

# ANNUAL REPORT FY22:

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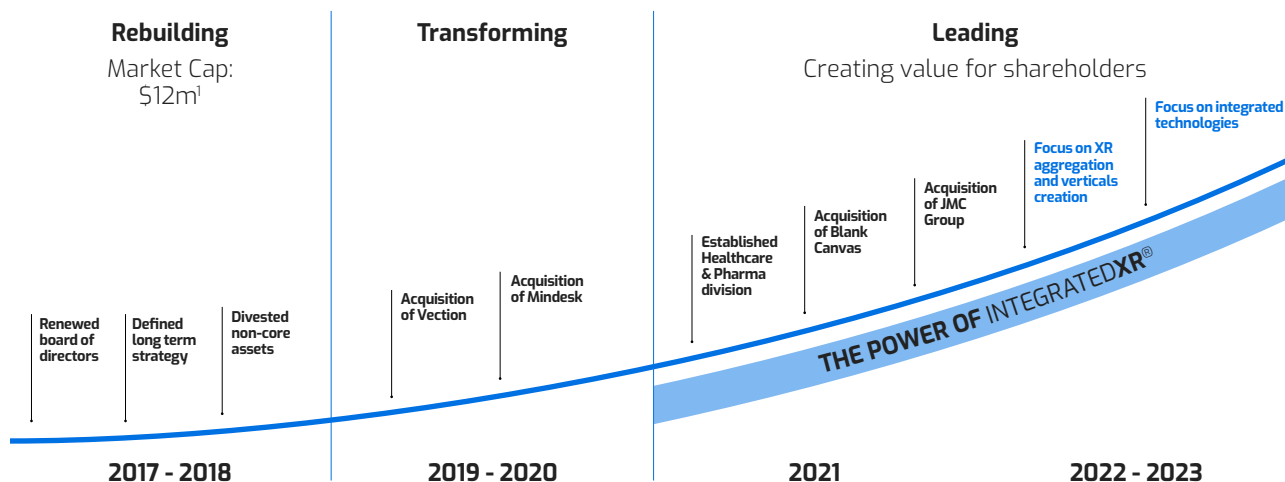
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Directors	Mr Gianmarco Biagi – Managing Director Mr Gianmarco Orgnoni - Executive Director Mr Lorenzo Biagi – Executive Director Mr Gabriele Sorrento - Non-Executive Director Mr Umberto (Bert) Mondello - Non-Executive Chairman
Company Secretary	Mr Derek Hall
Registered Office	Level 4, Building C, Garden Office Park, 355 Scarborough Beach Road, Osborne Park WA 6017
Principal Place of Business	Level 4, Building C, Garden Office Park, 355 Scarborough Beach Road, Osborne Park WA 6017  Phone: +61 8 6380 7446 Website: <a href="http://www.vection.com.au">www.vection.com.au</a>
Securities Exchange Listing	Australian Securities Exchange (ASX) ASX Code: VR1
Share Registry	Automic Registry Services Level 2, 267 St Georges Terrace, Perth WA 6000  Phone: +61 8 9324 2099 Email: <a href="mailto:hello@automic.com.au">hello@automic.com.au</a>
Auditor	RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000

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# Building a global INTEGRATEDXR company

A ROADMAP TO EXPONENTIAL GROWTH, UNDERPINNED BY PROVEN DELIVERY.



Note 1: Based on Share price at 18 December 2018

## Revenue growth accelerating

Vection Technologies has recorded strong revenue growth over the past four fiscal years, with a CAGR of 140%. Revenue growth has accelerated in the last twelve months with FY22 revenue lifting by 440% compared to audited FY21, and by 87% compared to unaudited FY21 revenue including effect from acquisitions. Fiscal 2022 revenue was within the guidance provided by the Company during the fiscal year.

**440%**

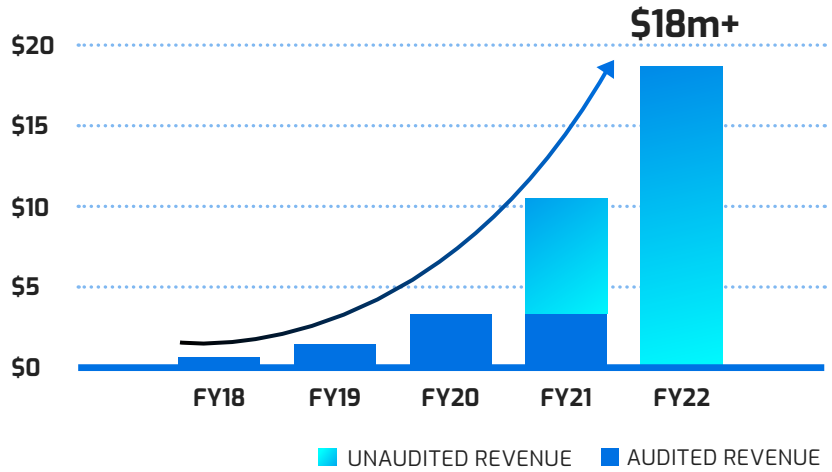
YoY Revenue Growth

**140%**

FY19-FY22 CAGR Revenue

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“2022 represents the confirmation of the Company’s strategy, with full year revenue growing by 440%.”



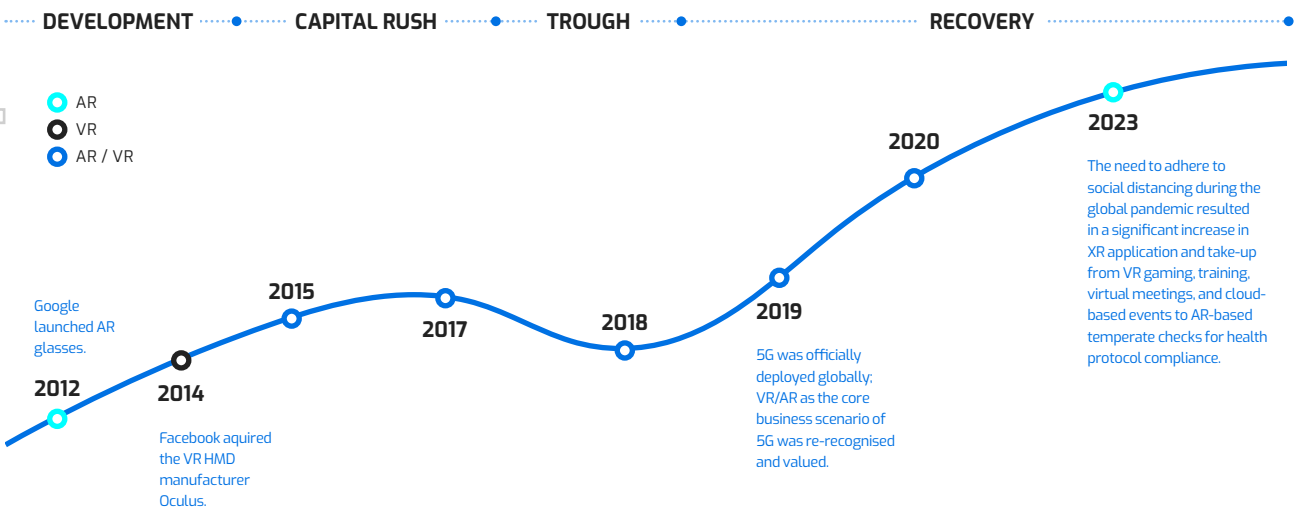
## Fast-growing industry

Vection Technologies operates in the fast-growing metaverse trend, an industry with a market opportunity estimated at over \$1 trillion in yearly revenues.<sup>1</sup> The metaverse is a seamless convergence of the physical and digital worlds that allows people to have immersive experiences: from training, commerce and gaming to social meetings and interactions. It is the result of several different technologies coming together, including virtual reality (VR), augmented reality (AR), internet of things (IoT), artificial intelligence (AI), non-fungible tokens (NFTs), ICT infrastructure and more.

With a strong focus on the XR application layer, and the convergence with other tech, Vection Technologies is already being recognised in the market as a leading XR application company:

<https://www2.deloitte.com/cn/en/pages/technology-media-and-telecommunications/articles/metaverse-whitepaper.html>

### AR/VR DEVELOPMENT STAGES



<sup>1</sup> <https://www.jpmorgan.com/content/dam/jpm/treasury-services/documents/opportunities-in-the-metaverse.pdf>

Source: <https://www2.deloitte.com/cn/en/pages/technology-media-and-telecommunications/articles/metaverse-whitepaper.html>

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# Leading proprietary technology

To address this fast-growing sector, Vection Technologies continues to invest in the development of its proprietary solutions & services suite of metaverse -related technologies, called INTEGRATEDXR®. The Company is forging a pathway for businesses to seamlessly adopt metaverse technologies within their workflows, through INTEGRATEDXR®, while many of its competitors are focussing on niche applications or developing custom customer-specific solutions. During the past four years, the Company has been expanding its patent portfolio in the EU and the U.S. and is currently seeking legal advice for protection strategies.

**“INTEGRATEDXR® represents a unique opportunity for businesses looking to join the future of metaverse technologies.”**



**3D FRAME**



**EnWORKS**



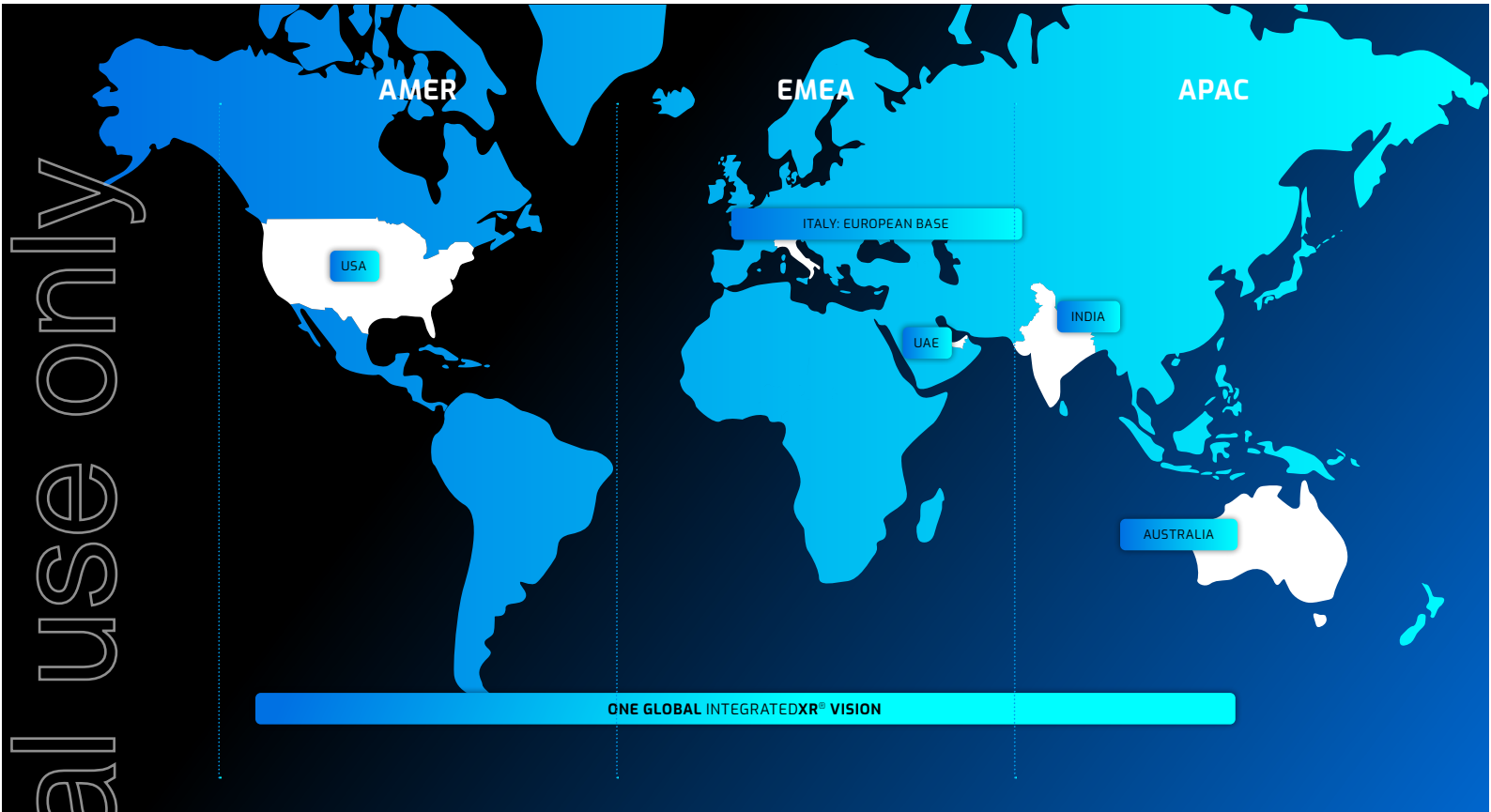
**MINDESK**



**Configurator**



**XR KIOSK**



## Global presence to service multinational customers

During the last four years, the Company has expanded its operational presence through Asia Pacific, Europe, the Middle East, and the U.S. With nine locally based offices, Vection Technologies can today support global corporations in the adoption of its INTEGRATEDXR® suite.

**“Our multinational presence with local delivery supports global corporations in the adoption of INTEGRATEDXR®.”**

## Partnering with some of the biggest names in enterprise tech

Vection Technologies has secured partnerships and built commercial relationships with some of the biggest names in the technology and consulting industry. These include Webex by Cisco, NTT Data, DXC Technology and Accenture. These partnerships are expected to drive foundational growth in the coming years, with more unique technology offerings aligned with existing and core products in the market today.

## Well-funded and growing with key investors

On 30 November 2021, Vection Technologies completed a \$12 million capital raise from predominantly technology focussed domestic and international institutional investors. The Company today has \$21 million in total liquid assets and counts shareholders like the Italian government

and HTC Vive. On 22 June 2022, the Company further announced the launch of a sponsored American Depositary Receipt (ADR) program to increase Vection Technologies' exposure and attractiveness to North American investors and partners.

**“With hybrid work on the rise, organisations must adopt new technologies to ensure inclusivity, flexibility and collaboration among the workforce. 3DFrame gives Webex Meetings participants the ability to join a shared 3D virtual environment, where they can naturally present and interact with objects and people, regardless of their physical location.”**

## Pathway to profitability emerging

The company has invested significantly over the past four years to expand its technology portfolio to enable its global grow strategy. As the Company continues its growth trend it expects to significantly improve its underlying EBITDA result and increase its profitability in the next fiscal year.

## Acquisitions

Over the past four years, Vection Technologies has successfully conducted several value accretive acquisitions, with a view to reinforce its technology and commercial foundations to support its global expansion plans. The Company is in discussions with several potential targets to continue on its growth trajectory and exceed objectives during the next 12 and 24 months.

The Directors of Vection Technologies Limited (the Company, Group, Vection Technologies, or Vection) present their report on the consolidated entity for the year ended 30 June 2022. The Company was incorporated on 14 September 2016. References to the results of the Group in this financial report for the year ended 30 June 2022 refer to the period 1 July 2021 to 30 June 2022. The terms "year" and "period" are used interchangeably in this report.

### DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Umberto (Bert) Mondello  
Non-Executive Chairman

Mr Gianmarco Biagi  
Managing Director

Mr Gianmarco Orgnoni  
Executive Director & Chief Operating Officer

Mr Lorenzo Biagi  
Executive Director & Chief Sales Officer

Mr Gabriele Sorrento  
Non-Executive Director & Head of Global Partnerships

### PRINCIPAL ACTIVITIES

During the period, the principal continuing activity of the Group consisted in developing real-time integrated solutions for industrial companies' digital transformation, through 3D, Virtual Reality, Augmented Reality, IoT, CAD, AI and ICT technologies.

### REVIEW OF OPERATIONS

Vection Technologies Ltd (ASX:VR1, OTC:VCTNY), the INTEGRATEDXR<sup>®</sup> company, reports the following for the Financial Year ended 30 June 2022.

During fiscal 2022, Vection Technologies has exponentially accelerated its growth strategy supported by its proprietary INTEGRATEDXR<sup>®</sup> solutions suite.

The initial success of this strategy, has led to:

- Revenue growth accelerating - has recorded strong revenue growth over the past four fiscal years, with a CAGR of 140%. Revenue growth has accelerated in the last twelve months with FY22 revenue lifting by 440% compared to audited FY21 to \$18.7 million.
- Fast-growing industry - Vection Technologies operates in the fast-growing metaverse trend, an industry with a market opportunity estimated at over \$1 trillion in yearly revenues.<sup>1</sup>
- Leading proprietary technology - To address this fast-growing sector, Vection Technologies continues to invest in the development of its proprietary solutions & services suite of metaverse -related technologies, called INTEGRATEDXR<sup>®</sup>.
- Global presence to service multinational customers - During the last four years, the Company has expanded its operational presence through Asia Pacific, Europe, the Middle East, and the U.S.
- Partnering with some of the biggest names in enterprise tech - Vection Technologies has secured partnerships and built commercial relationships with some of the biggest names in the technology and consulting industry. These include Webex by Cisco, NTT Data, DXC Technology and Accenture.
- Pathway to profitability emerging - The company has invested significantly over the past four years to expand its technology portfolio to enable its global grow strategy. As the Company continues its growth trend it expects to significantly improve its underlying EBITDA result and increase profitability in the next fiscal year.
- Well-funded and growing with key investors - The Company today has \$21 million in total liquid assets and counts shareholders including the Italian government and HTC Vive.
- Acquisitions - Over the past four years, Vection Technologies has successfully conducted several value accretive acquisitions, with a view to reinforce its technology and commercial foundations to support its global expansion plans. The Company is in discussions with several potential targets to continue its growth trajectory and exceed objectives during the next 12 and 24 months.

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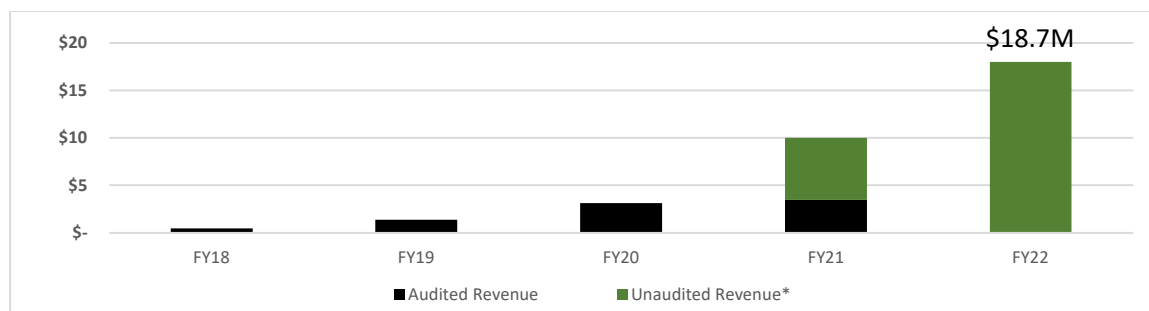
<sup>1</sup> <https://www.jpmorgan.com/content/dam/jpm/treasury-services/documents/opportunities-in-the-metaverse.pdf>

\* FY22 Unaudited Revenue includes unaudited revenue from acquisitions conducted during fiscal 2021.

## Overview

Vection Technologies delivered on its revenue guidance with triple digit revenue growth in the 2022 fiscal year to \$18.8 million, representing a 440% increase over fiscal 2021. FY22 Total Revenue was \$18,893,933 (2021: \$3,471,358).

Vection Technologies' Yearly Revenue (2018-2022):



The Company's strong investment in global infrastructure, people, partnerships, and product development has led to a final cash position of \$14,869,095 up by 110% compared to June 2021 (\$7,083,890). This robust cash position will enable the Company to pursue its long-term growth objectives from a position of strength. Total Assets at 30 June 2022 increased by 30% to \$40,203,719 (Restated 2021: \$31,4336,645), while Net Assets increased by 73% to \$27,977,409 (Restated 2021: \$17,127,726).

During fiscal 2022, the Company continued investments have led to a total expenditure from ordinary activities (including discontinued operations) of \$25,226,553 (2021: \$5,801,215). This increase is aligned with the Company's increase in revenue and its strategic global initiatives. The strong investment performed in fiscal 2022 in technology, people, and global infrastructure, is expected to significantly improve the underlying EBITDA result and increase profitability in the next fiscal year.

Vection Technologies posted an after-tax loss attributed to members of \$6,681,487 for the financial year ended 30 June 2022, representing an increase of 164% over the prior corresponding period (30 June 2021: loss \$2,305,713). The Company significantly improved its loss margin from -70% in FY21 to -34% in FY22. Several non-cash and one-off expenses were recorded in the Company's accounts during the period, specifically for legacy assets related expenses and for costs incurred pursuant to the acquisitions of Blank Canvas, JMC Group and the establishment of Vection Health (the Company's healthcare and pharma focussed division).

	Full Year Ended 30-Jun-22	Margin on Revenue FY22	Full Year Ended 30-Jun-21	Margin on Revenue FY21
	\$		\$	
Profit (Loss) after Income Tax	(7,100,433)	-39%	(2,442,889)	-70%
Interest and Financing related Costs	94,245		111,091	
Depreciation and Amortisation	957,899		657,973	
One-Off Transaction Costs	1,720,467		728,753	
Non-Cash Accounting Charges	3,148,694		214,778	
Income Tax	167,813		76,563	
<b>Underlying EBITDA<sup>1</sup></b>	<b>(1,011,315)</b>	<b>-2%</b>	<b>(653,731)</b>	<b>-19%</b>

(1) Underlying EBITDA is an unaudited, non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')

The Company reported Net Cash Outflows from Operating activities of \$1,246,078 compared to Net Cash outflows of \$2,324,805 in FY21. Net Cash Inflow from Investing activities increased to \$2,023,812 from \$908,474 in FY22.

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The Company reported borrowings of \$3,614,021, representing:

- National Australia bank loan by the Company which is unsecured, has a 3 years term with an expiry date of 27 April 2023. The loan has a variable Interest rate of 5.75%.
- A fixed rate bank loan provided by Banco BPM to Vection Italy. The loan has a 6 years term with an expiry date of 19 May 2026. The loan has a fixed Interest rate of 1.25%
- A variable rate bank loan provided by Intesa San Paolo to Vection Italy. The loan has a 6 years term with an expiry date of 9 June 2026. The loan has a variable Interest rate of circa 1.75% plus EURIBOR 1m 360.
- An invoice financing facility provided by BPER to Vection Italy. This is a short term liability at an interest rate of 2.6%
- An invoice financing facility provided by BPM to Vection Italy. This is a short term liability at an interest rate of 3.05%
- An invoice financing facility provided by Banca Cambiano to Vection Italy. This is a short term liability at an interest rate of 3.377%
- Two invoice financing facilities provided by Intesa San Paolo to Vection Italy. They are short term loan at an interest rate of 3.125%
- An invoice financing facility provided by Intesa San Paolo to Vection Health. This is a short term liability at an interest rate of 2.75%
- A Banco BPM bank loans by JMC Group. The loans have a 6 years terms with expiry date of 13 August 2026. The loans have a variable Interest rate of 1.25% + EURIBOR 3m 360.
- A Banca Monte Dei Paschi Di Siena (MPS) bank loan by JMC Group. The loan has a 71 months terms with an expiry date of 31 October 2026. The loan has a variable Interest rate of 0.45% + EURIBOR 6m 360.
- A fixed rate facility provided by Dell Financial Services to JMC Group. The facility has 3 years term with an expiry date of 1 January 2024. The average overall effective rate is 8.95%.
- Three fixed rate leasing facilities provided by Dell Financial Services to JMC Group. The facilities have 3 years term and interest rate of 7.85%, 8.10% and 8.11%.
- An Invoice financing facility provided by MPS to JMC GROUP. This Is a short term liability at an interest rate of 1%.
- An Invoice financing facility provided by BPM to JMC GROUP. This Is a short term liability at an interest rate of 1%
- A variable rate bank loan provided by Banco BPM bank loans to Xinntex. The loans have a 6 years terms with expiry date of 11 March 2027. The loans have a variable Interest rate of 1.4% + EURIBOR 3m 360.

## Operational Highlights

During the fiscal year 2022, Vection Technologies continued to support the acceleration of enterprises' digital strategies towards the metaverse, by investing in critical INTEGRATEDXR® global foundations: from research and development, creation of partnerships and onboarding of clients, to talent acquisition and M&A integration.

- **Operations & Infrastructure:**  
During the fiscal year, Vection Technologies continued to invest in the integration of its 2021 acquisitions, JMC Group (ASX: 15 June 2021) and Blank Canvas (ASX: 15 April 2021), resulting in significant commercial benefits. During fiscal 2023 the Company plans to bring this to completion by merging key commercial, administration and management infrastructure, with a particular focus on its critical European infrastructure.
- **Organization & People:**  
During fiscal 2022, Vection Technologies established its Advisory Board to gain a technological advantage in specific verticals and gain wider market recognition and global market positioning. The objective of this initiative is to drive material commercial opportunities while ensuring the strategy is aligned with the required market expectations. As part of this strategic effort, the Company appointed
  - Dr Siegmur Haasis: a highly experienced automotive executive with twenty-six years international digitization experience with Daimler/Mercedes-Benz (ASX: 21 July 2021), to assist with the Company's strategy within the global automotive industry.
  - Mr Vittorio Emanuele Terzi: a renowned global advisor, appointed to assist the Company in its global strategic initiatives to partner with tier-1 consulting, industrial and technological partners focussing on the creation of value for all Vection's stakeholders (ASX: 20 October 2021). Mr Terzi also currently serves as independent director of Banca Generali S.p.A., a bank listed on the Italian bourse with a market capitalization of over \$6 billion.
 Vection Technologies is actively seeking to add global experienced professionals to its advisory board, to strategically position as a global leader in INTEGRATEDXR®.
- **Verticalization:**  
The Company's verticalization strategy has continued to demonstrate a strong commercial validity, diversifying INTEGRATEDXR® sales by industry, service, and product. Strong growth opportunities in currently underserved industry/vertical segments are expected to continuously increase during the 2023 fiscal year. Specifically, Vection Technologies has continued to set the foundations for incremental growth within the healthcare & pharma division, media & communication, and defence, while gaining wider market footprint with strategic consultancy partnerships.
- **Technology Advancements:**  
During fiscal 2022, Vection Technologies continued to invest in the development of its proprietary solutions & services suite of metaverse -related technologies, called INTEGRATEDXR®. The Company is forging a pathway for businesses to seamlessly adopt metaverse technologies within their workflows, through INTEGRATEDXR®, while many of its competitors are focussing on niche

applications or developing custom customer-specific solutions. During the past four years, the Company has been expanding its patent portfolio in the EU and the U.S. and is currently seeking legal advice for protection strategies.

During fiscal 2022, Vection Technologies:

- Announced the launch of Mindesk for Autodesk Revit (ASX: 1 July 2021) gaining exposure to its ~11m AEC users<sup>2</sup>, and the collaboration with Cisco Webex (ASX: 26 October 2021).
  - Announced the creation of VRONE V-Pro, an integrated appliance layer for Virtual Production in the filmmaking industry. The solution was developed in partnership with LunoStudios and successfully tested with the largest LED wall in Europe, located within the largest film studio in Europe. (ASX: 2 May 2022)
  - Unveiled 3DFrame for Webex by Cisco. 3Dframe is the no-code metaverse presentations App that brings Webex meetings' content to life. (ASX: 14 May 2022)  
Subsequently, Vection Technologies published this first-of-its-kind metaverse embedded app in the Webex App Hub. The 3DFrame embedded app enables Webex Meeting participants to engage in virtual environments custom built in a simple, no-code interface without ever leaving the Webex Meeting. The Company will separately announce the progression of this initiative to the market as applicable.
- M&A Initiatives:  
Over the past four years, Vection Technologies has successfully conducted several value accretive acquisitions, with a view to reinforce its technology and commercial foundations to support its global expansion plans. The Company is in discussions with several potential targets to continue its growth trajectory and exceed objectives during the next 12 and 24 months. The Company will separately announce any material progression to the market as applicable.

## Corporate Overview

During the first half of fiscal year 2022, the Company:

- Issued 63,912,230 fully paid ordinary shares under its Listing Rule 7.1 capacity in consideration for the acquisition of JMC Group. (ASX: 4 August 2021)
- Issued 8,493,548 fully paid ordinary shares as a result of unlisted options being exercised. (ASX: 16 November 2021)
- Issued 60,000,000 fully paid ordinary shares pursuant to a \$12 million equity funding round. (ASX: 3 December 2021)
- Issued 32,500,000 unlisted options with an exercise price of \$0.25 per share and expiry 3 years from issue date, in consideration for lead manager services. (ASX: 3 December 2021)
- Issued 13,500,000 performance rights to directors as approved by shareholders at the Annual General Meeting held on 6 December 2021. (ASX: 31 December 2021)
- Issued 4,793,417 performance rights to Mr Jacopo Merli, as part of his employment agreement, and pursuant to the Company's Employee Incentive Performance Rights Plan, which will convert into fully paid ordinary shares on the achievement of audited revenue and/or audited EBITDA targets for JMC Group. (ASX: 31 December 2021)
- Issued 6,000,000 performance rights to staff, pursuant to the Company's Employee Incentive Performance Rights Plan. (ASX: 31 December 2021)
- Issued 900,000 fully paid ordinary shares as a result of staff having achieved relevant milestones, pursuant to the Company's Employee Incentive Performance Rights Plan. (ASX: 31 December 2021)
- Issued 500,000 fully paid ordinary shares in lieu of fees for advisory services (Red Leaf Securities PL). (ASX: 31 December 2021)
- Issued 6,500,000 fully paid ordinary shares in accordance with the terms of the Company's Performance Rights Plan, to directors and staff. (ASX: 24 January 2022)
- Advised that 50,000,000 Class A Performance Rights held by directors lapsed in accordance with the terms of their issue. Following this adjustment, 50,000,000 Class A Performance Rights remained on issue. (ASX: 7 February 2022)

## Explanation of Loss

The Company's loss for the year of \$7,100,433 (2021: loss of \$2,506,420) is largely attributed to accounting charges such as shared based payments (\$1,892,269), depreciation (\$957,899) and impairment expenses (\$953,946), together totalling ~\$3.2M. In addition, several non-cash and one-off expenses were recorded in the Company's accounts during the period, specifically for legacy assets related expenses and for costs incurred pursuant to the acquisitions of Blank Canvas, JMC Group and the establishment of Vection Health (the Company's healthcare and pharma focussed division). Cost and other synergies from these efforts are already flowing through to the next financial year.

The Company was also impacted by the COVID-19 pandemic with many current and prospective clients, particularly in Europe, pushing back timelines for their R&D expenditure. While there are still challenges across Europe, the Company is well positioned to leverage the growing metaverse trend and its global partnerships, to assist with delivering a strong result in the next financial period.

## Cash Position

Cash at the end of the year was \$14,869,095. The Company had significant receivables outstanding at 30 June 2022 of \$6,208,213.

## Outlook

During fiscal 2023, the global foundations built over the last four years are expected to generate increased global growth. From partnerships with Fortune Global 500 professional services companies to the development of innovative technology integrations, Vection Technologies

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## VECTION TECHNOLOGIES LIMITED

### Directors' Report

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is uniquely positioned to leverage the inevitable metaverse trend. The prospective M&A initiatives are expected to improve the outlook further significantly for fiscal 2023 aligned with the overarching growth strategy.

During fiscal 2023, the Company's growth channels are underpinned by:

- Sales growth driven by global partnerships with consulting firms.
- Platforms sales with technology partners.
- Direct sales leveraging the Company's global sales infrastructure.
- Achieving further synergies and growth from acquisitions performed in 2021.
- M&A activities to drive further growth.

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of the affairs of the Group in the financial period subsequent to 30 June 2022.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- Settlement of acquisition of JMC (ASX: 4 August 2021); and
- \$12M equity funding round via the issue of 60 million fully paid ordinary shares at \$0.20 per share, together with the issuance of 32.5 million unlisted options with an exercise price of \$0.25 and an expiry of 3 years from date of issue (ASX: 30 November 2021).

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than information disclosed elsewhere in this annual report, information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this Directors' Report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Group.

### ENVIRONMENTAL REGULATION

The Group is not subject to any particular or significant environmental regulations under either Commonwealth or State law.

### INFORMATION ON CURRENT DIRECTORS AND COMPANY SECRETARY

Mr Umberto (Bert) Mondello – LLB  
Non-Executive Chairman

Experience and expertise: Mr Bert Mondello is an experienced public company director, corporate advisor and technology expert with 20 years' experience across both the private and public sectors. Mr Mondello has widespread experience spanning across retail and institutional sectors and an extensive knowledge of marketing communications and investor relations. With deep rooted expertise across multiple technology sectors, Mr Mondello has provided strategic corporate advice and mentoring to several private and public organisations internationally across multiple industries. He holds a Bachelor of Laws from the University of Notre Dame, Australia.

Other current directorships: Douugh Limited and Emerge Gaming Limited  
Former ASX directorships in past 3 years: WestStar Industrial Limited and Sinetech Limited.  
Interests in the Company's securities: Indomain Enterprises Pty Ltd (Director related entity): 5,500,000 Ordinary Shares.

Mr Gianmarco Biagi – MEng  
Managing Director

Experience and expertise: Mr Gianmarco Biagi is a former CEO of important multinational manufacturing groups and General manager of an important Italian group leader in luxury furniture. He has been President of Settepuntonove Srl since 2018, a holding company of industrial investments in the sector of new technologies, furniture, automotive and of services. He holds institutional roles as President of AICQ, UMIQ Board President at CONFINDUSTRIA Emilia and National Councilor at AISOM. Previously he held the position of President of the furniture and wood sector at Unindustria Bologna and of Media Industry President at Unindustria Bologna and President of the EXO consortium.

Other current directorships: Nil  
Former ASX directorships in past 3 years: Nil

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Interests in the Company's securities:

- a) Officine 8k Srl (Director related entity): 327,556,186 Ordinary Shares.
- b) Settepontonove Srl (Director related entity): 8,000,000 Ordinary Shares.
- c) VR Tech SRL (Director related entity): 3,000,000 Ordinary Shares.

Mr Gianmarco Orgnoni – BBus

Executive Director & Chief Operating Officer

Experience and expertise: Mr Gianmarco Orgnoni has skills extending across corporate finance, investment banking and research analysis. Mr Orgnoni has extensive experience in offering corporate advisory and finance analysis across European and Australian private and publicly listed companies. Mr Orgnoni has worked closely with and has provided adversarial services to several companies spanning from civil engineering, education, technology, biotechnology and real estate. Mr Orgnoni holds a bachelor's degree in economics and Business Administration from the Catholic University of the Sacred Heart of Milan, Italy.

Other current directorships: Nil

Former ASX directorships in past 3 years: TikForce Limited.

Interests in the Company's securities: 1,500,000 Ordinary Shares; Torg Advisors (Director related entity): 4,500,000 Ordinary Shares.

Mr Lorenzo Biagi

Executive Director & Chief Sales Officer

Experience and expertise: Mr Lorenzo Biagi is an experienced company manager in the private sector, with extensive knowledge in virtual reality technology, sales and cost control management. While managing corporate development processes for more than 10 years, Mr Biagi has implemented new procedures and technologies helping make the companies he worked for and with, leaders in innovation.

Other current directorships: Nil

Former ASX directorships in past 3 years: Nil

Interests in the Company's securities:

- a) Officine 8k Srl (Director related entity): 327,556,186 Ordinary Shares.
- b) Settepontonove Srl (Director related entity): 8,000,000 Ordinary Shares.
- c) VR Tech SRL (Director related entity): 3,000,000 Ordinary Shares.

Mr Gabriele Sorrento - M.Arch/M.Eng.

Non-Executive Director & Head of Global Partnerships

Experience and expertise: Mr Gabriele Sorrento is the CEO and co-founder of Mindesk, acquired by Vection Technologies in April 2020. He is passionate about computational design, having obtained a Master's Degree in Architectural Engineering at the Polytechnic University of Milan and studied entrepreneurship at Santa Clara University as a Fulbright fellow. He has over 13 years of experience in 3D CAD, having worked with renowned architectural brands including Renzo Piano Building Workshop and Heller Manus Architects. Today Mr Sorrento is part of the AIASF Design Technology Commission and is a board member of Vection Technologies Limited.

Other current directorships: Nil

Former ASX directorships in past 3 years: Nil

Interests in the Company's securities:

22,257,873 Ordinary Shares.

7,168,822 Deferred Consideration A; 1,792,206 Deferred Consideration E; 5,376,617 Deferred Consideration F; and 5,376,617 Deferred Consideration G.

Mr Derek Hall – BCom, CA, FFin, FGIA

Company Secretary

Experience and expertise: Mr Hall is a finance and compliance specialist in the listed space. Mr Hall has significant commercial experience identifying key business drivers and bringing cost control and process improvement into sharp focus. Mr Hall has been involved as a Chief Financial Officer and Company Secretary for a number of publicly listed and unlisted companies involving transactions in technology, mining, oil and gas and construction. Mr Hall is a Chartered Accountant, Chartered Secretary and Fellow of the Financial Services Institute.

## MEETINGS OF DIRECTORS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2022, and the number of meetings attended by each director are set out below:

Directors	Board Meetings	Eligible to Attend
	Eligible	Attended
Mr Bert Mondello	4	4
Mr. Gianmarco Biagi	4	4
Mr Gianmarco Orgnoni	4	4
Mr Lorenzo Biagi	4	4
Mr Gabriele Sorrento	4	4

## SHARE OPTIONS

Unissued ordinary shares of the Company under options at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
9 October 2020	9 October 2023	\$0.112	26,506,452
3 December 2021	3 December 2023	\$0.25	32,500,000

The holders of these options do not have any rights under the options to participate in any share issue of the Company or of any other entity.

No ordinary shares were issued during or since the end of the financial year as a result of exercise of options.

## PERFORMANCE RIGHTS

During the year, in relation the acquisition of JMC Group, the Company issued three tranches of performance rights with various milestones (largely tied to revenue) for performance in periods up to FY2023. Further details are provided in note 24 of the financial report.

In the prior period, in relation the acquisition of Blank Canvas Studios (Aus) Pty Ltd, the Company issued 18,000,000 contingent consideration performance rights with various milestones over three tranches (largely tied to revenue) for performance in periods up to FY2024. Further details are provided in note 24 of the financial report.

## REMUNERATION REPORT - AUDITED

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The Directors present the Vection Technologies' 2022 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- A) Key management personnel covered in this report
- B) Principles used to determine the nature and amount of remuneration
- C) Non-executive directors' remuneration
- D) Executive director and senior management remuneration
- E) Details of remuneration

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## A) Key management personnel covered in this report

Directors	Position
Mr Bert Mondello	Non-Executive Chairman
Mr Gianmarco Biagi	Managing Director
Mr Lorenzo Biagi	Executive Director
Mr Gianmarco Orgnoni	Executive Director
Mr Gabriele Sorrento	Non-Executive Director

## B) Principles used to determine the nature and amount of remuneration

The Board adheres to the remuneration policy detailed in the Company's prospectus issued in December 2016. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain desirable directors, company secretaries and senior executives.

The Board are mindful that where possible the remuneration structures reward the achievement of strategic objectives to achieve the broader outcome of creation of value for shareholders.

The remuneration committee is responsible for assessing performance against key performance indicators and determining the short-term incentives and long-term incentives to be paid. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data such as financial measures, market share and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the Group's financial statements, the remuneration committee can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

## C) Non-executive directors' remuneration

## Fees

The Board's policy is to remunerate non-executive directors at market rates for time, commitment, and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required. In the current year, no advice was sought.

Upon appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarizes the policies and terms, including compensation, relevant to the office of the director.

The key terms of the non-executive director service agreements are as follows:

- Term of Agreement – ongoing subject to annual review and the Company's constitution
- Non-Executive Directors' Fees of up to \$72,000 per annum plus an amount equivalent to statutory superannuation (if applicable)
- There is a 6-month notice period stipulated to terminate the contract by either party. The maximum aggregate amount of fees that can be paid to non-executive directors is currently fixed at \$300,000 with any change in this amount subject to approval by shareholders at the Annual General Meeting. The Company does not have a Director's Retirement Scheme in place at present.

## D) Executive director and senior management remuneration

## Service Contracts

It is the Company's policy that service contracts for executive directors and senior executives be entered into. A service contract with an executive director or senior executive would provide for the payment of benefits where the contract is terminated by the entity or the individual.

The executive directors and senior executives would also be entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. An executive director or senior executive would have no entitlement to termination payment in the event of removal for misconduct.

Major provisions of the agreements existing at reporting date relating to executive remuneration are set out below:

Mr Gianmarco Biagi – Managing Director

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: \$20,000 per month.
- Period of notice for termination/resignation: Three month's written notice by the consultant. Three month's written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three month's fees in lieu of notice.

Mr Lorenzo Biagi – Executive Director

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: \$10,600 per month.
- Period of notice for termination/resignation: Three month's written notice by the consultant. Three month's written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three month's fees in lieu of notice.

Mr Gianmarco Orgnoni – Executive Director

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: \$12,500 per month.
- Period of notice for termination/resignation: Three month's written notice by the consultant. Three month's written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three month's fees in lieu of notice.

Share-based payment arrangements relating to key management personnel

No options were issued to Directors or other key management personnel during the year.

The acquisition of Vection Italy, which was completed on 12 April 2019, included an offer of ordinary shares and performance shares to the vendors of Vection Italy which included the directors Mr Gianmarco Biagi and Mr Lorenzo Biagi. Details of these securities are outlined in tables below.

The acquisition of Mindesk, which was completed on 29 April 2020, included an offer of ordinary shares and performance shares to the vendors of Mindesk which included the director Mr Gianmarco Orgnoni. Details of these securities are outlined in tables below.

#### E) Details of remuneration

Details of the remuneration of the directors and key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

Key management personnel of the Group and other executives of the Company and the Group:

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2022	Short term benefits (paid or payable as at 30 June 2022)	Post-employment benefits		Long-term benefits	Share-based payments	Total	Proportion of remuneration performance related
		Termination payments	Superannuation	Long service leave	Options/ Performance Rights		
Name	Cash, salary & fees						
Directors	\$	\$	\$	\$	\$	\$	%
Mr Gianmarco Biagi	205,000	-	-	-	128,302	333,302	38%
Mr Lorenzo Biagi	127,200	-	-	-	-	127,200	0%
Mr Bert Mondello	72,000	-	-	-	64,151	136,151	47%
Mr Gianmarco Orgnoni	152,125	-	-	-	96,226	248,351	39%
Mr Gabriele Sorrento	149,535	-	-	-	-	149,535	0%
Total Director Remuneration	705,860	-	-	-	288,679	994,539	29%
Total Key Management Personnel	705,860	-	-	-	288,679	994,539	29%
Total	705,860	-	-	-	288,679	994,539	29%

2021	Short term benefits (paid or payable as at 30 June 2021)	Post-employment benefits		Long-term benefits	Share-based payments	Total	Proportion of remuneration performance related
		Termination payments	Superannuation	Long service leave	Options/ Performance Rights		
Name	Cash, salary & fees						
Directors	\$	\$	\$	\$	\$	\$	%
Mr Gianmarco Biagi	173,250	-	-	-	5,701	178,951	3%
Mr Lorenzo Biagi	122,700	-	-	-	5,701	128,401	4%
Mr Bert Mondello	69,300	-	-	-	5,701	75,001	8%
Mr Gianmarco Orgnoni	91,800	-	-	-	5,701	97,501	6%
Mr Gabriele Sorrento	134,694	-	-	-	-	134,694	0%
Total Director Remuneration	591,744	-	-	-	22,804	614,548	4%
Total Key Management Personnel	591,744	-	-	-	22,804	614,548	4%
Total	591,744	-	-	-	22,804	614,548	4%

#### Other transactions with key management personnel

##### i. Transactions with directors and key management personnel

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the directors and key management personnel have consulting agreement in place which has resulted in transactions between the Group and those entities during the period. The terms and conditions of those transactions were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Director	Transaction	Transaction Value		Outstanding Balance	
		2022	2021	2022	2021
Mr Gianmarco Biagi and Mr Lorenzo Biagi	Other revenue (a)	7,764	-	3,391	136,794
	Other service cost (b)	36,003	81,608	2,818	86,217
	Revenue from services (c)	8,700	71,727	78,688	239,108
	Professional, legal and tax services (d)	-	24,594	-	-

- a) The Company's subsidiary Vection Italy SRL received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi. As at 30 June 2022, the amount receivable is \$3,391. This transaction was entered on a commercial, arm-length basis;
- b) The Company's subsidiary Vection Italy SRL paid to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided. As at 30 June 2022, the amount payable is \$2,818. This transaction was entered on a commercial, arm-length basis;
- c) The Company's subsidiary Vection Italy SRL received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided. As at 30 June 2022, the amount receivable is \$78,688. This transaction was entered on a commercial, arm-length basis;
- d) The Company's subsidiary Vection Italy SRL paid to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided. As at 30 June 2022, the amount payable is \$NIL. This transaction was entered on a commercial, arm-length basis;

In addition, each of the directors received director's fees in accordance with the terms of their respective contracts.

#### ii. Loans to directors

There were no loans to directors and executives during the financial year ended 30 June 2022.

#### Equity instrument disclosures relating to key management personnel

##### i. Shareholdings

The numbers of shares in the Company held during the financial year by each director of Vection Technologies Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2022	Balance at the start of the year	Received during the year on exercise of performance rights	Other changes during the year	Balance at the end of the year or date of resignation (if applicable)
Ordinary shares				
Directors				
Mr Gianmarco Biagi <sup>1</sup>	351,556,186	2,000,000	(15,000,000)	338,556,186
Mr Lorenzo Biagi <sup>1</sup>				
Mr Bert Mondello	4,500,000	1,000,000	-	5,500,000
Mr Gianmarco Orgnoni	4,500,000	1,500,000	-	6,000,000
Mr Gabriele Sorrento	22,257,873	-	-	22,257,873
<b>Total</b>	<b>382,814,059</b>	<b>4,500,000<sup>2</sup></b>	<b>(15,000,000)</b>	<b>372,314,059</b>

<sup>1</sup> Indirect shareholding as a result of a relevant interest in VR Tech SRL which has a relevant interest in Officine8K, which is the registered holder of these securities

<sup>2</sup> During the year, 4,500,000 performance rights issued to the directors was vested and converted to ordinary shares for consideration of \$787,500.

## ii. Option holdings

During the year, no options were issued to key management personnel.

## Performance-based remuneration

During the year, the following performance rights were vested:

Tranche 1 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into Shares (on a one for one basis) will vest on the date that the Company achieving a \$150,000,000 market capitalisation based on the 7 days volume weighted average (VWAP);

Director	Number	\$
Mr Gianmarco Biagi	2,000,000	350,000
Mr Lorenzo Biagi		
Mr Bert Mondello	1,000,000	262,500
Mr Gianmarco Orgnoni	1,500,000	175,000

During the year, the following performance rights issued to Officine8K SRL as part of the consideration for the acquisition of Vection Italy expired:

- (a) Tranche 1 Performance Rights: 50,000,000 Performance rights each converting into shares (on a one for one basis) upon Vection Italy's earnings before interest, tax, depreciation and amortisation at the end of a financial year being at least \$500,000 (as verified by the Company's auditors) within 24 months of the settlement of the acquisition;
- (b) Tranche 3 Performance Rights: 50,000,000 Performance rights each converting into shares (on a one for one basis) upon:
  - o the volume weighted average price for the shares on twenty (20) consecutive days on which sales are recorded being no less than \$0.03; and
  - o the revenue generated by the business of Vection Italy achieving a minimum of \$2,500,000 (as verified by the Company auditors) within 36 months of settlement of the acquisition.

## Shares provided on exercise of remuneration options

During the reporting period, no shares were issued to key management personnel on the exercise of options previously granted as remuneration.

## Loans to key management persons

There were no loans to directors and executives during the financial year ended 30 June 2022.

## Use of remuneration consultants

The Company has not engaged the services of remuneration consultants to review its executive remuneration recommendations.

## Company performance

The following table shows key performance indicators for the Group:

	2022	2021*	2020	2019
Loss for the year	(7,100,433)	(2,506,889)*	(1,165,870)	(4,420,102)
Closing share price (\$)	0.07	0.06	0.04	0.014
Basic and diluted loss per share	(0.61)	(0.26)*	(0.203)	(1.512)

\*Restated - Refer to note 1(dd) for further information.

## Voting and comments made at the company's 2021 Annual General Meeting

Vection Technologies Ltd received 92% of "yes" votes on its remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT

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## VECTION TECHNOLOGIES LIMITED

Directors' Report

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### INSURANCE OF OFFICERS

The Company has entered into a deed of access, indemnity and insurance with each of its current and former directors, and the Company Secretary. Under the terms of the deed, the Company indemnifies the officer or former officer, to the extent by law, for the liabilities incurred as an officer of the Company.

Since the end of the previous financial year, the Company has paid premiums in respect of contracts insuring the current and former directors and officers of the Company against liabilities incurred by them to the extent permitted by the Corporations Act 2001. The contracts prohibit disclosure of the nature of the liability cover and the amount of the premium.

### INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

### NON-AUDIT SERVICES

Taxation services were provided by the Company's auditor, RSM Australia Partners. Details of the amounts paid or payable for non-audit services received are outlined in note 21 to the financial statements.

### CONFIRMATION UNDER ASX LISTING RULE 4.10.19

In accordance with Listing Rule 4.10.19, the Company confirms that during the financial year ended 30 June 2022, the Company used the cash and assets in a form readily convertible to cash, that it had at the time of admission, in a way consistent with its business objectives.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, RSM Australia Partners, to provide the directors of the Company with an Independence Declaration in relation to the review of the annual financial report. This Independence Declaration is set out on page 19 and forms part of this Directors' Report for the year ended 30 June 2022.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



Mr Bert Mondello  
Chairman

Perth, Western Australia 3 October 2022

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**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Vection Technologies Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



MATTHEW BEEVERS  
Partner

Perth, WA  
Dated: 3 October 2022

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AUDIT | TAX | CONSULTING

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated	
		30 June 22	30 June 21* Restated*
		\$	\$
Revenue	2(i)	17,217,685	3,079,330
Other income	2(i)	1,676,248	392,028
Expenses			
Acquisition Costs		21,387	(25,000)
Changes in inventories		(84,831)	339,512
Variable cost of sales		11,538,376	509,433
Employee benefits expense		4,840,441	1,162,401
Consulting and professional fees		3,007,095	1,449,195
Finance costs	2(ii)	94,245	111,091
Depreciation and amortisation	2(iii)	957,899	657,973
Impairment expense	2(vi)	953,946	84,909
Other expenses	2(iv)	2,605,726	1,381,832
Share based payments	2(v)	1,892,269	229,869
<b>Total Expenses</b>		<b>25,826,553</b>	<b>5,901,215</b>
Loss before income tax expense		(6,932,620)	(2,429,857)
Income tax expense	3	167,813	76,563
Loss after income tax attributable to equity holders		(7,100,433)	(2,506,420)
Discontinued Operations			
Loss for the year after income tax from discontinued operations	28	-	(36,469)
Loss after income tax attributable to equity holders of Vection Technologies Limited		(7,100,433)	(2,542,889)
Other comprehensive (loss) /income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(429,072)	(300,071)
<b>Total comprehensive (loss) for the period</b>		<b>(429,072)</b>	<b>(300,071)</b>
<b>Total comprehensive loss attributable to equity holders of Vection Technologies Limited</b>		<b>(7,529,505)</b>	<b>(2,842,960)</b>
Loss for the year is attributable to:			
Non-Controlling Interest		(418,946)	(137,176)
Members of Vection Technologies Limited		(6,681,487)	(2,405,713)
Loss per share for the year attributable to the members of Vection Technologies Limited		(7,100,433)	(2,542,889)
Discontinued operations loss per share for the year (per share) attributable to the members of Vection Technologies Limited	19	-	(0.004)
Continuing operations loss per share for the year (per share) attributable to the members of Vection Technologies Limited	19	(0.607)	(0.262)
Earnings per share for loss attributable to the members of Vection Technologies Limited			
Overall basic loss per share	19	(0.624)	(0.244)
Overall diluted loss per share	19	(0.624)	(0.244)

\*Restated - Refer to Note 1(dd)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Consolidated Statement of Financial Position

	Notes	Consolidated		
		30 June 22	Restated* 30 June 21	Restated* 1 July 20
		\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents	4	14,869,095	7,083,890	1,584,715
Receivables	5	6,208,213	4,878,715	2,149,552
Inventories	6	1,341,231	1,083,871	-
Income tax receivable		-	16,855	-
<b>Total Current Assets</b>		<b>22,418,539</b>	<b>13,063,331</b>	<b>3,734,267</b>
<b>Non-Current Assets</b>				
Property, plant & equipment	7	292,577	239,957	76,859
Right-of-use assets	8	424,079	631,895	571,409
Intangible assets	9	17,027,998	17,338,313	10,093,046
Financial assets	26	40,526	63,149	52,130
<b>Total Non-Current Assets</b>		<b>17,785,180</b>	<b>18,273,314</b>	<b>10,793,444</b>
<b>Total Assets</b>		<b>40,203,719</b>	<b>31,336,645</b>	<b>14,527,711</b>
<b>Current Liabilities</b>				
Trade and other payables	10	6,973,912	3,615,025	2,272,404
Provisions	11	-	6,405,329	-
Employee benefits	12	78,250	36,299	-
Current tax liabilities		29,836	-	19,878
Lease liabilities	13	194,613	167,756	94,322
Borrowings	14	1,198,728	1,047,145	427,606
<b>Total Current Liabilities</b>		<b>8,475,339</b>	<b>11,271,554</b>	<b>2,814,210</b>
<b>Non-Current Liabilities</b>				
Provisions	11	-	-	-
Employee benefits	12	433,455	333,179	-
Deferred tax liabilities	3	615,930	599,128	604,233
Lease liabilities	13	286,293	529,926	487,713
Borrowings	14	2,415,293	3,175,131	422,190
<b>Total Non-Current Liabilities</b>		<b>3,750,971</b>	<b>4,637,364</b>	<b>1,514,136</b>
<b>Total Liabilities</b>		<b>12,226,310</b>	<b>15,908,918</b>	<b>4,328,346</b>
<b>Net Assets</b>		<b>27,977,409</b>	<b>15,427,727</b>	<b>10,199,365</b>
<b>Equity</b>				
Issued capital	15	44,611,306	27,502,218	22,376,991
Reserves	16	11,081,001	8,866,924	6,070,858
Accumulated losses	17	(27,714,898)	(20,771,415)	(18,248,484)
<b>Equity attributable to the members of Vection Technologies Limited</b>		<b>27,977,409</b>	<b>15,427,727</b>	<b>10,199,365</b>
Non-Controlling Interest	18	(479,214)	(117,218)	-
<b>Total Equity</b>		<b>27,977,409</b>	<b>15,427,727</b>	<b>10,199,365</b>

\* Refer to Note 1(dd) for further information.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

### Consolidated Statement of Cash Flows

	Notes	Consolidated	
		30 June 22	30 June 21
		\$	\$
<b>Cash flow from operating activities</b>			
Receipts from customers		17,603,134	2,566,597
Payments to suppliers and employees		(18,694,3673)	(4,817,392)
Interest received		44,026	26,226
Interest paid / Finance costs		(94,245)	(76,061)
Tax paid (net of R&D tax refund)		(104,319)	(24,175)
<b>Net cash outflow from operating activities</b>	4	<b>(1,246,078)</b>	<b>(2,324,80)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(163,957)	(66,325)
Transaction costs in purchase of subsidiary		(21,387)	2,304,962
Payments for intangible assets		(1,838,469)	(1,330,163)
<b>Net cash (outflow) /inflow from investing activities</b>		<b>(2,023,813)</b>	<b>908,474</b>
<b>Cash flow from financing activities</b>			
Proceeds from issues of fully paid shares	15	12,951,277	7,485,000
Payment of transaction costs	15	(824,686)	(264,000)
Repayment of lease liabilities		(79,881)	(96,347)
Repayment of borrowings		(759,838)	(157,545)
Proceeds from borrowings		151,583	228,601
<b>Net cash inflow from financing activities</b>		<b>11,438,455</b>	<b>7,195,709</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,168,566</b>	<b>5,779,378</b>
Cash and cash equivalents at the beginning of the financial year		7,083,890	1,584,715
Effect of movement in exchange rates on cash held		(383,361)	(280,203)
<b>Cash and cash equivalents at the end of the financial year</b>	4	<b>14,869,095</b>	<b>7,083,890</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Consolidated Statement of Changes in Equity

	Consolidated						
	Notes	Issued Capital	Accumulated Losses	Reserves	Foreign Currency Translation Reserve	Non-Controlling Interest	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2021 Restated*		27,502,218	(20,654,197)	8,870,499	(173,575)	(117,218)	15,427,727
Loss for the period		-	(6,681,487)	-	-	(418,946)	(7,100,433)
Other comprehensive loss		-	-	-	(429,072)	-	(429,072)
Total comprehensive loss for the period		-	(6,681,487)	-	(429,072)	(418,946)	(7,529,505)
Transactions with owners in their capacity as owners							
Contribution of equity, net of transaction costs	15	17,109,088	-	-	-	-	17,109,088
Share based payments	16	-	-	2,893,830	-	-	2,893,830
Acquisition of subsidiaries with Non-Controlling Interest		-	-	19,441	(123)	56,950	76,269
Balance at 30 June 2022		44,611,306	(27,235,684)	11,683,771	(602,770)	(479,214)	27,977,409
Balance at 1 July 2020 Restated*		22,376,991	(18,248,484)	5,944,362	126,496	-	10,199,365
Loss for the period		-	(2,405,713)	-	-	(137,176)	(2,542,889)
Other comprehensive loss		-	-	-	(300,071)	-	(300,071)
Total comprehensive loss for the period		-	(2,405,713)	-	(300,071)	(137,176)	(2,842,960)
Transactions with owners in their capacity as owners							
Contribution of equity, net of transaction costs		-	-	-	-	-	-
Share based payments	16	4,265,227	-	100,000	-	-	4,365,227
Vesting of performance rights	15	860,000	-	(860,000)	-	-	-
Acquisition of subsidiaries with Non-Controlling Interest		-	-	3,686,137	-	19,958	3,706,095
Balance at 30 June 2021		27,502,218	(20,654,197)	8,870,499	(173,575)	(117,218)	15,427,727

\*Amounts have been restated. Refer to Note 1 (dd) for further information.

The above Consolidated Statement of Changes of Equity should be read in conjunction with the accompanying notes.

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Annual Report for the Year Ended 30 June 2022

Notes to Consolidated Financial Statements

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial report of Vection Technologies Limited (Vection Technologies, Vection, the Company or Group) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of directors on 3 October 2022.

The Company is a public company limited by shares incorporated on 14 September 2016 and domiciled in Australia. The nature of the operations and principal activities of the Company are described in the Directors' report.

#### a) Basis of preparation

The principal accounting policies adopted for the preparation of the annual financial report are set out below. These accounting policies have been applied consistently to all periods presented unless otherwise stated.

##### i) Statement of compliance

This annual financial report for the year ended 30 June 2022 are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASBs), including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. This financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Boards ('IASB').

##### ii) Basis of measurement and reporting convention

This annual financial report has been prepared on an accruals basis and is based on historical cost. The annual financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

#### b) Segment Information

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period. Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

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

The Board monitors the operations of the Group based on 2 segments; IT software development & sales division and services division.

The financial results of each segments are reported to the board to assess the performance of the Group. The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiaries which represent the operational performance of the Group's revenues and the research and development activities as well as the finance, treasury, compliance and funding elements of the Group.

#### c) Parent entity information

In accordance with the Corporations act 2001, the financial report presents the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

#### d) Critical Accounting Estimates and Judgements

The preparation of the annual financial report requires the use of accounting estimates and judgements which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involve a degree of judgement or complexity in the preparing the annual financial report. Facts and circumstances may come to light after the event which may have significantly varied the assessment used which result in a materially different value being recorded at the time of preparing this annual financial report.

Deferred tax assets - The Group has not recognised deferred tax assets relating to carried forward tax losses or other temporary differences. These amounts have not been recognised given the recognition requirements of AASB 112 Income Taxes.

Share-based payments - The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black- Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled

## VECTION TECHNOLOGIES LIMITED

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share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to notes 15 and 16 for details of inputs utilised in calculating the fair value of the equity instrument.

Estimation of useful lives of assets - The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets - The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1 (s). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated pre-tax discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Coronavirus (COVID-19) pandemic – Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the consolidated financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Business combinations - As discussed in note 1(h), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Allowance for expected credit losses - The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 5, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories - The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### e) Principles of consolidation

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### f) Discontinued Operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

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### g) Standards and Interpretations applicable to 30 June 2022

In the year ended 30 June 2022, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

### h) Standards and Interpretations in issue not yet mandatory or early adopted

The directors have also reviewed all Standards and Interpretations in issue but not yet mandatory or early adopted for the year ended 30 June 2022. These standards are not expected to have a material impact on the Group in the current annual reporting period.

### i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

### j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (credit loss allowance) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### k) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

### l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or

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loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the methods shown in the table below to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term.

The depreciation rates used for each class of depreciable assets are as follows:

Class of fixed asset	Depreciation method	Depreciation rate
Office and computer equipment	Diminishing value	20% - 67%
Leasehold improvements	Straight-line	2.5%
Software development	Straight-line	4%-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Vection Technologies Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

### o) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### p) Earnings per share

#### i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### q) Income taxes

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

### r) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### s) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The intellectual property acquired as part of the Vection Italy business combination have been treated as indefinite life intangible assets as they are expected to contribute to the Group's cashflows for the foreseeable future. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### Software Patents and development costs

##### i) Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

##### ii) Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit.

##### iii) Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit.

The amortisation rates used for each class of depreciable intangible assets are as follows:

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Class of intangible asset	Amortisation method	Amortisation rate
Rights of use of intangible asset	Straight-line	20%
Other intangible assets (software, patents and development costs)	Straight-line	20% to 50%

### t) Foreign currency translation

#### i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar (\$), which is Vection Technologies Limited's functional and presentation currency.

#### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs.

All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

#### iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position
- income and expenses for each Statement of Profit or Loss and other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale where applicable.

### u) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### v) Revenue recognition

#### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone

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selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

### Interest

Interest revenue is recognised using the effective interest rate method.

### Other income

Other income is recognised when it is received or when the right to receive payment is established.

### Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

### w) Leases

The Group leases offices which are made for fixed periods of up to five years. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

### x) Employee benefits

#### i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of

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employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for annual leave and accumulating sick leave are presented as employee provisions in the consolidated statement of financial position while all other short-term employee obligations are presented as payables in the consolidated Statement of financial position.

### ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Obligations are presented as current in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### iii) Retirement benefit obligations

All Australian-resident employees of the Group are entitled to receive a superannuation guarantee contribution required by the government, which is currently 10%, and do not receive any other retirement benefits. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

Other amounts charged to the financial statements in this respect represents the contributions made by the Group to employee retirement benefit funds in other jurisdictions.

### iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of terminations benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### v) Share based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price. The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### z) Compound Financial Instruments

Compound financial instruments issued by the Group comprise convertible facilities that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest related to the financial liability is recognised in the consolidated statement of profit or loss and other comprehensive income. On conversion the financial liability is reclassified to equity and no gain or loss is recognised.

### aa) Financial instruments

#### i) Classification

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVTOCI) in accordance with the relevant criteria in AASB 9.

Financial liabilities classified as held-for-trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at fair value through profit and loss (FVTPL), are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

#### ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

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

### Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

### iii) Impairment

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- a. debt instruments measured at amortised cost;
- b. debt instruments classified at fair value through other comprehensive income; and
- c. receivables from contracts with customers and contract assets.

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Group determines expected credit losses based on the company's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The Group has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses.

### bb) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from

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the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### cc) Comparative balances

When required by Accounting Standards, comparative balances have been adjusted to conform to changes in presentation for the current financial year.

### dd) Restatement of comparatives balances

Comparative period balance have been restated so as to classify certain contingent consideration amounts relating to business combinations undertaken in FY2019 and FY2020 as equity settled rather than liability settled obligations and to also correct the accounting for fair value adjustments to contingent consideration arising in the post measurement periods including those to goodwill. Comparative period amounts have also been restated due to the finalisation of acquisition accounting for FY2021 acquisitions. The effect of this restatement is set out below:

Statement of financial position Extract	Consolidated		
	1 July 2020 Reported \$	Adjustment \$	1 July 2020 Restated \$
<b>Non current assets</b>			
Intangible assets	11,793,046	(1,700,000)	10,093,046
<b>Total assets</b>	16,227,711	(1,700,000)	14,527,711
<b>Current liabilities</b>			
Provisions	3,321,031	(3,321,031)	-
<b>Non current liabilities</b>			
Provisions	2,518,969	(2,518,969)	-
<b>Total liabilities</b>	10,168,346	(5,840,000)	4,328,346
<b>Net assets</b>	6,059,365	4,140,000	10,199,365
<b>Equity</b>			
Reserves	230,858	5,840,000	6,070,858
Accumulated losses	16,548,484	1,700,000	18,248,484
<b>Total Equity</b>	6,059,365	4,140,000	10,199,365

Extract	Consolidated		
	30 June 2021 Reported \$	Adjustment \$	30 June 2021 Restated \$
<b>Non current assets</b>			
Intangible assets	19,437,289	(2,098,976)	17,338,313
<b>Total assets</b>	33,435,621	(2,098,976)	31,336,645
<b>Current liabilities</b>			
Provisions	9,915,043	(3,509,714)	6,405,329
<b>Non current liabilities</b>			
Provisions	1,869,262	(1,869,262)	-
<b>Total liabilities</b>	21,287,894	(5,378,976)	15,908,918

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<b>Net assets</b>	12,147,727	3,280,000	15,427,727
<b>Equity</b>			
Reserves	3,616,924	5,250,000	8,866,924
Accumulated losses	18,854,197	1,917,218	20,771,415
<b>Total Equity</b>	12,147,727	3,280,000	15,427,727

### Statement of profit or loss and other comprehensive income

Extract	30 June 2021		30 June 2021
	Reported	Adjustment	Restated
	\$	\$	\$
<b>Expense</b>			
Share based payment expense	129,869	100,000	229,869
<b>Loss from continuing operations</b>	2,329,857	100,000	2,429,857
<b>Loss per share for loss from continuing operations attributable to the owners of the Company</b>			
Basic and diluted losses per share	0.262	(0.001)	0.261

There were no changes to the Statement of Cash Flows for the year ended 30 June 2021.

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### 2) LOSS FOR THE PERIOD

Loss for the year included the following items:

	Consolidated	
	30 June 22	30 June 21
	\$	\$
i) Revenue from continuing operations		
<i>Revenue from contracts with customers</i>		
Integrated XR sales	17,217,685	3,079,330
<i>Other income</i>		
Interest received	44,026	26,226
R&D tax refund	377,435	190,661
Foreign exchange gain	242,673	-
Other revenue	1,012,114	175,141
Total revenue and income	18,893,933	3,471,358
The disaggregation of revenue from contracts with customers:		
<i>Geographical regions</i>		
AMEA	13,703,256	2,703,878
APAC	3,133,668	665,227
AMER	380,761	102,253
	17,217,685	3,471,358
<i>Timing of revenue recognition:</i>		
Transferred at a point in time	17,054,667	2,959,808
Transferred over time	163,018	511,550
	17,217,685	3,471,358
ii) Finance costs		
Interest costs	85,520	59,616
Foreign exchange loss	-	35,029
Other finance costs	8,725	16,446
Total finance costs	94,245	111,091
iii) Depreciation and amortisation		
Depreciation	182,258	43,300
Amortisation	775,641	614,673
Total depreciation and amortisation	957,899	657,973

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	Consolidated	
	30 June 22	30 June 21
	\$	\$
iv) Other expenses		
Advertising expenses	821,736	250,457
Rent expenses	611,691	133,176
Travel	204,739	151,653
Other administrative expenses	967,560	846,546
Total other expenses	2,605,726	1,381,832
v) Share based payments		
The total share-based payment expense recognised during the year are set out below:		
Vesting of Employee performance rights (Refer to note 16 ii)	216,090	-
Vesting of Performance Rights relating to business acquisitions	600,000	100,000
Vesting of Director performance rights (Refer to note 16 ii)	787,500	-
Director performance rights expenses	288,679	29,869
Issued share to advisor	-	100,000
Total Share based payments	1,892,269	229,869
iv) Impairment expense		
Impairment expense on intangible assets	935,208	12,610
Credit loss allowances	18,738	72,299
Total impairment expenses	953,946	84,909

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### 3) INCOME TAX EXPENSE

	30 June 22	30 June 21
	\$	\$
(a) Income tax expense Current tax		
Current tax	150,339	73,806
Deferred tax	17,474	2,757
Income tax expense reported in consolidated statement of profit or loss and other comprehensive income	167,813	76,563
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(6,932,619)	(2,466,326)
Tax at the Australian tax rate of 25% (2021:26%)	(1,733,155)	(641,245)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	233,848	88,560
Tax losses and other timing differences for which no DTA is recognised	1,667,119	629,248
Income tax expense	167,813	76,563
(c) Recognised deferred tax liabilities		
Other intangible assets (patents and development costs)	283,918	611,521
Rights of use assets	-	(12,393)
	283,918	599,128
(d) Unrecognised deferred tax assets and liabilities		
The directors estimate that the potential future income tax benefits carried forward but not brought to account at year end at the Australian corporate tax rate of 25% (2021: 26%) are made up as follows:		
Australian revenue losses	3,905,520	3,153,863
Australian capital losses	148,722	148,722
Australian CGT assets	171,076	52,062
Australian taxable temporary differences	433,116	81,297
Unrecognised net deferred tax assets	4,658,434	3,435,944

The tax benefits of the above deferred tax assets will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in income tax legislation adversely affecting the Group in realizing the benefit from the deduction for the losses.

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Notes to Consolidated Financial Statements

### 4) CASH

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Cash bank	14,869,095	7,083,890
Balance per statement of cash flows	14,869,095	7,083,890

Refer note 27 for the risk exposure analysis for cash and cash equivalents.

a. Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the period	(6,500,433)	(2,442,889)
Non-cash items:		
Depreciation (including discontinued operations)	957,899	657,973
Accrued Interest	-	-
Finance costs	4,002	-
Credit loss allowances	18,738	72,299
Share based payments	1,292,269	129,869
Gain/(Loss) on investment	14,032	(7,016)
Impairment expense	935,208	(47,745)
Gain on disposal	-	-
Movements in assets/liabilities:		
(Increase)/decrease in trade and other receivables	(1,343,564)	(824,764)
(Increase)/decrease in inventories	(257,360)	330,458
Increase/(decrease) in tax liability	63,493	52,388
Increase/(decrease) in other payable and provisions	3,569,638	(245,378)
Net cash outflow from operating activities	(1,246,078)	(2,324,805)

#### b. Non-cash financing and investing activities:

- I. Share based payments  
The Company issued shares in lieu of services rendered during the year (Note 15).
- II. JMC Group consideration securities  
The Company issued securities in consideration for the acquisition of JMC Group (Note 24).

### 5) RECEIVABLES

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Trade receivables (i)	3,859,020	3,337,663
Less: Credit loss allowances	(179,273)	(165,485)
	3,679,747	3,172,178
Other receivables	2,209,863	1,665,156
Prepayments	318,603	41,381
Total Receivables	6,208,213	4,878,715

Allowance for expected credit losses

The Group has recognised a loss of \$18,738 in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

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Refer to Note 27 for the risk exposure analysis for receivables.

I. Classification of trade and other receivables (current and non-current)

All receivables apart from the balance detailed below in (ii) are non-interest bearing. There are no receivables where the fair value would be materially different from the current carrying value. The Group reviews all receivables for impairment. Any receivables which are doubtful have been provided for. Based on past experience all receivables where no impairment has been recognised are not considered to be impaired. No other class of financial asset is past due.

### 6) INVENTORIES

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Raw materials and consumables	159,941	62,537
Finished goods	1,068,770	990,588
Work in progress	112,520	30,746
	<u>1,341,231</u>	<u>1,083,871</u>

### 7) PROPERTY, PLANT & EQUIPMENT

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Office and computer equipment		
Office & computer equipment at cost	787,087	646,079
Less: accumulated depreciation	(515,106)	(441,231)
	<u>271,981</u>	<u>204,848</u>
Plant & Machinery and Industrial Equipment		
Plant & Machinery and Industrial Equipment at cost	88,843	92,480
Less: accumulated depreciation	(68,247)	(57,371)
	<u>20,596</u>	<u>35,109</u>
Total property, plant and equipment	<u>292,577</u>	<u>239,957</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Office and computer equipment	Plant & Machinery and Industrial Equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2020	72,634	-	4,225	76,859
Additions	51,577	2,973	-	54,550
Additions through business combinations	129,962	34,646	-	164,608
Disposals	(7,288)	-	(3,998)	(11,286)
Depreciation expense	(30,219)	(2,402)	-	(32,621)
Foreign exchange	(11,818)	(108)	(227)	(12,153)
	<u>204,848</u>	<u>35,109</u>	<u>-</u>	<u>239,957</u>
Balance at 30 June 2021	204,848	35,109	-	239,957
Additions	163,956	-	-	163,956
Depreciation expense	(92,580)	(13,425)	-	(106,005)
Foreign exchange	(4,243)	(1,088)	-	(5,331)
Balance at 30 June 2022	<u>271,981</u>	<u>20,596</u>	<u>-</u>	<u>292,577</u>

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### 8) RIGHT-OF-USE ASSETS

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Right of use asset - Land and buildings	930,002	959,397
Less: accumulated amortisation	(505,923)	(327,502)
	424,079	631,895

The Group leases land and buildings for its offices under agreements of between three to six years with, in some cases, with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of three years.

### 9) INTANGIBLE ASSETS

	Consolidated	
	30 June 22	Restated* 30 June 21
	\$	\$
<b>GOODWILL</b>		
Acquisition – Vection Italy Srl	850,000	850,000
Acquisition - Mindesk Group	3,587,687	3,587,687
Acquisition – Blank Canvas - (See Note 24)	490,020	490,020
Acquisition – JMC Group - (See Note 24)	3,742,355	3,742,355
	8,670,062	8,670,062

	Consolidated	
	30 June 22	Restated* 30 June 21
	\$	\$
<b>INTELLECTUAL PROPERTY</b>		
Intellectual property at cost	2,811,417	2,811,417
Less: accumulated amortisation	-	-
	2,811,417	2,811,417
<b>OTHER INTANGIBLE ASSETS (SOFTWARE PATENTS AND DEVELOPMENT COSTS)</b>		
Other intangible assets at cost	7,922,370	6,683,752
Less: Impairment of intangible assets	(933,581)	-
Less: accumulated amortisation	(1,442,270)	(776,418)
	5,546,519	5,907,334
<b>TOTAL INTANGIBLE ASSETS</b>	<b>17,027,998</b>	<b>17,338,313</b>

\* Restated balances - refer to Note 1(dd) for further information.

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

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	Goodwill	Intellectual Property	Software patents and Development costs	Total
Consolidated				
	\$	\$	\$	\$
Balance at 1 July 2020 restated*	4,437,684	2,811,417	2,843,942	10,093,043
Amortisation expense	-	-	(776,418)	(467,418)
Additions through business combinations	4,232,378	-	1,818,679	7,591,348
Additions	-	-	1,375,541	1,375,541
Disposals	-	-	(4,704)	(4,704)
Impairment of assets	-	-	-	-
Foreign exchange	-	-	(78,207)	(78,207)
	8,670,062	2,811,417	5,907,334	17,338,313
Balance at 30 June 2021 restated*	8,670,062	2,811,417	5,487,833	17,338,313
Amortisation expense	-	-	(744,218)	(744,218)
Additions through business combinations	-	-	-	-
Additions	-	-	1,905,365	1,905,365
Impairment of assets	-	-	(933,582)	(933,582)
Foreign exchange	-	-	(168,879)	(168,879)
Balance at 30 June 2022	8,670,062	2,811,417	5,546,519	17,027,998

### Goodwill Impairment Testing

The Group tests whether goodwill and other intangible assets have suffered any impairment on an annual basis. The recoverable amount of the cash-generating units (CGUs) were determined by a value-in-use calculations using a discounted cash flow mode, based on a five to seven year project period together with a terminal value approved by management. The forecast budget process was developed based revenue expectation on existing customer contracts along with ongoing opportunities. Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow models:

	Vection Italy	Mindesk Group	Blank Canvas	JMC Group
Goodwill Balance (\$)	850,000	3,587,687	490,020	3,742,355
Pre-tax discount rate	21.40%	22.11%	26.25%	22.43%
Average projected revenue growth rate	140%	45%	18%	21%
Cash flow growth rate for terminal value	2.00%	2.00%	2.00%	2.00%
EUR to AUD exchange rate	0.659519	0.659519	NA	0.659519

The discount rate of pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the division, the risk free rate and volatility of the share price relative to market movements.

Management believes the above projected revenue growth rate is reasonable based on the following factors:

- New sales people hired in local market;
- Cisco partnership creating increased opportunities across product suite;

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- Tenders already in pipeline which, if won will create further visibility;
- Client opportunities currently being negotiated;

Based on the above, no goodwill impairment expense was recorded since the recoverable amounts of CGUs exceeded the carrying amounts of the CGUs. In determining the other intangible assets impairment for Mindesk Group, the management have concluded that the software's carrying amount exceeds its recoverable amount, it results in an impairment of \$933,582.

As disclosed in note 1(d), judgements and estimates in respect of impairment testing have been made. Should these judgments and estimates not occur the recoverable amount of the CGUs may be lower than the carrying amount. The sensitivities are as follows:

	Vection Italy	Mindesk Group	Blank Canvas	JMC Group
Increase in pre-tax discount rate to	> 49.30%	> 28.11%	> 34.98%	> 29.47%
Decrease in average projected revenue growth rate to	< 117%	< 42%	< 17%	< 21%

### 10) TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Unsecured liabilities:		
Trade payables	3,670,651	2,062,290
Sundry creditors and accruals	3,303,261	1,552,735
	<u>6,973,912</u>	<u>3,615,025</u>

Payables (current and non-current) are non-interest bearing. There are no payables where the fair value would be materially different from the current carrying value.

### 11) PROVISIONS

	Consolidated	
	30 June 22	Restated* 30 June 21
	\$	\$
PROVISIONS - CURRENT		
Deferred Consideration - Note 24	-	6,405,329
	-	<u>6,405,329</u>
PROVISIONS- NON- CURRENT		
Deferred Consideration - Note 24	-	-
	-	<u>-</u>

The deferred considerations are non-cash in nature and relate to the valuation of performance rights that were part of the consideration for the acquisition of JMC Group.

\*Restated balance - Refer to Note 1 (dd) for further information.

### 12) EMPLOYEE BENEFITS

	Consolidated	
	30 June 22	30 June 21
	\$	\$
EMPLOYEE BENEFITS - CURRENT		
Employee Benefits	78,250	36,299
	<u>78,250</u>	<u>36,299</u>

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The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement.

### EMPLOYEE BENEFITS– NON- CURRENT

Employee Benefits	433,455	333,179
	<u>433,455</u>	<u>333,179</u>

The non-current provision for employee benefits includes director and employee severance indemnity payable to its Italian employees. The amount has been carried at cost as the fair value effect has been considered as immaterial.

### 13) LEASE LIABILITIES

	Consolidated	
	30 June 22	30 June 21
	\$	\$
LEASE LIABILITIES - CURRENT		
Current portion lease liabilities	194,613	167,756
	<u>194,613</u>	<u>167,756</u>
LEASE LIABILITIES – NON- CURRENT		
Non-current portion lease liabilities	286,293	529,926
	<u>286,293</u>	<u>529,926</u>

### 14) BORROWINGS

	Consolidated	
	30 June 22	30 June 21
	\$	\$
BORROWINGS - CURRENT		
Borrowings	1,198,728	1,047,145
	<u>1,198,728</u>	<u>1,047,145</u>
BORROWINGS – NON- CURRENT		
Borrowings	2,415,293	3,175,131
	<u>2,415,293</u>	<u>3,175,131</u>

#### Terms of the borrowings:

- National Australia bank loan by the Company which is unsecured, has a 3 years term with an expiry date of 27 April 2023. The loan has a variable Interest rate of 5.75%.
- A fixed rate bank loan provided by Banco BPM to Vection Italy. The loan has a 6 years term with an expiry date of 19 May 2026. The loan has a fixed Interest rate of 1.25%
- A variable rate bank loan provided by Intesa San Paolo to Vection Italy. The loan has a 6 years term with an expiry date of 9 June 2026. The loan has a variable Interest rate of circa 1.75% plus EURIBOR 1m 360.
- An invoice financing facility provided by BPER to Vection Italy. This is a short term liability at an interest rate of 2.6%
- An invoice financing facility provided by BPM to Vection Italy. This is a short term liability at an interest rate of 3.05%
- An invoice financing facility provided by Banca Cambiano to Vection Italy. This is a short term liability at an interest rate of 3.377%
- Two invoice financing facilities provided by Intesa San Paolo to Vection Italy. They are short term loan at an interest rate of 3.125%
- An invoice financing facility provided by Intesa San Paolo to Vection Health. This is a short term liability at an interest rate of 2.75%
- A Banco BPM bank loans by JMC Group. The loans have a 6 years terms with expiry date of 13 August 2026. The loans have a variable Interest rate of 1.25% + EURIBOR 3m 360.
- A Banca Monte Dei Paschi Di Siena (MPS) bank loan by JMC Group. The loan has a 71 months terms with an expiry date of 31 October 2026. The loan has a variable Interest rate of 0.45% + EURIBOR 6m 360.
- A fixed rate facility provided by Dell Financial Services to JMC Group. The facility has 3 years term with an expiry date of 1 January 2024. The average overall effective rate is 8.95%.
- Three fixed rate leasing facilities provided by Dell Financial Services to JMC Group. The facilities have 3 years term and interest rate of 7.85%, 8.10% and 8.11%.
- An Invoice financing facility provided by MPS to JMC GROUP. This Is a short term liability at an interest rate of 1%.
- An Invoice financing facility provided by BPM to JMC GROUP. This Is a short term liability at an interest rate of 1%
- A variable rate bank loan provided by Banco BPM bank loans to Xinntex. The loans have a 6 years terms with expiry date of 11 March 2027. The loans have a variable Interest rate of 1.4% + EURIBOR 3m 360.

## VECTION TECHNOLOGIES LIMITED

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Notes to Consolidated Financial Statements

### 15) ISSUED CAPITAL

	30 June 22	30 June 21	30 June 22	30 June 21
Share Capital	Shares No.	Shares No.	\$	\$
Ordinary Shares	1,109,924,294	969,618,516	44,611,306	27,502,218

#### Movement in share capital

Date	Details	Number of shares	Issue Price	\$
1 July 2021	Opening balance	969,618,516	-	27,502,218
4 August 2021	Shares issued for JMC acquisition (i)	63,912,230	0.10	6,391,230
16 November 2021	Options exercised	8,493,548		1,871,128
30 November 2021	Share issue costs			(660,000)
3 December 2021	Share placement	60,000,000	0.20	12,000,000
3 December 2021	Share issue costs			(164,686)
3 December 2021	Options issued in lieu of Lead manager fee			(2,925,000)
31 December 2021	Vesting of performance rights	900,000	0.14	121,500
31 December 2021	Share issued in lieu of advisory fee	500,000	0.14	67,500
30 January 2022	Vesting of Director performance rights	6,500,000	0.14	877,500
30 June 2022	Closing balance	1,109,924,294		45,081,390
30 June 2022	fair value adjustment of shares held in Vection by JMC	-		(470,084)
				44,611,306

i) Consideration shares issued to the vendors of JMC Group – refer Note 24

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

### 16) RESERVES

	Consolidated	
	30 June 22	30 June 21 Restated
	\$	\$
Share based payment reserve	11,083,770	9,040,499
Foreign currency translation reserve	(602,770)	(173,575)
	10,481,000	8,866,924

	30 June 22	30 June 21	30 June 22	30 June 21
i) Options	Options No.	Options No.	\$	\$
	59,006,452	35,000,000	5,795,648	3,790,499
	59,006,452	35,000,000	5,795,648	3,790,499

Date	Details	Number of shares	\$
1 July 2021	Opening balance	35,000,000	3,790,499
16 November 2021	Option exercised	(8,493,548)	(919,851)
3 December 2021	Issued options to lead manager	32,500,000	2,925,000
30 June 2022	Closing balance	59,006,452	5,795,648

#### i) Fair value of options

During the year, the Company issued 35,500,000 unlisted options to an advisor for services rendered at an exercise price of \$0.25. The unlisted options are exercisable at any time on or prior to the expiry date.

The fair value at grant date of the unlisted options issued has been determined using a Black-Scholes pricing model that takes into account

## VECTION TECHNOLOGIES LIMITED

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Notes to Consolidated Financial Statements

the exercise price, the term of the unlisted options, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance rights. The total fair value of the unlisted options was \$2,925,000. The total share based payment expense recognised for the period ended 30 June 2022 was \$5,795,648 as the unlisted options has no vesting conditions.

	30 June 22	30 June 21	30 June 22	Restated* 30 June 21
ii) Performance rights	Performance Rights No.	Performance Rights No.	\$	\$
Performance rights - contingent consideration			5,795,648	4,060,498
Performance rights - Directors and corporate advisor	35,893,417	119,000,000	5,288,123	4,980,001
	35,893,417	119,000,000	11,083,770	9,040,499
ii) Performance rights	Performance Rights No.	Performance Rights No.	\$	\$
Performance rights - Contingent consideration	35,893,417	119,000,000	5,288,123	4,980,001
	35,893,417	119,000,000	5,288,123	4,980,001

Date	Details	Performance Rights	\$
1 July 2021	Opening balance	119,000,000	4,980,001
16 November 2021	Vesting of Performance Rights (a)	(900,000)	-
6 December 2021	Issued of Performance rights (b)	24,293,417	1,095,622
24 January 2022	Vesting of Performance Rights (a)	(6,500,000)	(787,500)
30 June 2022	Lapse of Performance Rights – Vection Italy (c)	(100,000,000)	-
30 June 2022	Closing balance	35,893,417	5,288,123

### a) Vesting of performance rights

During the year, the following performance rights were vested:

- 900,000 performance rights held by staff.
- 4,500,000 performance rights held by directors and 2,000,000 performance rights held by staff.

### b) Issued of performance rights

During the period, the Company issued 24,293,417 performance rights to Directors, employees and the vendors of JMC Group with the following terms:

#### Directors

- Tranche 1 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into Shares (on a one for one basis) will vest on the date that the Company achieving a \$150,000,000 market capitalisation based on the 7 days volume weighted average (VWAP) ;
- Tranche 2 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into (on a one for one basis) will vest on the date that the Company achieving a \$200,000,000 market capitalisation based on the 7 days volume weighted average (VWAP) ;
- Tranche 3 Performance Rights: 4,500,000 Performance Rights issued to directors each converting into Shares (on a one for one basis) will vest on the date that the Company achieving a \$250,000,000 market capitalisation based on the 7 days volume weighted average (VWAP) ;

Tranche 1 of the performance rights has been vested during the year.

#### Employees

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The Company issued 6,000,000 performance rights to Vection's employees and collaborators. During the year, 2,000,000 of the performance rights has been vested.

### JMC Group

The Company issued 4,793,417 performance rights to JMC Group with the terms of acquisition. The key terms of the performance rights will be as follows:

- Class A Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$8.8M1 in audited revenue or \$0.5M1 in audited EBITDA in the applicable 2021 fiscal year.<sup>2</sup>
- Class B Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$14.2M1 in audited revenue or \$1.5M1 in audited EBITDA in the applicable 2022 fiscal year.<sup>3</sup>
- Class C Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$20.8M1 in audited revenue or \$3M1 in audited EBITDA in the applicable 2023 fiscal year.<sup>4</sup>

The fair value of these performance rights is \$383,074 and is treated as deferred consideration.

#### c) Issued of performance rights

During the year, the following performance rights issued as part of the consideration for the acquisition of Officine8K SRL as part of the consideration for the acquisition of Vection Italy expired.

- Tranche 1 Performance Rights: 50,000,000 Performance rights each converting into shares (on a one for one basis) upon Vection Italy's earnings before interest, tax, depreciation and amortisation at the end of a financial year being at least \$500,000 (as verified by the Company's auditors) within 24 months of the settlement of the acquisition;
- Tranche 3 Performance Rights: 50,000,000 Performance rights each converting into shares (on a one for one basis) upon:
  - the volume weighted average price for the shares on twenty (20) consecutive days on which sales are recorded being no less than \$0.03; and
  - the revenue generated by the business of Vection Italy achieving a minimum of \$2,500,000 (as verified by the Company auditors) within 36 months of settlement of the acquisition.

### 17) ACCUMULATED LOSSES

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Opening balance	20,771,415	(18,248,484)
Loss for the period	(6,943,483)	(2,522,931)
Closing balance	(27,714,898)	(20,771,415)

### 18) NON-CONTROLLING INTEREST

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Issued capital	5,724	5,724
Reserves	-	-
Accumulated losses	(484,938)	(122,942)
	(479,214)	(117,218)

### 19) LOSS PER SHARE

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Earnings per share for loss from continuing operations		
Loss after income tax	(7,100,432)	(2,506,420)
Non-controlling interest	(418,945)	(137,176)

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Notes to Consolidated Financial Statements

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Loss after income tax from continuing operations attributable to the members of Vection Technologies Limited	(6,681,488)	(2,369,244)
Basic earnings per share	(0.607)	(0.244)
Diluted earnings per share	(0.607)	(0.244)
Earnings per share for loss from discontinued operations		
Loss after income tax from discontinuing operations attributable to the members of Vection Technologies Limited	-	(36,469)
Basic loss per share	-	(0.004)
Diluted loss per share	-	(0.004)
Earnings per share for loss		
Loss after income tax attributable to the members of Vection Technologies Limited	(7,100,433)	(2,542,889)
Basic loss per share	(0.624)	(0.262)
Diluted loss per share	(0.624)	(0.262)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	1,070,785,046	931,408,192

### 20) SEGMENT REPORTING

	Discontinued Operations	IT Development	Outsourced Services	Corporate	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2022					
Segment Revenue	-	13,970,209	3,110,533	136,943	17,217,685
Other revenue	-	1,632,477	-	43,771	1,676,248
Changes in inventories	-	84,832	-	-	84,832
Variable cost of sales	-	(10,264,730)	(1,273,646)	-	(11,538,376)
Employee benefits expense	-	(3,357,319)	(1,216,786)	(266,336)	(4,840,441)
Consulting and professional fees	-	(2,149,179)	(83,849)	(774,067)	(3,007,095)
Financing costs	-	(16,970)	(5,674)	(71,601)	(94,245)
Depreciation and amortisation	-	(899,154)	(1,037)	(57,708)	(957,899)
Other administrative expenses	-	(2,000,768)	(718,199)	(2,749,134)	(5,468,102)
Tax expenses	-	(167,813)	-	-	(167,813)
Segment operating loss after tax	-	(3,103,818)	(188,658)	(3,802,731)	(7,095,207)
Year ended 30 June 2021					
Segment Revenue	-	1,970,263	511,552	239,999	2,721,814
Other revenue	-	708,715	-	40,829	749,544
Changes in inventories	-	(339,512)	-	-	(339,512)
Raw materials and consumables used	-	(509,433)	-	-	(509,433)
Employee benefits expense	-	(884,874)	(118,229)	(159,298)	(1,162,401)
Consulting and professional fees	(9)	(1,065,481)	(25,178)	(358,527)	(1,449,195)
Financing costs	-	(81,521)	(2,031)	(27,539)	(111,091)

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Notes to Consolidated Financial Statements

	Discontinued Operations	IT Development	Outsourced Services	Corporate	Total
	\$	\$	\$	\$	\$
Depreciation and amortisation	-	(600,265)	-	(57,708)	(657,973)
Other administrative expenses	(36,460)	(1,526,203)	(21,167)	(124,249)	(1,708,079)
Tax expenses	-	(76,563)	-	-	(76,563)
Segment operating loss after tax	(36,469)	(2,404,874)	344,947	(446,493)	(2,542,889)

### Segments assets

At 30 June 2022	(3,196,338)	13,612,453	961,708	28,666,498	40,203,719
At 30 June 2021*	-	12,437,132	596,112	18,305,069	31,338,313

### Segment liabilities

At 30 June 2022	19,906	8,733,779	1,001,966	2,470,839	12,226,310
At 30 June 2021*	19,906	8,829,062	240,145	6,819,805	15,908,918

#### 1) Descriptions of assets

The Group's executive directors examine the Group's performance from a core operations perspective and two reportable segments of its continuing business, being IT development and outsourced services.

#### 2) Segment revenue and results

Segment revenue reported above represents revenue generated from external customers. The accounting policies of the reportable segments are the same as the Group's accounting policies describes in note 1. Segment profit represents the profit before tax earned by each segment without allocation of central corporate and administration costs, employee benefits, depreciation and amortisation, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### 3) Segment assets and liabilities

All assets are allocated to reportable segments other than cash, GST receivables, office equipment, and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than borrowings, and corporate creditors. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

\*Restated balances - Refer to Note 1(dd) for further information.

### 21) AUDITOR'S REMUNERATION

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, its network firms and unrelated firms:

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Audit and other assurance services – RSM Australia Partners		
Audit and review of financial statements	60,350	55,000
Other services - RSM Australia Partners		
Tax services	10,000	9,000
Preparation of tax return	6,000	9,000
Transaction support / advisory services	22,900	2,000
	38,900	20,000
Audit services - unrelated firm		
Audit and review of financial statements	95,935	-

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## VECTION TECHNOLOGIES LIMITED

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Notes to Consolidated Financial Statements

### 22) INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Date of the Gain of Control	Country of Incorporation	Ownership Interest	
			2022 (%)	2021 (%)
Sell Lease Property Pty Ltd	16/09/2016	Australia	100	100
Vection Consulting Pty Ltd	16/09/2016	Australia	100	100
Vection Australia Pty Ltd	16/09/2016	Australia	100	100
ServTech Global PH Inc	08/12/2016	Philippines	100	100
Vection India Private Limited	23/03/2017	India	100	100
Vection Italy SRL	12/04/2019	Italy	100	100
Mindesk Inc	29/04/2020	USA	100	100
Mindesk SRL	29/04/2020	USA	100	100
Blank Canvas Studios (Aus) Pty Ltd	27/04/2021	Australia	100	100
JMC Group SRL	31/5/2021	Italy	100	100

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 1:

	Date of the Gain of Control	Country of Incorporation	Parent Ownership Interest		Non-controlling interest Ownership Interest	
			2022 (%)	2021 (%)	2022 (%)	2021 (%)
Vection Health SRL <sup>1</sup>	26/3/2021	Italy	60	60	40	40
Xinntex SRL <sup>2</sup>	31/05/2021	Italy	64	64	36	36
JMC AMEA Ltd <sup>2</sup>	31/05/2021	Abu Dhabi	70	70	30	30

- Vection Health SRL is the subsidiary of Vection Italy SRL. The non-controlling interests hold 40% of the voting rights of Vection Health SRL.
- Xinntex SRL and JMC AMEA Ltd are the subsidiaries of JMC Group SRL. The non-controlling interests hold 36% and 30% of the voting rights respectively.

### 23) RELATED PARTY TRANSACTIONS

i) Transactions with directors and key management personnel

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

Key management personnel compensation

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Short-term benefits	705,860	591,744
Share-based payments	288,679	22,803
	994,538	614,547

A number of entities associated with the directors and key management personnel have consulting agreement in place which has resulted in transactions between the Group and those entities during the period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

	Transaction Value	Outstanding Balance
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## VECTION TECHNOLOGIES LIMITED

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Notes to Consolidated Financial Statements

Director	Transaction	2022	2021	2022	2022
Mr Gianmarco Biagi and Mr Lorenzo Biagi	Other revenue (a)	7,764	-	3,391	136,794
	Other service cost (b)	36,003	81,608	2,818	86,217
	Revenue from services (c)	8,700	71,727	78,688	239,108
	Professional, legal and tax services (d)	-	24,594	-	-

- a) The Company's subsidiary Vection Italy SRL received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi. As at 30 June 2022, the amount receivable is \$3,391.
- b) The Company's subsidiary Vection Italy SRL paid to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided. As at 30 June 2022, the amount payable is \$2,818.
- c) The Company's subsidiary Vection Italy SRL received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided. As at 30 June 2022, the amount receivable is \$78,688.
- d) The Company's subsidiary Vection Italy SRL paid to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided. As at 30 June 2022, the amount payable is \$NIL.

ii) Loans to directors

There were no loans outstanding to directors at year end.

#### 24) BUSINESS COMBINATION

i) Acquisition of JMC Group S.r.l

In prior year, the Group obtained the control of 100% of the issued capital and voting rights in JCM Group S.r.l ("JMC"), the acquisition is completed on 3 August 2021.

(a) Acquisition Consideration

The consideration for the acquisition comprised of:

- EUR 4,000,000 worth of fully paid ordinary shares to the JMC vendors determined at an Issue price of the higher of \$0.10 and the volume weighted average price of the shares for the 5 trading days prior to settlement. Based on an exchange rate of 0.62448, the maximum number of shares to be issued will be 64,053,292 (\$6,405,329).

In addition, the following performance rights that are not considered to be consideration arise under the agreement.

- In accordance with the terms of the acquisition of JMC, the Group will enter into an agreement with Mr Jacopo Merli to appoint him as CEO of JMC, including an offer made pursuant to Vection's Employee Incentive Performance Rights Plan for the issue of performance rights which will convert into fully paid ordinary shares on the achievement audited revenue and/or EBITDA targets for JMC, aligned with the Company's overarching global growth strategy. The key terms of the performance rights will be as follows:
  - Class A Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$8.8M<sup>1</sup> in audited revenue or \$0.5M1 in audited EBITDA in the applicable 2021 fiscal year.<sup>2</sup>
  - Class B Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$14.2M<sup>1</sup> in audited revenue or \$1.5M1 in audited EBITDA in the applicable 2022 fiscal year.<sup>3</sup>
  - Class C Performance Rights will convert into an aggregate of \$159,780.57 worth of Ordinary Shares upon JMC achieving ~\$20.8M<sup>1</sup> in audited revenue or \$3M1 in audited EBITDA in the applicable 2023 fiscal year.<sup>4</sup>
    - at the conversion price being the greater of \$0.10 and the Company's 5 day VWAP prior to the date that the performance milestone for the relevant performance right is determined achieved by the Company's auditor.
    - The performance rights are expected to be issued under the Vection's Employee Incentive Performance Rights Plan to Mr Merli within 3 months. It is expected that, if all the final performance milestones are achieved, and the performance rights are converted at the floor conversion price, a maximum of 4,793,417 shares will be issued across 3 years.

Notes:

- (1) Based on the AUD\$/EUR€ exchange rate for the fiscal year 2021 (July 2020 - June 2021) of 0.62585833.
- (2) Audited revenue of €5.5M and audited EBITDA of €291k.
- (3) Audited revenue of €8.9M and audited EBITDA of €938k.
- (4) Audited revenue of €13M and audited EBITDA of €1.9M.

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Under the principles of AASB 3, the assets and liabilities of JMC are measured at fair value on the date of control.

(b) Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of JMC. Details of the transaction are as follows:

	Fair Value 30 June 2022
	\$
Consideration	
64,053,292 fully paid ordinary shares	6,391,223
Total consideration	6,391,223
Fair value of assets and liabilities at acquisition date:	
Cash and cash equivalents	2,264,260
Trade and other receivables	1,394,987
Inventory	1,413,141
Other assets	6,103
Deferred tax assets	535,242
Property, plant and equipment	187,575
Intangible assets	2,285,754
Financial assets	474,088
Deferred tax liability	(571,429)
Trade and other payables	(1,762,133)
Borrowings	(3,316,238)
Provision for employee benefits	(205,523)
Minority interest	(56,950)
Fair value of identifiable assets and liabilities acquired	2,648,877
Consideration	6,391,323
Less: Fair value of identifiable assets and liabilities assumed	(2,648,877)
Acquired Goodwill	3,742,356

Measurement period adjustment and comparative information restatement

During the year ended 30 June 2022, the Company finalised its assessment of the assets and liabilities acquired. This resulted in a decrease in acquired goodwill and an increase in identifiable intangible assets in the consolidated statement of financial position. The total adjustment of \$1,781,214 was adjusted at 30 June 2021 based on the facts and circumstances that existed. The 30 June 2021 figures are restated as disclosed in note 9. Extract of line items impacted are disclosed below.

Extract	Consolidated		
	30 June 2021		30 June 2021
	Reported	Adjustment	Restated
	\$	\$	\$
<b>Non current assets</b>			
Goodwill	5,906,643	(2,143,287)	3,743,356
Other Intangible Assets	3,737,804	2,169,530	5,907,334

ii) Acquisition of Blank Canvas Studios (Aus) Pty Ltd

On 27 April 2021, the Group completed the acquisition of 100% of the issued capital and voting rights in Blank Canvas Studios (Aus) Pty Ltd

## VECTION TECHNOLOGIES LIMITED

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Notes to Consolidated Financial Statements

("Blank Canvas").

(a) Acquisition Consideration

The consideration for the acquisition comprised of:

- \$250,000 In cash
- 2,769,469 in fully paid ordinary shares to the Blank Canvas vendors at an Issue price based on the volume weighted average price of Vection's shares for the last 20 trading days prior to settlement, valued at \$250,000
- An amount of cash equal to trade debtors plus un-invoiced WIP plus cash less liabilities as at the settlement date, less any unpaid trade debtors not recovered by 30 June 2021

In addition, pursuant to the acquisition agreement, the following performance rights are not considered to be consideration of the acquisition arose:

- 18,000,000 performance rights Issued to Blank Canvas vendors to the value of \$1,800,000 based on the following terms:
  - Class A: \$500,000 performance rights subject to Blank Canvas achieving revenue of \$1,500,000 and EBITDA being equal to or above 0 by the financial year ending 30 June 2022
  - Class B: \$600,000 performance rights subject to Blank Canvas achieving revenue of \$3,000,000 and EBITDA being equal to or above 0 by the financial year ending 30 June 2023
  - Class C: \$500,000 performance rights subject to Blank Canvas achieving revenue of \$5,000,000 and EBITDA being equal to or above 0 by the financial year ending 30 June 2024

Under the principles of AASB 3, the assets and liabilities of Blank Canvas are measured at fair value on the date of acquisition.

(b) Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of Blank Canvas Studios (Aus) Pty Ltd. Details of the transaction are as follows:

	Fair Value 30 June 2021
	\$
Consideration	
Cash	264,074
2,769,469 fully paid ordinary shares	250,000
Total consideration	<u>514,074</u>
Fair value of assets and liabilities at acquisition date:	
Cash	258,348
Trade and other receivables	109,158
Trade and other payables	(173,930)
Employee benefits	(36,299)
Tax liabilities	(133,224)
Fair value of identifiable assets and liabilities acquired	<u>24,053</u>
Consideration paid	514,074
Less: Fair value of identifiable assets and liabilities assumed	<u>(24,053)</u>
Acquired Goodwill	<u>490,020</u>

Measurement period adjustment

During the year ended 30 June 2022, Company finalised its assessment of the assets and liabilities obtained upon the acquisition of Blank Canvas on 27 April 2021 which included provisionally recognised intangible assets as at 30 June 2021. The purchase price allocation has been finalised during the year and other than a reduction to goodwill on acquisition of \$1,181,273 provisionally measured and no other changes arose.

## 25) PARENT ENTITY INFORMATION

## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Notes to Consolidated Financial Statements

The following details information related to the Parent entity, Vection Technologies Limited, at 30 June 2022. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	30 June 22	30 June 21
	\$	\$
Current assets	11,373,663	4,390,114
Non-current assets	20,686,677	21,638,708
<b>Total assets</b>	<b>32,060,340</b>	<b>26,028,822</b>
Current liabilities	9,357,973	13,992,028
Non-current liabilities	677,901	4,419,262
<b>Total liabilities</b>	<b>10,035,874</b>	<b>18,411,290</b>
Contributed equity	44,611,396	29,664,115
Option reserve	11,683,771	1,628,603
Accumulated losses	(36,720,711)	(23,675,186)
<b>Total equity</b>	<b>19,574,456</b>	<b>7,617,532</b>
Loss for the year	(7,775,536)	(629,316)
Other comprehensive loss for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(7,775,536)</b>	<b>(629,316)</b>

### Guarantees in relation to subsidiaries

Vection Technologies Limited does not have any guarantees in relation to subsidiaries (2021: nil).

### Contingent liabilities

Vection Technologies Limited has no material contingent liabilities which are not disclosed in this report as at 30 June 2022 (2021: nil)

### Commitments

Vection Technologies Limited had no capital commitments as at 30 June 2022 and 30 June 2021. Significant accounting policies

**The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:**

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## 26) FINANCIAL ASSETS

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Listed equity shares at fair value to profit or loss (i)	40,526	59,147
Interest rate swap	-	4,002
	<b>40,526</b>	<b>63,149</b>

- i. The Australian listed equity shares held-for-trading at fair value through profit or loss \$18,621 (2021: \$7,017). The fair value has been determined directly by reference to published price quotations in an active market for identical securities. They are deemed to be Level 1 securities in accordance with the AASB 13 fair value measurement hierarchy and hence there is no

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Notes to Consolidated Financial Statements

subjectivity in relation to their value.

### 27) FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Group holds the following financial instruments:

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Financial assets		
Cash and cash equivalents	14,869,095	7,083,890
Receivables (current)	5,895,962	4,837,334
Derivative instruments	-	4,002
	<u>20,765,057</u>	<u>11,925,226</u>
Financial liabilities		
Payables (current)	7,046,935	3,615,025
Interest bearing liabilities	4,094,927	4,919,958
	<u>11,141,862</u>	<u>8,534,983</u>

a) Market Risk

i) Interest rate risk

As at and during the year ended on reporting date, the Group had no significant interest bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income and operating cash flows (other than interest income from funds on deposit and interest expense on the facility loan) are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk for each class of financial assets and liabilities is set out below:

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Financial assets		
Cash and cash equivalents at floating rate	14,869,095	7,083,890
Financial liabilities		
Interest bearing liabilities (Note 13,14)	4,094,927	4,919,958

Group sensitivity

At 30 June 2022, if interest rates had changed by +/- 100 basis points from the year end with all other variables held constant, the loss for the year would have been \$148,691 lower/higher (2021: \$70,839 higher/lower), as a result of a lower/higher interest income from cash and cash equivalents.

ii) Commodity risk pricing

The Group is not exposed to commodity risk price risk.

b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions, only independently rated parties with a minimum of 'A' are accepted. The Group trades only with recognised, trustworthy third parties. It is the Group's policy to perform credit verification procedures in relation to any customer's financial position and any past experience to set individual risk limits as determined by the Board.

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Notes to Consolidated Financial Statements

The maximum exposure to credit risk at the reporting date is the carrying amount of the following financial assets:

	Consolidated	
	30 June 22	30 June 21
	\$	\$
Cash and cash equivalents	14,869,095	7,083,890
Receivables (current)	5,895,962	4,837,334
	20,765,057	11,921,224

### c) Liquidity risk

Prudent liquidity risk management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### Maturities of financial liabilities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated 30 June 2022	%	\$	\$	\$	\$	\$
Non-derivatives						
Non-interest bearing						
Payables		7,046,935				7,046,935
Interest bearing						
Borrowings	2.15%	1,152,320	703,355	1,624,627	20,825	3,501,127
Lease liabilities	2.47%	209,441	201,879	131,027	-	542,347
		8,408,696	905,234	1,755,654	20,825	11,090,409

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated 30 June 2021	%	\$	\$	\$	\$	\$
Non-derivatives						
Non-interest bearing						
Payables		3,615,025	-	-	-	3,615,025
Interest bearing						
Borrowings	3.11%	1,101,062	817,664	2,193,434	230,335	4,342,495
Lease liabilities	5%	182,372	215,140	343,030	-	740,542
		4,898,459	1,032,804	2,536,464	230,335	8,698,062

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### e) Capital risk management

## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Notes to Consolidated Financial Statements

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash equivalents and equity attributable to equity holders of the Parent. The Group is not subject to externally imposed capital requirements.

### f) Foreign exchange risk

As a result of operations in Italy, USA and India, the Group's Statement of Financial Position can be affected by movements in the Euro (EUR)/AUD, United States dollars (USD)/AUD and Indian Rupee (INR)/AUD exchange rates. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group had the following exposure to foreign currency:

	30 June 2022		30 June 2021	
	EUR	INR	EUR	INR
	A\$	A\$	A\$	A\$
Financial assets				
Cash and cash equivalents	3,446,506	4,325	2,603,798	3,297
Receivables	5,902,426	27,783	4,319,450	18,438
	9,348,932	32,108	6,923,248	21,735
Financial liabilities				
Payables	6,964,122	25,531	3,710,031	17,858
	6,964,122	25,531	3,710,031	17,858
Net balance	2,384,810	6,576	3,213,217	3,877

The following sensitivity is based on a 10% movement of EUR, USD and INR against the AUD and the effect on the net profit or loss and equity of the Group for the period to 30 June 2022, with all other variables held constant:

	30 June 22		30 June 21	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
EUR, USD, INR increasing 10% against AUD	239,139	239,139	321,709	321,709
EUR, USD, INR decreasing 10% against AUD	(239,139)	(239,139)	(321,709)	(321,709)

### 28) DISCONTINUED OPERATIONS

During the year, Sell Lease Property Pty Ltd and ServTech Global PH Inc are considered discontinued operations.

	30 June 22	30 June 21
Contribution of entities to discontinued operations	\$	\$
Sell Lease Property Pty Ltd	-	-
ServTech Global PH Inc	-	36,469
Loss from discontinued operations	-	36,469

### 29) COMMITMENTS

The Group did not have any commitments as at reporting date.

### 30) CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at reporting date.

### 31) EVENTS OCCURRING AFTER THE REPORTING PERIOD

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## VECTION TECHNOLOGIES LIMITED

Annual Report for the Year Ended 30 June 2022

Notes to Consolidated Financial Statements

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Following the end of the period, in accordance with the terms of the acquisition of JMC Group Srl (JMC), the Company issued 63,912,230 fully paid ordinary shares under its Listing Rule 7.1 capacity. The consideration shares are subject to voluntary escrow for 18 months from 3 August 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2021.

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## VECTION TECHNOLOGIES LIMITED

Directors' Declaration

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### DIRECTORS' DECLARATION

In the opinion of the directors of Vection Technologies Limited:

- (a) The financial statements and notes are in accordance with the Corporations Act 2001, including:
- I. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
  - II. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporation Act 2001 for the financial year ending 30 June 2022.

Signed in accordance with a resolution of the directors.



Mr Bert Mondello  
Chairman  
Vection Technologies Limited

3 October 2022  
Perth, Western Australia

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
VECTION TECHNOLOGIES LIMITED**

**Opinion**

We have audited the financial report of Vection Technologies Limited (Company) and its subsidiaries (Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

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

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

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

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## Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
<b>Business combinations</b> Refer to Note 24 in the financial statements	
<p>The Group acquired the businesses of Blank Canvas Studios (Aus) Pty Ltd and JMC Group S.r.l. as disclosed in Note 24.</p> <p>The acquisitions were determined to be business combinations during the year ended 30 June 2021 and were accounted for on a provisional basis as at 30 June 2021.</p> <p>The measurement period for the business combinations ended during the year ended 30 June 2022.</p> <p>The finalisation of the business combination accounting for these acquisitions is a key audit matter due to the material nature of the acquisitions, the related management estimates and judgements associated with finalising the identification and measurement of the fair value of the purchase consideration and assets and liabilities acquired.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the Group's accounting policy for compliance with Australian Accounting Standards;</li> <li>Reading the purchase agreements and other associated documents to obtain an understanding of the transactions and the related accounting considerations;</li> <li>Testing the determination of the fair value of consideration payable;</li> <li>Assessing the methods, assumptions and data utilised in determining the fair value of assets and liabilities acquired, including evaluating the work performed by management's experts and the competency and objectivity of the expert; and</li> <li>Assessing the disclosures in the financial statements, including the restatement of comparative balances.</li> </ul>
<b>Carrying value of intangible assets</b> Refer to Note 9 in the financial statements	
<p>The Group has intangible assets of \$17,027,998 as at 30 June 2022, comprising goodwill of \$8,670,062 and other intangible assets of \$8,357,936.</p> <p>The Group is required to test goodwill acquired in business combinations for impairment annually.</p> <p>In addition, the Group is required to assess at 30 June 2022 whether there is any indication that intangible assets may be impaired. If any such indication exists, the Group is required to estimate the recoverable amount of its other intangible assets.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the Group's accounting policy for compliance with Australian Accounting Standards;</li> <li>Agreeing acquired goodwill and the fair value of other intangible assets to the finalised purchase price allocations for Blank Canvas Studios (Aus) Pty Ltd and JMC Group S.r.l.;</li> <li>Critically evaluating management's assessment of whether impairment indicators for other intangible assets were present at 30 June 2022;</li> <li>Considering the appropriateness of the value in use models applied by the Group to assess the carrying value of intangible assets. This included evaluating the work performed by management's expert and assessing the competency and objectivity of the expert;</li> </ul>

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Key Audit Matter	How our audit addressed this matter
<p>We determined this to be a key audit matter due to the extent of management judgement and estimates involved in:</p> <ul style="list-style-type: none"> <li>• Determining the attributable goodwill and fair value of other intangible acquired in relation to the Blank Canvas Studios (Aus) Pty Ltd and JMC Group S.r.l. business combinations (refer KAM above);</li> <li>• Testing goodwill for impairment including determining the cash generating unit (CGU) to which the goodwill relates and determining the recoverable amount of the related CGU utilising a value in use model which includes assumptions such as revenue growth rate, discount rate and terminal value growth rate;</li> <li>• Assessing whether indicators of impairment are present in relation to the Group's other intangible assets; and</li> <li>• Where indicators of impairment are identified, determining the recoverable amount of the related intangible assets by utilising a value in use model which includes assumptions such as revenue growth rate and discount rates.</li> </ul>	<ul style="list-style-type: none"> <li>• Assessing the work performed by component auditors with respect to other intangible assets held within the respective Group's component entities;</li> <li>• Considering the Group's determination of their CGUs based on our understanding of the operations of the Group's business and how the identifiable CGUs generate independent cash inflows;</li> <li>• Considering the appropriateness of the value in use models applied by the Group to assess the carrying value of CGUs to which goodwill was allocated. This included evaluating the work performed by management's expert and assessing the competency and objectivity of the expert;</li> <li>• Challenging the Group's forecast cash flows, EBITDA margin and growth assumptions;</li> <li>• Considering the sensitivity of the models by varying key assumptions, such as forecast EBITDA margins, discount rate, within a reasonably possible range;</li> <li>• Working with our valuation specialists, we developed a discount rate range considered comparable using publicly available market data for comparable entities and assessed the integrity of the value in use models used;</li> <li>• Checked the mathematical accuracy of the impairment expenses recognised and</li> <li>• Assessing the adequacy disclosures included in the financial statements.</li> </ul>
<p><b>Revenue from customers</b>  <b>Refer to Note 3 in the financial statements</b></p>	
<p>Revenue from customers for the year ended 30 June 2022 was \$17,217,685. The primary revenue source is Integrated XR sales to customers.</p> <p>Revenue was considered a key audit matter because it is a significant account balance in the statement of profit or loss and other comprehensive income and the process of revenue recognition involves multiple revenue streams for services or products rendered.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing the Group's accounting policy for compliance with Australian Accounting Standards;</li> <li>• Obtaining an understanding of each of the revenue sources and the process for determining and recognising revenue;</li> <li>• On a sample basis, testing revenue recorded to supporting documentation;</li> <li>• Testing a sample of revenue transactions before and after the reporting date to assess whether revenue is recognised in the correct financial period;</li> <li>• Assessing the work performed by component auditors with respect to revenue recognised by the respective Group's component entities; and</li> <li>• Assessing the disclosures in the financial statements.</li> </ul>

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

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

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

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

## **Responsibilities of the Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

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## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Vection Technologies Limited, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

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



RSM AUSTRALIA PARTNERS



MATTHEW BEEVERS  
Partner

Perth, WA  
Dated: 3 October 2022

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## VECTION TECHNOLOGIES LIMITED

Additional ASX Information

### ADDITIONAL ASX INFORMATION

#### NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 31 AUGUST 2022

The fully paid issued capital of the Company consisted of 1,109,924,294 ordinary fully paid shares held by 6,278 shareholders. Each share entitles the holder to one vote.

#### DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES AS AT 31 AUGUST 2022

Holding Ranges	Holders	Total Units	% Issue Share Capital
above 0 up to and including 1,000	66	11,713	0.00%
above 1,000 up to and including 5,000	1,059	3,926,327	0.35%
above 5,000 up to and including 10,000	1,275	9,942,363	0.90%
above 10,000 up to and including 100,000	3,089	113,024,463	10.18%
above 100,000	789	983,019,428	88.57%
<b>Totals</b>	<b>6,278</b>	<b>1,109,924,294</b>	<b>100.00%</b>

	Minimum parcel size	Holders	Units
Minimum \$500 parcel at \$0.076 per unit	6,578	1,487	6,029,910

#### SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2022

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

Substantial shareholder	Number of shares	% held
OFFICINE 8K S R L	327,556,186	29.51%
MR JACOPO MERLI	63,912,230	5.76%

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## VECTION TECHNOLOGIES LIMITED

Additional ASX Information

### TWENTY LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES

#### TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AS AT 31 AUGUST 2022

POSITION	HOLDER NAME	HOLDING	% IC
1	OFFICINE 8K S R L	327,556,186	29.51%
2	MR JACOPO MERLI	63,912,230	5.76%
3	CDP VENTURE CAPITAL SGR SPA	52,690,278	4.75%
4	PRIMO VENTURES SGR SPA	46,740,000	4.21%
5	CITICORP NOMINEES PTY LIMITED	36,161,704	3.26%
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	29,377,968	2.65%
7	CROSSBAY PTY LTD	15,390,000	1.39%
8	MRS PATRICIA ANNE SCUDDS	12,400,000	1.12%
9	A11 VENTURE S R L	11,991,467	1.08%
10	HTC VIVE INVESTMENT (BVI) CORP	11,179,911	1.01%
11	TRADITIONAL SECURITIES GROUP PTY LTD <LPR FAMILY A/C>	10,490,041	0.95%
12	SETTEPUNTONOVE SRL	8,000,000	0.72%
13	SARISAN CONSULTANTS PTY LTD <MCGUIGAN FAMILY A/C>	7,340,418	0.66%
14	MR MARCEL ANTHONY REUBEN <DEBMAR A/C>	7,244,850	0.65%
15	MR YALEI MENG	6,794,881	0.61%
16	MR MARX LIN	6,500,000	0.59%
17	MR KIRIL RUVINSKY	6,488,629	0.58%
18	JMC GROUP SRL	6,102,487	0.55%
19	BNP PARIBAS NOMS PTY LTD <DRP>	5,631,606	0.51%
20	MR ARTHUR BROMIDIS	5,500,000	0.50%
	Total	682,992,656	61.54%