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Beyond Reality

Vection Technologies Limited
ACN 614 814 041

ANNUAL REPORT 2023



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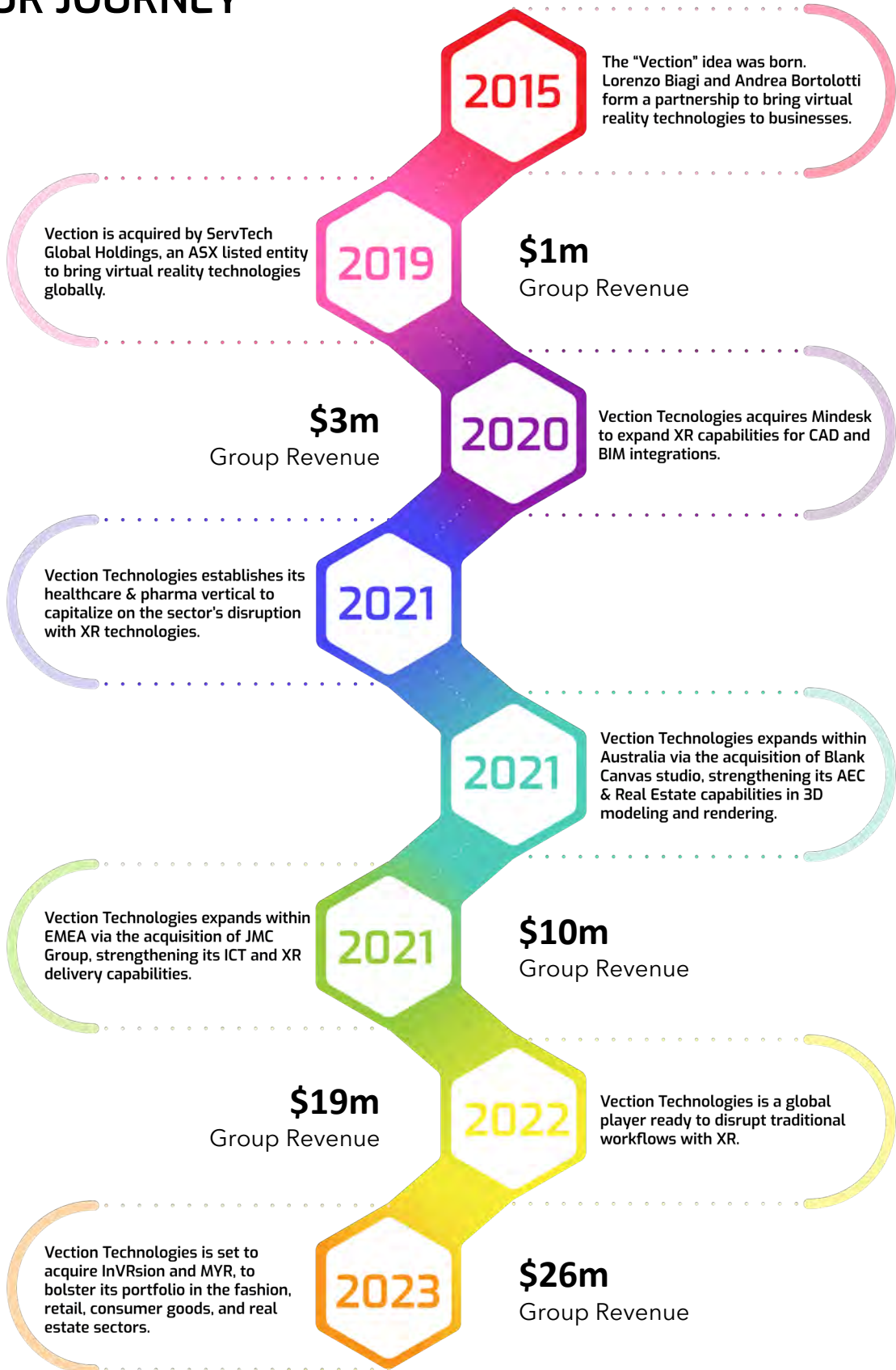
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CEO's report

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OUR JOURNEY

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TECHNOLOGY ADVANTAGE

Revolutionizing business extended reality (XR) adoption via the **INTEGRATEDXR** workflow.

We provide end-to-end digitalization spanning ICT infrastructure, **Virtual Reality (VR)**, **Augmented Reality (AR)**, **Mixed Reality (MR)**, the **Metaverse**, and **Artificial Intelligence (AI)**.

Our commitment extends to fostering client proficiency in the 3D revolution, including essential services like 3D modeling and rendering.



MINDesk

CAD PLUG-IN
Virtual Reality (VR)
Bi-directional VR Visualizer/Editor



3D FRAME

Collaborative Virtual Reality (VR)
Design/Sales/Marketing/Training
Editor



EnWORKS

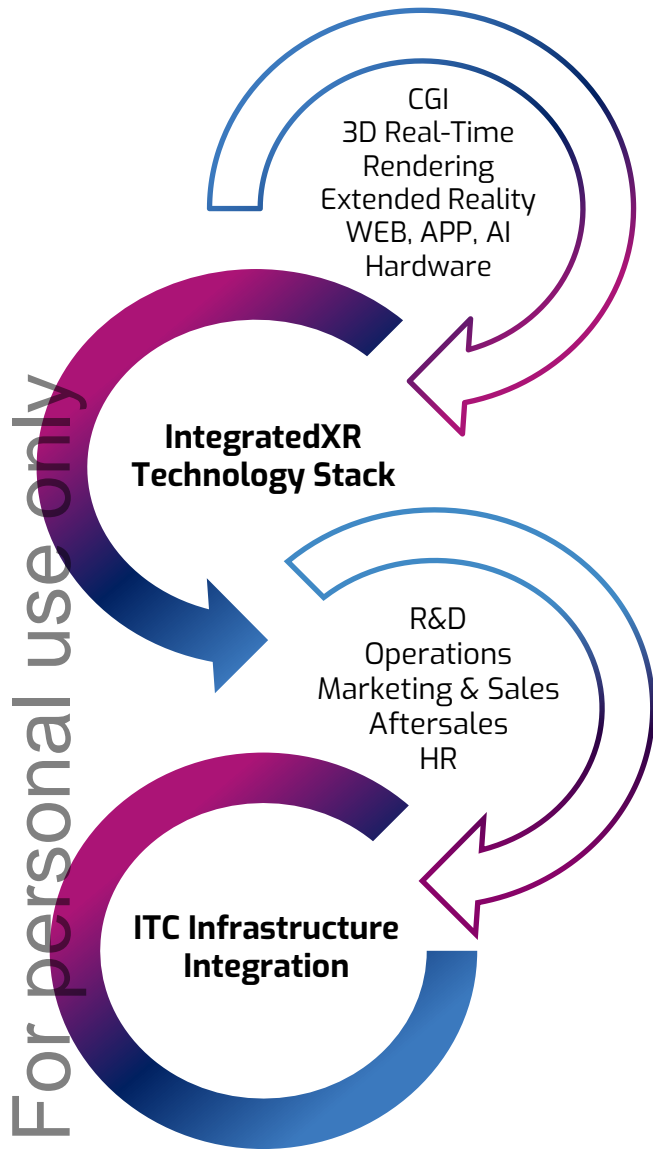
Augmented Reality (AR)
Step-by-step 2D/3D procedures



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TECHNOLOGY ADVANTAGE

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Our strategy centers on seizing low-hanging opportunities to establish customer relationships and drive the 3D digital revolution, commencing with ICT and progressing to intricate 3D, AR, VR, and AI solutions.

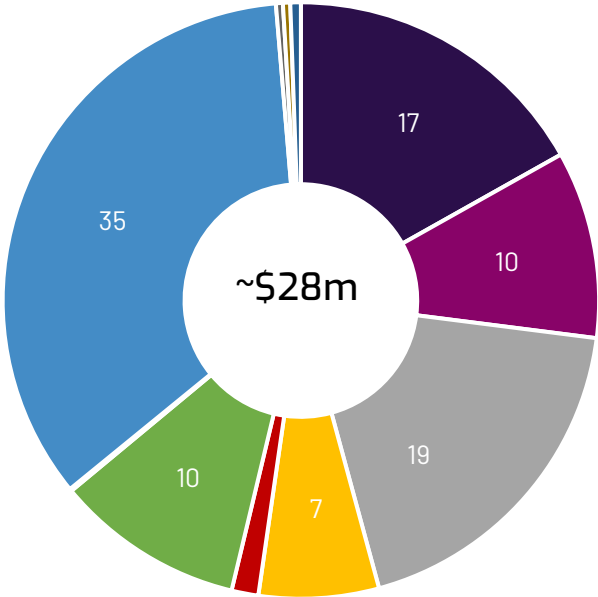
As adoption widens, the upfront custom segment's percentage diminishes in our overall business composition.

This strategic approach is **advantageous for customers as it enables gradual integration of advanced technologies while leveraging their existing ICT framework.**

Our value proposition lies in **providing a seamless pathway towards immersive experiences**, enhancing operational efficiency, and future-proofing their digital investments. This aligned strategy ensures sustained growth and technological empowerment for both our customers and investors.

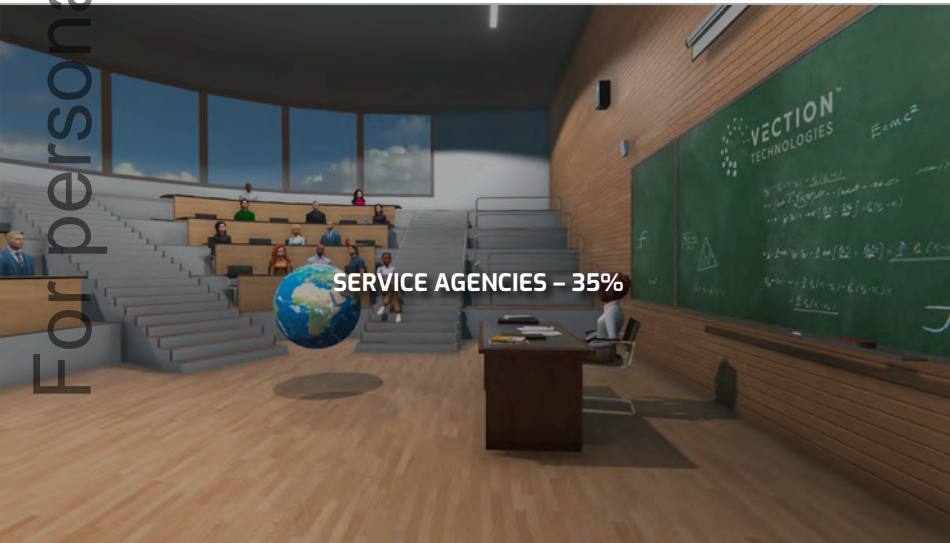


KEY MARKET SEGMENTS



- Defence, Space, Military & Law Enforcement
- Media & Communication
- AEC & Real Estate
- Sports & Betting
- Public Sector & Education
- Other
- Healthcare & Pharma
- Service Agencies
- Automotive & Naval
- Fashion, Retail & Consumer Goods
- Machinery

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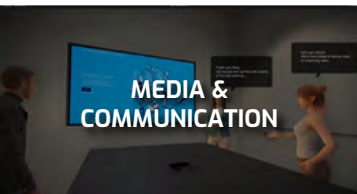
SERVICE AGENCIES - 35%



AEC & REAL ESTATE - 19%



DEFENCE, SPACE, MILITARY & LAW ENFORCEMENT - 17%



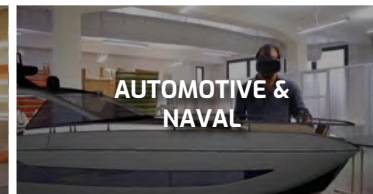
MEDIA & COMMUNICATION



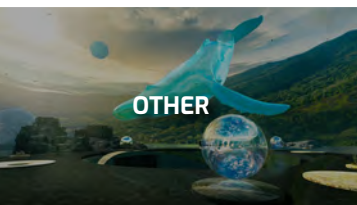
SPORTS & BETTING



FASHION, RETAIL & CONSUMER GOODS



AUTOMOTIVE & NAVAL



OTHER



PUBLIC SECTOR & EDUCATION



MACHINERY



HEALTHCARE & PHARMA



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XR CASE STUDIES - MAROTTA

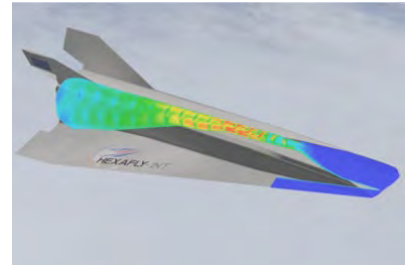
CHALLENGES

- Stand out from the competition.
- Highlight design features and innovation in live and remote presentations.
- Decreasing design time by reducing the number of editing steps the client requires.
- Lessening design time by reducing the time spent in data preparation of 3D models for use across the software.



SOLUTION

- Using 3DFrame, Marotta sets up virtual spaces to present project progress and initiate an interactive session with clients.
- Integrating 3DFrame and Cisco Webex allows easier access and collaboration in cooperative virtual environments.
- Utilizing 3DFrame integration into Webex enables Marotta to make presentations and discuss sessions more effectively, making the design process more efficient.



EVIDENCE

- HEXAFLY project teams in an immersive and collaborative manner and without prototype construction can now:
 - Simulate operational maintenance activities in VR;
 - Simulate operational activities of stowage (loading and unloading) in the nacelle and check encumbrances for activities;
- Share project details and opportunities with future customers.
- The experience can be enjoyed in these modes:
 - ASYNCHRONOUS: each designer can independently simulate the relevant activities;
 - COLLABORATIVE: The designer shares project analysis in virtual reality with other departments/teams/remotes using the Webex platform.

Potential outcomes:

+20%

Improved 3D file preparation time.

+30%

Speed of design time.

+50%

Reduction of rework following customer consultations



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XR CASE STUDIES - HUMANITAS

CHALLENGES

- Student accessibility to clinical practice spaces otherwise difficult to access.
- Practice in multi-user (student) collaborative mode, even remotely.
- Practice in a secure environment.
- Easy reuse and modification of material for new students or other purposes.
- Possibility of continuous use of training material at no added cost.



SOLUTION

- Users can experience the procedures by:
 - Having direct interaction of the avatar with instrumentation;
 - Viewing an animated avatar interacting with models;
 - Viewing 2D and 3D infographic content.
- The experience can be unfolded in the following modes:
 - *ASYNCHRONOUS*: each user can independently enjoy the experience;
 - *LIVE*: the reference teacher (assisted by appropriate direction) guides the experience collaboratively and in real time through Cisco Webex Technology.



EVIDENCE

- In collaboration with Humanitas liaisons, our experts mapped the hospital spaces and defined procedures and storytelling for the virtual experience. Clinical environments were remodeled in 3DFrame's virtual spaces and then made accessible to students, residents, and specialists from the university's Medicine School and Laboratory techniques.

Potential outcomes:

x 20 times

Increased accessibility to clinical practice environments

30-50%

Efficacy in memorizing procedures

COLLABORATIVE ENVIRONMENT



GUIDED PROCEDURES



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GLOBAL FOOTPRINT

Our strategic investment in establishing a local presence within key markets significantly **amplifies our customer-focused strategy** and underpins their sustained global triumph.

This tactical move empowers us **to grasp market intricacies, customize solutions, and offer rapid assistance.** Proximity fosters agility, cultural alignment, and synergistic collaborations.

This localized dedication not only underscores our commitment to customer satisfaction worldwide but also fortifies lasting relationships that drive mutual success.

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FY23 FINANCIAL HIGHLIGHTS



Revenue

\$ 26.3m



Underlying
EBITDA net of
adjustments

\$ 69k



Closing Cash

\$ 11.4m



Net Assets

\$ 19.2m

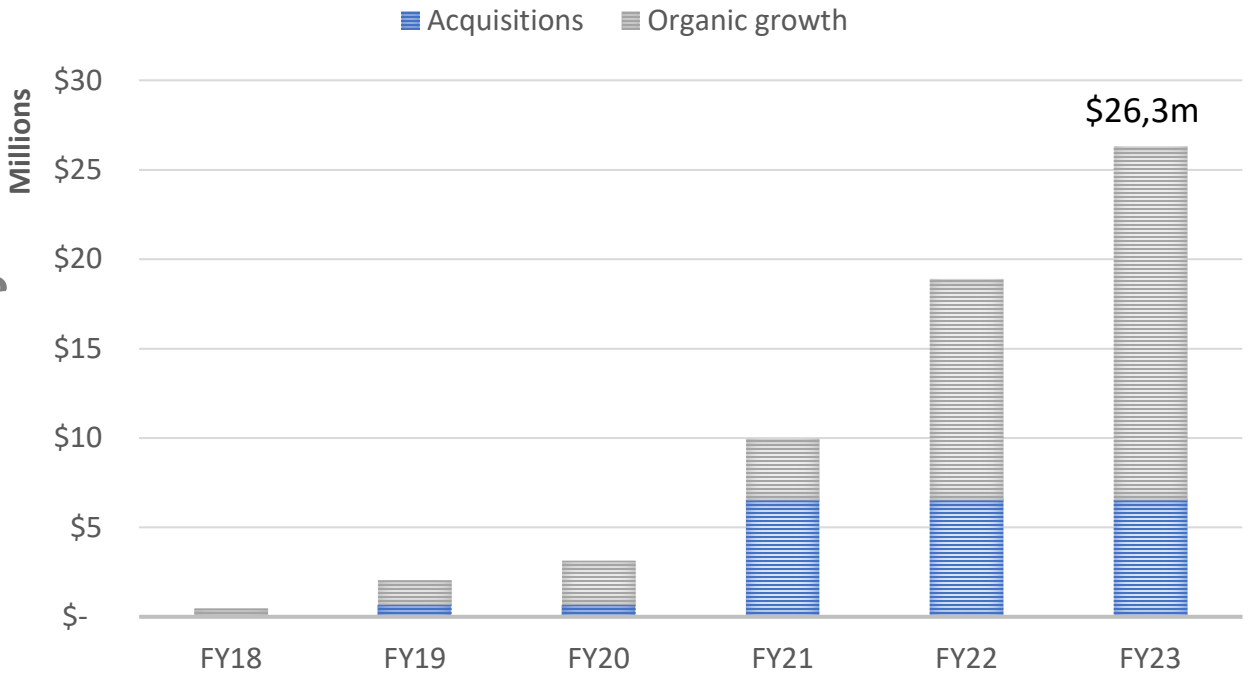
Underlying EBITDA:^{1,2}

	Full year ended 30 June 2023	Margin on revenue FY23	Full year ended 30 June 2022	Margin on revenue FY22
	\$	%	\$	%
Profit (loss) after income tax attributable to members	(10,820,472)	-41,3%	(6,681,487)	-35,4%
Interest and financing related costs	355,761		94,245	
Depreciation and amortization	1,217,307		957,899	
Income Tax	54,995		167,813	
One-off transaction costs and cost reduction	3,156,471		1,720,467	
Non-cash accounting charges	5,077,083		3,148,694	
Changes in inventory	563,891		84,831	
Underlying EBITDA¹	(394,964)	-1,5%	(507,538)	-2,7%
Listed entity related expenses	464,369		437,067	
Underlying EBITDA net of adjustments	69,405	0,3%	(70,471)	-0,4%

(1) The Company assesses the underlying EBITDA on a half-yearly and yearly basis to assess its achievements towards forecasts.

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

Organic growth generation:



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Power of INTEGRATEDXR[®]

- Proven track record of well-executed M&A transactions.
- ~200% increase in organic revenue growth generated from acquisitions strategy.
- M&A generated ~\$19m in organic growth in FY22.

NOTES

1. Organic growth rate and \$ value is based on FY23 organic revenue growth compared to the combined revenue of the acquisitions on the full unaudited year's revenue prior to acquisition.
2. Acquisitions include: Mindesk Inc (ASX: 28 April 2020), Blank Canvas Studios (ASX: 27 April 2021) and JMC Group (ASX: 4 August 2021). Revenue figures above include the acquisition unaudited revenue on the full year prior to acquisition date.
3. Organic Growth includes: Vection (ASX: 12 April 2019) in addition to historical business and organic growth generated by the combined group following acquisitions. (audited).

CEO'S REPORT

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"I am pleased to present a comprehensive overview of our Company's performance and strategic direction for FY23. Our commitment to driving organic growth, pioneering technological innovation, and prioritizing customer satisfaction has been instrumental in driving our achievements within a constantly evolving market landscape, all while adhering to the stated INTEGRATEDXR® strategy.

Despite the Company's presentation of a positive adjusted EBITDA (refer to the table contained in this report) for FY23, the overall loss was primarily influenced by non-cash accounting charges, notably the prudent impairment assessment of intangible assets. In a market characterized by robust expansion, especially within the global business-to-business (B2B) domain, integrated XR technologies have emerged as a dominant force.

Major market-leading enterprises are increasingly embracing these transformative technologies, notably in sectors such as CAD, ERP, CRM, and more, resulting in significant growth and global investment within the industrial sphere.

Despite the tough global economy with rising interest rates, inflation, and conflicts, the Company managed to achieve a successful result, even more remarkable considering we're in the early stages of market adoption in an emerging market."

Fostering organic growth through innovation:

"The past fiscal year stands as a testament to our organic growth across diverse technological domains and markets, solidifying our standing as a dynamic industry contender. Despite being a relatively young company, we've harnessed the power of an innovative combined technology approach, known as INTEGRATEDXR®. It is important to highlight that this strategy requires time to fully mature.

We have diligently invested, and our commitment remains steadfast in advancing our solutions. The INTEGRATEDXR® concept has garnered increasing recognition from customers and governments in Italy, the USA, and Australia. While the provision of integrated solutions demands substantial expertise and investment, it promises robust growth and enduring global customer loyalty."

Strategic adaptation to dynamic markets:

"In a landscape marked by rapid changes, our dedication to enhancing our technology suite remains firm. This commitment stems from our unyielding focus on meeting the evolving needs of our customers. As we diligently evaluate and optimize our business' cost structure, we acknowledge the necessity of strategic investments to gain a competitive advantage, foster international expansion through both existing partnerships and new collaborations, as well as facilitate selective acquisitions.

Crucially, our Company is currently in an investment phase, strategically positioned to transition into profitability. By combining organic growth and selective acquisitions, our strategy positions us as a global contender, mitigating business risks and reinforcing our market presence. This concerted effort, guided by our experienced management, aims to cater to the escalating demand for digitalization on a global scale."

Balancing growth and customer-centric approach:

"While our focus on expanding recurring revenue streams remains unchanged, we recognize that the market we operate in is still evolving. Consequently, our clients require a tailored, attentive approach as they embrace the transformative potential of the 3D revolution. Our commitment to delivering a premium experience remains firm, expediting the adoption of innovative technologies.

In FY23, the Company prioritized its strategic partner relations focusing on technology, client engagement, and value creation for customers, with partners including Accenture and Cisco Webex. By investing substantial effort and resources into these key relationships, the Company showcased its commitment to fostering collaborative growth and innovation. These strategic efforts not only exemplify the Company's vision for synergy and growth but also solidify its standing as a trusted industry player capable of driving meaningful, sustainable results."

Harmonizing Technologies:

"Furthermore, groundbreaking technologies like ChatGPT have catalysed disruptive innovation within our market. In response, we have empowered our technology team to innovate at the intersection of ICT, 3D and AI. This fusion empowers our clients with distinct advantages and positions us at the forefront of the industry's evolution."

Financial performance and forward Path:

"Our year's revenue growth has been remarkably encouraging and in line with projections. Although the initial half of the year experienced some deceleration due to external factors, the latter half witnessed a substantial recovery that enabled us to meet expectations.

Our trajectory aligns with our verticalization strategy, focusing on tailoring technology solutions to specific industries.

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This approach involves the strategic integration of select technologies and experts with deep sector insights.

Industries such as defence, space, real estate, fashion, manufacturing, education, and healthcare have been central to our efforts and investments. This strategy extends to developing customized solutions, pursuing acquisitions, forging strategic alliances, and deploying top-tier managers to advance our market position.

Vection Technologies has successfully achieved its projected revenue goals for the fiscal year, effectively delivering on its anticipated revenue range of \$24 to \$26 million. The financial performance for FY23 reflects total revenue of approximately \$26.3m, marking a noteworthy increase of 39% compared to the previous fiscal year's total revenue of \$18.9m in FY22.

Additionally, the Total Contract Value (TCV) for FY23 amounted to \$28 million, showcasing a 47% growth compared to the TCV in FY22. This emphasizes the Company's ability to consistently expand its business and secure valuable contracts.

During the year, we continued to adopt a personalized, white-glove approach to customer service. While this approach temporarily led to elevated costs of sales, it was a conscious decision to establish strong foundations for future growth.

The combined implementation of traditional technologies, XR, and AI is rapidly gaining traction across various industries.


As this integration becomes more prevalent, we anticipate a subsequent reduction in costs of sales in the upcoming years. The synergy between these technologies will drive operational efficiencies and open avenues for cost savings. Our INTEGRATEDXR® technology portfolio continues to be of paramount importance to our clients. By solidifying our relationships and nurturing strategic partnerships, we anticipate a favourable impact on our profit margins. This, in turn, will fuel a more dynamic and sustainable growth trajectory.

In terms of underlying EBITDA, FY23 generated a small positive underlying EBITDA,

In particular, the Company recorded \$5.1m in non-cash accounting charges due to share-based issuances and prudent impairment on intangibles assets acquired during the prior years, \$1.2m in depreciation and amortization, \$0.6m in changes in inventory, and \$0.4m in interest and financing related costs. Furthermore, during the period, the Company recorded \$3.1m in one-off and cost-reduction items, including \$2.3m in reduction of non-critical personnel, consultants, and operating verticals expenses, \$0.2m in one-off variable cost of sales, \$0.5m in non-capitalized one-off investments in infrastructure, and \$0.2m in extraordinary legal and consultants' fees, mainly due to M&A initiatives.

The Company's debt position was \$10.3m, up from \$3.6m at 30 June 2022, due to increased invoicing to customers being financed by leading commercial banks. As for the Company's cash position,

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it stood at \$11.4m at the close of the fiscal year on 30 June 2023.

As the predominant portion of the debt originates from invoice financing, it will be settled upon customers' payments to the company, given its self-liquidating nature.

These financial figures collectively underscore Vection Technologies' substantial growth and financial stability, serving as a testament to its strategic initiatives and market presence.

In conclusion, our journey embodies a combination of innovation and service excellence. Our unrelenting pursuit of cutting-edge technology solutions and dedication to personalized service positions us optimally to harness the potential within a dynamic market. As we continue to refine our strategies and mature as a company, we extend our heartfelt gratitude for your unwavering support and trust in our vision.

Vection Technologies' strategy boosts us toward a path of continuous growth, poised to grow our market presence in Europe, the USA, Australia, and subsequently, the Asian market. Our emphasis on integrated immersive technologies seamlessly aligns with the global trend towards digitalization, a trend we are well-prepared to lead.

We sincerely thank you for your support on this transformative journey."

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Directors	<p>Mr Umberto (Bert) Mondello (Non-Executive Chairman) Mr Gianmarco Biagi (Managing Director) Mr Gianmarco Orgnoni (Executive Director) Mr Jacopo Merli (Executive Director) Mr Lorenzo Biagi (Executive Director)</p>
Company secretary	Mr Derek Hall
Registered office	<p>Level 4, Building C, Garden Office Park, 355 Scarborough Beach Road, Osborne Park WA 6017</p>
Principal place of business	<p>Level 4, Building C, Garden Office Park, 355 Scarborough Beach Road, Osborne Park WA 6017</p> <p>Phone: +61 8 6380 7446 Website: www.vection-technologies.com</p>
Securities exchange listing	<p>Australian Securities Exchange (ASX) ASX Code: VR1</p>
Share registry	<p>Automic Registry Services Level 2, 267 St Georges Terrace, Perth WA 6000</p> <p>Phone: +61 8 9324 2099 Email: hello@automic.com.au</p>
Auditor	<p>RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth WA 6000</p>
Solicitors	<p>Steinepreis Paganin Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000</p>

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 2023. 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 2023 refer to the period 1 July 2022 to 30 June 2023. The terms “year” and “period” are used interchangeably in this report.

DIRECTORS

Mr Umberto (Bert) Mondello	Non-Executive Chairman
Mr Gianmarco Biagi	Managing Director
Mr Gianmarco Orgnoni	Executive Director, CSO & CMO
Mr Jacopo Merli	Executive Director & COO (Appointed 30 November 2022)
Mr Lorenzo Biagi	Executive Director
Mr Gabriele Sorrento	Non-Executive Director (Resigned on 30 June 2023)

PRINCIPAL ACTIVITIES

During the period, the principal continuing activity of the Group consisted in developing and commercializing integrated digital transformation technology solutions and services part of its INTEGRATEDXR® suite, including ICT infrastructure, kiosks, mixed reality (MR), augmented reality (AR), virtual reality (VR), computer-aided design (CAD), 3D modelling and renderings, and artificial intelligence (AI).

DIVIDENDS

There were no dividends paid, recommended, or declared during the current or previous financial year.

REVIEW OF OPERATIONS

A review of operations of the Group for the financial year ended 30 June 2023 is contained in Chairman's Letter and Managing Director's Report. The Chairman's Letter and Managing Director's Report precedes the Directors' report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 7 June 2023, the Company announced the execution of a binding agreement to acquire the business of Invrision S.r.l (“Invrision”), a prominent technology company specializing in 3D and mixed reality solutions for the fashion, retail, consumer goods, and real estate sectors. The performance-based consideration for the proposed acquisition is based on revenue milestones for the four-year period from the fiscal year 2023 to 2026 and vests after 30 June 2026. The acquisition was completed on 4 September 2023. The value of the consideration payable is capped at ~\$6.2m and is based on a \$0.10 floor share price.

There were no other significant changes in the state of affairs of the Group during the financial year.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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.

RISK AND GOVERNANCE

Potential risks associated with external technologies.

The Group relies on third-party off-the-shelf technologies, alongside its proprietary solutions, to support its INTEGRATEDXR® offering. These external technologies may be susceptible to issues beyond the Group's control, such as becoming obsolete or experiencing version conflicts. Such concerns could hinder the Group's ability to effectively upgrade and maintain its technology, potentially impacting its ability to serve customers. Moreover, the licensing conditions and pricing imposed by third-party providers may prove unsustainable or impractical, potentially necessitating the Group to seek alternative solutions or develop in-house options. However, there is no certainty that the Group would be able to do so in a smooth and uninterrupted manner if the need arises.

Establishing and maintaining strategic relationships.

Success for the Group hinges on maintaining existing strategic relationships and establishing new ones with industry and technology leaders. However, the ability to sustain or establish these crucial connections remains uncertain.

Dependence on third-party providers.

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Several of the Group's technology solutions are designed to work with various external platforms, networks, systems, devices, and hardware. Any changes to these external elements could favour competing products or negatively impact the functionality of the Group's offerings, potentially leading to financial consequences.

Sales cycle variability.

Fluctuations in the timing of sales could cause significant swings in the Group's sales and financial performance. The duration of the sales cycle and product implementation schedule are influenced by various factors, including client nature and size, and complex decision-making processes, making predictions difficult.

Effective management of growth.

As the Group strives to gain market acceptance in new markets, it may need to expand its operations. However, its current systems, procedures, and resources may not be sufficient to support such growth. Consequently, difficulties in managing expansion or inadequate upgrades to systems and infrastructure could arise.

Data security and hosting risks.

The Group stores data in its own systems and with various third-party service providers and hosting facilities. These facilities are susceptible to damage, outages, and cybersecurity threats, potentially resulting in data corruption, theft, or loss. While the Group is implementing comprehensive cybersecurity measures, a cybersecurity incident could have severe consequences, including reputational damage and increased costs.

Currency fluctuations.

The Group's financial results may be influenced by currency fluctuations and volatility due to its operations and revenue being in different currencies.

Regulatory challenges.

The Group's products and services may encounter varying regulatory environments in different jurisdictions. Compliance with complex and evolving regulations may pose challenges.

Multi-jurisdictional risks.

As the Group expands its business to new markets, it becomes exposed to a range of multi-jurisdictional risks, including labour practices, environmental issues, contract enforcement difficulties, and changes in legal and regulatory landscapes.

Economic conditions impact.

General economic conditions, tax reforms, interest and inflation rate fluctuations, and currency exchange rate changes may adversely affect the Group's activities and funding capabilities.

Inflationary pressures on technology prices, labour, and business conditions.

Like any other industry, the technology sector is not immune to inflationary pressures that can affect prices, labour costs, and overall business conditions. As inflation rises, the cost of technology components and equipment may increase, impacting the Group's expenses on hardware and software. Additionally, labour costs may rise due to increased wages and benefits, potentially affecting the Group's operational costs. Inflation can also impact other aspects of the business, such as transportation, raw materials, and utility expenses.

Market conditions and share price volatility.

Share market conditions can be influenced by several factors, including the economic outlook, interest rates, inflation rates, exchange rates, and investor sentiment, regardless of the Group's operating performance.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

Name:	Mr Umberto (Bert) Mondello
Title:	Non-Executive Chairman
Qualifications:	LLB
Experience and expertise:	Mr Bert Mondello is an experienced public company director, corporate advisor, and technology expert with 20 years of experience across both the private and public sectors. Mr Mondello has widespread experience spanning 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 Law from the University of Notre Dame, Australia.
Other current directorships:	Douugh Limited and Streamplay Studio Limited
Former directorships (last 3 years):	WestStar Industrial Limited and Sinetech Limited.
Special responsibilities:	N/A
Interests in shares:	Indomain Enterprises Pty Ltd (Director-related entity): 5,500,000 Ordinary Shares.
Interest in options:	Nil

Name:	Mr Gianmarco Biagi
Title:	Managing Director
Qualifications:	MEng
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 Settepontonove 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 Councillor 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:	N/A
Former directorships (last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	Officine 8k Srl (Director-related entity): 327,556,186 Ordinary Shares. Settepontonove Srl (Director-related entity): 8,000,000 Ordinary Shares. VR Tech SRL (Director-related entity): 3,000,000 Ordinary Shares.
Interest in options:	Nil

Name:	Mr Gianmarco Orgnoni
Title:	Executive Director, CSO & CMO
Qualifications:	BBus
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 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:	N/A
Former directorships (last 3 years):	TikForce Limited.
Special responsibilities:	N/A
Interests in shares:	1,500,000 Ordinary Shares; Torg Advisors (Director related entity): 4,500,000 Ordinary Shares.
Interest in options:	Nil

Name:	Mr Jacopo Merli (appointed 30 November 2022)
Title:	Executive Director & COO
Qualifications:	MEng
Experience and expertise:	Mr Merli is the founder and CEO of JMC Group, acquired by Vection Technologies during 2021. During the last ten years, Mr Merli expanded JMC's focus as an OEM partner for a ≈\$100b tech hardware giant within mission-critical sectors including military, telco, and broadcasting, becoming, in 2019, one of their global suppliers. During his university career in aerospace engineering, Mr Merli joined as a consultant to the Italian branch of a NASDAQ-listed world leader in the design, manufacture and marketing of high-performance analog, mixed-signal and digital signal processor ("DSP") and integrated circuits ("ICs") acquiring key knowledge of large company management processes.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	66,510,036 ordinary shares and 4,195,611 performance rights
Interest in options:	Nil

Name:	Mr Lorenzo Biagi
Title:	Executive Director & Chief Sales Officer
Qualifications:	
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 directorships (last 3 years):	Nil
Special responsibilities:	N/A
Interests in shares:	Officine 8k Srl (Director-related entity): 327,556,186 Ordinary Shares. Settepuntonove Srl (Director-related entity): 8,000,000 Ordinary Shares. VR Tech SRL (Director-related entity): 3,000,000 Ordinary Shares.
Interest in options:	Nil

Name:	Mr Gabriele Sorrento - (Resigned on 30 June 2023)
Title:	Non-Executive Director
Qualifications:	M.Arch / M.Eng
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 directorships (last 3 years):	Nil
Special responsibilities:	N/A
Interests in shares:	25,125,402 Ordinary Shares
Interest in options:	Nil

INFORMATION ON COMPANY SECRETARY

The Company's Company Secretary is Mr Derek Hall.

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 several 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 2023 and the number of meetings attended by each director are set out below:

Directors	Board meetings	Eligible to attend
	Eligible	Attended
Mr Bert Mondello	11	9
Mr Gianmarco Biagi	11	11
Mr Gianmarco Orgnoni	11	11
Mr Jacopo Merli (appointed 1/12/2022)	9	8
Mr Lorenzo Biagi	11	11
Mr Gabriele Sorrento (resigned 30/06/2023)	11	11

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 options
9 October 2020	9 October 2023	\$0.112	26,506,452
3 December 2021	3 December 2024	\$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 the exercise of options.

PERFORMANCE RIGHTS

In the prior periods, 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 15 of the financial report.

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 15 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' 2023 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.
- a. Key management personnel covered in this report.

Directors	Position
Mr Bert Mondello	Non-Executive Chairman
Mr Gianmarco Biagi	Managing Director
Mr Gianmarco Orgnoni	Executive Director, CSO & CMO
Mr Jacopo Merli (appointed 1/12/2022)	Executive Director & COO
Mr Lorenzo Biagi	Executive Director
Mr Gabriele Sorrento (resigned 30/06/2023)	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 the 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.

To ensure the remuneration committee is appropriately informed when making remuneration decisions, the remuneration committee may seek external advice, as it requires, on remuneration policies and practices. Remuneration consultants can be engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee would consider potential conflicts of interest and independence from the Group's KMP and any other executives. During the financial year the committee has sought some advice from external remuneration consultants in relation to remuneration benchmarking, remuneration strategy and long-term incentive plan structures. This did not involve providing the remuneration committee with any remuneration recommendations as defined by the Corporations Act 2001.

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:

- i. Term of Agreement – ongoing subject to annual review and the Company's constitution
- ii. Non-Executive Directors' Fees of up to \$72,000 per annum plus an amount equivalent to statutory superannuation (if applicable)
- iii. 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: \$32,000 per month.
- Period of notice for termination/resignation: Three months' written notice by the consultant. Three months written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' 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 months' written notice by the consultant. Three months' written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' fees in lieu of notice.

Mr Gianmarco Orgnoni – Executive Director

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: \$18,000 per month.
- Period of notice for termination/resignation: Three months' written notice by the consultant. Three months' written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' fees in lieu of notice.

Service Contracts (cont'd)

Mr Jacopo Merli – Executive Director

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: €64,000 per annum.
- Period of notice for termination/resignation: Six months' written notice by the consultant. Three months written notice by the Company.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three months' 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 the 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 Gabriele Sorrento. Details of these securities are outlined in the 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:

2023	Short-term benefits (paid or payable as at 30 June 2023)	Post-employment benefit	Long-term benefits	Share-based payments	Total	Proportion of remuneration performance related
Name	Cash, salary & fees	Superannuation	Long service leave	Options/Performance Rights		
Directors	\$	\$	\$	\$	\$	%
Mr Bert Mondello	72,000	-	-	177,251	249,251	71
Mr Gianmarco Biagi	348,000	-	-	354,502	702,502	50
Mr Gianmarco Orgnoni	199,500	-	-	265,876	465,376	57
Mr Jacopo Merli (appointed 1/12/2022)	132,643	-	-	119,835	252,478	47
Mr Lorenzo Biagi	127,200	-	-	-	127,200	-
Mr Gabriele Sorrento (resigned 30/06/2023)	159,131	-	-	-	159,131	-
Total Key Management Personnel remuneration	1,038,474	-	-	917,464	1,955,938	47

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
Name	Cash, salary & fees	Superannuation	Long service leave	Options/Performance Rights		
Directors	\$	\$	\$	\$	\$	%
Mr Bert Mondello	72,000	-	-	64,151	136,151	47%
Mr Gianmarco Biagi	205,000	-	-	128,302	333,302	38%
Mr Gianmarco Orgnoni	152,125	-	-	96,226	248,351	39%
Mr Jacopo Merli (appointed 1/12/2022)	-	-	-	-	-	-
Mr Lorenzo Biagi	127,200	-	-	-	127,200	-
Mr Gabriele Sorrento (resigned 30/06/2023)	149,535	-	-	-	149,535	-
Total Key Management Personnel remuneration	705,860	-	-	288,679	994,539	29%

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 agreements 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.

Director	Transaction	Transaction Value		Outstanding Balance	
		2023	2022	2023	2022
Mr Gianmarco Biagi & Mr Lorenzo Biagi	Other revenue (a)	23,726	7,764	-	3,391
	Other service cost (b)	33,872	36,003	136	2,818
	Revenue from services (c)	1,483	8,700	159,511	78,688
Mr Jacopo Merli	Other service cost (d)	231.800	-	91.048	-

- (a) The Company's subsidiary Vection Italy Srl received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi.
- (b) The Company's subsidiary Vection Italy Srl paid to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided.
- (c) The Company's subsidiary Vection Italy Srl received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided.
- (d) The Company's subsidiaries paid to acquire services to companies and individual associated with Mr Jacopo Merli.

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

ii. Loans to directors.

Loan amounted to \$153,791 was provided to Mr Jacopo Merli. This loan is fully repayable at an interest rate of 5%. The loan is to be repaid by 30 June 2024.

Equity instrument disclosures relating to key management personnel.

i. Shareholding.

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:

2023	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 Bert Mondello	5,500,000	-	-	5,500,000
Mr Gianmarco Biagi ¹	169,278,093	-	-	169,278,093
Mr Lorenzo Biagi ¹	169,278,093	-	-	169,278,093
Mr Gianmarco Orgnoni	6,000,000	-	-	6,000,000
Mr Jacopo Merli (appointed 1/12/2022) ²	-	377,791	66,132,245	66,510,036
Mr Gabriele Sorrento (resigned 30/06/2023)	22,257,873	-	2,867,529	25,125,402
Total	372,314,059	377,791	68,999,774	441,691,624

¹ 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

² Shareholding as at date of appointment.

ii. Option holdings.

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

iii. Performance-based remuneration.

No performance-based securities were issued, and no other bonuses were paid, to key management personnel during the reporting period.

iv. Shares provided on the 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.

v. Loans to key management persons.

Loan amounted to \$153,791 was provided to Mr Jacopo Merli. This loan is fully repayable at an interest rate of 5%. The loan is to be repaid by 30 June 2024.

vi. Use of remuneration consultants.

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

vii. Company performance.

The following table shows key performance indicators for the Group:

	2023	2022	2021	2020
	\$	\$	\$	\$
Loss for the year	(11,022,802)	(7,100,433)	(2,506,889)	(1,165,870)
Closing share price	0.042	0.07	0.06	0.04
Basic and diluted loss per share	(2.443)	(0.61)	(0.26)	(0.203)

Voting and comments made at the company's 2022 Annual General Meeting.

Vection Technologies Ltd received 96% of "yes" votes on its remuneration report for the 2022 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

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 20 of 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 2023, 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 31 and forms part of this Directors' Report for the year ended 30 June 2023.

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 29 September 2023



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 2023, 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: 29 September 2023

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RSM Australia Partners ABN 36 965 185 036

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated	
		30 June 2023	30 June 2022
		\$	\$
Revenue	2(i)	25,331,634	17,217,685
Other income	2(i)	967,688	1,676,248
Expenses			
Acquisition costs		6,721	21,387
Changes in inventories		563,891	(84,831)
Variable cost of sales		18,716,294	11,538,376
Employee benefit expense		5,820,285	4,840,441
Consulting and professional fees		2,064,764	3,007,095
Finance costs	2(ii)	342,097	94,245
Depreciation and amortisation	2(iii)	1,217,307	957,899
Impairment expenses	2(vi)	3,205,156	953,946
Other expenses	2(iv)	3,470,736	2,605,726
Share based payments	2(v)	1,859,878	1,892,269
Total expenses		37,267,129	25,826,553
Loss before income tax expense		(10,967,807)	(6,932,620)
Income tax expense	3	54,995	167,813
Loss after income tax expense attributable to equity holders		(11,022,802)	(7,100,433)
Loss after income tax attributable to equity holders of Vection Technologies limited		(11,022,802)	(7,100,433)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		389,052	(429,072)
Total comprehensive income/(loss) for the period		389,052	(429,072)
Total comprehensive loss attributable to equity holders of Vection Technologies Limited		(10,633,750)	(7,529,505)
Loss for the year is attributable to:			
Non-controlling interest		(202,330)	(418,946)
Member of Vection Technologies Limited		(10,820,472)	(6,681,487)
Earnings per share for loss attributable to the members of Vection Technologies Limited			
Overall basic loss per share	18	(2.443)	(0.624)
Overall diluted loss per share	18	(2.443)	(0.624)

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated	
		30 June 2023	30 June 2022
		\$	\$
Current assets			
Cash and cash equivalents	4	11,359,203	14,869,095
Receivables	5	13,647,471	6,208,213
Inventories	6	676,216	1,341,231
Total current assets		25,682,890	22,418,539
Non-current assets			
Property, plant & equipment	7	550,136	292,577
Right-of-use assets	8	321,660	424,079
Intangible assets	9	15,463,298	17,027,998
Financial assets	25	84,179	40,526
Total non-current assets		16,419,273	17,785,180
Total assets		42,102,163	40,203,719
Current liabilities			
Trade and other payables	10	10,968,770	6,973,912
Employee benefits	11	72,265	78,250
Current tax liabilities		15,823	29,836
Lease liabilities	12	211,396	194,613
Borrowings	13	8,113,959	1,198,728
Total Current Liabilities		19,382,213	8,475,339
Non-current liabilities			
Employee benefits	11	544,316	433,455
Deferred tax liabilities	3	626,665	615,930
Lease liabilities	12	164,579	286,293
Borrowings	13	2,193,683	2,415,293
Total Non-Current Liabilities		3,529,243	3,750,971
Total Liabilities		22,911,456	12,226,310
Net assets		19,190,707	27,977,409
Equity			
Issued capital	14	46,591,700	44,611,306
Reserves	15	7,221,042	11,081,001
Accumulated losses	16	(34,622,035)	(27,714,898)
		19,190,707	27,977,409
Equity attributable to the members of Vection Technologies Limited		19,902,087	28,456,623
Non-Controlling Interest	17	(711,380)	(479,214)
Total Equity		19,190,707	27,977,409

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated	
		30 June 2023	30 June 2022
		\$	\$
Cash flows from operating activities			
Receipts from customers		19,865,612	17,603,134
Payments to suppliers and employees		(27,257,113)	(18,694,672)
Interest received		211,531	44,026
Interest paid / finance costs		(239,994)	(94,245)
Tax paid (net of R&D tax refund)		(58,273)	(104,319)
Net cash outflow from operating activities	4	(7,478,237)	(1,246,076)
Cash flows from investing activities			
Purchase of plant and equipment		(403,444)	(163,957)
Transaction costs in purchase of subsidiary		(6,721)	(21,387)
Payment for intangible assets		(2,677,447)	(1,838,469)
Net cash outflow from investing activities		(3,087,612)	(2,023,813)
Cash flow from financing activities			
Proceeds from issues of fully paid shares	14	-	12,951,277
Payment of transaction costs	14	-	(824,686)
Repayment of lease liabilities		(2,512)	(79,881)
Repayment of borrowings		(2,563,475)	(759,838)
Proceeds from borrowings		9,257,096	151,583
Net cash inflow from financing activities		6,505,652	11,438,455
Net (decrease)/increase in cash and cash equivalents		(3,874,740)	8,168,566
Cash and cash equivalents at the beginning of the financial year		14,869,095	7,083,890
Effect of movement in exchange rates on cash held		364,848	(383,361)
Cash and cash equivalents at the end of the financial year	4	11,359,203	14,869,095

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Consolidated					Total
		Issued capital	Accumulated losses	Reserves	Foreign currency translation reserve	Non-controlling interest	
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2022		44,611,306	(27,335,684)	11,783,771	(602,770)	(479,214)	27,977,409
Loss for the period		-	(10,820,472)	-	-	(202,330)	(11,022,802)
Other comprehensive loss		-	-	-	389,052	-	389,052
Total comprehensive loss for the period		-	(10,820,472)	-	389,052	(202,330)	(10,633,750)
Transactions with owners in their capacity as owners							
Share issue in lieu of salary	14	125,806	-	-	-	-	125,806
Share based payments	15	-	-	1,734,073	-	-	1,734,073
Performance rights vested	15	1,854,588	-	(1,854,588)	-	-	-
Performance rights expired	15	-	4,215,665	(4,228,496)	-	-	(12,831)
De-recognition of non-controlling interest		-	29,837	-	-	(29,837)	-
Balance at 30 June 2023		46,591,700	(33,910,654)	7,434,760	(213,718)	(711,381)	19,190,707
Balance at 1 July 2021		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	14	17,109,088	-	-	-	-	17,109,088
Share based payments	15	-	-	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	(27,335,684)	11,738,771	(602,770)	(479,214)	27,977,409

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 2023 was authorised for issue in accordance with a resolution of directors on in September 2023.

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 2023 are general purpose financial statements that 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 accrual basis and is based on historical costs.

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: IT software development & sales division and services division.

The financial results of each segment 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 24.

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.

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 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.

Allowance for expected credit losses: The allowance for expected credit loss 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, 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.

g. Standards and Interpretations applicable to 30 June 2023.

In the year ended 30 June 2023, the directors have reviewed all 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 the Group's 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 2023. 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 include 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.

The collectability of trade receivables is reviewed on an ongoing basis. Debts that 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, the 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, and 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 the 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 are 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 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 assets	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 amounts. 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 adjust 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.

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 cash flows 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:

Class of fixed assets	Depreciation method	Depreciation rate
Rights of use of intangible software	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 the 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 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 payments 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 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 10.5%, 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 is measured at fair value on the 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 the grant date and the 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 is 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 the 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.

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).

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 measure 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 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.

2) LOSS FOR THE PERIOD.

	Consolidated	
	30 June 2023	30 June 2022
Loss for the year included the following items:	\$	\$
i) Revenue from continuing operations		
Revenue from contracts with customers		
INTEGRATEDXR sales	25,331,634	17,217,685
Other income		
Interest received	211,531	44,026
R&D tax refund	-	377,435
Foreign exchange gain	-	242,673
Other revenue	756,157	1,012,114
Total income	26,299,322	18,893,933
The disaggregation of revenue from contracts with customers:		
Geographical regions		
AMEA	21,105,602	13,703,256
APAC	4,105,354	3,133,668
AMER	120,678	380,761
	25,331,634	17,217,685
Timing of revenue recognition:		
Transferred at a point in time	25,091,749	17,054,667
Transferred over time	239,885	163,018
	25,331,634	17,217,685

ii) Finance costs		
Interest costs	188,160	85,520
Foreign exchange loss	102,103	-
Other finance costs	51,834	8,725
Total finance costs	328,038	94,245
iii) Depreciation and amortisation		
Depreciation	145,886	182,258
Amortisation	1,071,421	775,641
Total depreciation and amortisation	1,217,307	957,899
iv) Other expenses		
Advertising expenses	1,127,282	821,736
Rent expenses	419,011	611,691
Travel	372,964	204,739
Other administrative expenses	1,551,479	967,560
Total other expenses	3,470,736	2,605,726
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 15 ii)	-	216,090
Vesting of Performance Rights relating to business combination	1,225,116	600,000
Vesting of Director performance rights (Refer to note 15 ii)	-	787,500
Director performance rights expenses	508,956	288,679
Issued shares to employees	125,806	-
Total share-based payments	1,859,878	1,892,269
vi) Impairment expense		
Impairment expense on intangible assets	3,182,108	935,208
Expected credit losses	23,048	18,738
Total impairment expenses	3,205,156	953,946

3) INCOME TAX EXPENSE.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
i) Income tax expense		
Current tax	55,887	150,339
Deferred tax	(892)	17,474
Income tax expense reported in consolidated statement of profit or loss and other comprehensive income	54,995	167,813
ii) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(10,967,806)	(6,932,619)
Tax at the Australian tax rate of 25% (2022:25%)	(2,741,952)	(1,733,155)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	464,546	233,848
Tax losses and other timing differences for which no DTA is recognised	2,332,401	1,667,119
Income tax expense	54,995	167,813
iii) Recognised deferred tax liabilities		
Other intangible assets (patents and development costs)	626,665	615,930
Rights of use assets	-	-
	626,665	615,930

iv) 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% (2022: 26%) are made up as follows:

Australian revenue losses	4,642,116	3,905,520
Australian capital losses	148,722	148,722
Australian CGT assets	171,076	171,076
Australian taxable temporary differences	219,932	433,116
Unrecognised net deferred tax assets	5,181,846	4,658,434

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

- 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 realized.
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in income tax legislation adversely affecting the Group in realizing the benefit from the deduction for the losses.

4) CASH.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Cash at bank	11,359,203	14,869,095
Balance per statement of cash flows	11,359,203	14,869,095

Refer to note 26 for the risk exposure analysis for cash and cash equivalents

ii) Reconciliation of loss after income tax to net cash flows from operating activities		
Loss for the period	(11,022,802)	(6,500,433)
Non-cash items		
Depreciation (including discontinued operations)	1,217,307	957,899
Finance costs	(55,701)	4,002
Credit loss allowances	39,365	18,738
Share based payments	1,859,878	1,292,269
Gain on investment	12,048	14,032
Impairment expense	3,182,108	935,208
Business acquisition cost	6,721	-
Movements in assets/liabilities		
(Increase)/decrease in trade and other receivables	(7,478,631)	(1,343,564)
(Increase)/decrease in inventories	665,016	(257,360)
Increase/(decrease) in tax liability	(3,278)	63,493
Increase/(decrease) in other payable and provisions	4,099,734	3,569,638
Net cash outflow from operating activities	(7,478,237)	(1,246,078)

iii) Non-cash financing and investing activities:

- Share based payments.
The Company issued shares in lieu of services rendered during the year (Note 14).
- JMC Group consideration securities.
The Company issued securities in consideration for the acquisition of JMC Group

5) RECEIVABLES.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Trade receivables (i)	12,025,659	3,859,020
Less: credit loss allowances	(230,932)	(179,273)
	11,794,727	3,679,747
Other receivables	1,352,112	2,209,863
Prepayments	500,632	318,603
Total receivables	13,647,471	6,208,213

Allowance for expected credit losses.

The Group has recognised a loss of \$23,048 in respect of the expected credit losses for the year ended 30 June 2023.

Refer to Note 26 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 2023	30 June 2022
	\$	\$
Raw material and consumables	188,871	159,941
Finished goods	447,338	1,068,770
Work in progress	40,007	112,520
Total	676,216	1,341,231

7) PROPERTY, PLANT & EQUIPMENT.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Office and computer equipment		
Office and computer equipment at costs	1,275,007	787,087
Less: accumulated depreciation	(736,835)	(515,106)
	538,172	271,981
Plant & machinery and industrial equipment		
Plant & machinery and industrial equipment at cost	40,492	88,843
Less: accumulated depreciation	(30,983)	(68,247)
	9,509	20,596
Leasehold Improvements		
Leasehold Improvements at cost	4,898	-
Less: accumulated depreciation	(2,443)	-
	2,455	-
Total property, plant, and equipment	550,136	292,577

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 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)
	271,981	20,596	-	292,577
Balance at 30 June 2022	271,981	20,596	-	292,577
Additions	360,810	-	4,649	365,459
Reclassification	10,180	(10,180)	-	-
Depreciation expense	(141,964)	(1,602)	(2,320)	(145,886)
Foreign exchange	37,167	695	124	63,599

Balance at 30 June 2023	538,174	9,509	2,455	550,136
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8) RIGHT-OF-USE ASSETS.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Right of use asset – land and buildings	986,581	930,002
Less: accumulated amortisation	(664,922)	(505,923)
Total	321,660	424,079

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 2023	30 June 2022
	\$	\$
Goodwill		
Acquisition – Vection Italy Srl	850,000	850,000
Acquisition – Mindesk Group	3,599,071	3,599,071
Less: Impairment	(972,812)	-
Acquisition – Blank Canvas	490,020	490,020
Acquisition – JMC Group	3,742,355	3,742,355
Total	7,708,634	8,670,062
Intellectual property		
Intellectual property at cost	2,825,178	2,811,417
Less: impairment	(1,891,703)	-
	933,475	2,811,417
Other intangible assets (software patents and development costs)		
Other intangible assets at cost	10,473,309	7,922,370
Less: impairment	(1,251,175)	(933,581)
Less: accumulated amortisation	(2,400,946)	(1,422,270)
	6,821,190	5,566,519
Total intangible assets	15,463,298	17,047,998

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

	Goodwill	Intellectual property	Software patents and development costs	Total
Consolidated	\$	\$	\$	\$
Balance at 1 July 2021	8,670,062	2,811,417	5,487,833	16,969,312
Amortisation expense	-	-	(744,218)	(744,218)
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
Balance at 1 July 2022	8,670,062	2,811,417	5,546,519	17,027,998
Amortisation expense	-	-	(1,071,421)	(1,071,421)
Additions	-	13,062	2,667,153	2,680,215
Impairment of assets	(972,812)	(1,891,703)	(317,593)	(3,182,108)
Foreign exchange	11,384	699	(3,469)	8,614

Balance at 30 June 2023	7,708,634	933,475	6,821,190	15,463,298
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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) was determined by a value-in-use calculation using a discounted cash flow model, based on a five to seven-year project period together with a terminal value approved by management. The forecast budget process was developed based on revenue expectations on existing customer contracts along with ongoing opportunities. Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow models:

	Vection Italy	Mindesk Group	Blank Canvas	JMC Group
Pre-tax discount rate	22.50%	20.23%	22.75%	20.41%
Average projected revenue growth rate	42%	28%	21%	5%
Cash flow growth rate for terminal value	2.00%	2.00%	2.00%	2.00%
EUR to AUD exchange rate	0.6097	0.6097	N/A	0.6097

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:

- i. New salespeople hired in the local market;
- ii. Cisco partnership creating increased opportunities across product suite;
- iii. Tenders already in the pipeline which, if won will create further visibility;
- iv. Client opportunities are currently being negotiated.

Based on the above, no goodwill impairment expense was recorded other than in relation to Mindesk CGU of \$954,767, since the recoverable amounts of other CGUs exceeded the carrying amounts. In determining the other intangible assets impairment, management have concluded that the carrying amount of software within the Mindesk Group CGU and the intellectual property within the Vection Italy CGU exceed their recoverable amount and resulted in an impairment of \$317,593 and \$1,891,703 respectively.

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:	> 29.50%	> 22%	> 40%	> 36%
Decrease in average projected revenue growth rate to:	< 22%	< 25%	< 18%	< 69%

10) TRADE AND OTHER PAYABLES.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Unsecured liabilities:		
Trade payables	10,212,199	3,670,651
Sundry creditors and accruals	756,571	3,303,261
Total	10,968,770	6,973,912

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) EMPLOYEE BENEFITS.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Employee benefits – current		
Employee benefits	72,265	78,250

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	544,316	433,455

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.

12) LEASE LIABILITIES.

	Consolidated	
	30 June 2023	30 June 2022
Lease liabilities - current	\$	\$
Current lease liabilities	211,396	194,613
Lease liabilities – non-current		
Non-current lease liabilities	164,579	286,293-

13) BORROWINGS.

	Consolidated	
	30 June 2023	30 June 2022
Borrowings - current	\$	\$
Borrowings	8,113,959	1,198,728
Borrowings – non-current		
Borrowings	2,193,683	2,415,293-

Terms of the borrowings:

- i. 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.
- ii. 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.
- iii. 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%.
- iv. A fixed rate facility provided by Dell Financial Services to JMC Group. The facility has 3 years term with an expiry date of 15 March 2026. The average overall effective rate is 10.81%.
- v. FOUR fixed rate leasing facilities provided by Dell Financial Services to JMC Group. The facilities have 3 years term and interest rate of 1.99%, 1.99%, 4.39% and 13.08%.
- vi. An Invoice and contract financing facility provided by MPS to JMC GROUP. This is a short term liability at an interest rate of 3.60%.
- vii. An Invoice financing facility provided by BPM to JMC GROUP. This is a short term liability at an interest rate of 3.883%
- viii. An invoice and contract financing facility provided by Intesa San Paolo to JMC GROUP. This is a short term liability at an interest rate of 1.80% plus EURIBOR 3m.
- ix. 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.
- x. An Invoice financing facility provided by BPM to XINNTEX. This is a short term liability at an interest rate of 3.883%.
- xi. A fixed rate bank loan provided by Banco BPM to Vection Italy. The loan has a 6 years term with an expiry date of 6 June 2026. The loan has a fixed Interest rate of 1.25%
- xii. 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.
- xiii. An invoice financing facility provided by BPER to Vection Italy. This is a short term liability at an interest rate of 2.6%
- xiv. An invoice financing facilities provided by Intesa San Paolo to Vection Italy. This is a short term liability at an interest rate of 6,1% (TAN).
- xv. A contract financing facilities provided by Intesa San Paolo to Vection Italy. This is a short term liability at an interest rate of 6% (TAN).
- xvi. An invoice financing facility provided by Intesa San Paolo to Vection Italy This is short term liability at an interest rate of 3.1%.
- xvii. 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%.

14) ISSUED CAPITAL.

	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Shares No.	Shares No.	\$	\$
Ordinary shares	1,126,588,969	1,109,924,294	46,591,700	44,611,306

Movement in share capital

Date	Details	Number of shares	Issue price	\$
1 July 2022	Opening balance	1,109,924,294	-	44,611,306
25 November 2022	Shares issued in lieu of salary	2,419,355	\$0.052	125,806
25 November 2022	Vesting of performance rights	377,791	\$0.052	37,779
25 November 2022	Vesting of performance rights	1,220,015		122,002
25 November 2022	Vesting of performance rights	11,000,000	\$0.052	1,100,000
1 December 2022	Shares issued in recognition of meeting milestones as approved by shareholders	2,867,529	\$0.05	217,757
31 December 2022	Vesting of performance rights	5,132,472		389,755
25 November 2022	Shares buyback held by subsidiaries	(6,352,487)		(12,705)
30 June 2023	Closing balance	1,126,588,969		46,591,700

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.

15) RESERVES.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Share based payment reserve	7,434,884	11,083,771
Other reserve	(123)	-
Foreign currency translation reserve	(213,719)	(602,770)
	7,221,042	10,481,001

	30 June 2023	30 June 2022	30 June 2023	30 June 2022
iii. Options.	Options No.	Options No.	\$	\$
	59,006,452	59,006,452	5,795,648	5,795,648

Date	Details	Number of options	\$
1 July 2022	Opening balance	59,006,452	5,795,648
30 June 2023	Closing balance	59,006,452	5,795,648

	30 June 2023	30 June 2022	30 June 2023	30 June 2022
iii. Performance rights.	Performance Rights No.	Performance Rights No.	\$	\$
Performance rights – directors and corporate advisor	23,295,611	85,893,417	1,639,236	5,288,123
	23,295,611	85,893,417	1,639,236	5,288,123

Date	Details	Performance Rights	\$
1 July 2022	Opening balance	85,893,417	5,288,123
25 November 2022	Vesting of Performance Rights	(377,791)	(37,779)
25 November 2022	Lapse of Performance Rights	(1,220,015)	(122,002)
25 November 2022	Share based payment	-	(389,755)
25 November 2022	Vesting of Performance Rights	(11,000,000)	(1,100,000)
25 November 2022	Lapse of Performance Rights	(50,000,000)	(3,515,666)
1 December 2022	Recognition of Vendor Rights vesting	-	(217,757)
30 June 2023	Share based payment	-	1,734,073
30 June 2023	Closing balance	23,295,611	1,639,236

a) Movement of Performance rights

During the year, the following performance rights vested:

- 377,791 performance rights held by staff
- 11,000,000 performance rights issued to Blank Canvas on satisfaction of vesting conditions

In addition, 2,867,528 shares were issued to a director on satisfaction of vesting conditions of vendor rights. Approval was sought from shareholders as the rights issued in this regard had technically lapsed and the grant was to a director and \$217,757 was recognised.

During the year, the following rights were cancelled:

- 1,220,015 performance rights issued to JMC Group Srl in exchange for the Company's shares held by JMC Group Srl.

During the year, the following rights lapsed in accordance with the terms of their issue:

- 50,000,000 performance rights issued in relation to the acquisition of Officine8K SRL. These rights had milestones attached were no longer capable of being achieved.

16) ACCUMULATED LOSSES.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Opening balance	(27,335,684)	(20,614,465)
Loss for the period	(10,820,472)	(7,100,433)
Expired Performance Rights	4,215,665	-
De-recognition of non-controlling interest	29,837	-
Closing balance	(33,910,654)	(27,714,898)

17) NON-CONTROLLING INTEREST.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Issued capital	5,724	5,724
Accumulated losses	(717,104)	(484,938)
	(711,380)	(479,214)

18) LOSS PER SHARE.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Earnings per share for loss from continuing operations		
Loss after income tax	(11,022,803)	(7,100,432)
Non-controlling interest	(202,330)	(418,945)
Loss after income tax from continuing operations attributable to the members of Vection Technologies Limited	(10,820,474)	(6,681,488)
Basic earnings per share	(2.399)	(0.607)
Diluted earnings per share	(2.399)	(0.607)
Earnings per share for loss		
Loss after income tax attributable to the members of Vection Technologies Limited	(11,022,803)	(7,100,433)
Basic loss per share	(2.443)	(0.624)
Diluted loss per share	(2.443)	(0.624)
Weighted average number of ordinary shares users in calculating basic and diluted loss per share	451,116,632	1,070,785,046

19) SEGMENT REPORTING.

	Discontinued operations	IT	Outsourced services	Corporate	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2023					
Segment revenue	-	20,472,244	4,167,398	691,992	25,331,634
Other revenue	-	643,647	117,601	206,440	967,688
Significant items					
Changes in inventories	-	(563,891)	-	-	(563,891)
Variable cost of sales	-	(17,339,228)	(1,377,066)	-	(18,716,294)
Employee benefit expense	-	(3,317,036)	(1,756,548)	(746,700)	(5,820,285)
Consulting and professional fees	-	(836,407)	(104,695)	(1,123,662)	(2,064,764)
Financing costs	-	(202,167)	(44,275)	(95,655)	(342,097)
Depreciation and amortisation	-	(1,100,739)	(58,860)	(57,708)	(1,217,307)
Other administrative expenses	-	(1,487,988)	(941,322)	(6,113,174)	(8,542,493)
Tax expenses	-	(54,995)	-	-	(54,995)
Segment operating (loss) after tax		(3,786,562)	2,232	(7,238,466)	(11,022,811)
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 benefit 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)	(2,754,361)	(5,473,328)
Tax expenses	-	(167,813)	-	-	(167,813)
Segment operating (loss) after tax	-	(3,168,416)	(188,658)	(3,743,359)	(7,100,433)
Segment assets					
At 30 June 2023	-	20,288,915	917,554	24,950,139	42,960,270
Includes:					
Non-current asset additions	-	303,276	62,183	-	365,459
At 30 June 2022	(3,196,338)	13,612,453	961,708	28,666,498	40,203,719
Segment liabilities					
At 30 June 2023	-	15,132,434	955,580	8,282,306	24,390,226
At 30 June 2022	19,906	8,733,779	1,001,966	2,470,839	12,226,310

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 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.

20) 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 2023	30 June 2022
	\$	\$
Audit and other assurance services – RSM Australia Partners		
Audit and review of financial statements	75,300	60,350
Other services – RSM Australia Partners		
Tax services	11,000	10,000
Preparation of tax return	6,000	6,000
Transaction support / advisory services	-	22,900
	92,300	38,900
Audit services – unrelated firm		
Audit and review of financial statements	77,525	95,935

21) INTEREST 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 of interest	
			2023	2022
			%	%
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	12/04/2020	Italy	100	100
Mindesk Inc	29/04/2020	USA	100	100
Mindesk Srl	29/04/2020	Italy	100	100
Blank Canvas Studio (Aus) Pty Ltd	27/04/2021	Australia	100	100
JMC Group Srl	31/05/2021	Italy	100	100
Vection Global Services Srl	10/11/2022	Italy	100	100
Vection EMEA Srl	25/10/2022	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		Non-controlling interest	
			Ownership interest		Ownership interest	
			2023	2022	2023	2022
			%	%	%	%
Vection Health Srl ¹	26/3/2021	Italy	60	60	40	40
Xinntex Srl ²	31/05/2021	Italy	100	64	0	36
JMC AMEA Limited ³	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 subsidiaries of JMC Group Srl. The non-controlling interests hold 36% and 30% of the voting rights respectively. On 29 June 2023 JMC Group Srl acquired the non-controlling interest of Xinntex Srl.

22) RELATED PART TRANSACTIONS.

- 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 2023	30 June 2022
	\$	\$
Short-term benefits	1,038,474	705,860
Share-based payments	917,464	288,679
	1,955,938	994,538

A number of entities associated with the directors and key management personnel have consulting agreements 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.

Director	Transaction	Transaction value		Outstanding balance	
		2023	2022	2023	2022
		\$	\$	\$	\$
Mr Gianmarco Biagi and Mr Lorenzo Biagi	Other revenue (a)	23,726	7,764	-	3,391
	Other service cost (b)	33,872	36,003	136	2,818
	Revenue from services (c)	1,483	8,700	159,511	78,688
Mr Jacopo Merli	Other service cost (d)	231.800	-	91.048	-

- (a) The Company's subsidiary Vection Italy Srl received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi.
- (b) The Company's subsidiary Vection Italy Srl paid to companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided.
- (c) The Company's subsidiary Vection Italy Srl received services from companies associated with Mr Gianmarco Biagi and Mr Lorenzo Biagi for service provided.
- (d) The Company's subsidiaries paid to acquire services to companies and individual associated with Mr Jacopo Merli.

ii. Loans to directors.

Loan amounted to \$153,791 was provided to Mr Jacopo Merli. This loan is fully repayable at an interest rate of 5%. The loan is to be repaid by 30 June 2024.

23) PARENT ENTITY INFORMATION.

The following details information related to the Parent entity, Vection Technologies Limited, at 30 June 2023. The information presented here has been prepared using consistent accounting policies as presented in ote 1.

	30 June 2023	30 June 2022
	\$	\$
Current assts	4,927,072	11,373,663
Non-current assets	20,857,513	20,686,677
Total assets	25,784,585	32,060,340
Current liabilities	7,655,642	9,357,973
Non-current liabilities	-	677,901
Total liabilities	7,655,642	10,035,874
Contributed equity	46,591,701	44,611,396
Option reserve	7,434,761	11,683,771
Accumulated losses	(35,897,519)	(36,720,711)
Total equity	18,128,943	19,574,456
Loss for the year	(3,940,591)	(7,775,536)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(3,940,591)	(7,775,536)

Guarantees in relation to subsidiaries.

Vection Technologies Limited does not have any guarantees in relation to subsidiaries (2022: nil).

Contingent liabilities.

Vection Technologies Limited has no material contingent liabilities which are not disclosed in this report as at 30 June 2023 (2022: nil)

Commitments.

Vection Technologies Limited had no capital commitments as at 30 June 2023 and 30 June 2022.

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.

24) FINANCIAL ASSETS.

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Listed equity shares at fair value to profit or loss (i)	28,478	40,526
Interest rate swap	55,701	-
	84,179	40,526

(i) The Australian listed equity shares held for trading at fair value through profit or loss \$12,048 (2022: \$18,621). 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 subjectivity in relation to their value.

25) 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 2023	30 June 2022
	\$	\$
Financial assets		
Cash and cash equivalents	11,359,203	14,869,095
Receivables (current)	13,146,840	5,895,962
Listed investments	28,478	40,526
Derivative instruments	55,701	-
	24,590,222	20,805,583
Financial liabilities		
Payables (current)	12,447,543	7,046,935
Interest bearing liabilities	10,683,616	4,094,927
	23,131,159	11,141,862

a. Market risk.

i. Interest rate risk.

As at and during the year ended on the 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 2023	30 June 2022
	\$	\$
Financial assets		
Cash and cash equivalents at floating rate	11,359,203	14,869,095
Financial liabilities		
Interest bearing liabilities	10,683,616	4,094,927

Group sensitivity

At 30 June 2023, 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 \$113,592 lower/higher (2022: \$148,691 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.

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

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
Cash and cash equivalents	11,359,203	14,869,095
Receivables (current)	13,647,471	5,895,962
Derivative instruments	55,701	-
	25,062,375	20,765,057

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 the 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 2023	%	\$	\$	\$	\$	\$
Payables		10,968,770	-	-	-	10,968,770
Interest bearing						
Borrowings	1.29%	8,113,959	1,063,168	1,130,515	-	10,307,642
Lease liabilities	2.47%	221,965	172,807	-	-	394,772
		19,304,694	1,235,975	1,130,515	-	21,671,184
Consolidated 30 June 2022	%	\$	\$	\$	\$	\$
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

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.

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 and India, the Group's Statement of Financial Position can be affected by movements in the Euro (EUR)/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 2023		30 June 2022	
	EUR A\$	INR A\$	EUR A\$	INR A\$
Financial assets				
Cash and cash equivalents	7,441,564	10,910	3,446,506	4,325
Receivables	13,928,896	39,026	5,902,426	27,783
	21,370,460	49,936	9,348,932	32,108
Financial liabilities				
Payables	12,953,614	86,567	6,964,122	25,531
	12,953,614	86,567	6,964,122	25,531
Net balance	8,416,846	(36,631)	2,384,810	6,576

The following sensitivity is based on a 10% movement of EUR 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 2023, with all other variables held constant:

	30 June 2023		30 June 2022	
	Profit \$	Equity \$	Profit \$	Equity \$
EUR, INR increasing 10% against AUD	838,022	838,022	239,139	239,139
EUR, INR decreasing 10% against AUD	(838,022)	(838,022)	(239,139)	(239,139)

26) COMMITMENTS.

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

27) CONTINGENT LIABILITIES.

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

28) EVENTS OCCURRING AFTER THE REPORTING PERIOD.

Following the end of the period, the Company completed the acquisition of fashion and retail focused XR company Invrision S.r.l. In consideration for this acquisition, on 5 September 2023, the Company issued 62,000,000 performance rights.

Other than the above, 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 2023.

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 2023 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 2023.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Bert Mondello", enclosed within a thin black rectangular border.

Mr Bert Mondello
Chairman
Vection Technologies Limited

29 September 2023
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 2023, 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 2023 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
Revenue from customers Refer to Note 2 in the financial statements	
<p>Revenue from customers for the year ended 30 June 2023 was \$25,331,634. 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"> Assessing the Group's accounting policy for compliance with Australian Accounting Standards; Obtaining an understanding of each of the revenue sources and the process for determining and recognising revenue; On a sample basis, testing revenue recorded to supporting documentation; Testing a sample of revenue transactions before and after the reporting date to assess whether revenue is recognised in the correct financial period; Assessing the work performed by component auditors with respect to revenue recognised by the respective Group's component entities; and Assessing the disclosures in the financial statements.
Carrying value of intangible assets Refer to Note 9 in the financial statements	
<p>The Group has intangible assets of \$15,463,298 as at 30 June 2023, comprising goodwill of \$7,708,634 and other intangible assets of \$7,754,664.</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 2023 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"> Assessing the Group's accounting policy for compliance with Australian Accounting Standards; Critically evaluating management's assessment of whether impairment indicators for other intangible assets were present at 30 June 2023; 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;

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"> • 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; • Assessing whether indicators of impairment are present in relation to the Group's other intangible assets; and • 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. 	<ul style="list-style-type: none"> • Assessing the work performed by component auditors with respect to other intangible assets held within the respective Group's component entities; • 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; • 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; • Challenging the Group's forecast cash flows, EBITDA margin and growth assumptions; • Considering the sensitivity of the models by varying key assumptions, such as forecast EBITDA margins, discount rate, within a reasonably possible range; • 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; • Checked the mathematical accuracy of the impairment expenses recognised and • Assessing the adequacy disclosures included in the financial statements.

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 2023 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. This description forms part of our auditor's report.

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 2023.

In our opinion, the Remuneration Report of Vection Technologies Limited, for the year ended 30 June 2023, 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: 29 September 2023

ADDITIONAL ASX INFORMATION



NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 31 AUGUST 2023.

The fully paid issued capital of the Company consisted of 1,126,588,969 ordinary fully paid shares held by 5,672 shareholders. Each share entitles the holder to one vote.

DISTRIBUTION HOLDERS OF EQUITY SECURITIES AS AT 31 AUGUST 2023.

Holding ranges	Holders	Total unites	% issue share capital
Above 0 up to and including 1,000	77	13,593	0.00%
Above 1,000 up to and including 5,000	924	3,401,062	0.30%
Above 5,000 up to and including 10,000	1,100	8,589,151	0.76%
Above 10,000 up to and including 100,000	2,776	102,101,187	9.06%
Above 100,000	795	1,012,483,976	89.87%
Totals	5,672	1,126,588,969	100.00%

	Holders	Minimum Parcel Size	Units
Minimum \$500 parcel at \$0.038 per unit	3,269	13,158	1,111,098,074

SUBSTANTIAL SHAREHOLDERS AS AT 31 AUGUST 2023.

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 Srl	327,556,186	29.08%
Mr Jacopo merli	65,510,036	5.81%

TWENTY LARGEST SHAREHOLDERS OF QUOTED EQUITY SECURITIES AT 31 AUGUST 2023.

	Substantial shareholder	Number of shares	% held
1	OFFICINE 8K S R L	327,556,186	29.08%
2	MR JACOPO MERLI	65,510,036	5.81%
3	CDP VENTURE CAPITAL SGR SPA	54,252,406	4.82%
4	PRIMO VENTURES SGR SPA	47,445,872	4.21%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	31,613,997	2.81%
6	CITICORP NOMINEES PTY LIMITED	30,797,731	2.73%
7	CROSSBAY PTY LTD	15,390,000	1.37%
8	MRS PATRICIA ANNE SCUDDS	12,400,000	1.10%
9	MR PAUL BRENT CLAYTON	12,332,258	1.09%
10	HTC VIVE INVESTMENT (BVI) CORP	11,179,911	0.99%
11	TRADITIONAL SECURITIES GROUP PTY LTD <LPR FAMILY A/C>	10,490,041	0.93%
12	MR YALEI MENG	10,480,072	0.93%
13	A11 VENTURE S R L	8,580,000	0.76%
14	SETTEPUNTONOVE SRL	8,000,000	0.71%
15	MR KIRIL RUVINSKY	7,788,629	0.69%
16	MR MARCEL ANTHONY REUBEN <DEBMAR A/C>	7,244,850	0.64%
17	MR MARX LIN	7,000,000	0.62%
18	BNP PARIBAS NOMS PTY LTD <DRP>	6,720,365	0.60%
19	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	6,027,265	0.54%
20	MR ARTHUR BROMIDIS	5,500,000	0.49%
20	INDOMAIN ENTERPRISES PTY LTD <U C MONDELLO FAMILY A/C>	5,500,000	0.49%