AROWANA

Arowana International Limited and its Controlled Entities

ACN 103 472 751

Annual Report for the year ended 30 June 2017

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Chairman's & CEO's Letter

Dear Fellow Shareholders,

18 August 2017: Since writing last year's report in September 2016, Arowana International has materially changed from a business and financial composition perspective. We are now very much a global group with more than 75% of revenue, profits and assets being generated from overseas. This is because of the greater than expected growth of our solar power business, VivoPower International PLC ("VivoPower"). Our business units today are solar power (global with a strong US weighting), education (Australia), industrial testing (Australia) and funds management (Australia).

FY17 in Review

This time last year, we set our FY2017 strategic execution priorities as follows:

- Complete NASDAQ listing of VivoPower (and dual listing on ASX subject to market dynamics);
- Further grow the development and asset ownership orbit for VivoPower;
- Rebuild vocational education division and where possible, assist in turning around Intueri;
- Manage our Operating Companies to deliver minimum aggregate organic EBIT CAGR of 10-20%;
- Increase AFM FUM to minimum A$200m (excluding internally seeded capital); and
- Fast track coaching and development of our team to master and apply V.U.C.A. leadership.

We delivered on 5 of the 6 execution priorities, with the AFM FUM goal of A$200m not being achieved.

If there is a one word barometer to describe FY2017, it would be Obstacles. Our resilience as a team and our leadership capabilities in a V.U.C.A. (volatile, complex, uncertain and ambiguous) world were robustly tested. We constantly had to overcome significant uncontrollable challenges that manifested over the course of the year. Key amongst these were the demise of the largest solar stock in the world, Sun Edison (April 2016), the surprise Brexit vote (June 2016) and the shock election of President Trump (November 2016); all of this combined to make solar the most unpopular stock market sector in the United States and made capital raising for a NASDAQ listing of VivoPower, which was our number 1 priority, challenging. Admittedly, we could have been less sceptical and more attentive to our new in-house data analytics team, they were predicting both Brexit and Trump back in April 2016. We listen to them more closely now! Nonetheless, we did consummate the listing of VivoPower on NASDAQ and have successfully helped its leadership team build a development and asset ownership orbit with joint ventures in the United States and an asset ownership alliance agreement in Australia.

On the Australian front, like many others, we continue to be frustrated by political and regulatory volatility that is more pronounced than at any time I can remember. We felt the brunt of it with the diametric change in federal vocational education policy in November 2016 that scorched the Australian business of Intueri Education, along with most of its peers in Australia. This led to the forced sale of Intueri’s remaining businesses in New Zealand and its effective closure in June 2017 with no residual value for AWN’s 24.9% stake. That said, I have always considered crises to be opportunities and have spent the last 15 years principally focussed on unfashionable and ostensibly complex situations that are not sunset industries. We look for situations where absolute undervaluation exists that we can validate with deep forensic research and then apply strong operational capabilities to deliver the investment thesis. Arowana has traditionally delivered strong returns in unpopular sectors and companies (these include amongst others, software in 2004 in the aftermath of the 2001-2002 technology bubble bust, traffic control in 2008 several weeks after Lehman Brothers and following the public decline of a listed peer and market leader, NZ education in 2010 when consensus was that the NZD had significant further downside). The establishment of Everthought Education in July 2016 is an expression of our belief that certain segments of the Australasian education sector fit this mould.

In summary for FY2017, I have committed AWN to being weighted to the most unpopular listed sector in the United States (solar) and the most unpopular listed sector in Australia (education). This is however deliberate, given our long-term business building mindset and the fact that both sectors are multibillion dollar addressable markets that are still fragmented and with strong tailwinds.

FY18 Objectives

For FY2018, we have set our annual theme to be Grow Platforms. The context is that following the sale of Intueri Education in May 2014, we launched 3 new business platforms in solar (VivoPower International), funds management (Arowana Funds Management) and education (Everthought Education). VivoPower has scaled up significantly over the past 18 months but it is now time to similarly scale up Everthought and Arowana Funds Management. For all three businesses, the year ahead is critical in terms of taking advantage of opportunities before them and appropriately managing the inevitable growing pains challenges that come with a growth ambition.

Our FY2018 strategic execution priorities are as follows:

- VivoPower International - deliver on FY18 forecasts and drive investor relations;
- Everthought Education – scale up platform and secure strategic partnerships;
- Arowana Funds Management – raise 2 new fund vehicles and achieve $200m FUM target;
- Co-Investment Partnerships – secure Australian and international strategic partners;
- Data Analytics – build leadership team and establish profitable platform; and
- Enterprise Office – complete marketing & branding upgrade and secure B Corp accreditation.

The broader Arowana group officially marked its 10 year anniversary in July 2017 and launched a new logo, branding and website (www.arowanaco.com) to position itself for the next decade and further growth internationally. As part of this exercise, Arowana has solidified its core purpose to be: Grow People, Grow Companies and Grow Value. Furthermore, we have defined our primary focus to be the small and medium sized enterprise (SME) space where we are a specialist investor and operator having successfully scaled up different businesses across various sectors. Furthermore, the availability of equity and debt capital continue to be constrained for SME businesses, which presents opportunities.

How do we grow people, grow companies and grow value? Simply put:

- We grow people – by investing time and money through Arowana University in learning & development opportunities as well as diverse and challenging on the job opportunities;
- We grow companies - by applying “hands on” operational engineering, working alongside leadership teams to scale up companies (and less through financial engineering);
- We grow value - through executing well on the two above.

For AWN, new team members have been hired in London, New York and Manila whilst maintaining headcount budget (through not replacing natural attrition). We will also be shortly opening an office in Los Angeles (as part of the execution plan for scaling up Arowana Funds Management as well as expanding the investor universe for AWN). As flagged in the FY2017 half year report, we are also importantly reshaping the composition of the Enterprise Office team to be less heavily weighted towards financial engineers. We have not replaced natural attrition in this regard and have instead invested in operational engineering capabilities, data science skills and a digital marketing specialist to better serve and help our operating businesses to scale up. We have also beefed up our international advisory board with a strong line-up of UK and US based advisors, including Shimi Shah (London and Dubai), Professor Hugh Durrant-Whyte (London), Simon Perry (London) and Chris Kehoe (New York); their details are available on our website.

10 Year Horizon

I realise this is unorthodox writing about a 10 year horizon for a listed company! Whilst short term tactical challenges, people issues and execution do dominate my days (as is normal when scaling up SME companies), the 10 year checkpoint has meant a year of investing more heavily in learning, through attendance at conferences, reading more and spending time engaging in deep research. In doing so, I reread my favourite book, the Sovereign Individual, written by Lord Rees Mogg, the former editor of the Times and James Dale Davidson. I last read it in the year 2000, several months after it was released. In the book, amongst other things, it foretells the rise of the global technology mega-corporations and how they would become more powerful than city states (i.e. governments).

This leads me to Amazon, where on the cusp of the company's official opening in Australia, Australian businesses are finally realising that they face not just disruption but an existential threat, if they somehow have the misfortune to be in a space in which Amazon will operate. What is perhaps not well understood is that Amazon has become a conglomerate of start-ups that executed flawlessly in seeking out traditional industries to invade, where someone's profit is Amazon's opportunity. The website URL www.relentless.com is owned by Jeff Bezos and when typed in, it takes you to the Amazon website; relentless captures Amazon in one word – too fast, too strong, too resilient and will outcompete most businesses, especially those who have been comfortably operating in an oligopolistic construct. I first wrote about the threat of Amazon in our November 2014 AGM presentation and if anything, we are even more vigilant than before in assessing not just Amazon risk but technology risk on business models. This being said, Amazon also provides opportunities; one case in point is Amazon Web Services (an also ran in 2011 but now the global leader in cloud based solutions) which is a platform that will enable many SME companies to scale rapidly. As recently as 6 years ago, we decided not to use AWS for our newly opened Brisbane office because it was a start-up that was too new; today we would be hard pressed to use any other platform for our various business units.

Speaking of technology risk, having visited technology companies in both the United States and China this year, it is very clear that artificial intelligence and machine learning are no longer science fiction. This poses a threat to all forms of businesses, although equally it will present significant opportunities for companies to transform the competitive landscape in their favour, if they can embrace and execute. In this regard, we will continue to build up our data analytics unit to ensure we are capturing the right opportunities and enhancing our capability to understand and deploy various AI tools across our business units. The likes of Amazon, AliBaba or even newer starts up such as Ofo in China have a backbone of data analytics and artificial intelligence. Interestingly the business model of Ofo and other similar subscription based businesses are effectively a modern incarnation of the float concept that Buffett and Berkshire are well known for.

Aside from Amazon and Artificial Intelligence, I see our other key risks over the next decade as being Australia centric and also Arowana (i.e. ourselves).

On Australia, I am concerned that the combination of political and regulatory volatility, myopic leadership and mindsets, declining school education standards relative to the rest of the world and relatively low standards of technology literacy combined with high costs and low productivity, will structurally constrain business prospects within Australia. A decade ago, Australia's internet infrastructure and speeds were better than many Asian countries, now it is slower than places like Thailand and Taiwan. Next year the Hong Kong to Beijing fast train will come into service cutting travel time to 10 hours (from 24 hours) whilst Australia still continues its 20 year debate on high speed rail. Having said that, there are sectors where Australia is world class, such as healthy food and beverage, pet care, certain segments of technology and education and anything that is compliance or rules related. We will focus on sectors such as these where there are tangible export opportunities, especially in the ASEAN region.

Lastly on Arowana, I choose ourselves as a key risk, especially if we are unable to execute on strategy as flawlessly and quickly as possible. I would love for us to have the same execution tempo and resilience as Amazon. I have a great deal of admiration for companies where generally things get done fast, on time or ahead of time. Whilst we have executed at pace on scaling up VivoPower International, there is still far more room for improvement even at a cultural level when it comes to execution. Execution with pace, power and precision in a world that is changing faster than ever before, because of technology, is going to be an essential and ingrained cultural trait of successful enterprises. Furthermore, we must be more mentally flexible than ever before, avoiding dogma and being able to pivot strategy fast.

So, in summary, over the next decade, our key threats but also our key opportunities are: Amazon (and others as a technology platform), Artificial Intelligence (as an enabler of competitive advantage), Australia (in certain segments with export potential) and Arowana (further building up a resilient culture of flawless execution).

Final Remarks

In closing, I would like to take this opportunity to thank the AWN team as they have continued to work hard on various fronts scaling up companies and funds. I would also again like to thank our fellow shareholders for their investment in AWN and for their continued patience. We are continuing to work and fight hard to deliver value to them over the long term.

Yours sincerely

Kevin Chin

Executive Chairman and Chief Executive Officer

Corporate Governance Statement

Arowana International Limited (the "**Company**" or "**AWN**") and its controlled entities (together "**Group**") is committed to operating effectively and in the best interests of shareholders. The Group had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2017 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council's Principles and Recommendations and this can be accessed at:

http://arowanaco.com/wp-content/uploads/2017/08/AWN-Corp-Gov-Stmt-2017-1.pdf

Directors' Report for the year ended 30 June 2017

The Directors of Arowana International Limited ("the Company"), present their report together with the financial statements of the Group comprising the Company and its controlled entities, for the year ended 30 June 2017 ("**the reporting period"**).

Arowana International Limited is a company limited by shares and is incorporated in Australia.

Directors and Company Secretary

The following persons were directors of the Company during the reporting period and up to the date of this report: Kevin Chin (Executive Chairman & CEO), Robert McKelvey (Non-Executive director), Anthony Kinnear (Non-Executive director) and John Moore AO (Non-Executive director). The company secretary is Tom Bloomfield.

Principal activities

During the reporting period, the principal activities of the Group remained unchanged and related to the operation of three divisions – Operating Companies Division (currently incorporating interests in renewable energy, education and diagnostic testing); Funds Management Division and the Arowana Enterprise Office.

There were no significant changes in the nature of the activities of the Group during the year.

Operating Results

The consolidated profit of the Group from overall operations for the reporting period, after tax was $4,593,168 (2016: loss $30,965,729).

Review and results of operations

Statutory Financial Highlights

The statutory EBIT and profit after tax attributable to shareholders for the year ended 30 June 2017 were $12.5 million (2016: loss of $35.1 million) and $4.6 million (2016: loss of $31.0 million) respectively. This was primarily due to the faster than expected scaling up of VivoPower International PLC with its revenue and profit contribution significantly exceeding that of Everthought Education, Thermoscan and Arowana Funds Management combined.

The table below sets out the statutory financial results for the year ended 30 June 2017:

All figures in A$ millions	Year ended 30 June 2017 – statutory (audited)	Year ended 30 June 2016 – Statutory (audited)	% change
Operating Revenue	58.7	4.5	1,204
Interest Income	1.3	2.6	(50)
Total Revenue	60.0	7.1	745
Other Income	12.5	0.3	4,067
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	15.5	(34.9)	nmf
Earnings Before Interest and Tax (EBIT)	12.5	(35.1)	nmf
Profit Before Tax (PBT)	13.3	(32.5)	nmf
Tax	8.7	(1.6)	nmf
Net Profit After Tax (NPAT)	4.6	(31.0)	nmf
Earnings per Share (EPS)	0.9 cents	(19.5) cents	nmf
Dividend per Share (DPS)	0.6 cents	0.8 cents	(25)
Net Tangible Assets (NTA) per Share	32.5 cents	56.2 cents	(42)

nmf – no meaningful comparison

The net tangible assets (NTA) of the group reflects investment of cash in establishing the VivoPower business across Australia, Asia, the United Kingdom and the United States. Given VivoPower is an asset light business, it has a greater proportion of intangible assets on its balance sheet.

Underlying Financial Performance

In order to enable a more meaningful comparison of underlying financial performance, the following table outlines AWN's financial performance for the year ended 30 June 2017 versus the year ended 30 June 2016. The table is presented on the following basis:

- Excluding any unrealised foreign exchange (gains)/losses from foreign currency holdings, $0.8M (2016:$0.5M) ;
- Excluding the share of non-cash provision for impairment relating to the Group's investments in Intueri, $1.2M (2016: $13.4M);
- Excluding any impact on the Group's share of the net result of Intueri, $6.4M (2016: $11.7M);

- Excluding the impact of the reversal of deferred consideration on the acquisition of Everthought Education, offset by the non-cash provision for impairment on goodwill, $1.5M (2016: NIL);
- Excluding the one-off gain recorded on the exchange of the Group's initial investment in Arowana Inc. for new shares in VivoPower International, $6.8M (2016: NIL);
- Excluding the impact of dividends received from hybrid securities held in Aevitas Group Limited prior to its acquisition by VivoPower International, $1.4M (2016: NIL);
- Excluding the impact of project costs incurred by the Enterprise Office, principally related to the build-out of VivoPower, $3.7M (2016: $2.3M); and
- Excluding the impact of other individually immaterial, non-recurring transactions, $0.1M (2016: NIL).

All figures in A$ millions	Year ended 30 June 2017 – underlying (unaudited)	Year ended 30 June 2016 – underlying (unaudited)	% change
VivoPower International	52,766	144	nmf
Everthought Education	3,525	-	100
Thermoscan	2,635	2,728	(3)
Arowana Funds Management	1,045	1,318	(21)
Enterprise Office	1,027	423	143
Total Revenue	**60,998**	**4,613**	**1,222**
VivoPower International	22,384	(271)	nmf
Everthought Education	23	-	100
Thermoscan	701	841	(17)
Arowana Funds Management	(762)	839	(191)
Enterprise Office	(5,293)	(5,923)	11
Total EBITDA	**17,053**	**(4,514)**	**478**
VivoPower International	20,918	(271)	nmf
Everthought Education	(1,338)	-	100
Thermoscan	567	694	(18)
Arowana Funds Management	(762)	839	(191)
Enterprise Office	(5,374)	(5,957)	10
Total EBIT	**14,011**	**(4,695)**	**398**
Realised FX gains / (losses)	804	(319)	nmf
Interest Income	1,316	2,634	(50)
Interest Expense	(535)	(66)	nmf
Net Interest Income	781	2,568	(70)
Total Underlying PBT	**15,596**	**(2,446)**	**738**
Tax (expense) / benefit	(8,689)	1,582	(649)
Underlying Group NPAT	**6,907**	**(864)**	**900**

nmf – no meaningful comparison

Key comments in relation to the above table:

VivoPower International

- Underlying results reflect part period contributions only from VivoPower Australia and Aevitas (which became wholly owned subsidiaries of VivoPower International from 29 December 2016)
- Underlying results reflect only a part period offset for minority interests in relation to VivoPower International, of which the Group holds 60.9% post VivoPower International’s NASDAQ listing on 29 December 2016
- Underlying revenue, EBITDA and EBIT for the year ended 30 June 2017 includes the consolidated results of VivoPower International, which has delivered exponential growth during the period. VivoPower’s results reflect a breakout year in terms of revenue and profit contribution after almost 3 years of ground work following the establishment of VivoPower in August 2014. Importantly, VivoPower has established an expansive qualified project pipeline exceeding 2GW in size (principally in the United States) over the past 12 months.

Everthought Education

- Everthought Education was established on 1 July 2016 with the first acquisition consummated on that date, with subsequent acquisitions completed in November 2016 and June 2017. Its results reflect full year contribution from one of these acquisitions and part year contribution from two acquisitions offset by significant opex investment in a leadership team (which will enable the group to scale up sustainably over the next 12 months and beyond)

Thermoscan

- Thermoscan’s results primarily reflect lower utilisation of technicians as investment in training time was undertaken to ensure that the business is future proofed for new methodologies incorporating new technology (including drones) as well as to position the business to capture new business in the solar industry. This investment has strategically positioned the business to capture a new addressable market opportunity going forward.

Arowana Funds Management

- Arowana Funds Management result primarily reflects the absence of performance fee revenues for the year given a flat performance from the Arowana Australasian Value Opportunities Fund (AAVOF). The Arowana Australian Special Situations Fund (AASSF I) commenced realisation proceedings effective 1 January 2017 and given its strong performance, will crystallise a performance fee for Arowana Funds Management. However this will be received and recognised in the FY2018 financial year.

For additional information please refer to the Chairman’s and CEO’s Letter within this Annual Report.

Financial position

The net assets of the Group have increased from $99.4 million as at 30 June 2016 to $103.4 million as at 30 June 2017.

As detailed in the Consolidated Statement of Financial Position, consolidated current liabilities of the Group exceeded current assets at 30 June 2017 by $2,887,864 (2016: current assets surplus of $68,478,709). During the reporting period the Group has invested surplus cash flows from operations, proceeds from capital raising and short term finance, into the international expansion of business operations. In particular, this has resulted in the rapid and significant growth of non-current assets in the solar power business through VivoPower International PLC and its subsidiaries together with acquisitions in the education sector. While this strategy of growth continues, the Group is expected to maintain a short term net current asset deficiency.

The Group manages its short term liquidity, by maintaining adequate working capital finance facilities and through the normal cyclical nature of receipts and payments. As such, the directors believe the company is a going concern and will be able to pay its debts as and when they become due and payable and the accounts have been prepared on this basis.

Dividends paid or recommended

The following dividends were paid during the year:

Dividend	$
Final ordinary dividend - 29 Sep 2016 of 0.3 cents per share (unfranked)	474,513
Interim ordinary dividend - 31 Mar 2017 of 0.3 cents per share (unfranked)	474,513
Total	**949,026**

On 31 August 2017 the Company declared an unfranked divided of 0.30 cents per share. The dividend will be payable to shareholders of record on 6 October 2017 and will be paid on 16 October 2017.

Significant changes in state of affairs

VivoPower

During the year to 30 June 2017, AWN's Operating Companies division delivered above forecast expectations on its earlier expansion and investment in the solar energy sector.

Following market announcements on 1, 12 & 25 August 2016 in relation to the proposed partial sell down plans for these enterprises, they and other investments held and associated with the same proposal, were treated as 'discontinued operations' and 'assets classified as held for sale' in the Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position, respectively at 31 December 2016. Following the initial business combination concluded in December 2016 with Arowana Inc., these assets remain 60.9% owned by Group entities and are therefore consolidated in the financial statements of the Group as at and for the period ended 30 June 2017.

Everthought Education

Everthought Education was expanded in December 2016, following the earlier acquisition of two small training organisations in Brisbane and Perth. In the period to 30 June 2017, Everthought has made two further acquisitions, increased its capabilities significantly and contributed $3.2m to total Group revenue (2016 $NIL).

Events occurring after the reporting period

Other than the dividend referred to below, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group and Company, the results of those operations, or the state of affairs of the Group and Company in future financial years other than as indicated below:

The Company declared an unfranked divided of 0.30 cents per share on 31 August 2017. The dividend will be payable to shareholders of record on 6 October 2017 and will be paid on 16 October 2017.

Business strategies, prospects and likely developments

Please refer to the Chairman's and CEO's Letter within this Annual Report.

Environmental regulations

The operations of the Company are not subject to any particular environmental regulations under a Commonwealth, State or Territory Law.

Information on directors and company secretary

The following persons were Directors of the Company during the reporting period and up to the date of this report:

Name	Title	Appointment Date
Kevin Chin	Executive Chairman & CEO	Feb 2015, appointed as Director Nov 2012
Robert John McKelvey	Non-Executive Director	Feb 2015
Anthony Kinnear	Non-Executive Director	Nov 2015
John Moore AO	Non-Executive Director	Nov 2012
Tom Bloomfield	Company Secretary	Jan 2012

Kevin Chin

Kevin is the founder and Executive Chairman of Arowana, which comprises Arowana International Limited, Arowana Partners Group and Arowana Capital (where he was a co-founder).

He has over 15 years' experience as a "hands on" strategic and operational leader in CEO, CFO and COO roles for listed and unlisted companies where he has taken a significant shareholding position.

Kevin has also had over 15 years of funds management experience encompassing private equity, listed equities, fund of funds and venture capital.

Kevin has led the Arowana team to delivering annualised returns exceeding 30% on investments (both realised and unrealised) across both operating companies and funds since 2007.

These include Arowana International Limited, Evolution Group Holdings Limited, Intueri Education Group, the Arowana Australasian Special Situations Fund I and the Arowana Microcap Australasian Private Equity Fund I.

He also led the IPO of the listed investment company, Asian Masters Fund Limited in December 2007 and during his 2 year tenure as its defacto Chief Investment Officer, the Asian Masters Fund Limited beat its benchmark index by 29% and delivered a positive absolute return notwithstanding the Global Financial Crisis.

Prior to founding Arowana, Kevin led the $12m privatisation and management buyout of ASX listed software company, SoftLaw Corporation Limited (which was renamed to RuleBurst Limited) in November 2004 and became its hands-on CFOO. Together with the rest of the management team, they executed a rapid turnaround in the business and subsequently scaled it up globally. RuleBurst was acquired by Oracle Corporation in November 2008 for $150m.

His prior professional experience includes working for the Lowy Family Group, J.P.Morgan, Ord Minnett, Price Waterhouse and Deloitte. Kevin holds a Bachelor of Commerce degree from the University of New South Wales where he was one of the inaugural University Co-Op Scholars with the School of Banking and Finance. Kevin is a Fellow of FINSIA (Financial Services Institute of Australasia) where he also lectured for the FINSIA Masters Degree course, Advanced Industrial Equity Analysis. He is also a qualified Chartered Accountant.

Kevin assumed the role of Executive Chairman in February 2015.

Other current directorships in listed companies:

- Arowana Australasian Value Opportunities Fund Limited
- VivoPower International PLC
- Arowana Inc. (in voluntary liquidation)

Former directorships of listed companies in the last 3 years

None

Special responsibilities

Kevin is the Chairman of the Company and also participates in all key decisions.

Interest in shares and options of the Company

Details of Kevin's interests in the Company are included later in this report.

Robert McKelvey

Rob was appointed in February 2015 and was previously Managing Director of the US technology research firm, Gartner Inc. for the Asia Pacific. He has extensive knowledge and experience of technology trends and developments and is also a certified master coach and is a strong advocate of building the right culture and coaching processes within organisations.

Other current directorships in listed companies:

None

Former directorships of listed companies in the last 3 years

None

Special responsibilities

None

Interest in shares and options of the Company

Details of Rob's interests in the Company are included later in this report.

Anthony Kinnear

Tony was appointed in November 2015 and has over 25 years of leadership experience with both private, high growth technology start-ups and large multinationals in Australia and throughout Asia. In his current role, he serves as Managing Director of Thomson Reuters for the ASEAN and North Asian regions, covering 14 geographies. Prior to this he has been CEO of four information and technology businesses, two of which he took to IPO. Tony brings a unique, real-world command of software and technology, research and big data as well as extensive fund raising, acquisition and operating experience. Tony holds a Bachelor of Arts with Honours and a Bachelor of Laws from the University of Sydney.

Other current directorships in listed companies:

None

Former directorships of listed companies in the last 3 years

None

Special responsibilities

None

Interest in shares and options of the Company

Details of Anthony's interests in the Company are included later in this report.

John Moore AO

John was a member of the Brisbane Stock Exchange between 1962 and 1975. He is currently serving as a Non-Executive Director of Arowana International Limited.

John was the former Federal Minister for Industry, Science and Tourism in 1996 and held that portfolio until 1998, also holding the position of Vice President of the Executive Council.

In 1998, John assumed the role of Federal Minister of Defence and held that portfolio until his retirement from politics in 2001.

John holds a Bachelor of Commerce and Associate in Accountancy from the University of Queensland.

John has also held director or board memberships in a number of Australian companies, including Brandt Limited (Australia), P.F.C.B. Limited and Agricultural Investments Limited, and was a board member of Merrill Lynch Australia and Citinational Australia.

Other current directorships in listed companies:

- Arowana Australasian Value Opportunities Fund Limited
- Herencia Resources Limited
- Arowana Inc. (in voluntary liquidation)

Former directorships of listed companies in the last 3 years

None

Special responsibilities

John is Chairman of the Audit and Risk Committee and of the Nomination and Remuneration Committee

Interest in shares and options of the Company

Details of John's interests in the Company are included later in this report.

Tom Bloomfield

Tom is an experienced Chartered Company Secretary and has acted for numerous ASX-listed and unlisted companies. He has experience working with and consulting to a range of international and domestic clients. Tom is currently General Manager of Corporate Secretarial Services at Boardroom Pty Limited. He was appointed Company Secretary in January 2012.

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the reporting period and the numbers of meetings attended by each director were:

Director	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	**B**	**A**	**B**	**A**	**B**
Anthony Kinnear	11	11	N/A	N/A	N/A	N/A
Kevin Chin	11	11	N/A	N/A	N/A	N/A
John Moore AO	9	11	2	2	N/A	N/A
Robert McKelvey	11	11	2	2	N/A	N/A

A = number of meetings attended

B = number of meetings held during the time the director held office during the reporting period.

Indemnification and insurance of officers and auditors

The Company has paid premiums to insure all directors of the Company and officers of the Group against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The amount of the premium was $87,034 (inclusive of GST). No amounts were paid to indemnify the auditors.

Proceedings on behalf of the company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Options

There were no options outstanding as at the date of this report in respect of any securities of the Company. As part of its initial public offering 60.9% subsidiary, VivoPower International PLC (VivoPower) has 828,000 vested options outstanding whereby the holder can buy VivoPower shares at USD8.70 at any time before 30 April 2020.

Non-audit services

During the year network firms of PKF Hacketts Audit, the Group’s Lead Auditor, have performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and its network firms and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid and payable to the auditors of the Group, PKF Hacketts Audit, and its network firms for audit and non-audit services provided during or in relation to the year are set out below:

Services other than audit and review of financial statements	$
Other Assurance services [PKF Hacketts Audit]:	
Due diligence	80,500
Other services	6,700
Taxation services [PKF Tax Pty Ltd – Sydney]:	
Taxation compliance	39,800
Total paid to PKF Hacketts Audit and its network firms	**127,000**

Interests in the Company

The relevant interest of each director in shares issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with Sec 205G(1) of the Corporations Act 2001, at 30 June 2017 is as follows:

Directors	Ordinary shares
Kevin Chin	15,165,963
John Moore AO	1,400,000
Robert McKelvey	-
Anthony Kinnear	678,069

All the above shares are held by either the directors themselves or their related entities.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Remuneration report (Audited)

Remuneration policy

The Nomination & Remuneration Committee Charter was adopted by the current Board of the Company to provide the terms of reference for the Nomination & Remuneration Committee.

The Nomination & Remuneration Committee's objective is to assist the Board in fulfilling its responsibilities by reviewing, advising and making recommendations to the Board on nomination and remuneration policies and practices.

Remuneration focussed responsibilities of the Committee include determining and agreeing with the Board the policy for the remuneration of the non-executive directors, the CEO and the executive team and will review the ongoing appropriateness and relevance of the remuneration policy.

Further remuneration focussed responsibilities of the Nomination & Remuneration Committee include making recommendations to the Board in relation to those executive incentive plans that require the approval of shareholders. In making those recommendations the Committee will have regard to the remuneration policy and to the total cost of each plan.

Under the Nomination & Remuneration Committee Charter, where practicable, the Committee will comprise solely of non-executive directors and have at least three members. New members will be proposed by the Chairman and approved by the Board. The Committee is for the time being chaired by John Moore AO and members are Rob McKelvey and Conor Byrne.

Remuneration Objectives

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company.

Compensation levels for key management personnel will incentivise management to maximise annual dividends and also to maximise compounding growth of "cash on cash" returns and return on invested capital of the Group (which in turn will result in long term capital growth and value creation). As a result, the Company embraces and applies "lean enterprise" and "lean management" principles. The core objective of the "lean enterprise" philosophy and approach is to eliminate unnecessary waste and inefficiency in an organisation whilst preserving value to the stakeholders. The implications of this approach for the organisational structure and compensation model of the Company are outlined as follows:

- Organisational structure: a flexible and agile model that promotes multi-tasking and self-sufficiency by management and employees. This model eschews more conventional thinking than the formulaic application of "template" organisational structures that "over demarcate" roles and responsibilities and promote an "empire building" mindset. In practice, head office employees undertake several functional roles (which would ordinarily be staffed by more than one employee at other companies with more conventional structures);
- Compensation structure: Compensation is heavily skewed towards performance based outcomes. All head office employees will be paid below market salary rates to ensure fixed cost savings for the Company and in keeping with the "lean enterprise" ethos. In addition, there will be a salary cap in place for the head office employees. The salary cap will be reviewed by the Board as required to attract and retain employees;
- To incentivise employees to act as "owners" when assessing and purchasing businesses for the Company. In particular, employees will be encouraged to acquire businesses at valuations that are as optimally low and as value accretive to the Company as possible; and
- To incentivise employees to operate the Company's businesses such that they deliver financial and operational outperformance over a long term investment horizon.

Fixed compensation

Fixed compensation consists of base compensation, as well as leave entitlements and employer contribution to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executives' compensation is also reviewed on promotion.

Relationship between remuneration policy and the Company performance

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward executives for meeting or exceeding defined objectives. In this regard, during the year, the Board adopted a revised employee incentive scheme, being a Long Term Value Creation Plan ("**LTVCP**"). The LTVCP was approved by shareholders at the AGM in November 2014 and an Extraordinary General Meeting held on 17 January 2014.

Under the revised LTVCP, enterprise office employees as a group will receive AWN shares to the value of 20% of any outperformance above an average 8% per annum hurdle rate of Arowana International Limited's enterprise value (with relevant adjustments for any debt or equity raised or returned), calculated over a 5 year period. The plan also makes provision for certain Early Trigger Events that may result in an early incentive payment.

Service Contracts

Kevin Chin – Chief Executive Officer

Kevin Chin, in the role as Chief Executive Officer (CEO) has a contract of employment executed on 2 July 2013 with the Company. The contract specifies the duties and obligations to be fulfilled in the role of CEO. The contract provides for a 6 month notice period for termination and base remuneration of $30,000 per year.

Mr Chin also receives remuneration under a separate service contract with the Group's 60.9% subsidiary, VivoPower International PLC, for his role as a non-executive director of that company and in accordance with its separate executive remuneration policies.

Gary Hui – Chief Investment Officer

Gary Hui, in the role as Chief Investment Officer (CIO) has a contract of employment executed on 23 October 2014 with the Company. The contract specifies the duties and obligations to be fulfilled in the role of CIO. The contract provides for a 3 month notice period for termination and remuneration arrangements as outlined in *Remuneration Objectives* above, for company executives.

Conor Byrne – Chief Financial and Operating Officer

Conor Byrne, in the role as Chief Financial and Operating Officer (CFOO) has a contract of employment executed on 13 July 2015 with the Company. The contract specifies the duties and obligations to be fulfilled in the role of CFOO. The contract provides for a 3 month notice period for termination and remuneration arrangements as outlined in *Remuneration Objectives* above, for company executives.

Share-based Compensation

No shares or options were granted to key management personnel as compensation during FY2017. The amortisation expense for shares previously issued under the LTVCP during FY2016 to key management personnel is shown in the table on page 24.

Additional Information

The factors that are considered to affect total shareholder return (TSR) are summarised below:

	2017	2016
Share price at financial year end (cents per share)	53.00	45.00
Total dividends declared (cents per share)	0.60	0.80
Basic earnings per share (cents per share)	0.94	(19.53)

Non-Executive Directors

Aggregate Directors' base fees are presently up to $120,000 per annum, and non-executive directors do not receive performance-related compensation. Details of the nature and amount of each major element of remuneration of each director of the Company are outlined in the table below.

Remuneration of key management personnel

Given the relative size of revenue and earnings contribution, there are no designated key management personnel for Everthought and Thermoscan. Operating personnel within all operating divisions consult with and report into head office personnel on key business decisions.

As mentioned above and elsewhere in this Annual Report, during the reporting period VivoPower International PLC and its subsidiaries have scaled up successfully and become a significant part of Group operating companies. Key management personnel for the reporting period therefore now includes the Chief Executive Officer and Finance Director of VivoPower. The remuneration levels of VivoPower executives is set in local currency of their countries of employment (UK and USA respectively) and is determined by comparable rates in the international market.

A summary of the remuneration of key management personnel for the Group is set out below.

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2017

Remuneration Report		Salary, fees & leave ($)	Short Term Benefits Bonus ($)	Non-monetary benefits ($)	Other benefit ($)	Total ($)1	Long term benefits Post- employment Superannuation benefits ($)	Share-based payments ($)*	Total ($)	Remuneration linked to performance (%)
Directors										
Non-executive directors										
Anthony Kinnear (appointed 19 Nov 2015)	2017	27,397	-	-	-	27,397	2,603	-	30,000	-
	2016	16,851	-	-	-	16,851	1,601	-	18,452	-
John Moore AO	2017	27,397	-	-	-	27,397	2,603	-	30,000	-
	2016	27,397	-	-	-	27,397	2,603	-	30,000	-
Robert McKelvey (appointed 26 Feb 2015)	2017	27,397	-	-	-	27,397	2,603	-	30,000	-
	2016	27,397	-	-	-	27,397	2,603	-	30,000	-
Sub-total	**2017**	**82,192**	**-**	**-**	**-**	**82,192**	**7,808**	**-**	**90,000**	**-**
	2016	**71,646**	**-**	**-**	**-**	**71,646**	**6,806**	**-**	**78,452**	**-**
Executive directors										
Kevin Chin, CEO	2017	30,000	50,000	-	-	80,000	-	65,112	145,112	79.3
	2016	30,000	50,000	-	-	80,000	-	43,349	123,349	75.7
Total directors' remuneration	**2017**	**112,192**	**50,000**	**-**	**-**	**162,192**	**7,808**	**65,112**	**235,112**	**49.0**
	2016	**101,646**	**50,000**	**-**	**-**	**151,646**	**6,806**	**43,349**	**201,801**	**46.3**
Other Key management personnel (KMP)										
Conor Byrne, CFO (appointed 9 Mar 2015)	2017	200,913	50,000	-	-	250,913	19,087	17,758	287,758	23.6
	2016	200,913	29,000	-	-	229,913	19,087	11,822	260,822	15.7
Gary Hui, Investment Director (appointed 16 Nov 2014)	2017	336,000	250,000	-	-	586,000	-	-	586,000	42.7
	2016	263,628	239,547	-	-	503,175	-	-	503,175	47.6
Kevin Chin, VivoPower International PLC** Director (appointed 1 Apr 2016)	2017	412,111	-	-	-	412,111	-	-	412,111	-
	2016	-	-	-	-	-	-	-	-	-
Philip Comberg, VivoPower International PLC**, CEO and Director (Appointed 1 Sep 2016)	2017	1,004,889	1,043,738	29,821	-	2,078,448	74,553	-	2,153,001	48.5
	2016	-	-	-	-	-	-	-	-	-
Carl Weatherley-White, VivoPower International PLC**, Finance Director (Appointed 1 Aug 2016)	2017	420,763	333,761	46,962	-	801,486	-	-	801,486	41.6
	2016	-	-	-	-	-	-	-	-	-
Total other KMP remuneration	**2017**	**2,374,676**	**1,677,499**	**76,783**	**-**	**4,128,958**	**93,639**	**17,758**	**4,240,355**	**40.0**
	2016	**464,541**	**268,547**	**-**	**-**	**733,088**	**19,087**	**11,822**	**763,997**	**35.2**
Total remuneration	**2017**	**2,486,868**	**1,727,499**	**76,783**	**-**	**4,291,150**	**101,448**	**82,870**	**4,475,468**	**40.5**
	2016	**566,187**	**318,547**	**-**	**-**	**884,734**	**25,893**	**55,171**	**965,798**	**33.0**

** amortisation of prior period LTVCP amounts*

*** see http://vivopower.com/wp-content/uploads/2017/08/VivoPower-International-PLC-Annual-Report-FINAL-SIGNED.pdf for details*

Equity movement in shares held by key management personnel

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Held at 1 July 2015	Purchases	Sales	Held at 30 June 2016
Kevin Chin	13,033,845	1,396,155	-	14,430,000
John Moore AO	1,400,000	-	-	1,400,000
Gary Hui	625,000	-	-	625,000
Robert McKelvey	-	-	-	-
Conor Byrne	-	50,000	-	50,000
Anthony Kinnear	100,000	382,219	-	482,219
Total	**15,158,845**	**1,828,374**	**-**	**16,987,219**

Name	Held at 1 July 2016	Purchases	Sales	Held at 30 June 2017
Kevin Chin	14,430,000	735,963	-	15,165,963
John Moore AO	1,400,000	-	-	1,400,000
Gary Hui	625,000	-	-	625,000
Robert McKelvey	-	-	-	-
Conor Byrne	50,000	80,000	-	130,000
Anthony Kinnear	482,219	195,850		678,069
Total	**16,987,219**	**1,011,813**	**-**	**17,999,032**

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm’s length dealings with unrelated persons.

This concludes the remuneration report, which has been audited.

The Directors’ Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Kevin Chin, Chairman

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
AROWANA INTERNATIONAL LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 31 August 2017

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Arowana International Limited and its Controlled Entities
For the year ended 30 June 2017

Consolidated Statement of Profit or Loss

For the reporting period ended 30 June	Note	2017 $	2016 Restated * $
Revenue from continuing operations			
Revenue	3(a)	58,718,956	4,491,290
Interest income		1,316,134	2,633,731
Total revenue		**60,035,090**	**7,125,021**
Other income	3(b)	12,506,165	265,726
Expenses			
Cost of sales	4(a)	(16,685,935)	(7,405)
Employee costs		(16,323,471)	(6,592,087)
Administration costs	4(b)	(9,756,665)	(4,685,284)
Long Term Value Creation Plan expense	12	(92,341)	(76,451)
Occupancy costs		(1,305,780)	(557,222)
Director fees		(120,000)	(108,452)
Marketing costs		(327,451)	(144,138)
Insurance costs		(754,595)	(166,635)
IT and communication costs		(869,324)	(265,265)
Travel costs		(1,532,825)	(1,195,095)
Interest expense		(535,265)	(65,705)
Depreciation		(411,990)	(207,800)
Amortisation	15	(2,629,246)	-
Provision for impairment of goodwill	15	(550,000)	-
Reversal/(provision) for impairment of other financial assets	11(d)	322,010	(323,376)
Provision for impairment of equity accounted investment	11(c)	(1,218,045)	(13,411,715)
Share of net loss of associates accounted for using the equity method	11(c)	(6,468,606)	(12,132,070)
Total expenses		**(59,259,529)**	**(39,938,700)**
Profit/(loss) before income tax		**13,281,726**	**(32,547,953)**
Income tax (expense)/benefit	7(b)	(8,688,558)	1,582,224
Profit/(loss) after income tax attributable to the owners of the Company		**4,593,168**	**(30,965,729)**
Profit/(loss) attributable to:			
Parent interest (Arowana International Limited)		1,488,191	(30,885,496)
Non-controlling interest		3,104,977	(80,233)

*Amounts classified in 2016 as relating to discontinued operations have been reclassified to provide consistency with the current presentation.

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

Consolidated Statement of Profit or Loss (continued)

For the reporting period ended 30 June		2017	2016 Restated *
	Note	$	$
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	28	0.94	(19.53)
Diluted earnings per share (cents)	28	0.94	(19.53)

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

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2017

Consolidated Statement of Comprehensive Income

For the reporting period ended 30 June	Note	2017	2016
	Note	$	$
Profit/(loss) for the year		4,593,168	(30,965,729)
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(1,642,557)	(484,225)
Fair value adjustment – available for sale investment		(4,285,692)	310,411
Other comprehensive income for the year, net of tax		(5,928,249)	(173,814)
Total comprehensive income for the period, net of tax		**(1,335,081)**	**(31,139,543)**
Total comprehensive income attributable to			
Parent interest (Arowana International Limited)		(4,015,759)	(31,087,332)
Non-controlling interests		2,680,678	(52,211)
		(1,335,081)	**(31,139,543)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	8	18,397,134	20,304,671
Trade and other receivables	9	8,698,791	1,780,520
Other current assets	10	1,473,850	219,275
Assets classified as held-for-sale	5(a)	-	50,465,456
Total current assets		**28,569,775**	**72,769,922**
Non-current assets			
Investment accounted for using the cost method	11(a)	28,436,701	-
Investment in available for sale financial assets	11(b)	-	7,560,082
Investments accounted for using the equity method	11(c)	19,533,292	8,629,822
Other financial assets	11(d)	3,408,640	3,492,010
Other non-current assets	12	1,332,628	497,350
Property, plant and equipment	13	3,440,644	328,631
Deferred tax asset	14(a)	10,747,765	10,646,629
Intangible assets	15	52,112,247	2,201,040
Total non-current assets		**119,011,917**	**33,355,564**
Total assets		**147,581,692**	**106,125,486**
Current liabilities			
Trade and other payables	16	21,537,382	1,807,693
Deferred consideration	17	200,000	-
Current tax liabilities	18	3,151,964	66,933
Current provisions	19(a)	2,343,164	168,500
Interest bearing liabilities	20	4,225,129	45,818
Liabilities directly associated with assets classified as held-for-sale	5(b)	-	2,202,269
Total current liabilities		**31,457,639**	**4,291,213**
Non-current liabilities			
Non-current provisions	19(b)	254,395	33,894
Deferred tax liability	14(b)	10,986,020	2,364,626
Interest bearing liabilities	20	1,528,680	30,610
Total non-current liabilities		**12,769,095**	**2,429,130**
Total liabilities		**44,226,734**	**6,720,343**
Net assets		**103,354,958**	**99,405,143**
Equity			
Issued capital	22	59,859,654	59,948,004
Reserves	23	(33,001,658)	(12,695,607)
Retained earnings	24	49,843,453	49,304,286
Equity attributable to Parent interest		**76,701,449**	**96,556,683**
Equity attributable to non-controlling interest		26,653,509	2,848,460
Total equity		**103,354,958**	**99,405,143**

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

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2017

Consolidated Statement of Changes in Equity

	Issued Capital	General reserve	Share Buyback reserve	Option reserve	Foreign currency translation reserve	Retained earnings	Attributable to Parent interest	Non-controlling interest	Total equity
	$	$	$		$	$	$	$	$
As at 1 July 2015	**59,504,436**	**(7,795,429)**	**(2,600,374)**	**-**	**(2,174,419)**	**82,562,345**	**129,496,559**	**1,298,650**	**130,795,209**
Loss for the year	-	-	-	-	-	(30,885,496)	(30,885,496)	(80,233)	(30,965,729)
Other comprehensive income for the year		285,160	-	-	(486,996)	-	(201,836)	28,022	(173,814)
Total comprehensive income	**-**	**285,160**	**-**	**-**	**(486,996)**	**(30,885,496)**	**(31,087,332)**	**(52,211)**	**(31,139,543)**
Transactions with owners in their capacity as owners (net of transaction costs and taxes)									
Issue of shares	451,050	-	-	-	-	-	451,050	400,000	851,050
Capital raising cost	(7,482)	-	-	-	-	-	(7,482)	-	(7,482)
LTVCP reserve	-	76,451	-	-	-	-	76,451	-	76,451
Dividend paid	-	-	-	-	-	(2,372,563)	(2,372,563)	-	(2,372,563)
As at 30 June 2016	**59,948,004**	**(7,433,818)**	**(2,600,374)**	**-**	**(2,661,415)**	**49,304,286**	**96,556,683**	**2,848,460**	**99,405,143**
Profit for the year	-	-	-	-	-	1,488,191	1,488,191	3,104,977	4,593,168
Other comprehensive income for the year	-	(4,244,416)	-	-	(1,259,534)	-	(5,503,950)	(424,299)	(5,928,249)
Total comprehensive income	**-**	**(4,244,416)**	**-**	**-**	**(1,259,534)**	**1,488,191**	**(4,015,759)**	**2,680,678**	**(1,335,081)**
Transactions with owners in their capacity as owners (net of transaction costs and taxes)									
Transaction with non-controlling interests	-	(14,894,442)	-	-	-	-	(14,894,442)	854,242	(14,040,200)
Issue of shares net of transactions costs	-	-	-	-	-	-		24,143,269	24,143,269
Capital raising cost	-	(3,095,100)	-	3,095,100	-	-		(3,103,625)	(3,103,625)
Share buyback	-	-	-	-	-	-	-	(769,515)	(769,515)
Cancellation of preference shares	(88,350)	-	-	-	-	-	(88,350)	-	(88,350)
LTVCP reserve	-	92,341	-	-	-	-	92,341	-	92,341
Dividend paid	-	-	-	-	-	(949,024)	(949,024)	-	(949,024)
As at 30 June 2017	**59,859,654**	**(29,575,435)**	**(2,600,374)**	**3,095,100**	**(3,920,949)**	**49,843,453**	**76,701,449**	**26,653,509**	**103,354,958**

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

Consolidated Statement of Cash Flows

For the reporting period ended 30 June		2017	2016
Cash flows from operating activities	Note	$	$
Receipts from customers		60,339,019	4,020,671
Payments to suppliers and employees		(41,383,795)	(12,108,937)
Interest received		412,402	578,175
Interest paid		(262,836)	(8,138)
Income tax (paid) refund		9,316	(70,245)
Net cash inflow/(outflow) from operating activities	25	**19,114,106**	**(7,588,474)**
Cash flows from investing activities			
Net cash paid for investment in shares		(5,548,319)	(542,667)
Net cash paid for investment in convertible notes/term loan			(4,630,000)
Net cash paid for solar project development		(11,829,987)	(17,660,534)
Net cash outflow from acquisition of subsidiaries	36	(20,542,087)	-
Net cash acquired on business acquisition	36	1,940,038	630,881
Net cash inflow on disposal of a subsidiary/substantial interest in a subsidiary		-	878,537
Dividend received		-	1,338,785
Purchase of property, plant & equipment		(327,545)	(544,388)
Proceeds from sale of property, plant & equipment		128,983	-
Net cash paid for other non-current assets		(156,796)	-
Net cash paid for intangible assets		(709,328)	-
Net cash outflow from investing activities		**(37,045,041)**	**(20,529,386)**
Cash flows from financing activities			
Proceeds from partnership contributions		350,000	400,000
Proceeds from capital raised		17,590,451	-
Payment of capital raising costs		(7,820,188)	(12,980)
Payment for share buyback		(769,515)	-
Proceeds from borrowings		4,610,142	508,872
Repayment of borrowings		(928,475)	(112,635)
Dividend paid		(949,025)	(2,372,563)
Net cash inflow/(outflow) from financing activities		**12,083,390**	**(1,589,306)**
Net decrease in cash and cash equivalents		(5,847,545)	(29,707,166)
Effect of foreign currency translation		184,810	(294,045)
Cash and cash equivalents at the beginning of the year		24,059,869	54,061,080
Cash and cash equivalents at the end of the year	8, 25(a)	**18,397,134**	**24,059,869**
Non-cash investing activity			
Purchase of VivoPower Pty Ltd shares by loan offset		(1,491,784)	-
Share based payments for capital raising costs		(5,145,907)	-
Consideration on disposal of available for sale financial assets by receipt of shares in VivoPower International PLC		8,115,418	
Non-cash financing activity			
Issue of LTVCP preference shares by way of loan		-	451,050

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

Contents

1. Reporting entity

Arowana International Limited (the "**Company**" or "**AWN**") is a company incorporated and domiciled in Australia. The address of the Company's registered office is Level 11, 153 Walker Street, North Sydney NSW 2060. The financial report includes financial statements for Arowana International Limited as a consolidated entity consisting of Arowana International Limited and its controlled entities (together referred to as "**Group**"). The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The separate financial statements of the parent entity, Arowana International Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. Supplementary information about the parent entity is disclosed in Note 35.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report of Arowana International Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The financial statements were authorised for issue by the Board of Directors on 31 August 2017.

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 or, when applicable, as the cost on initial recognition of an investment in an associate or a joint venture.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 31 to the financial statements.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the Consolidated Statement of Profit or Loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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.

(d) Foreign currency transactions and balances

(i) Functional and presentation currency

The functional currency of the controlled entities is measured using the currency of the primary economic environment in which that entity operates. The Consolidated Financial Statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Consolidated Statement of Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the Consolidated Statement of 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 the balance sheet
- income and expenses for each Income Statement and Statement of 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 difference are recognised in other comprehensive income

On consolidation, exchange differences arising from the transaction of any net investment in foreign entities and of borrowings 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognised for the major business activities as follows:

(i) Provision of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision, if necessary.

(g) Tax balances

The income tax expense or benefit for the period is the tax payable on the current 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 and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of those differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Arowana International Limited and its wholly owned Australian controlled entities have implemented tax consolidation legislation as of 1 July 2015.

Each entity in the Group recognises its own current and deferred tax assets and liabilities, except for any amounts resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each entity within the Group is then assumed by the parent entity.

The tax consolidated group has entered into tax sharing and funding agreements. Under the terms of these agreements, the wholly-owned entities reimburse the head company for any current income tax payable by the head company arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and therefore amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidated legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Arowana International Limited.

Expenses and revenues arising under the tax sharing agreement are recorded as a component of income tax expense (revenue).

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of 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. The property, plant and equipment acquired under a finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(i) 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. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition 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 intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intangible assets held within Group entities, their useful live and basis of amortisation (subject to annual review) are as follows:

Intangible asset type	Useful life	Method
Key customer relationships	7 years	Straight Line
Trade names	14 years	Straight Line
Favourable supplier contracts	5 years	Straight Line
Course development materials	3 years	Straight Line

Details of intangible assets held in the Group at 30 June 2017 and the assessments made for impairment are included in Note 15.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Details of goodwill held in the Group at 30 June 2017 and the assessments made for impairment are included in Note 15.

(j) Impairment of non-financial assets

Goodwill and other 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 non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(k) Cash and cash equivalents

For Consolidated Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the Consolidated Statement of Financial Position.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

The amount of the impairment loss is recognised in the Consolidated Statement of 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 account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss.

(m) Financial instruments and investments in associates

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company 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 plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(ii) ***Investments in Associates***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(n) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest in net assets are classified as a "joint venture" and accounted for using the equity method.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint venture are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

Details of the Group's interests in joint arrangements are provided in Note 11 to the Consolidated Financial Statements.

(o) Property, plant and equipment

Recognition and measurement

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. The carrying amount of any component accounted for as a separate assets derecognised when replaced. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss during the reporting period in which they are incurred.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Consolidated Statement of Profit or Loss.

Subsequent costs

Subsequent costs are capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use. Depreciation is calculated using the straight-line method to allocate their cost or re-valued 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 estimate useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Leasehold improvements 8 - 10 years
- Plant and equipment 4 – 7 years
- Computer equipment 3 – 5 years
- Furniture and fixtures 8 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Consolidated Statement of Profit or Loss.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(s) 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value 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.

(t) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(u) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to equity holders 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
  - share consolidations during the year

Diluted earnings per share

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

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

(w) 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.

(x) Comparative figures

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

(y) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

(z) New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- *AASB 9: Financial Instruments and associated Amending Standards* (applicable for annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective

  Although the directors anticipate that the adoption of AASB 9 will have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).*

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

▪ *AASB 16: Leases (applicable for annual reporting periods beginning on or after 1 January 2019).*

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117 : *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(aa) Critical accounting estimates & judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

The following estimates, assumptions and judgements have an inherent significant risk of potentially causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and intangible assets

The Group tests whether intangible assets have suffered any impairment, in case of triggering events and at least annually. Goodwill and intangible assets are identified across the cash-generating unit to which they relate. The recoverable amount of each cash-generating unit is determined using a value-in-use calculation, which requires the use of estimates. Based on this impairment test, impairment losses, if any, are identified. However, should the actual performance of a cash-generating unit become materially worse compared to the performance based on the estimates, possible impairment losses could arise, or could deviate from the detected impairment losses. This impairment loss or deviation could have a material effect on the carrying amount of the intangible asset.

Impairment assessment – investments and other financial assets

The Group has a number of investments and financial assets initially recorded at cost or under the equity method. Investment assets are monitored for any indicators of impairment and where indicators are present impairment assessment is undertaken, which requires the use of estimates.

Revenue recognition

Group entities recognise revenue from longer term projects and from development services relating to the development and construction of solar projects, on a percentage completion basis as the value is accrued by the end user over the life of the contract. Other revenue is recognised when jobs are completed.

Provisions

Due to the nature of provisions, a considerable part of their determination is based on estimates and/or judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions. Hence, the differences between actual outcomes and the recorded provisions can impact results over the periods involved. The timing of outflow of resources to settle these obligations is subject to the same uncertain factors.

Income taxes
The Group has recorded a deferred tax asset of $10,747,765 (2016: $10,646,629) and a deferred tax liability of $10,986,020 (2016:$2,365,626). The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the deferred tax asset on, amongst other items, tax losses carried-forward. There are many uncertain factors that influence the amount of the tax losses carried-forward. The Group recognises deferred tax assets on tax losses carried-forward based on their best estimates. When the actual results are different from the amounts that were initially estimated, such differences will impact the income tax in the Consolidated Statement of Profit or Loss and the deferred tax assets and/or deferred tax liabilities in the period in which these deviations occur. The Group has also identified a number of uncertain tax positions, which could lead to positive and/or negative differences as well. The Directors believe it is probable that the Group will generate sufficient future taxable profits to utilise the tax losses brought to account.

Non-current assets deficiency

As detailed in the Consolidated Statement of Financial Position, consolidated current liabilities of the Group exceeded current assets at 30 June 2017 by $2,887,864 (2016: current assets surplus of $68,478,709). During the reporting period the Group has invested surplus cash flows from operations, proceeds from capital raising and short term finance, into the international expansion of business operations. In particular, this has resulted in the rapid and significant growth of non-current assets in the solar power business through VivoPower International PLC and its subsidiaries together with acquisitions in the education sector. While this strategy of growth continues, the Group is expected to maintain a short term net current asset deficiency.
The Group manages its short term liquidity, by maintaining adequate working capital finance facilities and through the normal cyclical nature of receipts and payments. As such, the directors believe the company is a going concern and will be able to pay its debts as and when they become due and payable and the accounts have been prepared on this basis.

3. (a) Revenue

For the reporting period ended 30 June	2017	2016
	$	$
Renewable energy services	51,328,990	114,174
Education services	3,177,412	-
Inspection services	2,635,146	2,728,140
Funds management revenue	700,518	1,342,090
Other revenue	876,890	306,886
Total revenue	**58,718,956**	**4,491,290**

(b) Other Income

For the reporting period ended 30 June	2017	2016
	$	$
Gain on investment valuation	6,793,278	-
Dividend income	1,783,854	-
Reversal of deferred consideration on acquisition *	2,000,000	-
Government Funding	320,417	-
Other income	1,608,616	265,726
Total other income	**12,506,165**	**265,726**

* Deferred consideration initially recognised in the acquisition cost of Everthought Education, Perth was reversed when conditions for its payment were not met at 30 June 2017.

4. Expenses

(a) Cost of sales – renewable energy services	2017	2016
	$	$
Commission	277,153	-
Communication	128,102	-
Contractors	1,023,809	-
Depreciation	293,473	-
Employee expenses	8,114,208	-
Equipment	718,517	-
Materials	5,088,318	7,405
Motor vehicle	452,454	-
Occupancy	177,262	-
Travelling	261,019	-
Others	151,620	-
	16,685,935	7,405

(b) Administration costs	2017	2016
	$	$
Due diligence fees	3,901,497	1,585,821
Legal and professional	3,379,178	1,007,962
Compliance and governance	1,310,253	517,745
Research expenses	719,116	416,260
Others	446,621	1,157,496
	9,756,665	4,685,284

5. Assets Held for Sale and Discontinued Operations

During the prior reporting period, the Board committed to the partial spinoff of its shares in companies associated with solar projects, being VivoPower Pty Ltd and controlled entities, VivoPower International PLC and controlled entities, and its investments in Aevitas Group Ltd ('Aevitas'). Accordingly all those assets were treated in the balance sheet at 30 June 2016 as a single Disposal Group and were classified as assets held for sale.

As outlined in announcements to the ASX on 12 August 2016 and subsequently, these proposed transactions completed on 29 December 2016 and resulted in the Group retaining a majority interest in VivoPower International PLC and its subsidiaries including the newly acquired Aevitas. These entities will therefore continue to be consolidated in the financial statements of the Group.

(a) Assets held for sale

Assets and Liabilities of the Disposal Group	30 June 2017	30 June 2016
	$	$
Current Assets		
Cash and cash equivalents	-	3,755,198
Trade receivables	-	113,597
Prepayments	-	338,673
Sundry debtors	-	3,997
Accrued income	-	2,721,911
Non-Current Assets		
Loans receivable	-	2,156,940
Intangible assets	-	1,102,522
Property plant and equipment	-	1,255,203
Promissory notes receivable	-	15,978,125
Convertible notes receivable	-	14,622,606
Investments accounted for using the cost method	-	6,266,831
Deferred tax asset	-	471,108
Goodwill on consolidation	-	1,678,745
	-	**50,465,456**
Current Liabilities		
Trade Creditors	-	607,506
Accrued expenses	-	247,891
Interest bearing liabilities	-	1,346,872
	-	2,202,269

(b) Financial Performance Information

The financial performance of the discontinued operation up to the date of sale, which is included in profit/(loss) from discontinued operations per the Consolidated Statement of Profit or loss, is as follows:

VivoPower disposal group	2017	2016
	$	$
Revenue	-	1,801,723
Expenses	-	(2,536,323)
Profit before income tax	-	(734,600)
Income tax expense	-	463,317
Profit attributable to members of the parent entity	-	(271,283)
Profit on sale before income tax	-	-
Income tax benefit/(expense)	-	-
Profit on sale after income tax	-	-
Total profit after tax attributable to the discontinued operation	**-**	**(271,283)**

(c) Cash Flow Information

The net cash flows of the discontinued operation, which have been incorporated into the Consolidated Statement of Cash Flows, are as follows:

VivoPower disposal group	2017	2016
	$	$
Net cash inflow/(outflow) from operating activities	-	701,787
Net cash inflow/(outflow) from investing activities	-	(17,229,905)
Net cash inflow/(outflow) from financing activities	-	20,544,109
Net cash increase/(decrease) in cash generated by the discontinued operations	**-**	**4,015,991**

6. Segment Reporting

Identification of reportable operating segments

The Group is organised into three Divisions - the Enterprise Office, Operating Companies and Funds Management Divisions as defined below. Given the rapid and significant growth of the Renewable Energy businesses, within the Operating Companies Division, this segment is now separately identified on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Operating Companies segment currently comprises three separate divisions – being education, industrials (diagnostic testing) and renewable energy (solar power). During the year ended 30 June 2016, the Group increased its interest in VivoPower Australia Pty Limited and established VivoPower International PLC in the UK and its subsidiaries in the USA. As at 30 June 2017, these solar power focussed businesses are separately identified under the Renewable Energy segment. The remainder of the Operating Companies segment includes the operations of the wholly-owned diagnostic testing company, Thermoscan Inspection Services Pty Limited and the expanding 100% owned Everthought Education Pty Ltd as well as the Group share of profit/loss derived from its equity accounted holdings relating to the Intueri Education Group.

Types of services

The principal products and services of each of these operating segments are as follows:

- **Enterprise Office** – is the designated investment entity and provides strategic, operational, financial, human resources support to the operating entities within the group.
- **Renewable Energy** – operates a global solar power platform using a build, transfer and operate (BTO) model.
- **Operating Companies** – houses business units and underlying businesses that are or were wholly owned subsidiaries of the Group; and
- **Funds Management** – manages listed and unlisted funds that have either permanent capital or semi-permanent capital (defined as minimum 10 year life funds).

Other Segment information

Segment revenue - Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Consolidated Statement of Profit or Loss. The revenue from external customers is derived from provision of services through the operating companies associated with education, diagnostic testing and training and events.

Segment assets - The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the Consolidated Statement of Financial Position. These assets are allocated based on the operations of the segment and its holding entities, and the physical location of the asset.

Segment liabilities - The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the Consolidated Statement of Financial Position. These liabilities are allocated based on the operations of the segment.

For the year ended 30 June 2017	Enterprise office (Australia)	Renewable Energy (Australia/Asia/ USA/UK)	Operating Companies (Australia)	Funds Management (Australia)	Total	Intersegment Eliminations	Consolidated
Segment reporting	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue							
Sales to external customers	733,166	51,328,990	5,956,283	700,517	58,718,956		58,718,956
Intersegment sales	8,623,731	-	-	-	8,623,731	(8,623,731)	-
Total sales revenue	9,356,897	51,328,990	5,956,283	700,517	67,342,687	(8,623,731)	58,718,956
Interest revenue	1,779,140	21,005	34,743	1,613,963	3,448,851	(2,132,717)	1,316,134
Other income	293,565	1,260,918	20,740,190	24,528,183	46,822,856	(41,104,711)	5,718,145
Total revenue	**11,429,602**	**52,610,913**	**26,731,216**	**26,842,663**	**117,614,394**	**(51,861,159)**	**65,753,235**
Segment result	762,828	15,820,154	2,790,951	15,607,657	34,981,590	(18,123,363)	16,858,227
Depreciation and amortisation	81,655	1,464,664	1,494,917	-	3,041,236	-	3,041,236
Finance costs	251,706	1,725,046	60,821	-	2,037,573	(1,502,308)	535,265
Profit/(loss) before income tax – continuing operations	429,467	12,630,444	1,235,213	15,607,657	29,902,781	(16,621,055)	13,281,726
Income tax expense/(benefit)	(9,594)	6,788,167	(107,751)	2,017,736	8,688,558		8,688,558
Profit after income tax – continuing operations	**439,061**	**5,842,277**	**1,342,964**	**13,589,921**	**21,214,223**	**(16,621,055)**	**4,593,168**
Segment Assets							
Operating assets	110,919,772	141,166,766	63,587,342	102,048,331	417,722,211		
Elimination within segment	-	-	(31,257,963)	(56,000,000)	(87,257,963)		
Reportable segment assets	**110,919,772**	**141,166,766**	**32,329,379**	**46,048,331**	**330,464,248**	**(182,882,558)**	**147,581,690**
Segment Liabilities							
Operating liabilities	6,641,532	86,980,337	11,789,659	559,952	105,971,480		
Elimination within segment	-	-	-	-	-		
Reportable segment liabilities	**6,641,532**	**86,980,337**	**11,789,659**	**559,952**	**105,971,480**	**(61,744,747)**	**44,226,733**

For the year ended 30 June 2017

For the year ended 30 June 2016	Enterprise office (Australia)	Operating Companies (Australia)	Funds Management (Australia)	Total	Intersegment Eliminations	Consolidated
Segment reporting	**$**	**$**	**$**	**$**	**$**	**$**
Revenue						
Sales to external customers	306,886	2,728,140	1,342,090	4,377,116		4,377,116
Intersegment sales	576,000	-	-	576,000	(576,000)	-
Total sales revenue	882,886	2,728,140	1,342,090	4,953,116		4,377,116
Interest revenue	914,443	9,975	51,789	976,207		976,207
Other income	115,700	-	120,000	235,700		235,700
Total revenue	**1,913,029**	**2,738,115**	**1,513,879**	**6,165,023**		**5,589,023**
Segment result	**2,709,150**	**(20,390,822)**	**(208,872)**	**(17,890,544)**		**(17,890,544)**
Depreciation and impairment	(356,249)	(13,558,422)	-	(13,914,671)		(13,914,671)
Finance costs	-	(8,138)	-	(8,138)		(8,138)
Profit/(loss) before income tax – continuing operations	2,352,901	(33,957,382)	(208,872)	(31,813,353)		(31,813,353)
Income tax expense/(benefit)	(1,574,009)	82,233	372,869	(1,118,907)		(1,118,907)
Profit after income tax – continuing operations	**3,926,910**	**(34,039,615)**	**(581,741)**	**(30,694,446)**		**(30,694,446)**
Segment Assets	91,588,381	17,013,227	13,613,980	122,215,588		
Reportable segment assets	20,068,864	25,835,078	24,630,378	70,534,320		
	111,657,245	**42,848,305**	**38,244,358**	**192,749,908**	**(88,989,049)**	**103,760,859**
Segment Liabilities						
Reportable segment liabilities	8,983,992	185,359	1,637,897	10,807,248		
	-	23,818,837	-	23,818,837		
	8,983,992	**24,004,196**	**1,637,897**	**34,626,085**	**(30,270,369)**	**4,355,716**

7. Income tax expense/(benefit)

For the reporting period ended 30 June	2017	2016
	$	$
(a) Income tax expense/(benefit)		
Current tax	3,151,963	1,462
Deferred tax	5,148,406	(1,627,754)
Under/(Over) provision in respect of prior years' *	388,189	44,068
	8,688,558	(1,582,224)
(b) Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	8,688,558	(1,582,224)
(c) Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	1,322,420	1,632,628
(Decrease)/increase in deferred tax liabilities	3,825,986	(4,874)
	5,148,406	1,627,754
(d) Numerical reconciliation of income tax expense to prima facie tax payable:		
(Loss)/Profit from continuing operations before income tax	13,281,726	(31,813,353)
Profit from discontinued operations before income tax	-	(734,600)
	13,281,726	(32,547,953)
Income tax expense / (benefit) calculated at statutory rates of 30%	3,984,518	(9,764,386)

For the reporting period ended 30 June	2017	2016
Add tax effect of:	$	$
- Non-deductible expenses	2,216,708	8,138,094
- Other non-allowable items	67,941	-
Less:		
- Franking credit	(435,128)	
- Under/(over) provision for income tax in prior year	405,857	
- Tax effect of tax rates in other jurisdiction	2,884,533	
- Tax losses not previously recognised	(27,620)	
- Tax losses not brought to account	(280,344)	
- Tax losses used	(44,583)	
- Others	(65,655)	
- Prior year adjustment	(17,669)	
Income tax expense/ (benefit)	8,688,558	(1,582,224)
Effective tax rate **	65.42%	4.86%
Franking credit balance at the end of the year	**391,542**	**297,722**

8. Cash and cash equivalents

As at 30 June	2017	2016
	$	$
Cash at bank and on hand	18,397,134	20,304,671

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the Consolidated Statement of Financial Position as follows:

Cash and cash equivalents, Statement of Financial Position	18,397,134	20,304,671
Classified as held for sale (note 5(a))	-	3,755,198
Cash and cash equivalents, Consolidated Statement of Cash Flows	**18,397,134**	**24,059,869**

9. Trade and other receivables

As at 30 June	2017	2016
	$	$
Trade debtors	7,727,062	1,636,643
Accrued interest	72,481	77,522
Other accrued income	791,262	56,467
Sundry debtors	107,986	9,888
	8,698,791	**1,780,520**

Most of the trade debtors have been outstanding for less than 60 days.

10. Other current assets

As at 30 June	2017	2016
	$	$
Prepayments	790,852	143,991
Inventory *(at the lower of cost or net realisable value)*	607,998	284
Other receivables	75,000	75,000
	1,473,850	219,275

11. Investments

(a) Investments accounted for using cost method:

Both of the investments in Innovative Solar 31 LLC ("NC 31") and Innovative Solar 47 LLC ("NC 47") below were accounted for as controlled subsidiaries in the prior period financial statements and consolidated. Under its build, transfer, operate business model, the Group transferred control over NC 31 and NC 47, on 29 July 2016 and 25 October 2016 respectively. Whilst the accounting for these investments has changed from consolidation to investment at cost, there was no gain or loss recognised on the loss of control, as the fair value of the net assets of both NC 31 and NC 47 recognised by the group at the time control was lost was recognised as the value of the group's ongoing investment.

As at 30 June	2017	2016
	$	$
NC 31	16,425,726	-
NC 47	12,010,975	-
	28,436,701	**-**

(b) Investments available for sale financial assets:

As at 30 June	2017	2016
	$	$
Opening balance – Arowana Inc. (USA)	7,560,082	7,116,638
Fair value adjustment	-	443,444
Disposal / Swap for VVPR	(7,560,082)	-
Ending balance – at fair value	**-**	**7,560,082**

(c) Investments accounted for using equity method:

As at 30 June, the Group had the following investments using the equity method:

As at 30 June	2017	2016
	$	$
Intueri Education Group (NZ)	-	8,087,154
Innovative Solar Ventures I, LLC	19,102,677	-
Viento Group Limited	430,615	542,667
	19,533,292	**8,629,821**

Ownership details for investments using the equity method are outlined below:

		Percentage interest	
		30 June 2017	30 June 2016
Associate / Joint venture	Principal activities	%	%
Intueri Education Group Limited	Provision of education services	24.9	24.9
Innovative Solar Ventures I, LLC	Solar power developer	50.0	-
Viento Group Limited	Investment holding company	31.8	31.8

Movements for investments using the equity method during the year are outlined below:

	Intueri Education Group (NZ)	Innovative Solar Ventures I, LLC (USA)	Viento Group Limited	VivoPower Pty Limited	Total
	$	$	$	$	$
Opening balance, 1 July 2015	**35,085,808**	**-**	**-**	**2,247,694**	**37,333,502**
Acquisition on 30 June 2016	-		542,667	-	542,667
Share of profit (loss) of associated entities	(11,725,535)		-	(406,535)	(12,132,070)
Share of other comprehensive income of associated entities	(143,294)		-	-	(143,294)
Dividend received from associated entities	(1,338,785)		-	-	(1,338,785)
Provision for impairment	(13,411,716)		-	-	(13,411,716)
Impact of foreign exchange translatic	(379,323)		-	-	(379,323)
Reclassification into consolidation	-		-	(1,841,159)	(1,841,159)
Ending balance at 30 June 2016	**8,087,155**	**-**	**542,667**	**-**	**8,629,822**
Opening balance, 1 July 2016	**8,087,155**	**-**	**542,667**	**-**	**8,629,822**
Acquisition on 17 April 2017	-	19,388,670	-	-	19,388,670
Share of profit (loss) of associated entities	(6,356,554)		(112,052)	-	(6,468,606)
Share of loss of joint venture that eliminates in the profit or loss		(285,993)			(285,993)
Share of other comprehensive income of associated entities	(125,376)	-	-	-	(125,376)
Provision for impairment	(1,218,045)	-	-	-	(1,218,045)
Impact of foreign exchange translatic	(387,180)	-	-	-	(387,180)
Ending balance at 30 June 2017	**-**	**19,102,677**	**430,615**	**-**	**19,533,292**

Financial information of the investments using the equity method as at 30 June and for the year then ended is outlined below:

For the reporting period ended 30 June 2017	Intueri Education Group (NZ)	Innovative Solar Ventures I, LLC	Viento Group Limited
		$	$
Share of assets and liabilities:			
Current assets	-	4,004,772	322,148
Non-current assets	-	15,085,210	79,738
Total assets	**-**	**19,089,982**	**401,886**
Current liabilities	-	-	180,958
Non-current liabilities	-	-	-
Total liabilities	**-**	**-**	**180,958**
Net assets	**-**	**19,089,982**	**220,928**
Share of profit & loss and other comprehensive income			
Revenue	7,058,422	-	2,894
Expenses	13,414,976	285,993	114,946
Net profit	(6,356,554)	(285,993)	(112,051)
Other comprehensive income	(125,376)	-	-
Total comprehensive income	**(6,481,930)**	**(285,993)**	**(112,051)**

For the reporting period ended 30 June 2016	Intueri Education Group (NZ)	Viento Group Ltd	VivoPower Pty Limited*
	$	$	$
Share of assets and liabilities:			
Current assets	7,326,046	-	-
Non-current assets	16,760,397	220,444	-
Total assets	**24,086,443**	**220,444**	**-**
Current liabilities	8,455,995	1,065,071	-
Non-current liabilities	16,154,974	-	-
Total liabilities	**24,610,969**	**1,065,071**	**-**
Net assets	**(524,526)**	**(844,627)**	**-**
Share of profit & loss and other comprehensive income			
Revenue	22,717,378	534	6,541
Expenses	34,442,914	23,351	422,334
Net profit	(11,725,536)	(22,817)	(415,793)
Other comprehensive income	(143,294)	-	9,258
Total comprehensive income	**(11,868,830)**	**(22,817)**	**(406,535)**

** As outlined above, VivoPower has become part of the consolidated Group since December 2015 and therefore as at 30 June 2016, all the assets and liabilities have formed part of the consolidated Group. The share of profit/(loss) relating to VivoPower is shown for the period until the Group obtained further share ownership and 'control' of VivoPower in December 2015.*

(d) Other financial assets.

As at 30 June, the Group had the following other financial assets:

For the reporting period ended 30 June	2017	2016
	$	$
Convertible Notes – Evolution Group Holdings Ltd*	3,000,000	3,000,000
Other receivables **	238,640	322,010
Loan Receivable – Arowana Global Services, Singapore	170,000	170,000
	3,408,640	**3,492,010**

** 3,000,000 unsecured convertible notes in an unlisted public company, Evolution Group Holdings Ltd (EGH). The notes have a five year term (April 2021) and carry a coupon of 8% per annum, with coupons being cumulative.*

*** Previous provision of $322,010 has been derecognised during the year following receipt of payments and on-going repayment by instalments on this miscellaneous receivable.*

12. Other non-current assets

As at 30 June, the Group had the following other non-current assets:

For the reporting period ended 30 June	2017	2016
	$	$
Receivable from associated entity	762,835	-
LTVCP loans *	362,700	451,050
Security deposit	207,093	46,300
	1,332,628	**497,350**

Loans outstanding at 30 June 2017 totalled $762,835 (2016: Nil) advanced to VivoPower Philippines Inc.

** During 2015, the Board and shareholders approved a revision to the Long-Term Value Creation Plan (LTVCP) which provides an incentive amount payable to the Group Enterprise Office staff. The incentive is based on 20% of any outperformance above an average 8% per annum (hurdle rate) of AWN's enterprise value (with relevant adjustments for debt or equity raised or returned), calculated over a 5 year period, subject to any early trigger events. The method for calculating the incentive amounts is outlined in detail in the explanatory memorandum presented at the AGM in November 2014 at which the revised LTVCP was approved by shareholders.*

Following these revisions, any benefits derived under the plan are now treated in accordance with Australian Accounting Standard AASB 2 Share-based Payment, as equity settled share based payment. Any shares issued under the plan are issued at market value at the time of issue and are funded by employee loans with full recourse to the underlying shares.

The value at grant date of LTVCP shares on issue at 30 June 2017 totalled $362,700 (2016: $451,050). (Note 22).

In accordance with the requirements of AASB 2 the estimated future value of the benefits of the plan are independently valued at the time of grant of shares by reference to the fair value of the equity instruments granted and the resulting fair value estimate is recognised as an expense over the expected life of the LTVCP Shares (maximum 5 years).

The fair value amount amortised as an expense in the reporting period was $92,341 (2016: $76,451).

The components of the incentive related to those considered to be key management personnel of the Group have been included in the (audited) remuneration report in the Directors' Report.

13. Property, plant and equipment

For the reporting period ended 30 June	2017	2016
	$	$
Leasehold improvements		
Cost	483,102	-
Less: Accumulated depreciation	(113,984)	-
WDV	**369,118**	**-**
Plant & equipment		
Cost	2,657,752	47,441
Less: Accumulated depreciation	(954,747)	(18,637)
WDV	**1,703,005**	**28,804**
Leased assets		
Cost	2,501,018	442,936
Less: Accumulated depreciation	(1,620,178)	(274,084)
WDV	**880,840**	**168,852**
Computer equipment		
Cost	924,023	158,388
Less: Accumulated depreciation	(579,768)	(91,688)
WDV	**344,255**	**66,700**
Furniture & fixtures		
Cost	173,717	98,260
Less: Accumulated depreciation	(85,308)	(33,985)
WDV	**88,409**	**64,275**
Motor vehicle		
Cost	82,401	-
Less: Accumulated depreciation	(27,384)	-
WDV	**55,017**	**-**
Total		
Cost	6,822,013	747,025
Less: Accumulated depreciation	(3,381,369)	(418,394)
WDV	**3,440,644**	**328,631**

	Leasehold Improvement	Plant & equipment	Leased assets	Computer equipment	Furniture & fixtures	Motor vehicle	Total
	$	$	$	$	$	$	$
Year ended 30 June 2016							
As at 1 July 2015	-	10,238	265,982	104,294	76,558	-	457,072
Additions – via acquisitions (WDV)	-	-	-	-	-	-	-
Additions	-	34,570	-	25,468	-	-	60,038
Depreciation charge	-	(12,379)	(97,130)	(59,154)	(12,283)	-	(180,946)
Disposals	-	(3,625)	-	(3,908)	-	-	(7,533)
Business disposals	-	-	-	-	-	-	-
Foreign exchange movement	-	-	-	-	-	-	-
As at 30 June 2016	**-**	**28,804**	**168,852**	**66,700**	**64,275**	**-**	**328,631**
Year ended 30 June 2017							
As at 1 July 2016	-	28,804	168,852	66,700	64,275	-	328,631
Additions – via acquisitions (WDV)	428,124	1,769,235	795,047	328,419	66,087	24,800	3,411,712
Additions	4,701	104,744	66,598	92,597	-	57,602	326,242
Depreciation charge	(63,707)	(199,778)	(124,001)	(142,244)	(41,954)	(27,502)	(599,186)
Disposals	-	-	(25,656)	(1,278)	-	-	(26,934)
Business disposals	-	-	-	-	-	-	-
Foreign exchange movement	-	-	-	61	1	117	179
As at 30 June 2017	**369,118**	**1,703,005**	**880,840**	**344,255**	**88,409**	**55,017**	**3,440,644**

14. Deferred tax assets and liabilities

(a) Deferred tax assets

For the reporting period ended 30 June	2017	2016
	$	$
Deferred tax assets – per Consolidated Statement of Financial Position	10,747,765	10,646,629
Deferred tax assets – recorded as part of assets classified as held for sale	-	471,108
	10,747,765	11,117,740
Deferred tax assets comprises the following:		
Tax losses	8,683,130	10,008,716
Other timing differences on expenses	2,064,635	1,109,024
	10,747,765	11,117,740
Movement in deferred tax assets are as follows:		
Balance at beginning of the year	11,117,740	9,411,231
Balance on business combination	1,303,550	-
(Charged)/ Credited to profit & loss	(1,322,420)	1,632,629
Under/(Over) provision in respect of prior year	(351,105)	73,880
Balance at end of the year	**10,747,765**	**11,117,740**

(b) Deferred tax liabilities

For the reporting period ended 30 June	2017	2016
	$	$
Deferred tax liability	10,986,020	2,364,625

Deferred tax liabilities comprises of the following:		
Accrued interest income	95,191	838,970
Unrealised gain/(loss)	(540,685)	(307,237)
Fixed assets acquired via business combination	8,139	-
Intangible assets acquired via business combination	11,400,672	-
Borrowing costs	15,863	-
Blackhole	6,840	-
Fair value adjustment of available for sale financial asset	-	1,832,892
	10,986,020	**2,364,625**

Movement in deferred tax liabilities is as follows:		
Balance at beginning of the year	2,346,625	2,225,286
Balance on business combination	6,573,751	-
Charged/(Credited) to profit & loss	3,825,984	4,874
Charged to equity	(1,832,892)	134,466
Under/(Over) provision	54,552	134,466
Balance at end of the year	**10,968,020**	**2,364,625**

15. Intangible assets

	Goodwill	Trade name	Supply Contract	Customer relationship	Solar Contract	Course Development	Student Contracts	RTO Licence	Incorporation costs	Patent and Trademark	Total
	$	$	$	$	$	$	$	$	$	$	$
As at 30 June 2017											
Cost	30,702,779	3,641,136	3,341,136	13,364,545	1,250,702	631,653	2,246,383	85,697	6,219	21,243	55,291,493
Accumulated amortisation/impairment	(550,000)	(164,532)	(334,114)	(954,610)	-	(176,799)	(993,347)	(5,845)	-	-	(3,179,246)
Carrying value	30,152,779	3,476,604	3,007,022	12,409,935	1,250,702	454,855	1,253,036	79,852	6,219	21,243	52,112,247
Movement for the year ended 30 June 2017											
Opening balance – carrying value	2,201,040	-	-	-	-	-	-	-	-	-	2,201,040
Balance at 1 July 2016 classified as held for sale	1,720,583	-	-	-	1,046,421	-	-	-	5,829	8,434	2,781,267
Additions from business combinations (Note 36)	26,781,156	3,341,136	3,341,136	13,364,545	-	454,011	2,246,383	85,697	-	-	49,614,064
Other addition	-	300,000	-	-	204,281	177,642	-	-	390	12,809	695,122
Amortisation provision during the period	-	(164,532)	(334,114)	(954,610)	-	(176,798)	(993,347)	(5,845)	-	-	(2,629,246)
Impairment provision during the period	(550,000)	-	-	-	-	-	-	-	-	-	(550,000)
Net book amount 30 June 2017	**30,152,779**	**3,476,604**	**3,007,022**	**12,409,935**	**1,250,702**	**454,855**	**1,253,036**	**79,852**	**6,219**	**21,243**	**52,112,247**

Impairment assessments on the intangible assets above were carried out by reference to the identified cash generating units ("**CGU**") in accordance with ASSB 136 *Impairment of Assets*, using a 'value in use' methodology. In all cases a five year forecast period and zero growth rate in terminal value, was used together with annual growth rates in line with budget projections and appropriate discount rates for each CGU.

Goodwill as at 30 June 2017 can be allocated to the various cash generating units as follows:

Cash generating unit	$
Operating companies division – Thermoscan Inspection Services Pty Ltd	2,201,040
Operating companies division – Everthought Education, Brisbane	1,347,605
Operating companies division – Everthought Education, Perth	5,504,961
Renewable energy division – VivoPower Pty Ltd	1,720,583
Renewable energy division – Aevitas Group Ltd	19,378,590
Total Goodwill	**30,152,779**

	Goodwill	Other Intangible assets	Other	Total
	$	$	$	$
As at 30 June 2016				
Cost	2,201,040	-	-	2,201,040
Accumulated amortisation	-	-	-	-
Carrying value	2,201,040	-	-	2,201,040
Movement for year ended 30 June 2016				
Opening balance – carrying value	2,201,040	-	-	2,201,040
Addition from business combination – refer to Note 36(c)	1,678,745	-	-	1,678,745
Other additions	41,838	1,046,421	14,263	1,102,522
Reclassified as assets held for sale	(1,720,583)	(1,046,421)	(14,263)	(2,781,267)
Net book amount	2,201,040	-	-	2,201,040
Closing balance – carrying value	**2,201,040**	**-**	**-**	**2,201,040**

Goodwill as at 30 June 2016 can be allocated to the various cash generating units as follows:

Cash generating unit	$
Operating companies division – Thermoscan Inspection Services Pty Ltd	2,201,040
Total Goodwill	**2,201,040**

16. Trade and other payables

For the reporting period ended 30 June	2017	2016
	$	$
Current		
Trade creditors	13,934,226	293,618
Accrued expenses	4,975,718	1,355,093
Deferred income	2,031,742	-
Payroll liabilities	1,571,802	60,519
Capital commitment - Innovative Solar Ventures I, LLC	7,353,627	-
GST payable	40,477	71,085
Other payables	59,860	27,378
	21,537,382	**1,807,693**

17. Deferred consideration

$200,000 retention payment on acquisition of Everthought Education, Perth.

18. Current tax liabilities

For the reporting period ended 30 June	2017	2016
	$	$
Income tax payable	3,151,964	66,933
	3,151,964	**66,933**

19. Provisions

For the reporting period ended 30 June	2017	2016
	$	$
(a) Employee entitlements - current	2,343,164	168,500
(b) Employee entitlements – non-current	254,395	33,894
	2,597,559	**202,394**

Employee entitlements relate to annual leave and long service leave accruals for employees.

20. Interest bearing liabilities

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

For the reporting period ended 30 June	2017	2016
	$	$
Current		
Lease liabilities [(a)]	207,582	45,818
Term loans [(b)]	4,017,547	-
	4,225,129	**45,818**
Non-Current		
Lease liabilities [(a)]	335,202	30,610
Term loan [(b)]	1,193,478	-
	1,528,680	**30,610**
Total Interest bearing liabilities	**5,753,809**	**76,428**

(a) *Lease liabilities are finance leases secured against assets financed at Thermoscan Inspection Services Pty Limited, VivoPower International PLC and Aevitas Group Limited*

(b) *Term loans consist of short term finance, US$3m at 10% per annum, repayable within 12 months (A$3,900,156 current) and an ANZ loan, A$1.3M ($117,391 current and $$1,193,478 non-current).*

21. Financial instruments

(a) Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group, through its training and management standards aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows (including assets classified as held for sale):

		Carrying amount	
For the reporting period ended 30 June		**2017**	**2016**
	Note	**$**	**$**
Cash and cash equivalents	8	18,397,134	24,059,869
Trade and other receivables	9	8,698,791	1,898,114
Other financial assets	11(d)	3,408,640	36,249,681
Total		**30,504,565**	**62,207,664**

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties which are rated AA- by Fitch Ratings and Standard and Poor's.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The customer debts are monitored closely and proper processes are in place to ensure recoverability of receivables. The Group establishes an allowance for impairment that represents an estimate of incurred losses in respect of trade and other receivables.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash inflows on trade together with expected cash outflows on trade payables.

The following are the remaining contractual maturities at the end of the reporting period:

	2 months or less	2 – 12 months	1 – 3 years	More than 3 years	Total
As at 30 June 2017					
Trade debtors	7,164,582	549,874	12,606	-	7,727,062
Trade creditors	(5,312,249)	(191,907)	-	-	(5,504,156)
Lease liability	-	(207,582)	(335,202)	-	(542,784)
Term loan	-	(4,017,547)	(1,193,478)	-	(5,211,025)
	1,852,333	**(3,867,162)**	**(1,516,074)**	**-**	**(3,530,903)**
As at 30 June 2016					
Trade debtors	1,421,046	315,912	13,281	-	1,750,239
Trade creditors	(387,681)	-	-	-	(387,681)
Lease liability	(8,048)	(37,770)	(30,610)	-	(76,428)
Term loan	-	-	-	-	-
	1,025,317	**278,142**	**(17,329)**	**-**	**1,286,130**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the presentation currency of the Company. The borrowings are denominated in the functional currency of the operating entity. This provides an economic hedge without derivatives being entered into. On the basis of a cost benefit analysis no currency risks are currently hedged.

The summary of quantitative data about the Group's exposure to currency risk as at 30 June 2017:

	SGD	USD
Assets	913,333	68,100,750
Liabilities	1,458,936	29,843,312
Net Assets	(545,602)	38,257,438
NPAT	(336,829)	5,659,757

The Group has GBP and USD bank accounts.

Following deconsolidation of Intueri Education Group Limited ("IEGL") during 2014, the Group has exposure to NZD only indirectly as at 30 June 2016 and 2015, through its remaining interest of 24.9% (equity accounted) in IEGL.

The following significant exchange rates applied during the current reporting period:

	Average rate	Reporting date spot rate
SGD/AUD	1.0505	1.0598
USD/AUD	0.7545	0.7692

Sensitivity analysis

Any change in the AUD against NZD, GBP and USD at 30 June 2016 would have affected the measurement of financial instruments denominated in a foreign currency and increased or decreased equity and profit or loss by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and expenses.

	Equity		Profit or loss	
30 June 2017	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
AUD (5% movement)	(2,343,897)	2,590,623	(341,938)	377,931
AUD (10% movement)	(4,474,713)	5,469,094	(652,791)	797,855

Interest risk

All of the Group's borrowings are at a variable interest rate. Depending on market trends the Group may consider a policy to fix a portion of its interest rate via an interest rate swap.

Profile

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments (including those in the disposal group and classified as held for sale) as reported to the management of the Group was as follows:

	Nominal amount	
For the reporting period ended 30 June	**2017**	**2016**
Variable rates instruments		
Financial assets	21,567,134	13,990,127
Financial liabilities	5,211,025	1,346,872
Net financial assets/(liabilities)	**16,356,109**	**12,643,255**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points interest rates at the end of the reporting period would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
For the reporting period ended 30 June	**2017**	**2016**
Interest rate		
Increase by 100 basis points	202,203	126,433
Decrease by 100 basis points	(202,203)	(126,433)

(e) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

22. Contributed equity

For the reporting period ended 30 June	2017	2017
Ordinary shares	**No. of shares**	**$**
Balance at beginning of the year	158,170,799	59,948,004
LTVCP shares cancelled during the year (refer note 12)	-	(88,350)
Total contributed equity	**158,170,799**	**59,859,654**

For the reporting period ended 30 June	2016	2016
Ordinary shares	**No. of shares**	**$**
Balance at beginning of the year	158,170,799	59,504,436
LTVCP shares issued during the year (refer note 12)	-	451,050
Capital raising costs (net of taxes)	-	(7,482)
Total contributed equity	**158,170,799**	**59,948,004**

All ordinary shares are fully paid and rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

23. Reserves

For the reporting period ended 30 June		2017	2016
	Note	$	$
Equity reserve [a]		(11,754,685)	(11,754,685)
General reserve [b]		(17,989,542)	-
Market value reserve [c]		-	4,244,416
Option reserve [d]		3,095,100	-
LTVCP reserve [e]	12	168,792	76,451
General Reserves		(26,480,335)	(7,433,818)
Share buyback reserve [f]		(2,600,374)	(2,600,374)
Foreign exchange reserve [g]		(3,920,949)	(2,661,415)
		(33,001,658)	**(12,695,607)**

(a) Equity reserve represents fair value adjustments of shares issued upon acquisition of AIHL on 4 April 2013

(b) General reserve represents transaction with non-controlling interest

(c) Market value reserve represent market value adjustments of Arowana Inc shares at balance date

(d) Option reserve represents VivoPower International PLC UPO Options

(e) Employee incentive plan reserve represents the amortisation of the estimated cost attributable over the life of the plan of shares issued under the employee long term value creation plan in 2016 (see Note 12).

(f) Share buyback reserve represents fair value adjustments of shares bought back on the 29 July and 27 October 2014.

(g) Foreign exchange reserve represents exchange differences arising on translation of foreign controlled entities.

24. Retained earnings

For the reporting period ended 30 June	2017	2016
	$	$
Opening retained earnings (losses)	49,304,286	82,562,345
Net profit/(loss) for the year	1,488,191	(30,885,496)
Dividend paid	(949,024)	(2,372,563)
Closing retained earnings	49,843,453	49,304,286

25. Cash flow information

(a) Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

For the reporting period ended 30 June	2017	2016
	$	$
Cash and cash equivalents – Consolidated Statement of Financial Position	18,397,134	20,304,671
Classified as held for sale (note 5(a))	-	3,755,198
Cash and cash equivalents – Consolidated Statement of Cash Flows	18,397,134	24,059,869

(b) Reconciliation of operating profit/(loss) after income tax to net cash used in operating activities.

Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations:	2017	2016
	$	$
Operating profit/(loss) from ordinary activities after income tax	4,593,168	(30,965,729)
Cash flows excluded from profit attributable to operating activities		
Add/(subtract) non-cash items:		
Impairment/Amortisation	4,075,281	13,733,725
Depreciation	599,185	207,800
Retention liability adjustment	(2,000,000)	-
(Loss)/profit on disposal of investments/ (subsidiary)	(6,774,973)	1,366
LGC fair value adjustments	-	(29,726)
Profit on sales of fixed asset	(102,050)	-
Bad debts	59,829	1,818
Share of net profit of associates accounted for using the equity method	6,468,606	12,132,070
Foreign currency gains and losses	1,485,369	(55,720)
Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:		
Assets		
Increase in trade and other receivables	(3,861,293)	(1,300,943)
Increase in other current assets	(66,747)	(233,785)
Increase in deferred tax assets	471,392	(1,699,998)

Reconciliation of the operating loss after tax to the net cash flows from operations:	2017	2016
Liabilities		
Increase in trade payables	3,515,467	1,643,467
Increase/(decrease) in deferred tax liabilities	4,706,523	(97,199)
Increase in income tax payable	3,162,426	381,538
Increase in provisions	272,888	75,418
Increase in other payables	2,509,035	255,962
Net cash used in operating activities	**19,114,106**	**(7,588,474)**

26. Commitments and contingencies

Commitments

Operating Lease

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	$	$
Less than one year	1,113,975	246,362
Between one and five years	979,718	282,871
More than five years	-	-
Total	**2,093,693**	**529,233**

The Group leases a number of premises under operating leases. The leases can run from a rolling one month period to 9 years, with an option to renew the lease after the expiration date.

Finance Lease

At the end of the reporting period, the finance lease commitments are as follows:

	2017	2016
	$	$
Gross payments		
Less than one year	207,582	45,818
Between one and five years	335,202	30,611
More than five years	-	-
Total	**542,784**	**76,429**
As presented in liabilities (note 20)		
Current	207,582	45,819
Non-current	335,202	30,610
	542,784	**76,429**

The Group has a number of finance leases on motor vehicle and plant and equipment. The finance leases are generally for a period of 36 to 48 months.

27. Capital commitments

There were no capital commitments as at balance date.

28. Earnings per share

For the reporting period ended 30 June	2017	2016
	Cents	**Cents**
(a) Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the Company	0.94	(19.53)
(b) Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the Company	0.94	(19.53)
(c) Reconciliation of earnings used in calculating earnings per share	**$**	**$**
Profit attributable to the ordinary equity holders of the company used in calculating earnings per share:	1,488,191	(30,885,496)
	1,488,191	**(30,885,496)**
	Numbers	**Numbers**
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	158,170,799	158,170,799
Weighted average number of ordinary shares used as a denominator in calculating diluted earnings per share	158,170,799	158,170,799

29. Contingent assets and liabilities

There were no contingent assets as at 30 June 2017.

Contingent liabilities not provided for in the financial statements of the Group as at 30 June 2017 comprised of contract performance guarantees of $584,668 in one of the Group's operating subsidiaries.

30. Related party transactions

Key Management Personnel Compensation

For the reporting period ended 30 June	2017	2016
	$	$
Short-term employee benefits	999,105	884,734
Post-employment benefits	26,895	25,893
Other long term benefits	155,898	55,171
	1,181,898	**965,798**

Individual directors and executive compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report. Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Key Management Personnel Transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial and operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions relating to key management personnel and entities over which they have control or joint control were as follows:

Expense transactions

	Transaction	2017	2016
		$	$
Director			
John Moore AO	Director fees	30,000	30,000
John Moore	Reimbursement of expenses	318	42
Robert McKelvey	Director fees	30,000	30,000
Robert McKelvey	Reimbursement of expenses	1,010	616
Anthony Kinnear	Director fees	30,000	18,452
Key management person			
Conor Byrne	Reimbursement of expenses	11,667	6,064
Velox Consulting fees (b)	Consulting fees	357,033	263,628
Velox Consulting fees (b)	Rent	26,667	34,444
Gary Hui (b)	Reimbursement of expenses	1,206	20,711
Other related parties			
Arowana Partners Group Pty Limited (a)	Director fees	30,000	30,000
Arowana Partners Group Pty Limited (a)	Research fees	150,000	150,000
Arowana Partners Group Pty Limited (a)	Reimbursement of expenses	443,481	392,748
Borneo Capital Pty Limited (a)	Rent	331,192	343,131
Borneo Capital Pty Limited (a)	Reimbursement of expenses	1,809	-
FX2School Pty Limited (a)	Reimbursement of expenses	11,461	-

Revenue transactions

	Transaction	2017	2016
		$	$
Other related parties			
Arowana Australasian Value Opportunities Fund Limited	Reimbursement of expenses	92,552	137,878
Arowana Capital Pty Limited [a]	Reimbursement of expenses	673	7,055
Arowana Partners Group Pty Limited [a]	Reimbursement of expenses	19,516	80,835
Arowana Inc	Reimbursement of expenses	81,137	164,767
Borneo Capital Pty Limited [a]	Reimbursement of expenses	2,152	4,376
FX2School Pty Ltd [a]	Reimbursement of expenses	5,052	10,188
Intueri Education Group Limited	Director fee	174,338	60,336
Intueri Education Group Limited	Reimbursement of expenses	15,000	9,337
Luz Almond Company Pty Ltd [a]	Reimbursement of expenses	7,967	35,428
Ubiquity Power Maintenance Group[e]	Reimbursement of expenses	-	2,483
V.V.P.Holdings, Inc. [c]	Reimbursement of expenses	7,783	8,936
Viento Group Limited [d]	Reimbursement of expenses	-	2,200

Payables balance at balance date

The aggregate value of payables balance at balance date relating to key management personnel and entities over which they have control or joint control were as follows:

	2017	2016
	$	$
Arowana Partners Group Pty Limited [a]	106,001	161,950
Borneo Capital Pty Ltd [a]	12,380	12,545
FX2School Pty Ltd [a]	43	-

Receivables balance at balance date

The aggregate value of receivables balance at balance date relating to key management personnel and entities over which they have control or joint control were as follows:

	2017	2016
	$	$
Arowana Australasian Value Opportunities Fund Limited	-	1,150
Arowana Capital Pty Limited [a]	11	-
Arowana Inc	-	88,374
Arowana Partners Group Pty Limited [a]	7,170	4,900
Borneo Capital Pty Limited [a]	-	150
Conor Byrne	535	-
FX2School Pty Ltd [a]	13,561	9,160
Intueri Education Group Limited	-	726
Luz Almond Company Pty Ltd [a]	27	1,285
Ubiquity Power Maintenance Group[e]	-	1,029
Viento Group Limited [d]	-	2,200

(a) entity related to Kevin Chin
(b) entity related to Gary Hui
(c) entity related to VivoPower Pty Ltd (V.V.P Holdings, Inc)
(d) entity AWN has investment in (Viento Group Limited)
(e) Entity AWN has investment in (Aevitas Group Limited)
(f) all reimbursement of expenses relates to occupancy costs, salaries on charged, travel expenses, etc. The expenses have been incurred by the supplier on behalf of the Company.

31. Controlled entities

Name of Entity	Country of incorporation	Class of shares	2017	2016
			%	%
Parent entity				
Arowana International Limited				
Controlled entities of Arowana International Limited				
Intelligent Solar Energy Technology Pty Ltd	Australia	Ordinary	100	100
Arowana Australasian Holdings Limited	Australia	Ordinary	100	100
Arowana Education Holdings Pty Limited	Australia	Ordinary	100	100
Thermoscan Holdings Pty Limited	Australia	Ordinary	100	100
Thermoscan Inspection Services Pty Limited	Australia	Ordinary	100	100
AWN Funds Management Pty Limited	Australia	Ordinary	100	100
AWN Special Situations Fund 1 Holdings Pty Limited	Australia	Ordinary	100	100

Name of Entity	Country of incorporation	Class of shares	2017	2016
			%	%
Controlled entities of Arowana International Limited				
Arowana Australasian Special Situations Fund 1 Pty Limited	Australia	Ordinary	100	100
Arowana Australasian Special Situations Carry 1 Pty Limited	Australia	Ordinary	100	100
Arowana Australasian Special Situations 1A Pty Limited	Australia	Ordinary	100	100
Arowana Australasian Special Situations 1B Pty Limited	Australia	Ordinary	100	100
Arowana Australasian Special Situations 1C Pty Limited	Australia	Ordinary	100	100
AWN Value Opportunities Fund Pty Limited	Australia	Ordinary	100	100
AAVOF Management Pty Limited	Australia	Ordinary	100	100
Arowana Energy Holdings Pty Limited	Australia	Ordinary	100	100
Everthought Education Pty Limited	Australia	Ordinary	100	-
Everthought Education Perth Pty Limited	Australia	Ordinary	100	-
Lynchpin Enterprises Pty Limited	Australia	Ordinary	100	-
VivoPower International PLC	United Kingdom	Ordinary	61	100
VivoPower International Services	United Kingdom	Ordinary	61	100
VivoPower USA	United States	Ordinary	61	100
VivoPower Pty Limited	Australia	Ordinary	61	100
VivoPower WA Pty Ltd	Australia	Ordinary	61	100
VVP Project 1 Pty Ltd	Australia	Ordinary	61	100
VVP Project 2 Pty Ltd	Australia	Ordinary	61	100
Amaroo Solar Pty Ltd	Australia	Ordinary	61	100
Amaroo Solar TCo Pty Ltd	Australia	Ordinary	61	100
Amaroo Solar HCo Pty Ltd	Australia	Ordinary	61	100
Amaroo Solar FCo Pty Ltd	Australia	Ordinary	61	100
SC TCo Pty Ltd	Australia	Ordinary	61	100
SC HCo Pty Ltd	Australia	Ordinary	61	100
SC FCo Pty Ltd	Australia	Ordinary	61	100
SC OCo Pty Ltd	Australia	Ordinary	61	100
VivoPower Singapore Pte. Ltd.	Singapore	Ordinary	61	100
ACN 613885224 Pty Ltd	Australia	Ordinary	61	-

Name of Entity	Country of incorporation	Class of shares	2017	2016
			%	%
Controlled entities of Arowana International Limited				
DGI Pty Ltd	Australia	Ordinary	60	-
Juice Capital Pty Ltd	Australia	Ordinary	60	-
Aevitas O Holdings Pty Limited	Australia	Ordinary	60	-
Aevitas Group Limited	Australia	Ordinary	60	-
Aevitas Holdings Pty Limited	Australia	Ordinary	60	-
Electrical Engineering Group Pty Limited	Australia	Ordinary	60	-
JA Martin Electrical Limited	Australia	Ordinary	60	-
Kenshaw Electrical Pty Limited	Australia	Ordinary	60	-

32. Events subsequent to reporting date

Other than the dividend referred to below no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group and Company, the results of those operations, or the state of affairs of the Group and Company in future financial years.

On 31 August 2017 the Company declared an unfranked divided of 0.30 cents per share. The dividend will be payable to shareholders of record on 6 October 2017 and will be paid on 16 October 2017.

33. Auditor's remuneration

For the reporting period ended 30 June	2017	2016
	$	$
(a) PKF Hacketts Audit		
Audit and review of financial statements	120,500	57,500
Other services	6,700	8,200
(b) PKF Tax Pty Ltd (NSW)		
Provision of taxation services	39,800	37,900
Other services	-	2,000
Total paid to PKF Hacketts Audit and its network firms	**167,000**	**105,600**

34. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Arowana International Holdings Limited

35. Parent entity information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Statement of Financial Position	2017	2016
	$	$
Assets		
Current assets	7,371,136	20,184,600
Non-current assets	103,548,363	91,472,645
Total assets	**110,919,772**	**111,657,245**
Liabilities		
Current liabilities	6,305,310	2,008,666
Non-current liabilities	336,221	6,975,326
Total liabilities	**6,641,531**	**8,983,992**
Net assets	**104,278,241**	**102,673,253**

Statement of Equity	2017	2016
	$	$
Issued capital	60,357,769	60,446,119
Capital raising costs	(486,020)	(486,021)
Retained earnings	58,592,759	58,824,655
Reserves	(14,186,267)	(16,111,500)
Total equity	**104,278,241**	**102,673,253**

Statement of Comprehensive Income	2017	2016
	$	$
Total profit/(loss)	421,395	101,535,891
Total comprehensive income	421,395	101,535,891

Guarantees

The Company has entered into a Deed of Cross Guarantee with its wholly owned subsidiaries. Please refer note 34 for further details. The Company has provided no other guarantee.

Contingent Assets and Liabilities

The Company has no contingent assets as at 30 June 2017.

The Company has a contingent liabilities relating to performance guarantees of $584,668

36. Business combinations

(a) Acquisition of Lynchpin Enterprises Pty Ltd and Evolution Academy Pty Ltd

In the year ended 30 June 2017, the Company, through its newly established wholly owned subsidiary, Everthought Education Holdings Pty Ltd (EEH) acquired Lynchpin Enterprises Pty Ltd and Evolution Academy Pty Ltd, registered training organisations now trading as Everthought Education Brisbane South and Everthought Education Perth. EEH also acquired certain business assets from the Administrator of Careers Australia Institute of Training Pty Ltd (Administrator appointed) (CAIT).

Everthought Education Business Combination details	Lynchpin Enterprises Pty Ltd (1 July 2016)	Evolution Academy Pty Ltd (1 December 2016)	CAIT Assets (7 June 2017)
Cash and cash equivalents	-	216,811	-
Trade and other receivables	-	313,532	-
Other current assets	-	102,735	-
Property, plant and equipment	182,712	287,024	35,524
Intangible assets	370,638	2,263,530	151,878
Deferred tax asset	-	-	16,029
Trade and other payables	-	(690,038)	-
Accrued expenses	-	(11,552)	(53,431)
Deferred tax liabilities	-	(537,003)	-
Net identifiable assets and liabilities	**553,395**	**1,945,039**	**150,000**
Consideration paid:			
Cash consideration paid	1,901,000	5,800,000	150,000
Deferred consideration written off	-	2,000,000	-
Deferred consideration to be paid	**-**	200,000	-
Total consideration	**1,901,000**	**8,000,000**	**150,000**
Provisional goodwill on acquisition*	**1,347,605**	**6,054,961**	**-**
Cash acquired	-	216,811	-
Less consideration paid	(1,901,000)	(5,800,000)	(150,000)
Net cash outflow	**(1,901,000)**	**(5,583,189)**	**(150,000)**

The contribution of the above acquisitions to Arowana International Ltd's profit after tax from ordinary activities during the year was ($1,539,950).

If the equity acquisitions had occurred on 1 July 2016, consolidated pro-forma revenue and profit for the reporting period would have been $4,797,246 and $2,367,079 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the group and the subsidiary; and
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2016, together with the consequential tax effects.

(b) Acquisition of Aevitas Group Ltd

On 29 December 2016, the Company's 100% subsidiary VivoPower International PLC completed an initial business combination transaction with Arowana Inc. and as a result acquired all of the issued capital of VivoPower Australia and Aevitas. VivoPower Australia had previously been included in the Group's consolidation as a 60.3% subsidiary of the Group. The assets and liabilities newly acquired in Aevitas are detailed below and are now included in the Group's consolidated financial statements, together with those of the previously consolidated VivoPower Australia and the Everthought Education entities referred to above.

VivoPower International PLC Business Combination details	Aevitas Group Ltd
	$
Cash and cash equivalents	1,723,227
Trade and other receivables	4,844,644
Other current assets	1,298,757
Property, plant and equipment	1,652,109
Deferred tax asset	1,287,521
Investment	5,901,892
Trade and other payables	(1,951,152)
Other non-current liabilities	(548,993)
Borrowing	(398,186)
Employee benefits	(2,068,847)
Deferred tax liabilities	(6,036,748)
Fair value of net assets	**5,704,224**
Less NCI portion	(32,438,544)
Fair value of net assets/(liabilities) acquired	**(26,734,320)**
Identifiable other intangible assets recognised	
- Trade name	3,341,136
- Favourable supply contracts	3,341,136
- Customer relationships	13,364,545
	20,046,817
	(6,687,503)
Consideration paid:	
Cash consideration paid	12,691,087
Goodwill on acquisition	**19,378,590**
Cash acquired	1,723,227
Less consideration paid	(12,691,087)
Net cash outflow	**(10,967,860)**

The contribution of the above acquisition to Group profit after tax from ordinary activities during the year was $1,447,906.

If the acquisition had occurred on 1 July 2016, consolidated pro-forma revenue and loss for the reporting period would have been $32,828,757 and $1,046,165 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the group and the subsidiary; and
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2016, together with the consequential tax effects.

(c) Acquisition of VivoPower Pty Ltd

In December 2015, the Company, through its newly established wholly owned subsidiary, Arowana Energy Holdings Pty Ltd ('AEN'), acquired 2,421,716 new shares issued at $0.65 per share by VivoPower Pty Ltd ('VVP') with total consideration of $1,583,082. At the same time, AEN also acquired 260,000 shares at $0.65 per share from Arowana Partners Group ('APG'), a related party outside the consolidated group, for a total consideration of $170,000 (which was the cost price for APG). These transactions have increased the Company's ownership of VVP to 61.45%. Prior to this acquisition, the Company's investment in VVP of 39.9% was accounted for under the equity method and since 1 December 2015, VVP is part of the consolidated group. This business combination achieved in stages has given rise to goodwill of $1.63 million.

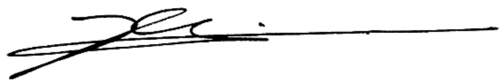
VivoPower Pty Ltd Business Combination details	VivoPower Pty Ltd
	$
Cash and cash equivalents	2,384,683
Trade and other receivables	144,896
Other current assets	34,694
Property, plant and equipment	794,553
Deferred tax asset	6,508
Investment	1,348
Related party loan	643,221
Other non-current asset	46,278
Trade and other payables	(81,278)
Accrued expenses	(18,667)
Borrowing	(838,000)
Net identifiable asset and liabilities	3,118,236
Fair value of 61.45% of net assets acquired	1,916,156
Consideration paid:	
Fair value of the previously held investment	1,841,159
Cash consideration for 2,421,716 new shares	1,583,802
Cash consideration for 260,000 shares acquired from APG	170,000
Total consideration	3,594,961
Goodwill on acquisition	**1,678,805**
Cash acquired	2,384,683
Less consideration paid	(1,753,802)
Net cash outflow	**630,881**

Directors' Declaration

The Directors of the Company declare that:

1. the Financial Statements comprising the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and accompanying Notes to the Consolidated Financial Statements are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations by the Chief Executive Officer and the person performing the Chief Financial Officer function required by section 295A of the Corporations Act 2001 which states that:
   (a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act*;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
5. At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Kevin Tser Fah Chin

Executive Chairman & Chief Executive Officer

31 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AROWANA INTERNATIONAL LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Arowana International Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Arowana International Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with 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 (the 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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1. Business combinations, including valuation of the acquired intangible assets and allocation of goodwill

Why significant

During the year, the Group acquired 100% interest in the following entities:

- Lynchpin Enterprises Pty Ltd;
- Evolution Academy Pty Ltd; and
- Aevitas Group Limited.

As disclosed in Note 15 and Note 36, as part of the business combination transactions, the Group recognised the following total amounts of goodwill and intangible assets:

- Goodwill of $26.8 million; and
- Intangible assets of $22.8 million.

Significant judgement is required in valuing the acquired identifiable intangible assets and allocation of goodwill. The Group engaged an independent expert to assist in the valuation of identifiable intangible assets.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Obtaining a detailed understanding of the acquired business;
- Assessing the competency and objectivity of the independent expert and the scope of their work;
- Analysing the independent expert's report to understand the valuation methodology and key judgements made in determining the fair values such as:
  - Marginal cash flow methodology;
  - Capitalisation of costs;
  - Growth rates;
  - Discount rates;
  - Estimated useful lives.
- Assessing the appropriateness of the valuation methodology of the intangible assets employed by the external expert and evaluating the key assumptions used in determining the fair values;
- Assessing the fair value valuation of the assets and liabilities acquired;
- Assessing the fair value of the consideration paid and the recognition of deferred consideration upon the acquisition date; and
- In addition, we assessed the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Note 2(i), Note 15 and Note 36.

2. Carrying value of intangible assets including goodwill

Why significant

As at 30 June 2017, the Group recorded the following assets required impairment considerations in Note 15 of the financial report:

- Goodwill of $30.2 million; and
- Intangible assets of $22 million.

The Group accounting policy in respect of goodwill and intangible assets is outlined in Note 2(i).

An annual impairment test for goodwill and other indefinite life intangible assets is required under Australian Accounting Standard (AASB) 136

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- understanding the process that management undertakes to evaluate whether there are any indicators of impairment;
- assessing and challenging the growth rate used in the forecast model, including comparing the growth rate in the industry;
- assessing and challenging the discount rate applied in the forecast model;
- testing, on a sample basis, the mathematical

Why significant	How our audit addressed the key audit matter
Impairment of Assets. The intangible assets above are mainly intangible assets with a finite useful life and therefore under the AASB 136 are required to be tested if there is any indication if assets may be impaired. The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining the key assumptions, which include: • 5 year cash flow forecast; • Terminal value growth factor; • Discount rate; and • Growth rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill is an area of significant estimation and judgement.	accuracy of the cash flow models; • agreeing inputs in the cash flow models to relevant data including approved budgets and latest forecasts; and • performing sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value. In addition, as part of our procedures: • we assessed the Group's determination of Cash Generating Units (CGUs); and • we assessed the appropriateness of the disclosures including those relating to sensitivities in the assumptions used, included in Note 15.

3. Accounting for Joint Arrangement

Why significant	How our audit addressed the key audit matter
In April 2017, a subsidiary of the Company, VivoPower (USA) Development LLC ("VivoPower") entered into a joint venture agreement with Innovative Solar Systems, LLC ("Innovative Solar" or "ISS"). The Company intends to design, finance and construct each project that it acquires through the joint venture under its build, transfer and operate model. The joint venture is governed by an Amended and Restated Operating Agreement between Innovative Solar Ventures I LLC ("JV LLC"), VivoPower and Innovative Solar System, effective as of 17 April 2017 ("JV Operating Agreement"), which set forth the terms and conditions of the establishment and operation of the JV LLC. The purpose of the JV LLC is to provide funding for and invest in early stage development of solar fields throughout the United States, including by investing in project companies holding utility-scale solar assets.	Our work included, but was not limited to, the following procedures: • Obtained a detailed understanding of the terms and conditions of the JV LLC; • Evaluated the appropriateness of the control assessment of the JV LLC based on understanding of the terms and conditions of the JV LLC and the application of AASB 10 'Consolidated Financial Statements' and AASB 11 'Joint Arrangements'; • Audit the accounting treatment of the investment in JV LLC under the equity accounted method in accordance with AASB 128 'Investment in Associates and Joint Ventures'; • Inquired management and assessed if there are any impairment indicators that required the Group to perform an impairment analysis under AASB 136 'Impairment of Assets'. In addition, as part of our procedures: • we assessed the appropriateness of the

Why significant	How our audit addressed the key audit matter
As at 30 June 2017, the Group recognised investment in JV LLC under equity accounted method in accordance with AASB 128 'Investment in Associates and Joint Ventures'. The Group also recognised a liability to the JV LLC which represents unpaid capital contribution to the JV LLC under note 16. The Group accounting policy in respect of investment in Joint Venture is outlined in Note 2(n). Significant judgement is required on the application of AASB 10 'Consolidated Financial Statements' and AASB 11 'Joint Arrangements' for the assessment of control based on the terms and conditions of the establishment and operation of the JV LLC that determined the accounting for the investment in JV LLC.	disclosures regarding the Group investment in JV LLC included in Note 2(n), Note 11(c) and Note 16.

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

We have obtained all the Other Information prior to the date of this Auditor's Report which includes the Chairman's & CEO's Letter, Corporate Governance Statement, Directors' Report and Additional Information for Listed Companies.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities 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 consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Arowana International Limited for the year ended 30 June 2017, 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.

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY

PARTNER

31 AUGUST 2017

BRISBANE

Additional Information for Listed Companies

ASX additional information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 22 August 2017.

Substantial shareholders

The names of the substantial shareholders listed in the holding Company's register at 22 August 2017 (8 September 2016) are:

Shareholders	Number of shares	
	2017	2016
HSBC Custody Nominees (Australia) Limited	12,367,766	11,360,265
AIA Investment Management Pty Ltd	11,367,420	11,367,420
Contemplator Pty Ltd <Arg Pension Fund A/C>	9,170,335	9,170,335
K&B Richards Pty Ltd <Richards Super Fund A/C>	8,575,000	8,575,000

Voting rights

The consolidated entity has one class of ordinary shares with equal voting rights attached to them.

Distribution of equity security holders

There were no holders of less than a marketable parcel of ordinary shares. There are no securities subject to voluntary escrow.

Holdings Ranges	Number of Shareholders	Total Units	%
1-1,000	65	27,403	0.02
1,001-5,000	83	225,214	0.14
5,001-10,000	83	637,514	0.40
10,001-100,000	578	21,590,734	13.65
100,001 and over	174	135,689,934	85.79
Total	**983**	**158,170,799**	**100.00**

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2017

Twenty largest shareholders

Shareholders	Ordinary shares Number	Ordinary shares %
HSBC Custody Nominees (Australia) Limited	12,367,766	7.82%
AIA Investment Management Pty Ltd	11,367,420	7.19%
Contemplator Pty Ltd <Arg Pension Fund A/C>	9,170,335	5.80%
K&B Richards Pty Ltd <Richards Super Fund A/C>	8,575,000	5.42%
181 Foundation Pty Limited <Chin Family Super Fund A/C>	7,736,046	4.89%
Panaga Group Pty Ltd <The Panaga Group A/C>	7,079,917	4.48%
J P Morgan Nominees Australia Limited	5,473,929	3.46%
Ruminator Pty Ltd	5,046,667	3.19%
Traoj Pty Ltd <Traoj A/C>	4,544,380	2.87%
Nwod Montpelier Investments Pty Limited	3,000,000	1.90%
Impulsive Pty Ltd <Dawson Super Fund A/C>	2,857,000	1.81%
Alochan Pty Limited <Share A/C>	2,732,143	1.73%
Stitching Pty Ltd <Ssg Superannuation Fund A/C>	2,655,168	1.68%
Clurname Pty Ltd	2,622,000	1.66%
Global Mutual Funds Pty Ltd	2,008,369	1.27%
Pintia Pty Ltd <Peter Curry Super Fund A/C>	1,820,000	1.15%
Leanganook Pty Ltd <Leanganook S/F A/C>	1,430,000	0.90%
Ralsten Pty Limited	1,400,000	0.89%
Nandaroo Pty Limited	1,160,000	0.73%
Lek Investments Pty Ltd <Lek A/C>	1,053,513	0.67%
Total for twenty largest shareholders	**94,099,653**	**59.49%**
Total Issued Capital	**158,170,799**	

Securities exchange listing

The Company is listed on the Australian Securities Exchange.

ASX Code

AWN

Arowana International Limited and its Controlled Entities
For the year ended 30 June 2017

Company Secretary

The name of the Company Secretary is Mr Thomas Bloomfield

Principal registered office in Australia

Level 11, 153 Walker Street, North Sydney NSW 2060

Telephone: (02) 8083 9800 Fax: (02) 8083 9804

Registers of securities

The registers of securities are held at the following address:

Boardroom Pty Limited

Level 12, 225 George Street, Sydney NSW 2000

Telephone: 1300 737 760 Fax: 1300 653 459

Email: enquiries@boardroomlimited.com.au

Corporate Directory

Corporate Directory

Directors	Mr Kevin Chin (Executive Director) Hon. John Moore AO (Non-Executive Director) Mr Robert McKelvey (Non-Executive Director) Mr Anthony Kinnear (Non-Executive Director)
Company Secretary	Mr Thomas Bloomfield
Principal registered office in Australia	Level 11, 153 Walker Street North Sydney NSW 2060
Share Registry	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	PKF Hacketts Audit Level 6, 10 Eagle Street Brisbane QLD 4000
Legal Adviser	Watson Mangioni Lawyers Pty Limited 23/858 Castlereagh Street Sydney NSW 2000
Stock Exchange	Australian Securities Exchange AWN – Ordinary Shares
Website	www.arowanainternational.com