and operate its property, to carry on its business as now conducted and as proposed to be conducted, and to execute, deliver and perform the Loan Documents to which it is a party and to obtain the Loan hereunder. Borrower has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and to authorize the borrowing of Loan on the terms and conditions contained herein. No consent or authorization of, filing with, notice to or other act by, or in respect of, any Governmental Authority or any other Person is required in connection with the extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except corporate and other organizational approvals, which approvals have been obtained and are in full force and effect and true and correct copies of which have provided to Lender. Each Loan Document has been duly executed and delivered by Borrower or each Project Entity which is a party thereto.

(b) Each Loan Document to which Borrower is a party when delivered hereunder will constitute, a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

3.3. No Contravention. The execution, delivery and performance of this Agreement and the other Loan Documents by the Borrower, the borrowing of the Loan hereunder and the use of the Loan Proceeds thereof will not violate any Applicable Law or any Organizational Document or Contractual Obligation of Borrower or any Project Entity and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or assets pursuant to any Applicable Law or any such Organizational Document or Contractual Obligation (other than the Liens created by the Loan Documents). No Applicable Law, Organizational Document or Contractual Obligation applicable to any Loan Party or any Project Entity could reasonably be expected to have a Material Adverse Effect.

3.4. Financial Statements.

(a) All financial statements of Borrower delivered to the Lender were prepared in accordance with GAAP or IFRS, as the jurisdiction requires, and fairly present in all material respects the financial condition of Borrower as of the respective dates thereof, subject in the case of the unaudited financial statements to changes resulting from audit and normal-year adjustments and except that the unaudited financial statements may not contain all footnotes required by generally accepted accounting principles.

(b) Neither the Borrower nor any Project Entity has any Indebtedness or material liabilities other than (i) as reflected on or disclosed in such financial statements, (ii) obligations to fund major maintenance reserves with respect to the Solar Projects as agreed between Borrower and Lender, (iii) as described on Schedule 1.1 and (iv) those incurred pursuant to any of the Operative Documents or otherwise expressly permitted by the provisions of this Agreement.

3.5. Solvency. The Borrower is, and after giving effect to the incurrence of all Indebtedness and Obligations incurred in connection herewith will be, Solvent.

3.6. No Event of Default. No default or event of default has occurred and is continuing and no default has occurred and is continuing under or with respect to any Contractual Obligation of the Borrower or any Project Entity that could reasonably be expected to have a Material Adverse Effect.

3.7. Sole Business; No Employees. The ownership, development, construction and operation of the Solar Projects is and has always been the Project Entities' sole business. The ownership, development, construction and operation of solar photovoltaic facilities in the United States is and has always been the Borrower's solar business. No Project Entity is a party to or bound by any material Contractual Obligation other than the Operative Documents to which it is a party. No Project Entity has any employees.

3.8. Litigation. There are no actions, suits, proceedings, claims or disputes pending or, to the Borrower's knowledge after reasonable investigation, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against Borrower, or against any of its properties or revenues that (a) as of the Effective Date, purport to affect or pertain to the Solar Projects or any Project Document, or (b) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby, or (c) either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect.

3.9. Equity Interests/Subsidiaries. The Borrower is the beneficial owner, directly or indirectly, of all of the outstanding Equity Interests of Vivo NC-31 and Vivo NC-47 free and clear of all Liens other than Permitted Liens and Permitted Equity Encumbrances. All of the outstanding Equity Interests in Vivo NC-31 and Vivo NC-47 have been validly issued, are fully paid and non-assessable.

3.10. Accounts. Schedule 3.10 sets forth Borrower's accounts.

3.11. Labor Disputes and Acts of God. Neither the business nor the properties of Borrower (or, to the knowledge of the Borrower, any Material Project Counterparty) is affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, volcano, earthquake, embargo, act of God, or of the public enemy, or other casualty or force majeure event (whether or not covered by insurance), which could reasonably be expected to have a Material Adverse Effect.

3.12. Security Documents. The Security Documents create in favor of the Lender legal, valid, continuing and enforceable security interests in the Collateral, the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. Upon the proper filing of financing statements in appropriate form in the applicable offices in accordance with the Security Agreements and Pledge Agreement and/or the obtaining of "control" (as defined in the Uniform Commercial Code), the Lender will have a perfected Lien on, and security interest in, to and under all right, title and interest of the grantors thereunder in all Collateral that may be perfected by filing, recording or registering a financing statement or analogous document (including without limitation the proceeds of such Collateral subject to the limitations relating to such proceeds in the Uniform Commercial Code) or by obtaining control, under the Uniform Commercial Code (in effect on the date this representation is made) in each case prior and superior in right to any other Person, except for Liens permitted under Section 5.2.

3.13. Operative Documents. Any representations and warranties made by Borrower and the Project Entities in the ECCA and LLCA are true, correct and complete (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

Section 4. Affirmative Covenants. The Borrower covenants and agrees that so long as any of the Obligations (other than indemnity obligations that survive the termination of the Agreement) remain outstanding, the Borrower shall (subject to the consent rights of the applicable equity holders pursuant to the LLCA and the Holding Company Operating Agreement), and shall cause each of the Project Entities to:

4.1. Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now being conducted by it and now proposed to be conducted by it, and do and cause to be done all things necessary to maintain and keep in full force and effect its existence in good standing in its jurisdiction of formation and qualified to do business in each jurisdiction in which the conduct of its business requires such qualification and at all times hold itself out to the public as a legal entity separate and distinct from any other entity (including any Affiliate of Borrower). The Project Entities shall engage only in the business contemplated by the Operative Documents.

4.2. Compliance with Laws. Comply in all material respects with all Applicable Laws and Permits to which Borrower, any Project Entity or any Solar Project are subject.

4.3. Payment of Liabilities and Taxes. Pay, when due, all of its material Indebtedness and liabilities, all utility and other charges incurred in the construction, operation, maintenance, use, occupancy and upkeep of the Solar Projects, and all assessments and charges lawfully made by any Governmental Authority for public improvements that may be secured by a Lien on the properties of the Borrower, any Project Entity or the Solar Projects, and timely file all Tax returns and pay and discharge promptly all material Taxes imposed upon the Borrower or any Project Entity or upon such party's income, profits or property, except to the extent the amount or validity thereof is contested in good faith by appropriate proceedings so long as adequate cash reserves have been set aside therefor.

4.4. Contractual Obligations. Comply in all material respects with each Operative Document and any other Contractual Obligation to which the Borrower or any Project Entity is a party.

4.5. Use of Loan Proceeds. Except as otherwise expressly required or permitted by this Agreement, the Loan Proceeds shall only be used to fund costs and expenses incurred in connection with the Loan, to repay existing Indebtedness and for general corporate and working capital purposes of VivoPower International PLC and its subsidiaries.

4.6. Enforcement of Project Documents and Tax Equity Documents. Enforce its material rights under each Project Document and Tax Equity Document to which Borrower or any Project Entity is a party in accordance with its terms and, upon such request of the Lender, make to each other party to each Project Document and Tax Equity Document such demands and requests for information and reports or for action as the Borrower or Project Entity is entitled to make under such Project Document and Tax Equity Document.

4.7. Deposits into Controlled Account. In the event that Federal Energy Regulatory Commission approval has not been received for the Class B Acquisition within sixty (60) days of the Initial Disbursement or if an Event of Default has occurred and is continuing, Borrower shall, within five (5) Business Days of a request by Lender, provide Lender with evidence that Borrower has a dedicated bank account for all Distributions, and Borrower shall further provide Lender with a Deposit Account Control Agreement for such account in form and substance reasonably acceptable to Lender. Thereafter, Borrower shall cause all Distributions to be deposited into such controlled account.

4.8. Inspection. Permit the Lender, by its representatives and agents, to inspect the Solar Projects and any of the properties, books and financial records of Borrower (to the extent relating to the Project Entities and the Loan) and any Project Entity, to examine and make copies of the books of accounts and other financial records of Borrower (to the extent relating to the Project Entities and the Loan) and any Project Entity, and to discuss the affairs, finances and accounts of Borrower and any Project Entity, and to be advised as to the same by Borrower and any Project Entity (or its representatives) at such reasonable times and intervals as the Lender may designate; provided, that so long as no Default or Event of Default shall have occurred and be continuing, such inspection shall occur during reasonable business hours and after providing advance notice to Borrower or such Project Entity, in each case subject to customary confidentiality procedures protecting against disclosure of the confidential information of Borrower and its Affiliates. In connection with the foregoing, the Lender and its representatives and agents, at the expense of the Borrower, shall have the right to (a) enter any premises where the Collateral and the records relating thereto may be located and to audit, appraise, examine and inspect the Collateral and all records related thereto and to make extracts therefrom and copies thereof, and (b) verify under reasonable procedures the validity, amount, quality, quantity, value and condition of, and any other matter relating to, the Collateral, including contacting account debtors or any Person possessing any of the Collateral.

4.9. Further Assurances. Promptly upon the request of the Lender:

(a) Correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgement, filing or recordation thereof; and

(b) Do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, assignments, financing statements and continuations thereof, termination statements, notices of assignments, transfers, certificates, assurances and other instruments as the Lender may reasonably require from time to time in order to:

(i) carry out more effectively the purposes of the Loan Documents;

(ii) to the fullest extent permitted by Applicable Law, subject any Collateral to the Liens now or hereafter intended to be created under the Security Documents;

(iii) perfect and maintain the validity, effectiveness and priority of the Liens intended to be created under the Security Documents; and

(iv) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively to the Lender, the rights granted or now or hereafter intended to be granted to the Lender under any Loan Document or under any other instruments executed in connection with any Loan Document to which Borrower is or is to be a party.

Section 5. Negative Covenants. The Borrower covenants and agrees that so long as any of the Obligations (other than indemnity obligations that survive termination of this Agreement) remain outstanding, the Borrower shall not, and shall cause (subject to the consent rights of the applicable equity holders pursuant to the LLCA and the Holding Company Operating Agreement) each of the Project Entities to not directly or indirectly:

5.1. Indebtedness. Create, incur, assume or permit to exist any Indebtedness except (a) the Obligations and any Indebtedness to the Lender, (b) trade or other similar Indebtedness incurred in the ordinary course of operating the Solar Projects or the Business of Borrower in accordance with the terms of this Agreement and not more than ninety (90) days past due, (c) Indebtedness incurred by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business, (d) any Indebtedness which is immediately used to repay the Obligations in full, (e) vehicle financing leases not in excess of $25,000 and (f) any Indebtedness, other than what will be paid with the Loan proceeds, reflected on the financial statements of the Borrower as of the date of this Agreement, so long as such unsecured Indebtedness is subordinated to the Loans and any secured Indebtedness is subordinated to the Loans on terms reasonably acceptable to the Lender.

5.2. Liens. Create, incur, assume or permit to exist any Lien on any of its property or assets, both now owned and hereafter acquired and including, without limitation, the Collateral, except for Permitted Liens, Permitted Equity Encumbrances or Liens arising out of the Operative Documents.

5.3. Distributions. Except for (a) distributions made as required under the LLCA and the Holding Company Operating Agreement, (b) distributions and dividends made to the Borrower or any Project Entity, or (c) distributions of the Loan Proceeds for use in accordance with Section 4.5, declare or pay any dividend or distribution (whether in cash, securities or other property) with respect to any Equity Interests in, or subordinated Indebtedness of, the Borrower or any Project Entity, or make any payment (whether in cash, securities or other property) including any sinking fund or similar deposit, on account of the purchase, redemption, defeasance, retirement, acquisition, cancellation or termination of any such Equity Interest in, or subordinated Indebtedness of, the Borrower or any Project Entity or of any option, warrant or other right to acquire any such Equity Interest in, or subordinated Indebtedness of, the Borrower or any Project Entity, or make any tax distributions.

5.4. Limitations on Restrictive Agreements. Except with respect to the LLCA and the Holding Company Operating Agreement, enter into or permit to exist or become effective any consensual encumbrance or restriction on the ability of the Borrower or any Project Entity to declare or pay any dividend or distribution (whether in cash, securities or other property) with respect to any Equity Interests of the Borrower or such Project Entity, or make any payment (whether in cash, securities or other property) for the redemption, acquisition, or cancellation of any such Equity Interest.

5.5. Sale of Assets. Sell, convey, license, transfer, assign, lease, abandon or otherwise dispose of (including in a sale and leaseback transaction) any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible including, without limitation, the Collateral, except for (a) sales or dispositions by the Borrower at fair market value the proceeds of which are used repay the Loan and (b) sales or dispositions by the Project Entities in the ordinary course of business at fair market value.

5.6. Transfer of Interests. Cause, make, suffer, permit or consent to any creation, sale, assignment or transfer of any ownership interest or other interest in the Borrower or any Project Entity, except as required under the LLCA and the Holding Company Operating Agreement, or as expressly permitted under this Agreement or otherwise permitted by the Lender.

5.7. Loans; Investments; Etc. Other than (x) existing investments in and ownership of the Project Entities and the other Persons in which Borrower holds a direct or indirect interest on the Effective Date and the application of working capital of the Borrower (including cash received from equity owners of the Borrower and distributions received from Subsidiaries of the Borrower) to fund such investments and such Persons, (y) as required by Operative Documents and (z) use of the Loan Proceeds in accordance with Section 4.5, make or permit to remain outstanding any loan, advance, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase or own any Equity Interests, bonds, notes, debentures or other debt securities of or make any other investment in, any Person or enter into any partnership, limited liability company or joint venture in any other Person (all of the foregoing, "***Investments***").

5.8. Fundamental Changes. Merge, consolidate, or combine with any other Person or wind-up, dissolve, liquidate or change its legal form, sell or lease or otherwise transfer or dispose of all or any substantial part of the property, assets or business of or purchase or otherwise acquire substantially all of the assets of any Person.

5.9. Change of Business; Use of Site. (a) Change the nature of its business or expand its business beyond the business described herein or contemplated in the Operative Documents, (b) with respect to the Project Entities only, acquire, own, lease or license any assets other than the Solar Projects and assets necessary or incidental to the operation of the Solar Projects as contemplated by the Operative Documents, or (c) use the site of the Solar Projects for any purpose other than as necessary for or incidental to the development, construction, use, ownership, maintenance or operation of the Solar Projects as contemplated by the Operative Documents.

5.10. Modification of Organizational Documents; Material Consents. Without the prior written consent of the Lender, enter into any Supplement to or terminate any of its Organizational Documents, or waive any material provisions thereof or grant any material consents thereunder.

5.11. Affiliates. Without the prior written consent of the Lender, make any payment to or enter into or participate in any transaction with an Affiliate, unless such transaction is (a) pursuant to an Operative Document or (b) otherwise permitted by the terms of this Agreement and the Operative Documents.

5.12. Accounts. Maintain any deposit accounts, securities accounts or similar accounts, other than those set forth on Schedule 3.10.

5.13. Loan Proceeds. Directly or indirectly use, pay, transfer, distribute or dispose of any Loan Proceeds in any manner or for any purposes except as provided in Section 4.5 hereof.

5.14. Contingent Liabilities. Except as permitted under in this Agreement, become liable as a surety, guarantor, accommodation endorser or otherwise, for or upon the obligation of any other Person or otherwise create, incur, assume or suffer to exist any contingent obligation; provided, however, that this Section 5.14 shall not be deemed to prohibit (a) the acquisition of goods, supplies or merchandise in the normal course of developing, constructing and operating the Solar Projects or the business of Borrower on normal trade credit; (b) the endorsement of negotiable instruments received in the normal course of developing, constructing and operating the Solar Projects; (c) contingent liabilities required under any Permit or Operative Document; or (d) Indebtedness permitted pursuant to Section 5.1.

5.15. Name and Location; Fiscal Year. (a) Unless thirty (30) days' notice in writing is delivered to the Lender, change its name, its jurisdiction of organization, its organization identification number, federal identification number, the location of its chief executive office, or its principal place of business, or (b) change its fiscal year without the written consent of the Lender which consent shall not be unreasonably withheld.

Section 6. Events of Default. The term "***Event of Default***" shall mean, whenever it is used in this Agreement, any one or more of the following events (and the term "***Default***" whenever it is used herein, means any one or more of the following events, whether or not any requirement for the giving of notice, the lapse of time, or both has been satisfied):

6.1. Payment of Obligations. The failure of Borrower to pay, in accordance with the terms of this Agreement, (i) any principal on the Loan on the date that such sum is due; (ii) any interest or fee due and owing to Lender within five (5) days after the date that such sum is due; or (iii) any other amount, cost, charge or other sum due under this Agreement or any other Loan Document within ten (10) days after the date that such sum is due.

6.2. Failure to Perform Provisions of Loan Documents.

(a) The failure of the Borrower to perform, observe or comply with Section 4.1 (Conduct of Business and Maintenance of Existence), Section 4.5 (Use of Loan Proceeds) and Section 4.7 (Deposits into Controlled Account) and Section 5 (Negative Covenants) of this Agreement.

(b) The failure of the Borrower to perform, observe or comply with any of the provisions of this Agreement or the Loan Documents, other than those covered by Sections 6.1 and 6.2(a) above, and such failure is not cured to the satisfaction of the Lender within a period of thirty (30) days after (x) the date of written notice thereof by the Lender to the Borrower or (y) the date the Borrower becomes aware thereof, unless the nature of such failure is such that (i) it can be cured, but cannot be cured within the thirty (30) day period, (ii) the Borrower institutes corrective action within the thirty (30) day period, (iii) the Borrower diligently pursues such action, (iv) the existence of such failure has not had a Material Adverse Effect and could not, after considering the nature of the cure, be reasonably expected to have any Material Adverse Effect as determined by the Lender in its sole discretion, and (v) such failure is cured to the satisfaction of the Lender within a period of sixty (60) days after the date of such written notice or the date the Borrower becomes aware thereof.

(c) Borrower shall have failed, or shall have permitted any of its Affiliates to fail, to pursue its rights and remedies under a Material Project Document with an Affiliate of Borrower upon a breach by the applicable Affiliate of the terms thereof, and such failure shall continue un-remedied for a period of ten (10) Business Days.

6.3. Representations and Warranties. If any representation or warranty of Borrower contained herein or in any other Loan Document or any statement or representation made in any certificate by Borrower pursuant to this Agreement or any of the other Loan Documents shall prove to be false, incorrect or misleading in any material respect on the date as of which made.

6.4. Default under Other Indebtedness. If Borrower or any Project Entity shall default (a) in any payment of any Indebtedness owing to any Person (other than the Lender with respect to the Obligations under the Loan Documents) in an aggregate principal amount in excess of Fifty Thousand Dollars ($50,000), in each case, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created, or (b) in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur the effect of which default or other event is to cause or to permit the holder of such Indebtedness to cause, with the giving of notice, if required, such Indebtedness to become due prior to its stated maturity, except to the extent the amount or validity of any such Indebtedness owing to any Person other than the Lender is contested in good faith by appropriate proceedings, so long as adequate reserves have been set aside therefor.

6.5. Liquidation, Termination, Dissolution, Etc. Borrower or any Project Entity shall liquidate, dissolve or terminate its existence.

6.6. Bankruptcy. A Bankruptcy Event shall occur with respect to Borrower or any Project Entity (a "***Bankruptcy Event of Default***").

6.7. Judgments. One or more judgments or decrees (i) shall be entered against any Borrower or any Project Entity involving in the aggregate a liability in excess of Fifty Thousand Dollars ($50,000), and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days after the entry thereof, or (ii) such judgment or decree would reasonably be expected to materially impair or inhibit the construction of the Solar Projects or the Project Company's use of the Solar Projects for the purpose for which the Solar Projects were intended (other than (x) a judgment or decree which is fully covered by insurance, bond or other security or satisfied in full or (y) a judgment or decree the execution of which is effectively stayed).

6.8. Material Adverse Effect. The occurrence of any Material Adverse Effect.

Section 7. Rights and Remedies.

7.1. Rights and Remedies. If any Event of Default shall occur and be continuing, the Lender may refuse to make any additional disbursements of Loan Proceeds, and may declare the unpaid principal amount of the Loan together with accrued and unpaid interest thereon and any other Obligations then outstanding to be immediately due and payable, whereupon the same shall become and be forthwith due and payable by the Borrower to the Lender, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower; provided, that, in the case of any Bankruptcy Event of Default, the unpaid principal amount of the Loan, together with accrued and unpaid interest thereon and all other Obligations then outstanding shall be automatically and immediately due and payable by the Borrower to the Lender without notice, presentment, demand, protest or other action of any kind, all of which are expressly waived by the Borrower. Upon the occurrence and during the continuation of any Event of Default, then in each and every case, the Lender shall be entitled to exercise in any jurisdiction in which enforcement thereof is sought, all rights and remedies available to the Lender under the other provisions of this Agreement and the other Loan Documents, the rights and remedies of a secured party under the Uniform Commercial Code with respect to the Collateral and all other rights and remedies available to the Lender under Applicable Law, all such rights and remedies being cumulative and enforceable alternatively, successively or concurrently.

7.2. Remedies Under Loan Documents.

(a) If any Event of Default shall occur and be continuing, without being limited by any of the foregoing, Lender may exercise any and all rights and remedies available to it under any of the Loan Documents, including judicial or non-judicial foreclosure or public or private sale of any of the Collateral, and including the right to enforce the rights and remedies of any Project Entity pursuant to any Material Project Document.

(b) If any Default shall occur and be continuing, without being limited by any of the foregoing, Lender may exercise exclusive control over a controlled account created by any Deposit Account Control Agreement, and shall be and hereby is authorized to take all steps reasonably necessary and incidental to the exercise of such controlled account.

7.3. Interest on Late Payments. Any amounts owing under this Agreement, including the outstanding principal amount of the Loan and interest owing thereon, that are not paid when due hereunder shall bear interest from the date of such Event of Default until such Event of Default has been cured to the satisfaction of the Lender, at a per annum rate equal to the lesser of (a) eighteen percent (18%), (which amount shall increase by three percent (3%) every three calendar months until such amount is paid in full) or (b) the highest rate permitted under Applicable Law, irrespective of whether or not as a result thereof, any of the Obligations have been declared due and payable or the maturity thereof accelerated. The Borrower shall on demand from time to time pay such interest to the Lender and the same shall be a part of the Obligations hereunder.

7.4. Liens, Set-Off. As security for the payment and performance of the Obligations, the Borrower hereby grants to the Lender a continuing security interest and lien on, in and upon all indebtedness owing to, and all deposits (general or special), credits, balances, monies, securities and other property of, the Borrower and all proceeds thereof, both now and hereafter held or received by, in transit to, or due by, the Lender. In addition to, and without limitation of, any rights of the Lender under Applicable Laws, if any Event of Default occurs, the Lender may, to the fullest extent permitted by Applicable Law, at any time and from time to time thereafter, without notice to the Borrower, set-off, hold, segregate, appropriate and apply at any time and from time to time thereafter all such indebtedness, deposits, credits, balances (whether provisional or final and whether or not collected or available), monies, securities and other property toward the payment of all or any part of the Obligations in such order and manner as the Lender in its sole discretion may determine and whether or not the Obligations or any part thereof shall then be due or demand for payment thereof made by the Lender.

7.5. Enforcement Costs. The Borrower agrees to pay to the Lender on demand all Enforcement Costs paid, incurred or advanced by or on behalf of the Lender. As used herein, the term "***Enforcement Costs***" shall mean and include collectively all out of pocket expenses, charges, recordation or other Taxes, costs and fees (including all reasonable fees, charges and expenses of internal or external counsel) of any nature whatsoever advanced, paid or incurred by or on behalf of the Lender in connection with the enforcement of this Agreement or the other Loan Documents, including without limitation, (i) the collection of the Obligations, (ii) the enforcement of this Agreement or any of the other Loan Documents, (iii) the creation, perfection, maintenance, preservation, defense, protection, realization upon, disposition, collection, sale or enforcement of all or any part of the Collateral, and (iv) the exercise by the Lender of any rights or remedies available to it under the provisions of this Agreement, or any of the other Loan Documents. All Enforcement Costs shall be a part of the Obligations hereunder.

7.6. Application of Proceeds. Any proceeds of the collection of the Obligations and/or the sale or other disposition of the Collateral (including any Proceeds received by the Lender) will be applied by the Lender to the payment of Enforcement Costs, and any balance of such proceeds (if any) will be applied by the Lender to the payment of the remaining Obligations (whether then due or not), at such time or times and in such order and manner of application as the Lender may from time to time in its sole discretion determine. If the sale or other disposition of the Collateral fails to satisfy all of the Obligations, the Borrower shall remain liable to the Lender for any deficiency.

7.7. Remedies, Etc.; Cumulative. Each right, power and remedy of the Lender as provided for in this Agreement or in the other Loan Documents or now or hereafter existing under Applicable Laws or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or in the other Loan Documents or now or hereafter existing under Applicable Laws or otherwise, and the exercise or beginning of the exercise by the Lender of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Lender of any or all such other rights, powers or remedies.

7.8. No Waiver, Etc. No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement or of the other Loan Documents, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant or agreement or of any such breach, or preclude the Lender from exercising any such right, power or remedy at any later time or times. By accepting payment after the due date of any amount payable under this Agreement or under any of the other Loan Documents, the Lender shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under this Agreement or under any of the other Loan Documents, or to declare an Event of Default for failure to effect such prompt payment of any such other amount. The payment by the Borrower or any other Person and the acceptance by the Lender of any amount due and payable under the provisions of this Agreement or the other Loan Documents at any time during which an Event of Default exists shall not in any way or manner be construed as a waiver of such Event of Default by the Lender or preclude the Lender from exercising any right of power or remedy consequent upon such Event of Default

Section 8. Miscellaneous.

8.1. Course of Dealing; Amendment. No course of dealing between the Lender and the Borrower shall be effective to amend, modify or change any provision of this Agreement or the other Loan Documents. The Lender shall have the right at all times to enforce the provisions of this Agreement and the other Loan Documents in strict accordance with the provisions hereof and thereof, notwithstanding any conduct or custom on the part of the Lender in refraining from so doing at any time or times. The failure of the Lender at any time or times to enforce its respective rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to specific provisions of this Agreement or the other Loan Documents or as having in any way or manner modified or waived the same. This Agreement and the other Loan Documents may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Lender and the Borrower.

8.2. Waiver. The Lender may, at any time and from time to time, execute and deliver to the Borrower a written instrument waiving, on such terms and conditions as the Lender may specify in such written instrument, any of the requirements of this Agreement or of the other Loan Documents or any Event of Default or Default and its consequences, provided, that any such waiver shall be for such period and subject to such conditions as shall be specified in any such instrument. In the case of any such waiver, the Borrower and the Lender shall be restored to their former positions prior to such Event of Default or Default and shall have the same rights as they had hereunder. No such waiver shall extend to any subsequent or other Event of Default or Default, or impair any right consequent thereto and shall be effective only in the specific instance and for the specific purpose for which given.

8.3. Notices. All notices, requests, demands and other communications to or upon the parties to this Agreement, required or permitted hereunder, shall be in writing and given by delivery to a nationally recognized overnight express courier service which provides a receipt for delivery, or by certified mail, postage prepaid, return receipt requested, or by electronic mail transmission, addressed to the Person to whom such communication is to be given, at the following addresses:

If to the Lender:

New Energy Solar US Corp.
140 Broadway, 28th Floor
New York, NY 10005
Attention: Treasury Manager
Tel: (646) 860-9900
Email: treasury@newenergysolar.com.au

With a copy to (which shall not constitute notice):

Foley & Lardner LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202
Attention: David W. Clark, Esq.
Tel: (414) 297-5616
Email: dwclark@foley.com

If to the Borrower:

VivoPower USA LLC
140 Broadway, 28th Floor
New York, NY 10005
Attention: Director of Finance
Email: notice@vivopower.com

With a copy to (which shall not constitute notice):

VivoPower USA LLC
140 Broadway, 28th Floor
New York, NY 10005
Attention: Nicholas Olmsted
E-mail: nicholas.olmsted@vivopower.com

Notices shall be deemed given on the next Business Day, if by recognized overnight express courier or electronic mail, or on the third Business Day after deposit with the United States postal service, if by certified mail, postage prepaid, return receipt requested. Any of the persons listed above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, such further or different address to be effective at the later of three (3) days after notice of such further or different address is sent or the date designated in such notice.

8.4. Costs and Expenses. The Borrower agrees to pay to the Lender on demand all fees, recordation and other similar Taxes, costs and expenses of whatever kind and nature, including attorneys' fees and disbursements, which the Lender may incur or which are payable in connection with the closing and the administration of the Loan, including, without limitation, the due diligence review, preparation and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof, whether or not the transactions contemplated hereby or thereby shall be consummated, the recording or filing of any and all of the Loan Documents and obtaining lien searches. All such fees, costs, recordation and other similar Taxes shall be a part of the Obligations hereunder.

8.5. Applicable Law; Consent to Jurisdiction. This Agreement and the other Loan Documents have been delivered to and accepted by the Lender and will be deemed to be made in the State of New York. This Agreement and any other Loan Document (unless otherwise expressly provided for therein), and the rights and obligations of the parties hereunder shall be governed by and determined in accordance with the laws of the State of New York, without reference to conflicts of laws principles. Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against Lender in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Borrower or its properties in the courts of any jurisdiction. Borrower irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

8.6. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH, THE LOAN, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF THE LENDER OR THE BORROWER. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BORROWER AND THE LENDER TO ENTER INTO THIS AGREEMENT.

8.7. Assignment. No party hereto shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the other party hereto.

8.8. Limitation on Liability. No claim shall be made by the Borrower against the Lender or any of its Affiliates, directors, employees, attorneys, or agents, on the one hand, or by the Lender against the Borrower or any of its Affiliates, directors, employees, attorneys or agents, on the other hand, for any loss of profits, business or anticipated savings, special or punitive damages or any indirect or consequential loss whatsoever in respect of any breach or wrongful conduct (whether or not the claim therefor is based on contract, tort or duty imposed by law), in connection with, arising out of or in any way related to the transactions contemplated by this Agreement or the other Operative Documents or any act or omission or event occurring in connection therewith, and the Borrower and the Lender each hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

8.9. Indemnification.

(a) The Borrower hereby agrees to indemnify, defend and hold harmless the Lender, each legal entity, if any, who controls, is controlled by or is under common control with, the Lender (including its Affiliates), and each of their respective directors, officers, employees, attorneys, advisors and agents (each an "***Indemnified Party***"), against, all liabilities, losses, damages (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor), causes of action, suits, claims, costs and expenses, demands and judgments of any nature incurred by, imposed upon or asserted against any Indemnified Party, arising out of, in connection with, or by reason of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated by any Loan Document, the performance (or failure to perform) by the parties thereto of their respective obligations under any Loan Document or the consummation of the transactions contemplated by the Loan Documents, (ii) the Loan or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, investigation, litigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any of its Affiliates, and regardless of whether any Indemnified Party is a party thereto, *provided* that such indemnity shall not be available to any Indemnified Party to the extent that such claims, damages, losses, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of an Indemnified Party or its material breach of this Agreement. This Section 8.9 shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(b) Borrower shall pay all amounts due under this Section 8.9 promptly after demand therefor.

(c) The provisions of this Section 8.9 shall survive the termination of this Agreement, the payment in full of the Obligations and the assignment of any rights hereunder by the Lender.

8.10. Entire Agreement. This Agreement, the other Loan Documents and any agreement, document or instrument referred to herein to which the Lender, the Borrower or other Loan Parties are parties integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral negotiations and prior writings with respect to the subject matter hereof. In the event of any conflict between the terms, conditions and provisions of this Agreement and any such agreement, document or instrument, the terms, conditions and provisions of this Agreement shall control.

8.11. No Advisory or Fiduciary Responsibility; No Partnership, Etc. Lender and Borrower intend that the relationship between them pursuant to and with respect to the Loan Documents shall be solely that of creditor and debtor. Nothing contained in this Agreement or in any of the other Loan Documents shall be deemed or construed to create a partnership, tenancy-in-common, joint tenancy, joint venture or co-ownership by or between Lender and Borrower or any other Person. Lender shall not be in any way responsible or liable for the debts, losses, obligations or duties of Borrower or any Affiliate of Borrower, or any other Person with respect to the Material Project Documents, the Solar Projects or otherwise as a result of the Loan Documents.

8.12. Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and the parties hereto shall enter into good faith negotiations to replace the invalid, illegal or unenforceable provision.

8.13. Survival. All representations, warranties and covenants contained among the provisions of this Agreement and the other Loan Documents shall survive the execution and delivery of this Agreement and all other Loan Documents.

8.14. Binding Effect; Assignment. The provisions of this Agreement and all other Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective permitted successors and assigns.

8.15. Time of Essence. Time is of the essence in connection with all obligations of the Borrower hereunder and under any of the other Loan Documents.

8.16. Duplicate Originals and Counterparts. This Agreement and any Supplements hereto or in connection herewith may be executed in any number of duplicate counterparts, each of which shall be deemed to be an original, and all taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart.

8.17. No Third Party Beneficiary. This Agreement is made solely and specifically by and for the benefit of the parties hereto, and their respective permitted successors and assigns, and no other Person will have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

8.18. Non-Usurious Interest. Notwithstanding any provision of this Agreement to the contrary, in no event shall the interest contracted for, charged or received in connection with the Loan (including any other costs or considerations that constitute interest under Applicable Law which are contracted for, charged or received pursuant to this Agreement) exceed the maximum rate of interest allowed under Applicable Law.

8.19. Publicity. Any publicity and press releases that Borrower may wish to publish mentioning the Lender shall be subject to the Lender's prior written approval; provided that no such approval shall be required to the extent that such disclosure is required by Applicable Law, a subpoena or any other applicable legal process or by a Governmental Authority or rules or regulations of a securities exchange having jurisdiction over Borrower or its Affiliates.

8.20. Headings. Paragraph headings and a table of contents have been inserted in this Agreement as a matter of convenience for reference only and it is agreed that such paragraph headings are not a part of this Agreement and shall not be used in the interpretation of any provision of this Agreement.

(Signatures appear on the following page)

IN WITNESS WHEREOF, intending to be legally bound hereby, the Borrower and the Lender have each caused this Agreement to be executed and delivered as of the day and year first written above.

BORROWER:

VIVOPOWER USA LLC,
a Delaware limited liability company

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

[Signature Page to Bridge Loan Agreement]

IN **WITNESS WHEREOF,** intending to be legally bound hereby, the Borrower and the Lender have each caused this Agreement to be executed and delivered as of the day and year first written above.

LENDER:

NEW ENERGY SOLAR US CORP.

By: /s/ Tom Kline
Name: Thomas Oliver Kline
Title: Vice President

[Signature Page to Bridge Loan Agreement]

SCHEDULE 1.1
EPC MATTERS

VivoPower USA LLC is party to an agreement with DEPCOM Power or its affiliate ("***DEPCOM***") relating to selection of EPC contracts for certain of Vivo's development projects (other than the Solar Projects). Vivo anticipates amending the agreement to include an escrow and payment obligation in favor of DEPCOM with respect to certain cash amounts and a lien on the membership interests in VivoPower (USA) Development LLC, a Delaware limited liability company (which are owned by VivoPower USA LLC) to secure such payment obligation.

SCHEDULE 3.10
BORROWER ACCOUNTS

Deposit Accounts
Deposit account in the name of VivoPower USA LLC at Bank of America

Securities Accounts
None

AROWANA

Secondment Agreement

This agreement is dated 24 November 2017.

Parties

(1) **Arowana International UK Limited** incorporated and registered in England and Wales with company number 10837371 whose registered office is at Herschel House, 58 Herschel Street, Slough, Berkshire, United Kingdom, SL1 1PG (**the Employer**)

(2) **VivoPower International Services Limited** a branch registered in England and Wales with branch number BR018560 whose establishment office address is at 91 Wimpole Street, Marylebone, London, W1G 0EF, United Kingdom (**the Host**)

BACKGROUND

(A) Arowana International UK Limited employs Arthur William Russell as Chief Financial Officer (CFO).

(B) Arowana International UK Limited intends to second Arthur William Russell to VivoPower International Services Limited in order to act as the CFO for the duration of this agreement.

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this clause apply in this agreement (unless the context requires otherwise).

Board: means the board of directors of the Host from time to time and includes any person or committee duly authorised by the board of directors on its behalf for the purposes of this Agreement.

Confidential Information: information relating to the business, products, affairs and finances of the relevant party for the time being confidential to the relevant party and trade secrets including, without limitation, technical data and know-how relating to the business of the relevant party or any of its suppliers, clients, customers, agents, distributors, shareholders or management.

Employment Contract: the terms of employment between the Employer and the Secondee at the date of this agreement, a copy of which is attached, subject to any changes in the Secondee's salary or other benefits in accordance with the Employer's usual procedures from time to time.

Group Company: the Employer, its subsidiaries or holding companies from time to time and any subsidiary of any holding company from time to time.

Holding company: has the meaning given in clause 1.7.

Intellectual Property Rights: patents, rights to Inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, goodwill and the right to sue for passing off or unfair competition, rights in designs, rights in computer software, database rights, rights to preserve the confidentiality of information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which may now or in the future subsist in any part of the world.

Management Issues: all those matters under the Employment Contract requiring action, investigation and/or decisions by the Employer including in particular (by way of illustration only and without limitation) appraisals and performance issues; pay reviews and the award of other payments and benefits under the Employment Contract; periods of annual, sick or other leave; absence of the Secondee for any other reason; any complaint about the Secondee (whether or not that would be dealt with under the Employer's disciplinary procedure) and any complaint or grievance raised by the Secondee (whether or not that would be dealt with under the Employer's grievance procedure).

Secondee: Arthur William Russell

Secondment: the secondment of the Secondee by the Employer to the Host on the terms of this agreement.

Secondment Period: the period of this agreement as defined in clause 2.2.

Service Agreement: means an agreement between the Employer and the Host dated on or around 24 November 2017.

Services: the services of a CFO as more fully set out in Schedule 1.

Subsidiary: has the meaning given in clause 1.7.

1.2 The headings in this agreement are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.6 The Schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the Schedules.

1.7 A reference to a holding company or a subsidiary means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in sections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) as a nominee.

2. Secondment

2.1 The Employer shall second the Secondee to the Host on an exclusive and full-time basis for the Secondment Period to provide the Services in accordance with the terms of this agreement.

2.2 The Secondment Period shall commence on 01 December 2017 and shall continue until:

(a) 30 November 2018; or

(b) terminated in accordance with clause 12.

3. Services

3.1 The Employer shall use its reasonable endeavours to procure that the Secondee shall provide the Services at 91 Wimpole Street, Marylebone, London, W1G 0EF or such other place within Greater London as the Host may reasonably require for the proper performance and exercise of the Services.

3.2 The Secondee may be required to travel on the Host's business to such places (whether within or outside the United Kingdom) by such means and on such occasions as the Host may from time to time require.

3.3 The Secondee shall not be required to work outside the United Kingdom for more than one month during the Secondment.

3.4 The Secondee's normal working hours shall be 09:00am to 06:00pm Mondays to Fridays and such additional hours as are reasonable and necessary for the proper performance of the Services.

3.5 The Employer shall use its reasonable endeavours to ensure that the Secondee shall during the Secondment:

(a) unless prevented by incapacity, devote the whole of their working time, attention and abilities to the Services;

(b) faithfully and diligently serve the Host and use their best endeavours to promote, protect, develop and extend the Host's business;

(c) comply with and abide by the Host's Rules, Policies and Procedures as set out in the Host's Staff Handbook and as amended from time to time;

(d) not enter into any arrangement on behalf of the Host which is outside the normal course of business or their normal duties or which contains unusual or onerous terms; and

(e) promptly make such reports to the Chief Executive Officer of the Host on any matters concerning the affairs of the Host and at such times as are reasonably required.

4. Secondee's employment

4.1 The Employment Contract shall remain in force during the Secondment Period.

4.2 The Employer shall make the necessary changes to the terms of the Employment Contract so that it can second the Secondee to the Host to provide the Services in accordance with the terms of this agreement.

4.3 The Employer shall comply with the terms of the Employment Contract during the Secondment Period.

4.4 The Host shall not, and shall not require the Secondee to do anything that shall, breach the Employment Contract and shall have no authority to vary the terms of the Employment Contract or make any representations to the Secondee in relation to the terms of the Employment Contract.

4.5 The Host shall provide the Employer with such information and assistance as it may reasonably require to carry out its obligations as the Secondee's employer.

4.6 The Secondee shall not be required to undertake any work for the Employer during the Secondment Period.

4.7 Any change in the Employment Contract during the Secondment Period shall be notified to the Host.

4.8 If the Secondee is held to be employed by the Host at any time during the Secondment Period then the Host may dismiss the Secondee and the Employer shall offer the Secondee employment on the terms that applied immediately before that dismissal.

4.9 All documents, manuals, hardware and software provided for the Secondee's use by the Host, and any data or documents (including copies) produced, maintained or stored on the Host's computer systems or other electronic equipment (including mobile phones), remain the property of the Host.

5. Payments

5.1 The Employer shall continue to pay the Secondee's salary and any allowances, provide any benefits due to the Secondee or their dependants, make any payments to third parties in relation to the Secondee and make any deductions that it is required to make from the Secondee's salary and other payments.

5.2 The Host will authorise the reimbursement of any reasonable travel, accommodation, communication and other expenses incurred by the Secondee in connection with the Secondment, in line with the Host's own policies on expenses as set out in its Staff Handbook as amended from time to time. The Secondee shall provide VAT receipts or other appropriate evidence of payment in support of such expense claims. Upon receipt of such authorised expense claims from the Host, the Employer will reimburse the Secondee and then recharge these expenses to the Host via an invoice.

6. Management during the secondment

6.1 The Employer shall continue to deal with any Management Issues concerning the Secondee during the Secondment Period, where relevant following consultation with the Host.

6.2 The Host shall provide any information, documentation, access to its premises and employees and assistance (including but not limited to giving witness evidence) to the Employer to deal with any Management Issues concerning the Secondee whether under the Employer's internal procedures or before any court of tribunal.

6.3 The Host shall have day-to-day control of the Secondee's activities but as soon as reasonably practicable shall refer any Management Issues concerning the Secondee that come to its attention to the Employer.

6.4 Both parties shall inform the other as soon as reasonably practicable of any other significant matter that may arise during the Secondment Period relating to the Secondee or their employment.

6.5 The Employer shall use its reasonable endeavours to procure that the Secondee shall notify the Chief Executive Officer of the Host if the Secondee identifies any actual or potential conflict of interest between the Host and the Employer during the Secondment Period.

7. Leave

7.1 The Secondee shall continue to be eligible for sick pay, holiday pay and any absence entitlements in accordance with the Employment Contract, and shall remain subject to the Employer's approval and notification procedures.

7.2 The Employer shall consult with the Host before approving any holiday request made by the Secondee.

7.3 The Employer shall notify the Host if the Secondee is or shall be absent from work for any reason as soon as reasonably practicable.

8. Data protection

8.1 The Employer confirms that the Secondee has consented to the Host processing data relating to the Secondee for legal, personnel, administrative and management purposes and in particular to the processing of any "sensitive personal data" (as defined in the Data Protection Act 1998) relating to the Secondee including, as appropriate:

(a) information about the Secondee's physical or mental health or condition in order to monitor sick leave and take decisions as to the Secondee's fitness for work;

(b) the Secondee's racial or ethnic origin or religious or similar beliefs in order to monitor compliance with the equal opportunities legislation; and

(c) information relating to any criminal proceedings in which the Secondee has, or is alleged to have, been involved for insurance purposes and to comply with legal requirements and obligations to third parties.

8.2 The Employer confirms that the Secondee has consented to the Host making such information available to those who provide products or services to the Host (such as advisers and insurers), regulatory authorities, governmental or quasi-governmental organisations and potential purchasers of the Host or any part of its business.

8.3 The Employer confirms that the Secondee has consented to the Host transferring such information to the Host's business contacts outside the European Economic Area in order to further its business interests.

8.4 The Host shall not process such information in any way contrary to the Data Protection Act 1998.

9. Confidentiality

9.1 The Employer shall use its reasonable endeavours to procure that the Secondee shall not:

(a) (except in the proper course of the Services, as required by law or as authorised by the Host) during the Secondment Period or after its termination (howsoever arising) use or communicate to any person, company or other organisation whatsoever (and shall use his best endeavours to prevent the use or communication of) any Confidential Information relating to the Host that he creates, develops, receives or obtains during the Secondment Period. This restriction does not apply to any information that is or comes in the public domain other than through the Secondee's unauthorised disclosure; or

(b) make (other than for the benefit of the Host) any record (whether on paper, computer memory, disc or otherwise) containing Confidential Information relating to the Host or use such records (or allow them to be used) other than for the benefit of the Host. All such records (and any copies of them) shall be the property of the Host and shall be handed over to the Chief Executive Officer by the Secondee on the termination of this agreement or at the request of the Host at any time during the Secondment Period.

9.2 Nothing in this agreement shall prevent the Secondee from disclosing information that they are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act.

9.3 The Employer shall:

(a) keep any Confidential Information relating to the Host that it obtains as a result of the Secondment secret;

(b) not use or directly or indirectly disclose any such Confidential Information (or allow it to be used or disclosed), in whole or in part, to any person without the prior written consent of the Host;

(c) use its best endeavours to ensure that no person gets access to the Confidential Information from it, its officers, employees or agents unless authorised to do so; and

(d) inform the Host immediately on becoming aware, or suspecting, that an unauthorised person has become aware of such Confidential Information.

9.4 The Host shall:

(a) keep any Confidential Information relating to the Employer that it obtains as a result of the Secondment secret;

(b) not use or directly or indirectly disclose any such Confidential Information (or allow it to be used or disclosed), in whole or in part, to any person without the prior written consent of the Employer;

(c) use its best endeavours to ensure that no person gets access to such Confidential Information from it, its officers, employees or agents unless authorised to do so; and

(d) inform the Employer immediately on becoming aware, or suspecting, that an unauthorised person has become aware of such Confidential Information.

10. Restrictive covenants

For a period of 12 months after the end of the Secondment Period, the Host shall not induce or seek to induce the Secondee to leave his employment with the Employer, or employ or engage the Secondee without the Employer's prior written consent.

11. Intellectual property

11.1 The Employer shall use its reasonable endeavours to procure that the Secondee shall give the Host full written details of all Inventions and of all works embodying Intellectual Property Rights made wholly or partially by the Secondee at any time during the course of the Secondment which relate to, or are reasonably capable of being used in, the business of the Host. The Employer acknowledges that all Intellectual Property Rights subsisting (or which may in the future subsist) in all such Inventions and works created by the Secondee during the Secondment, shall automatically, on creation, vest in the Host absolutely. To the extent that they do not vest automatically, the Employer shall use its reasonable endeavours to procure that the Secondee holds them on trust for the Host. The Employer shall use its reasonable endeavours to procure that the Secondee promptly executes all documents and do all acts as may, in the opinion of the Host, be necessary to give effect to this clause 11.1

11.2 The Employer shall use its reasonable endeavours to procure that the Secondee irrevocably waives all moral rights under the Copyright, Designs and Patents Act 1988 (and all similar rights in other jurisdictions) which the Secondee has or will have in any existing or future works referred to in clause 11.1

11.3 The Employer shall use its reasonable endeavours to procure that the Secondee shall irrevocably appoint the Host to be his attorney in his name and on his behalf to execute documents, use the Secondee’s name and do all things which are necessary or desirable for the Host to obtain for itself or its nominee the full benefit of this clause.

12. Termination

12.1 The Employer may terminate the Secondment with immediate effect without notice or payment in lieu of notice:

(a) on the termination of the Employment Contract as a result of the Secondee's gross misconduct or resignation;

(b) if the Host is guilty of any serious or (after warning) repeated breach of the terms of this agreement; or

(c) if the Host becomes bankrupt or makes any arrangement or composition with or for the benefit of its creditors ; or

(d) if the Secondee is incapacitated (including by reason of illness or accident) from providing the Services for an aggregate period of 30 days in any 52-week consecutive period.

Any delay by the Employer in exercising the right to terminate shall not constitute a waiver of such rights.

12.2 The Host may terminate the Secondment with immediate effect without notice or payment in lieu of notice:

(a) on the termination of the Employment Contract;

(b) if the Employer is guilty of any serious or (after warning) repeated breach of the terms of this agreement; or

(c) if the Employer becomes bankrupt or makes any arrangement or composition with or for the benefit of its creditors; or

(d) if the Secondee is incapacitated (including by reason of illness or accident) from providing the Services for an aggregate period of 30 days in any 52-week consecutive period.

Any delay by the Host in exercising the right to terminate shall not constitute a waiver of such rights.

12.3 Either party shall be entitled to terminate the Secondment, without cause, by the giving of at least 1 month's prior written notice to the other.

13. Obligations following termination

On termination of the Secondment howsoever arising the Employer shall use its reasonable endeavours to procure that the Secondee shall (if the Host so requests):

(a) deliver to the Host all documents (including, but not limited to, correspondence, lists of clients or customers, plans, drawings, accounts and other documents of whatsoever nature and all copies thereof, whether on paper, computer disc or otherwise) made, compiled or acquired by them during the Secondment and relating to the business or affairs of the Host or its or their clients, customers or suppliers and any other property of the Host which is in their possession, custody, care or control;

(b) irretrievably delete any information relating to the business of the Host stored on any magnetic or optical disc or memory and all matter derived from such sources which is in their possession, custody, care or control outside the premises of the Host; and

(c) confirm in writing and produce such evidence as is reasonable to prove compliance with their obligations under this clause 13.

14. Liability

14.1 The Host shall take out and maintain in full force with a reputable insurance company for the Secondment Period adequate insurance cover for any loss, injury and damage caused by or to the Secondee during the Secondment Period.

14.2 During the Secondment Period, the Host shall fulfil all duties relating to the Secondee's health, safety and welfare as if it was their employer and shall comply with the Employer's reasonable requests in connection with the Employer's duties in relation to the Secondee.

14.3 The Host acknowledges that the Employer is not responsible for the way in which the Secondee provides the Services and waives all and any claims that it may have against the Employer arising out of any act or omission of the Secondee during the Secondment Period.

14.4 The Host shall indemnify the Employer fully and keep the Employer indemnified fully at all times against any loss, injury, damage or costs suffered, sustained or incurred by:

(a) the Secondee in relation to any loss, injury, damage or costs arising out of any act or omission by the Host or its employees or agents during the Secondment Period; or

(b) a third party, in relation to any loss, injury, damage or costs arising out of any act or omission of the Secondee during the Secondment Period.

14.5 The Employer shall indemnify the Host fully and keep the Host indemnified fully at all times against any claim or demand by the Secondee arising out of their employment by the Employer or its termination during the Secondment Period (except for any claim relating to any act or omission of the Host or its employees or agents).

15. Notices

15.1 Any notice given under this agreement shall be in writing and signed by or on behalf of the party giving it and shall be served by delivering it personally, or sending it by pre-paid recorded delivery or registered post to the relevant party at its registered office for the time being or by sending it by email to the most recent email notified by the relevant party to the other party. Any such notice shall be deemed to have been received:

(a) if delivered personally, at the time of delivery; and

(b) in the case of pre-paid recorded delivery or registered post, 48 hours from the date of posting; and

(c) in the case of email at the time of sending

15.2 In proving such service it shall be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery or registered post or that the notice was transmitted by email to the email address of the relevant party.

16. Entire agreement

16.1 This agreement together with any documents referred to in it constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to the Secondment.

16.2 Each party acknowledges that in entering into this agreement it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement.

16.3 The only remedy available to either party for breach of this agreement shall be for breach of contract under the terms of this agreement.

16.4 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this agreement.

16.5 Nothing in this agreement shall limit or exclude any liability for fraud.

17. Variation

No variation of this agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

18. Counterparts

This agreement may be executed in any number of counterparts, each of which when executed shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

19. Third party rights

19.1 A person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

19.2 The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this agreement are not subject to the consent of any other person.

20. Governing law

This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

21. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

This agreement has been entered into on the date stated at the beginning of it.

Signature

Signed by Kevin Chin for and on behalf of Arowana International UK Limited	/s/Kevin Chin Director
Signed by Carl Weatherley White for and on behalf of Vivopower International Services Limited	/s/Carl Weatherley-White Director

Schedule 1 - Services

The Secondee will undertake the responsibilities of the Chief Financial Officer providing executive financial services to the Host as set out in this agreement. The Secondee will be a key member of the Host's Executive Management team. The Secondee will report to the Host's Chief Executive Officer and Board and will assume a strategic role in the overall management of the company.

The Secondee will have primary day-to-day responsibility for planning, implementing, managing and controlling all financial-related activities of the Host. This will include direct responsibility for accounting, finance, forecasting, strategic planning, job costing, property management, and compliance with private and institutional financing.

Responsibilities will include, but not be limited to the following:

- Providing leadership in the development for the continuous evaluation of short and long-term strategic financial objectives;
- Ensuring credibility of the Host's finance group by providing timely and accurate analysis of budgets, financial trends and forecasts;
- Taking hands-on lead position of developing, implementing, and maintaining a comprehensive job cost system;
- Directing and overseeing all aspects of the Finance & Accounting functions of the Host;
- Evaluating and advising on the impact of long range planning, introduction of new programs/ strategies and regulatory action;
- Establishing and maintaining strong relationships with senior executives so as to identify their needs and seeks full range of business solutions;
- Providing executive management with advice on the financial implications of business activities;
- Managing processes for financial forecasting, budgets and consolidation and reporting to the Company;
- Providing recommendations to strategically enhance financial performance and business opportunities;
- Ensuring that effective internal controls are in place and ensuring compliance with GAAP and applicable federal, state and local regulatory laws and rules for financial and tax reporting.

SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction
VivoPower International Services Limited	Jersey
VivoPower International Holdings Limited	UK
VivoPower USA, LLC	United States
VivoRex, LLC	United States
VivoPower US-NC-31, LLC	United States
VivoPower US-NC-47, LLC	United States
VivoPower (USA) Development, LLC	United States
VivoPower 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
Juice Capital Fund 1 Pty Ltd	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 Singapore Pte Limited	Singapore

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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

(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 18, 2018

By: /s/ CarlWeatherleyWhite
Carl Weatherley-White
Chief Executive Officer (Principal Executive Officer)

Exhibit 12.2

CERTIFICATION

I, Art Russell, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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 18, 2018

By: /s/ Art Russell
Art Russell
Chief Financial Officer (Principal Accounting Officer)

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, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl Weatherley-White, 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 18, 2018

By: /s/ Carl Weatherley-White
Carl Weatherley-White
Chief Executive Officer (Principal Executive Officer)

SECTION 1350 CERTIFICATION (CFO)
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, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Art Russell, 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 18, 2018

By: /s/ Art Russell
Art Russell
Chief Financial Officer (Principal Accounting Officer)