AROWANA

27 February 2018

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Subject: Interim Financial Report for Half-Year Ended 31 December 2017 and Results Presentation

The Directors of Arowana International Limited (ASX: AWN) are pleased to release the Interim Financial Report and accompanying Results Presentation for the half-year ended 31 December 2017.

On behalf of the Board of AWN,

Cameron Fellows
Company Secretary

Sydney
Level 11, 153 Walker Street
North Sydney, NSW 2060
Australia
+61 2 8083 9800

Brisbane
Level 11, 110 Mary Street
Brisbane, QLD 4000
Australia
+61 7 3182 3200

London
91 Wimpole Street
London, W1G 0EF
United Kingdom

San Francisco
Suite B300
100 Shoreline Highway
Mill Valley, CA 94941
USA

Los Angeles
1221 Hermosa Avenue
Hermosa Beach CA 90254
USA

Singapore
Level 36, UOB Plaza 1
80 Raffles Place
Singapore 048624

Manila
Unit 10A, 5th Avenue cor.
26th Street E-Square
Crescent Park West
Bonifacio Global City
Taguig, Philippines

ACN 103 472 751

info@arowanaco.com
www.arowanaco.com

AROWANA

Arowana International Limited and its Controlled Entities

(ABN 83 103 472 751)

Interim Financial Statements

Including Appendix 4D Disclosures

For the half-year ended 31 December 2017

(Previous corresponding half-year ended 31 December 2016)

Contents

Contents

Results for Announcement to the Market

Key Information	Half-year ended 31 December 2017 $	Half-year ended 31 December 2016 $	% Change
Revenue from ordinary activities	31,634,572	20,513,258	54
(Loss) / profit after tax attributable to members	(6,206,442)	6,097,079	nmf

nmf – no meaningful comparison

Dividends Paid and Proposed

Dividends	Amount per security	Franked amount per security
2017 Final Dividend – paid 16 October 2017	0.30 cents	Nil

The Directors have not declared an interim dividend in respect of the half-year ended 31 December 2017. The Directors have changed the dividend policy such that dividends will be paid annually only, to save on the inefficiency of paying two dividends per annum. The intention is to maintain dividends at least the same as for the prior financial year.

Dividend Reinvestment Plan

AWN does not have a dividend reinvestment plan in operation.

Explanation of Key Information and Dividends

An explanation of the above figures is contained in the "Review of Operations" included in the attached Directors' Report.

Earnings per Share

Earnings per ordinary fully paid share	Current Period	Previous Corresponding Period
Basic EPS	(3.92) cents	3.85 cents
Diluted EPS	(3.92) cents	3.85 cents

Net Tangible Assets

NTA backing	31 December 2017	30 June 2017
Net tangible asset backing per ordinary security	22.9 cents	32.5 cents

Control Gained or Lost over Entities in the Half-Year

On 5 December 2017, the Company, through its newly established wholly-owned subsidiary, DDLS Australia Holdings Pty Ltd, acquired DDLS Australia Pty Ltd ("DDLS"), the largest information and communications technology training business in Australia (and the broader Asia Pacific region). The acquisition of DDLS is key to AWN's strategy to build an education platform that is run in accordance with Arowana's modus operandi and tempo. The transaction was the catalyst for the launch of a new education platform, EdventureCo, that now encompasses Everthought Education, AWN's existing building and construction training business, and DDLS.

The acquisition of DDLS contributed revenue of $1,891,427 towards total Group revenue for the half-year. Had the acquisition occurred on 1 July 2017, the total revenue contribution to the Group would have been $17,896,402.

Associates and Joint Venture Entities

	Ownership Interest		Contribution to Net Profit	
	Current Period	Previous Corresponding Period	Current Period	Previous Corresponding Period
Name	%	%	$	$
Innovative Solar Ventures I, LLC	50.0	-	(442,100)	-
Viento Group Limited	31.8	31.8	(45,997)	(16,911)

Your directors submit the financial report of Arowana International Limited ("the Company") and its controlled entities ("the Group") for the half-year ended 31 December 2017.

Directors

The names of directors in office at any time during the half-year or since the end of the half-year are:

Name	Position
Kevin Tser Fah Chin	Executive Chairman and Managing Director
Hon. John Moore AO	Non-Executive Director
Robert John McKelvey	Non-Executive Director
Anthony Paul Kinnear	Non-Executive Director

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Review of Operations

Statutory Financial highlights

Statutory operating revenue for the half-year ended 31 December 2017 increased by 54% to $31.6 million (2016: $20.5 million) due primarily to the contribution from VivoPower's Aevitas business unit in Australia and increased revenues from EdventureCo, the Group's education platform as well as from Thermoscan and Arowana Funds Management.

The statutory EBIT and profit after tax attributable to shareholders for the half-year ended 31 December 2017 were a loss of $11.0 million (2016: profit of $9.6 million) and a loss of $8.2 million (2016: profit of $7.0 million) respectively. The loss for the period is primarily due to:

- the decrease in solar project developer fees generated by VivoPower International PLC offset by the contribution from Aevitas;
- continued investment into the growth of the funds management division in support of the launch of a new product, the Arowana Australian Special Income Opportunities Fund (ASIOF); and
- ongoing organic and acquisition-based investment in EdventureCo.

The following table sets out the statutory financial results for the half-year ended 31 December 2017:

All figures in A$ thousands	Half-year ended 31 December 2017 – Statutory (reviewed)	Half-year ended 31 December 2016 – Statutory (reviewed)	% change
Operating Revenue	31,635	20,513	54
Interest Income	143	1,847	(92)

All figures in A$ thousands	Half-year ended 31 December 2017 – Statutory (reviewed)	Half-year ended 31 December 2016 – Statutory (reviewed)	% change
Total Income	31,778	22,360	42
Other (Expenses) / Income	(277)	8,345	nmf
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	(8,594)	9,862	nmf
Earnings Before Interest and Tax (EBIT)	(10,966)	9,631	nmf
(Loss)/Profit Before Tax (PBT)	(11,346)	11,308	nmf
Income Tax (Benefit) / Expense	(3,123)	4,308	nmf
Net (Loss)/Profit After Tax (NPAT)	(8,223)	7,000	nmf
Earnings per Share (EPS)	(3.9) cents	3.9 cents	nmf
Dividend per Share paid (DPS)	0.3 cents	0.3 cents	-
Net Tangible Assets (NTA) per Share	22.9 cents	33.7 cents	(32)

nmf – no meaningful comparison

Underlying Financial Performance

In order to enable a more meaningful comparison of underlying financial performance, the following tables outline AWN's financial performance for the half-year ended 31 December 2017 versus the half-year ended 31 December 2016, together with a reconciliation of statutory to underlying results. The tables are presented on the following basis:

- Excluding any unrealised foreign exchange (gains)/losses from foreign currency holdings, $0.4 million (2016: $0.4 million);
- Excluding the non-cash provision for impairment on the Group's investment in VivoPower Philippines, $0.8 million (2016: NIL);
- Excluding proceeds received from a confidential legal settlement in relation to a prior period transaction, $0.4 million (2016: NIL);
- Excluding the impact of non-recurring project costs incurred by the Enterprise Office, principally related to the impending launch of the Arowana Australian Special Income Opportunities Fund ("ASIOF"), $0.7 million (2016: NIL)
- Excluding the non-cash provision for impairment relating to the Group's investment in Intueri, NIL (2016: $0.5 million);
- Excluding the one-off gain recorded on the exchange of the Group's initial investment in Arowana Inc. for new shares in VivoPower International PLC, NIL (2016: $6.8 million); and
- Excluding the impact of other individually immaterial, non-recurring transactions, $0.7 million (2016: NIL).

Reconciliation of Statutory to Underlying Results

All figures in A$ thousands	Half-year ended 31 December 2017		Half-year ended 31 December 2016	
	EBIT	EBITDA	EBIT	EBITDA
Statutory reporting basis	**(10,966)**	**(8,594)**	**9,631**	**9,862**
VivoPower International				
Reverse unrealised FX gains	(79)	(79)	-	-
Reverse non-cash provision for impairment	767	767	-	-
Normalisation of non-recurring restructuring expenditure	634	634	-	-
EdventureCo				
Reverse one-off proceeds received from a confidential legal settlement	(364)	(364)	-	-
Normalisation of non-recurring restructuring expenditure	54	54	-	-
Thermoscan				
Normalisation of non-recurring projects	-	-	19	19
Arowana Funds Management				
Reverse gain on founder investment in ARWA	-	-	(6,665)	(6,665)
Normalisation of project costs	-	-	10	10
Reverse one-off adjustment re: historical dividend entitlement	-	-	(1,439)	(1,439)
Enterprise Office				
Reverse unrealised FX losses	449	449	-	-
Normalisation of project costs	704	704	2,482	2,482
One-off gains on business combination	-	-	(555)	(555)
Recovery of prior period impairment loss	-	-	(182)	(182)
Unallocated				
Reverse one-off impairment charges and equity accounted losses re: Intueri	-	-	6,857	6,857
Realised foreign exchange gains not allocated to business units	(93)	(94)	(833)	(832)
Underlying reporting basis	**(8,894)**	**(6,523)**	**9,325**	**9,557**

Underlying Results

All figures in A$ thousands	Half-year ended 31 December 2017 – underlying (unaudited)	Half-year ended 31 December 2016 – underlying (unaudited)	% change
VivoPower International	24,019	15,552	54
EdventureCo	4,529	1,186	282
Thermoscan	1,445	1,297	11
Arowana Funds Management	992	699	42
Enterprise Office	286	339	(16)
Total Underlying Revenue	**31,271**	**19,073**	**64**
VivoPower International	(2,969)	11,101	nmf
EdventureCo	(1,199)	284	nmf
Thermoscan	470	335	40
Arowana Funds Management	7	(171)	nmf
Enterprise Office	(2,832)	(1,992)	(42)
Total Underlying EBITDA	**(6,523)**	**9,557**	**nmf**
VivoPower International	(4,425)	11,100	nmf
EdventureCo	(2,000)	142	nmf
Thermoscan	421	267	58
Arowana Funds Management	7	(171)	nmf
Enterprise Office	(2,897)	(2,013)	(44)
Total Underlying EBIT	**(8,894)**	**9,325**	**nmf**
Realised FX gains	93	833	(89)
Interest Income	143	1,847	(92)
Interest Expense	(522)	(169)	(209)
Net Interest Income	(379)	1,678	nmf
Total Underlying PBT	**(9,180)**	**11,836**	**nmf**
Tax benefit / (expense)	3,123	(4,308)	nmf
Underlying Group NPAT	**(6,057)**	**7,528**	**nmf**

nmf – no meaningful comparison

Key comments in relation to the preceding table:

VivoPower International

- Underlying revenue, EBITDA and EBIT for the half-year ended 31 December 2017 includes the consolidated results of VivoPower International PLC ("VivoPower"), of which the Group holds 60.9% post VivoPower's NASDAQ listing on 29 December 2016. As such, the previous period's results reflect only part-period contributions from the date of acquisition.
- The growth in revenue is primarily due to the contribution of VivoPower's Australian energy services business, Aevitas, which has positioned itself to take advantage of an upswing in infrastructure expenditure in New South Wales. Prior period revenue generated by Aevitas was nominal due to its acquisition on 29 December 2016. The increase in Aevitas revenue has been offset by a decrease in developer fees from solar power projects as noted below.
- VivoPower effectuated leadership changes with Carl Weatherley White appointed group CEO in September 2017 and Art Russell appointed group CFO in November 2017 (on secondment from Arowana International). The new leadership team has focussed on improving team morale and alignment, faster decision making, a more organised operating rhythm (through better leadership on institutionalising Rockefeller Habits), lean cost management and improved accounting and reporting processes.
- Following the change of leadership, VivoPower also executed a strategic shift to a global solar power developer, co-owner, producer and operator model in which it will develop, co-own and operate solar projects. VivoPower will partner with developers and providers of long-term capital, rather than acquiring solar projects from third party developers and transferring them to long-term owners under the previous build, transfer, operate or "BTO" model. Pursuant to this strategy, VivoPower has expanded its development portfolio in the United States, principally through entering into a joint venture providing a 50% ownership in a diversified portfolio of 38 utility-scale solar projects with a potential generating capacity of 1.8GW. VivoPower has the option to acquire each project in the portfolio after it is fully developed. If acquired from the joint venture, VivoPower intends to design, finance and construct each project.
- In accordance with the above, underlying performance of VivoPower in any given period will be dependent on the development stages of the projects within its various portfolios. Since the closing of the joint venture on 17 April 2017, significant progress has been made towards the goal of developing each of the 38 projects, however management has taken a conservative approach in not recognising any uplift in the carrying value of VivoPower's investment. No other project development fees were generated during the half-year ended 31 December 2017 as VivoPower's Board and management felt it made better economic sense to wait until the Trump solar panel tariff uncertainty was resolved (which occurred in January 2018) and solar panels resumed their cost curve decline. Developer fees in the previous period reflected revenues generated following the achievement of late-stage milestones in respect of the NC-31 and NC-47 solar power projects. As such, VivoPower's earnings for the half-year ended 31 December 2017 primarily reflects the absence of developer fee revenue offset by the earnings contribution from Aevitas.

- VivoPower remains in confidential strategic discussions with potential investors in relation to its 1.8GW solar project pipeline in the United States that may or may not result in an uplift in the carrying value of VivoPower's investment.

EdventureCo

- EdventureCo (formerly Everthought Education) was established on 1 July 2016 with the first acquisition consummated on that date, with subsequent acquisitions completed in November 2016, June 2017 and most recently in December 2017 with the acquisition of DDLS. Its results for the half-year ended 31 December 2017 reflect only a part-period contribution resulting from its acquisition of DDLS and also continued opex investment in its leadership team, enabling the group to actively support the platform acquisition of DDLS and to continue to scale up sustainably over the next 12 months and beyond.

Thermoscan

- Thermoscan's strong result for the period primarily reflects improved utilisation, aided by a more effective client retention pipeline process such that technician days are able to be planned more efficiently. The improvement in utilisation rates has also been improved through actively targeting additional strata site clients which can be serviced efficiently.

Arowana Funds Management

- Arowana Funds Management's result primarily represents fees generated in respect of its management of the investment portfolio of the Arowana Contrarian Value Fund ("ACVF"), the receipt of a $0.6 million early redemption uplift upon realisation of the Arowana Australian Special Situations Fund's ("AASSF") $3.0 million investment in Evolution Group Holdings offset by increased overheads associated with scaling up the division to launch its new investment platform, ASIOF.
- The strong out-performance of ACVF against the relevant benchmark for the six-month period to 31 December 2017 has also resulted in a significant, unrealised performance fee at that date (refer to Note 16 of the accompanying financial statements for further details). The determination of the amount of the performance fee, if any, arising from the management of ACVF's portfolio is measured at 30 June annually. As at 31 December 2017, the performance fee payable to AWN would be $1.4 million had the fee crystallised at that date. Crystallisation of the performance fee remains subject to both ACVF's underlying portfolio value at 30 June 2018 and the relevant performance hurdle for the year then ended.

Financial position

As detailed in the Consolidated Statement of Financial Position, current liabilities of the Group exceeded current assets at 31 December 2017 by $10,640,805 (30 June 2017: net current asset deficit of $2,887,864).

During the reporting period the Group continued to allocate capital towards the domestic and international expansion of business operations, including material additional investment into VivoPower International PLC's joint venture operation in the USA, the acquisition of DDLS Australia in the education sector and the ongoing development of the Funds Management business. This strategy of capital-intensive growth is consistent with the company's stated strategy and theme for FY2018 of building out its platforms across solar, education and funds management, with expectations of returns on invested capital to materialise over the next 12 to 24 months.

The Group manages its short-term liquidity by maintaining adequate working capital finance facilities and through the normal cyclical nature of receipts and payments. From time to time the Group will also sell off surplus assets in order to release and re-deploy capital.

The directors believe the Group remains a going concern and will be able to meet its debts as and when they become due and payable, and the accounts have been prepared on this basis. In support of this assessment, the directors note the following:

- Post-balance date settlement of the disposal of the Amaroo Solar PV Project has since resulted in the release of approximately $1.1 million of cash into the Group;
- Post-balance date debtor finance facility of $3.0 million secured for DDLS Australia;
- Post-balance date receipt of $0.7 million of working capital and net debt adjustments in relation to the acquisition of DDLS Australia;
- Strong leadership and execution on cost-saving initiatives for DDLS and Everthought post-balance date indicates that consolidated EdventureCo results could likely exceed budget high case, which may result in the Group being able to fund deferred consideration from a combination of acquired cash reserves, proceeds from trade debtor financing and surplus operating cashflows;
- Advanced negotiations underway for the partial sell-down of a non-current asset which will materially bolster the Group's working capital position;
- Continuing positive negotiations with financiers for the extension of bridge debt facility terms;
- Impending founders close for the Arowana Australian Special Income Opportunities Fund (ASIOF) will improve operating cashflows in the Funds Management division; and
- As referenced in Note 16, the Group has a significant contingent asset at the date of this report in relation to its management of the Arowana Contrarian Value Fund portfolio. This performance fee has the potential to crystallise on 30 June 2018 subject to continued out-performance against the relevant benchmark.

Dividends paid or recommended

The following dividends were paid during the half-year ended 31 December 2017:

Dividend	$
Final ordinary dividend – 16 October 2017 of 0.3 cents per share (unfranked)	474,512

The Directors have not declared an interim dividend in respect of the half-year ended 31 December 2017. The Directors have changed the dividend policy such that dividends will be paid annually only, to save on the inefficiency of paying two dividends per annum. The intention is to maintain dividends at least the same as for the prior financial year.

Events occurring after the reporting period

On 11 September 2017, Amaroo Solar Pty Ltd – a wholly-owned subsidiary of VivoPower International PLC – announced it had entered into a Sale and Purchase Agreement with ReNu Energy Limited for the sale of the Amaroo Solar PV Project for a total purchase price of $2.4 million. Completion of the transaction was subject to typical closing conditions. On 12 February 2018, these conditions were satisfied and settlement was completed, resulting in the release of approximately $1.1 million of cash into the Group post-balance date.

No other matters or circumstances have arisen since the end of the period 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 periods.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 13 for the half-year ended 31 December 2017.

Signed for, and on behalf of, the Board in accordance with a resolution of the Directors made pursuant to s. 306(3) of the Corporations Act 2001.

Kevin Chin

Executive Chairman and Chief Executive Officer

Sydney, 27 February 2018

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 half-year ended 31 December 2017, there have been:

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

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

This declaration is in respect of Arowana International Limited and the entities it controlled during the period.

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

BRISBANE
DATE: 27 FEBRUARY 2018

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

Arowana International Limited and its Controlled Entities
ABN 83 103 472 751

Interim Financial Statements

For the half-year ended 31 December 2017

		Consolidated	
		Half-year ended	
	Note	31 Dec 2017	31 Dec 2016 Restated
		$	$
Revenue			
Revenue	3(a)	31,634,572	20,513,258
Interest income		142,743	1,846,546
Total income		**31,777,315**	**22,359,804**
Other (expenses) / income	3(b)	(276,961)	8,345,448
Expenses			
Cost of sales	4(a)	(21,523,143)	(1,190,192)
Employee expenses		(8,327,319)	(4,470,645)
Occupancy expenses		(1,192,050)	(454,231)
Board fees		(60,000)	(60,000)
Marketing expense		(465,388)	(69,685)
Insurance		(593,081)	(87,178)
IT and communication		(650,444)	(369,046)
Travel		(557,042)	(707,400)
Finance costs		(522,454)	(169,210)
Depreciation		(226,088)	(207,335)
Amortisation		(2,146,223)	(23,766)
Administration	4(b)	(5,328,451)	(4,896,285)
Provision for impairment		(766,538)	(318,460)
Share of net loss of associates accounted for using the equity method		(488,097)	(6,373,465)
Net (loss) / profit before tax		**(11,345,964)**	**11,308,354**
Income tax benefit / (expense)		3,123,015	(4,308,155)
(Loss) / profit after tax		**(8,222,949)**	**7,000,199**
(Loss) / profit for the period		**(8,222,949)**	**7,000,199**
(Loss) / profit is attributable to:			
Arowana International Limited		**(6,206,442)**	**6,097,079**
Non-controlling interest		(2,016,507)	903,120
		(8,222,949)	**7,000,199**
Earnings per share		**Cents**	**Cents**
Basic (loss) / earnings per share		(3.92)	3.85
Diluted (loss) / earnings per share		(3.92)	3.85

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

		Consolidated	
		31 Dec 2017	30 Jun 2017
	Note	$	$
ASSETS			
Current assets			
Cash and cash equivalents		13,340,582	18,397,134
Trade and other receivables	6	10,333,367	8,698,791
Inventory		3,014,822	607,997
Other current assets		1,612,496	865,853
Assets classified as held-for-sale	7	1,110,869	-
Total current assets		**29,412,136**	**28,569,775**
Non-current assets			
Investments accounted for using cost method	8(a)	25,566,510	28,436,701
Investments accounted for using equity method	8(b)	18,786,825	19,533,292
Other financial assets		586,105	3,408,640
Other non-current assets	9	834,819	1,332,628
Property, plant and equipment		4,781,561	3,440,644
Deferred tax assets		13,605,467	10,747,765
Intangible assets	10	53,791,945	52,112,247
Total non-current assets		**117,953,232**	**119,011,917**
Total assets		**147,365,368**	**147,581,692**
LIABILITIES			
Current liabilities			
Trade and other payables	11	24,620,315	21,537,382
Deferred consideration	12	4,197,102	200,000
Current tax liabilities		3,286,279	3,151,964
Current provisions		3,696,335	2,343,164
Interest bearing liabilities	13	4,252,910	4,225,129
Total current liabilities		**40,052,941**	**31,457,639**
Non-current liabilities			
Trade and other payables	11	436,999	-
Non-current provisions		1,578,707	254,395
Deferred tax liabilities		9,569,860	10,986,020
Interest bearing liabilities	13	1,681,093	1,528,680
Total non-current liabilities		**13,266,659**	**12,769,095**
Total liabilities		**53,319,600**	**44,226,734**
Net assets		**94,045,768**	**103,354,958**
Equity			
Issued capital		59,859,654	59,859,654
Reserves		(33,339,137)	(33,001,658)
Retained earnings		43,162,499	49,843,453
Equity attributable to parent interest		**69,683,016**	**76,701,449**
Equity attributable to non-controlling interest		24,362,752	26,653,509
Total equity		**94,045,768**	**103,354,958**

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

	Issued Capital $	General Reserve $	Share Buyback Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Total Controlling Interest $	Non-Controlling Interest $	Total Equity $
Balance as at 1 July 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 period	-	-	-	-	6,097,079	6,097,079	903,120	7,000,199
Other comprehensive income for the period, net of tax	-	(4,244,416)	-	(995,407)	-	(5,239,823)	(44,047)	(5,283,870)
Total comprehensive income for the period	-	(4,244,416)	-	(995,407)	6,097,079	857,256	859,073	1,716,329
Transactions with owners in their capacity as owners:								
Transaction with non-controlling interest	-	(10,545,389)	-	-	-	(10,545,389)	854,244	(9,691,145)
Issue of shares	-	-	-	-	-	-	12,532,592	12,532,592
Options issued	-	3,095,099	-	-	-	3,095,099	2,036,664	5,131,763
Payment of dividends	-	-	-	-	(474,512)	(474,512)	-	(474,512)
Total transactions with owners	-	(7,450,290)	-	-	(474,512)	(7,924,802)	15,423,500	7,498,698
Balance as at 31 December 2016	**59,948,004**	**(19,128,524)**	**(2,600,374)**	**(3,656,822)**	**54,926,853**	**89,489,137**	**19,131,033**	**108,620,170**

	Issued Capital $	General Reserve $	Share Buyback Reserve $	Option Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Attributable To Parent Interest $	Non-Controlling Interest $	Total Equity $
Balance as at 1 July 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**
Loss for the period	-	-	-	-	-	(6,206,442)	(6,206,442)	(2,016,507)	(8,222,949)
Other comprehensive income for the period, net of tax					(337,479)	-	(337,479)	(275,158)	(612,637)
Total comprehensive income for the period	-	-	-	-	(337,479)	(6,206,442)	(6,543,921)	(2,291,665)	(8,835,586)
Transactions with owners in their capacity as owners:									
Issue of shares	-	-	-	-	-	-	-	908	908
Options issued	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	(474,512)	(474,512)	-	(474,512)
Total transactions with owners	-	-	-	-	-	(474,512)	(474,512)	908	(473,604)
Balance as at 31 December 2017	**59,859,654**	**(29,575,435)**	**(2,600,374)**	**3,095,100**	**(4,258,428)**	**43,162,499**	**69,683,016**	**24,362,752**	**94,045,768**

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

	Note	Consolidated half-year ended 31 Dec 17 $	31 Dec 16 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,617,582	12,670,231
Payments to suppliers and employees (inclusive of GST)		(42,190,505)	(20,913,285)
Interest received		155,015	223,790
Interest paid		(299,626)	(24,141)
Income tax paid		(122,022)	-
Net cash outflow from operating activities		**(8,839,556)**	**(8,043,405)**
Cash flows from investing activities			
Net cash inflow/(outflow) for NC31 and NC47 projects		3,167,116	(4,202,988)
Net cash outflow for Joint Venture contributions		(4,230,436)	-
Net cash inflow from redemption of Evolution convertible notes		3,600,000	-
Net cash inflow from acquisition of DDLS Australia	19	2,749,811	-
Net cash inflow from acquisition of VivoPower Philippines	19	20,964	-
Net cash outflow on purchase of solar contracts		(398,760)	-
Net cash outflow on acquisition of Aevitas		-	(10,967,860)
Net cash outflow for Patents, Trademarks, Incorporation costs and Course Development		(29,177)	(22,348)
Net cash outflow for acquisition of Lynchpin Enterprises		-	(1,901,000)
Net cash outflow for acquisition of Evolution Academy		-	(1,783,189)
Purchase of fixed assets		(491,092)	(299,278)
Disposal of fixed assets		10,274	-
Net cash inflow / (outflow) from investing activities		**4,398,700**	**(19,176,663)**
Cash flows from financing activities			
Repayment of related party loans		(200,000)	-
Proceed from borrowings		3,041,414	3,128
Repayment of borrowings		(2,743,906)	(71,439)
Proceeds from partnership contribution		-	350,000
Proceeds from capital raised		-	24,194,868
Capital raising costs		-	(7,512,488)
Dividends paid		(474,512)	(474,512)
Net cash (outflow) / inflow from financing activities		**(377,004)**	**16,489,557**
Net decrease in cash and cash equivalents		(4,817,860)	(10,730,511)
Effect of foreign currency translation		(238,692)	(95,889)
Cash and cash equivalents at the beginning of the period		18,397,134	24,059,869
Cash and cash equivalents at the end of the period		**13,340,582**	**13,233,469**
Non-cash investing activity			
Consideration on disposal of available for sale financial assets by receipt of shares in VivoPower International PLC		-	8,115,418

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

1. Reporting entity

Arowana International Limited (the "Company") 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").

2. Summary of significant accounting policies

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Arowana International Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 27 February 2018.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for the impact of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant and effective for the current half-year.

Revenue derived from contracts for the provision of development services in relation to solar power projects of VivoPower International PLC, ("VivoPower International") is accounted for using the percentage complete method. Revenue recognised but not yet received is included in current assets with trade and other receivables.

The Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for the current half-year. Adoption has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

Change in Classification

The Group's comparative information has been restated to align with the current reporting period's treatment of allocating various expenditure items to 'Cost of Sales' in order to align statutory reporting with management reporting for various trading businesses within the Group's Renewable Energy and Operating Company segments. The effect of the restatement on the comparative period's Consolidated Statement of Profit or Loss is illustrated in Note 4(a).

Critical Accounting Estimates and 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 $13,605,467 (30 June 2017: $10,747,765) and a deferred tax liability of $9,569,860 (30 June 2017: $10,986,020). 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.

Net current asset deficiency

As detailed in the Consolidated Statement of Financial Position, current liabilities of the Group exceeded current assets at 31 December 2017 by $10,640,805 (30 June 2017: net current asset deficit of $2,887,864).

During the reporting period the Group continued to allocate capital towards the domestic and international expansion of business operations, including material additional investment into VivoPower International PLC's joint venture operation in the USA, the acquisition of DDLS Australia in the education sector and the ongoing development of the Funds Management business. This strategy of capital-intensive growth is consistent with the company's stated strategy and theme for FY2018 of building out its platforms across solar, education and funds management, with expectations of returns on invested capital to materialise over the next 12 to 24 months.

The Group manages its short-term liquidity by maintaining adequate working capital finance facilities and through the normal cyclical nature of receipts and payments. From time to time the Group will also sell off surplus assets in order to release and re-deploy capital.

The directors believe the Group remains a going concern and will be able to meet its debts as and when they become due and payable, and the accounts have been prepared on this basis. In support of this assessment, the directors note the following:

- Post-balance date settlement of the disposal of the Amaroo Solar PV Project has since resulted in the release of approximately $1.1 million of cash into the Group;
- Post-balance date debtor finance facility of $3.0 million secured for DDLS Australia;
- Post-balance date receipt of $0.7 million of working capital and net debt adjustments in relation to the acquisition of DDLS Australia;
- Strong leadership and execution on cost-saving initiatives for DDLS and Everthought post-balance date indicates that consolidated EdventureCo results could likely exceed budget high case, which may result in the Group being able to fund deferred consideration from a combination of acquired cash reserves, proceeds from trade debtor financing and surplus operating cashflows;
- Advanced negotiations underway for the partial sell-down of a non-current asset which will materially bolster the Group's working capital position;
- Continuing positive negotiations with financiers for the extension of bridge debt facility terms;
- Impending founders close for the Australian Special Income Opportunities Fund (ASIOF) will improve operating cashflows in the Funds Management division; and

Critical Accounting Estimates and Judgements (continued)

Net current asset deficiency (continued)

- As referenced in Note 16, the Group has a significant contingent asset at the date of this report in relation to its management of the Arowana Contrarian Value Fund portfolio. This performance fee has the potential to crystallise on 30 June 2018 subject to continued out-performance against the relevant benchmark.

3(a) Revenue

	31 Dec 2017 $	31 Dec 2016 $
Renewable energy services	24,018,757	15,552,484
Inspection services	1,445,410	1,296,818
Education services	4,892,952	1,185,972
Fund management services	991,549	2,138,510
Other revenue	285,904	339,474
Total revenue	31,634,572	20,513,258

3(b) Other Income

In the prior period, the successful completion of the initial business combination (“IBC”) transactions between Arowana Inc. and VivoPower International and the subsequent listing of VivoPower International on NASDAQ which completed on 29 December 2016 resulted in the Group retaining a majority interest in VivoPower International and continuing to consolidate its results in the Group financial statements.

	31 Dec 2017 $	31 Dec 2016 $
Other income/(expense)		
Realised gain on share investment (from IBC)	-	6,793,278
Foreign exchange (losses) / gains	(276,961)	1,552,170
Total other income/(expense)	**(276,961)**	**8,345,448**

4(a) Cost of Sales

	31 Dec 2017 $	31 Dec 2016 $
Asset management costs	407,406	-
Commission	228,776	38,500
Communication	25,458	27,532
Contractors	716,337	343,853
Depreciation	239,913	25,485
Employee expenses	8,820,547	553,462
Equipment	384,990	5,868
Materials	9,718,147	12,176
Motor vehicle	243,334	39,371
Occupancy	162,597	-
Travelling	332,051	119,732
Others	243,587	24,213
	21,523,143	**1,190,192**

4(b) Administration costs

	31 Dec 2017 $	31 Dec 2016 $
Due diligence fees	591,774	2,582,715
Legal and professional	3,491,762	1,240,839
Compliance and governance	500,723	607,165
Research expenses	279,688	283,749
Others	464,504	181,817
	5,328,451	**4,896,285**

5. Segment Information

Identification of reportable operating segments

The Group is organised into four Divisions - the Enterprise Office, Renewable Energy, 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). The Renewable Energy segment represents the operations of solar power business VivoPower International PLC in the UK and its subsidiaries in the USA, Australia and Asia. 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 EdventureCo Pty Ltd.

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 and human resources support to the operating entities within the group;
- **Renewable Energy** – global solar power developer, co-owner, producer and operator;
- **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 Income Statement. The revenue from external customers is derived from provision of services through the operating companies associated with renewable energy, education and diagnostic testing.

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.

5. Segment Information (continued)

For the half-year ended 31 December 2017	Enterprise office (Australia)	Renewable Energy (Australia/Asia/ USA/UK)	Operating Companies (Australia)	Funds Management (Australia)	Total	Intersegment Eliminations	Consolidated
Revenue							
Sales to external customers	37,623	23,028,190	5,473,041	2,349,377	30,888,231	-	30,888,231
Intersegment sales	555,077	-	-	(1,357,828)	(802,751)	(438,000)	(1,240,751)
Total sales revenue	592,700	23,028,190	5,473,041	991,549	30,085,480	(438,000)	29,647,480
Interest revenue	1,067,338	22,648	2,496	584,479	1,676,961	(1,534,218)	142,743
Other income	248,281	990,567	865,321	211,726	2,315,895	(328,803)	1,987,092
Total revenue	1,908,319	24,041,405	6,340,858	1,787,754	34,078,336	(2,301,021)	31,777,315
Segment result	(1,790,429)	(4,263,204)	(726,294)	803,306	(5,976,621)	(1,750,299)	(7,726,920)
Non-recurring items	(595,858)	-	(128,421)	-	(724,279)	-	(724,279)
Gross segment result	(2,386,287)	(4,263,204)	(854,715)	803,306	(6,700,900)	(1,750,299)	(8,451,199)
Depreciation and amortisation	64,996	1,456,877	850,438	-	2,372,311	-	2,372,311
Finance costs	225,543	1,987,563	59,647	-	2,272,753	(1,750,299)	522,454
(Loss) / profit before income tax	(2,676,826)	(7,707,644)	(1,764,800)	803,306	(11,345,964)	-	(11,345,964)
Income tax expense / (benefit)	(733,075)	(2,389,940)	-	-	(3,123,015)	-	(3,123,015)
(Loss) / profit after income tax	(1,943,751)	(5,317,704)	(1,764,800)	803,306	(8,222,949)	-	(8,222,949)
Segment Assets							
Total assets	106,850,964	129,663,057	76,797,552	103,974,887	417,286,460		
Elimination within segment	-	-	(31,257,963)	(57,358,038)	(88,616,001)		
Reportable segment assets	106,850,964	129,663,057	45,539,589	46,616,849	328,670,459	(181,305,091)	147,365,368
Segment Liabilities							
Total liabilities	5,729,671	81,400,453	27,391,777	1,139,860	115,661,761		
Elimination within segment			-	(814,697)	(814,697)		
Reportable segment liabilities	5,729,672	81,400,453	27,391,777	325,163	114,847,064	(61,527,464)	53,319,600

5. Segment Information (continued)

For the half-year ended 31 December 2016	Enterprise office (Australia)	Operating Companies (Australia)	Funds Management (Australia)	Total	Intersegment Eliminations	Consolidated
Revenue						
Sales to external customers	87,844	17,999,559	354,656	18,442,059	-	18,442.059
Intersegment sales	8,335,731	-	319,500	8,655,231	(8,655,231)	-
Total sales revenue	8,423,575	17,999,559	674,156	27,097,290	(8,655,231)	18,442,059
Interest revenue	816,662	32,755	997,129	1,846,546	-	1,846,546
Other income	251,631	13,500,116	16,759,827	30,511,576	(21,647,097)	8,864,477
Total revenue	9,491,868	31,532,430	18,431,112	59,455,410	(30,302,328)	29,153,082
Segment result	7,832,885	10,095,153	15,399,609	33,327,647	(15,972,385)	17,355,262
Non-recurring items	(1,873,620)	(3,762,599)	(10,378)	(5,646,597)	-	(5,646,597)
Gross segment result	5,959,265	6,332,554	15,389,231	27,681,050	(15,972,385)	11,708,665
Depreciation and amortisation	(20,330)	(210,771)	-	(231,101)	-	(231,101)
Finance costs	-	(169,210)	-	(169,210)	-	(169,210)
Profit / (loss) before income tax	5,938,935	5,952,573	15,389,231	27,280,739	(15,972,385)	11,308,354
Income tax expense / (benefit)	1,729,460	2,722,906	(144,211)	4,308,155	-	4,308,155
Profit / (loss) after income tax	4,209,475	3,229,667	15,533,422	22,972,584	(15,972,385)	7,000,199
Segment Assets (at 30 Jun 2017)						
Total assets	110,919,772	204,754,108	102,048,331	417,722,211		
Elimination within segment	-	(31,257,963)	(56,000,000)	(87,257,963)		
Reportable segment assets	110,919,772	173,496,145	46,048,331	330,464,248	(182,882,556)	147,581,692
Segment Liabilities (at 30 Jun 2017)						
Total liabilities	6,641,532	98,769,996	559,952	105,971,480		
Elimination within segment	-	-	-	-		
Reportable segment liabilities	6,641,532	98,769,996	559,952	105,971,480	(61,744,746)	44,226,734

6. Trade and Other receivables

	31 Dec 2017 $	30 Jun 2017 $
Trade debtors	8,908,119	7,727,062
Accrued interest	23,496	72,481
Other accrued income	685,490	791,262
Sundry debtors	716,262	107,986
	10,333,367	8,698,791

7. Assets Held for Sale and Discontinued Operations

On 11 September 2017, Amaroo Solar Pty Ltd – a wholly-owned subsidiary of VivoPower International PLC – announced it had entered into a Sale and Purchase Agreement with ReNu Energy Limited for the sale of the Amaroo Solar PV Project for a total purchase price of $2.4 million. Completion of the transaction was subject to typical closing conditions. On 12 February 2018, these conditions were satisfied and settlement was completed, resulting in the release of approximately $1.1 million of cash into the Group post-balance date.

On the basis the Group had committed to the disposal of the Amaroo Solar PV Project at 31 December 2017, the underlying assets have been treated as a single Disposal Group and have been classified as assets held for sale.

The disposal group consists of the following assets as at 31 December 2017 (no material liabilities at that date):

Non-Current Assets	$
Property, plant and equipment	1,110,869

The financial performance and net cash flows of the discontinued operation for the half-year ended 31 December 2017, as included in the Group's consolidated Loss and operating cash outflow for the period respectively, are immaterial.

8. Investments

a. Investments accounted for using cost method

Innovative Solar 31 LLC ("NC 31")	14,947,960	16,425,726
Innovative Solar 47 LLC ("NC 47")	10,618,550	12,010,975
	25,566,510	**28,436,701**

b. Investment accounted for using equity method:

Innovative Solar Ventures I, LLC	18,402,207	19,102,677
Viento Group Limited	384,618	430,615
	18,786,825	**19,533,292**

8. Investments (continued)

Further ownership details for investments using the equity method are outlined below:

		Percentage interest	
		31 Dec 2017	30 Jun 2017
Associate	**Principal activities**	%	%
Innovative Solar Ventures I, LLC	Solar power developer	50.0	50.0
Viento Group Limited	Investment holding company	31.8	31.8

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

	Innovative Solar Ventures I, LLC	Viento Group Limited
Opening balance, 1 July 2017	19,102,677	430,615
Share of profit (loss) of associated entities	(442,100)	(45,997)
Share of other comprehensive income of associated entities	-	-
Dividend received	-	-
Transfer of balance on consolidation	-	-
Impact of foreign exchange translation	(258,370)	-
Provision for impairment	-	-
Ending balance, 31 December 2017	**18,402,207**	**384,618**

9. Other non-current assets

	31 Dec 2017	30 Jun 2017
	$	$
Receivable from associated entity	-	762,835
LTVCP loans	362,700	362,700
Security deposit	472,119	207,093
	834,819	**1,332,628**

10. Intangible Assets

Cash generating unit	Goodwill	Intangible	Total
Enterprise office – Arowana International Limited	-	204,383	204,383
Operating companies division - Thermoscan Inspection Services Pty Ltd	2,201,040	-	2,201,040
Operating companies division - Everthought Education, Perth	5,504,961	772,277	6,277,238
Operating companies division – Everthought Education, Brisbane	1,347,605	356,882	1,704,487
Operating companies division – DDLS Australia [1]	3,729,479	-	3,729,479
Renewable energy division – VivoPower Pty Ltd	1,720,583	1,676,923	3,397,506
Renewable energy division – Aevitas Group Ltd	19,047,095	17,230,717	36,277,812
Total	**33,550,763**	**20,241,182**	**53,791,945**

10. Intangible Assets (continued)

Items	Goodwill	Intangible	Total
Opening balances, 1 July 2017	30,152,779	21,959,468	52,112,247
DDLS Australia Pty Ltd [1]	3,729,479	-	3,729,479
Foreign currency movements	(331,495)	-	(331,495)
VivoPower Australia solar contracts	-	398,760	398,760
EdventureCo course development	-	29,177	29,177
Amortisation	-	(2,146,223)	(2,146,223)
Closing balance 31 December 2017	**33,550,763**	**20,241,182**	**53,791,945**

[1] At the date of this report, the goodwill in respect of DDLS Australia Pty Ltd is provisional, based on management's best estimate pending the finalisation of the Purchase Price Allocation. Refer to Note 19 *Business Combinations* for further details.

11. Trade and other payables

	31 Dec 2017 $	30 Jun 2017 $
Current		
Trade creditors	6,861,574	5,504,156
Accrued expenses	5,215,163	4,975,718
Deferred income	7,000,071	2,031,742
Payroll liabilities	1,097,932	1,571,802
Capital commitment – Innovative Solar Ventures I, LLC	3,210,231	7,353,627
GST payable	2,394	40,477
Other payables	1,232,950	59,860
	24,620,315	**21,537,382**
Non-Current		
Other payables	436,999	-
	436,999	**-**

12. Deferred consideration

	31 Dec 2017 $	30 Jun 2017 $
DDLS Australia Pty Ltd	3,997,102	-
Everthought Education Perth Pty Ltd	200,000	200,000
	4,197,102	**200,000**

13. Interest bearing liabilities

	31 Dec 2017 $	30 Jun 2017 $
Current		
Lease liabilities [(a)]	289,365	207,582
Term loans [(b)]	3,963,545	4,017,547
	4,252,910	**4,225,129**
Non-Current		
Lease liabilities [(a)]	546,310	335,202
Term loans [(b)]	1,134,783	1,193,478
	1,681,093	**1,528,680**

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$3,846,154 current) and a bank loan, A$1.3m ($117,391 current and $1,134,783 non-current).

14. Dividends paid

Dividend paid during the half year	No. Shares	Per Share $	31 Dec 2017 $	31 Dec 2016 $
Ordinary final unfranked dividend paid 16 October 2017 (2016: 0.30 cps)	158,170,799	0.30	474,512	474,512

15. Capital Commitments

There were no capital commitments as at 31 December 2017.

16. Contingent Assets

The Group has a contingent asset of $1,357,828 as at 31 December 2017 in respect of a non-crystallised performance fee arising from its management of the investment portfolio of Arowana Contrarian Value Fund Limited (ASX: CVF).

The investment management agreement between AWN and CVF provides for payment of a performance fee in circumstances where the increase in the value of the portfolio exceeds a defined hurdle over a performance calculation period. The determination of the amount of the performance fee, if any, is measured at 30 June annually. As at 31 December 2017, the performance fee payable to AWN would be $1,357,828 had the fee crystallised at that date. In accordance with AASB 137 – Provisions, Contingent Liabilities and Contingent Assets, this fee has been classified as a contingent asset given that crystallisation of the performance fee remains subject to both the underlying CVF portfolio value at 30 June 2018 and the relevant performance hurdle for the year then ended.

17. Contingent Liabilities

There have been no significant changes to the contingent liabilities presented in the annual report for the year ended 30 June 2017, as at 31 December 2017.

18. Events after Balance Sheet Date

Subsequent Events – Completion of Amaroo sale

On 11 September 2017, Amaroo Solar Pty Ltd – a wholly-owned subsidiary of VivoPower International PLC – announced it had entered into a Sale and Purchase Agreement with ReNu Energy Limited for the sale of the Amaroo Solar PV Project for a total purchase price of $2.4 million. Completion of the transaction was subject to typical closing conditions. On 12 February 2018, these conditions were satisfied and settlement was completed, resulting in the release of approximately $1.1 million of cash into the Group post-balance date.

Other than the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

19. Business combinations

(a) Acquisition of DDLS Australia Pty Ltd ("DDLS")

On 5 December 2017, the Company, through its newly established wholly-owned subsidiary, DDLS Australia Holdings Pty Ltd, acquired DDLS Australia Pty Ltd ("DDLS"), the largest information and communications technology training business in Australia (and the broader Asia Pacific region). The acquisition of DDLS is key to AWN's strategy to build an education platform that is run in accordance with Arowana's modus operandi and tempo. The transaction was the catalyst for the launch of a new education platform, EdventureCo, that now encompasses Everthought Education, AWN's existing building and construction training business, and DDLS.

Total consideration for DDLS was $3,981,223 (net of working capital adjustment), representing up-front cash consideration of $500,000 and unconditional deferred consideration of $3,481,223. The deferred consideration has been recognised as a current liability and is due to be settled by 30 June 2018.

The acquisition of DDLS contributed revenue of $1,891,427 towards total Group revenue for the half-year. Had the acquisition occurred on 1 July 2017, the total revenue contribution to the Group would have been $17,896,402.

(b) Acquisition of VivoPower Philippines entities

VivoPower Singapore Pte Ltd, a wholly-owned subsidiary of VivoPower International PLC, has control over three Philippines-based subsidiaries, detailed as follows:

- V.V.P. Holdings Inc;
- VivoPower Philippines Inc; and
- VivoPower RE Solutions Inc.

VivoPower Philippines Inc and VivoPower RE Solutions Inc are both controlled by V.V.P. Holdings Inc.

19. Business combinations (continued)

These entities were established to provide support to the head office Investment Team with a focus on identifying and analysing potential project opportunities throughout Asia. Despite being controlled by VivoPower Singapore Pte Ltd as at 30 June 2017, these entities were not consolidated at that date on the basis of materiality. As the activity within these entities has continued to increase, it was deemed appropriate to consolidate them with effect from 1 July 2017.

Upon initial consolidation, the Group recognised negative net assets of $781,054 which resulted in a corresponding amount of goodwill on acquisition. This goodwill was immediately deemed impaired and the impact of the provision is included in the consolidated statement of profit and loss for the half-year ended 31 December 2017.

Business Combination details	DDLS Pty Ltd	V.V.P. Holdings Inc
Cash and cash equivalents	3,249,811	20,964
Trade and other receivables	2,248,207	-
Accrued income	1,042,232	-
Other current assets	875,188	1,148
Property, plant and equipment	2,446,875	495
Other non-current assets	321,264	3,484
Deferred tax asset	900,909	-
Trade and other payables	(8,248,856)	(127,437)
Other non-current liabilities	(2,583,886)	-
Borrowings	-	(679,708)
Fair value of net assets acquired	**251,744**	**(781,054)**
Consideration:		
Cash consideration paid	500,000	-
Deferred consideration, net of working capital adjustment	3,481,223	-
Total consideration paid	**3,981,223**	**-**
Provisional goodwill on acquisition*	**3,729,479**	**781,054**
Cash acquired	3,249,811	20,964
Less consideration paid	(500,000)	-
Net cash acquired	**2,749,811**	**20,964**

*At the date of this report, the Purchase Price Allocation is not final and therefore the goodwill and identifiable intangible assets amounts stated above are provisional, based on management's best estimate. Should the final amounts of the Purchase Price Allocation differ from the above amounts, the goodwill and intangible assets amount will be adjusted accordingly.

20. Controlled Entities

In addition to the controlled entities disclosed in the 30 June 2017 annual financial statements, below are the details of new entities that form part of the Group during the period. Refer to Note 19 for further details.

Name of Entity	Country of incorporation	Class of shares	31 Dec 2017 %
DDLS Australia Holdings Pty Ltd	Australia	Ordinary	100
DDLS Australia Pty Limited	Australia	Ordinary	100
V.V.P. Holdings Inc	Philippines	Ordinary	61
VivoPower Philippines Inc	Philippines	Ordinary	61
VivoPower RE Solutions Inc	Philippines	Ordinary	61

In accordance with a resolution of the directors of Arowana International Limited, the directors of the Company declare that:

1. The accompanying consolidated financial statements and notes, as set out on pages 15 to 34, are in accordance with the *Corporations Act 2001* including:

   (i) Complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting* and the *Corporations Regulations 2001*;

   (ii) Giving a true and fair view of the group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

2. There are reasonable grounds to believe that Arowana International Limited will be able to pay its debts as and when they become due and payable.

Signed for, and on behalf of, the Board in accordance with a resolution of the Directors

Kevin Chin

Executive Chairman and Chief Executive Officer

Sydney, 27 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To THE MEMBERS OF AROWANA INTERNATIONAL LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Arowana International Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Arowana International Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Arowana International Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

BRISBANE
DATE: 27 FEBRUARY 2018

Arowana International Limited
ABN 83 103 472 751

Registered Office
Level 11, 153 Walker Street
North Sydney NSW 2060
Telephone: +61 (2) 8083 9800

Directors
Mr Kevin Tser Fah Chin (Executive Chairman)
Hon. John Moore (Non-Executive Director)
Mr Robert John McKelvey (Non-Executive Director)
Mr Anthony Paul Kinnear (Non-Executive Director)

Share Registry
Boardroom Limited
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000
Telephone: +61 (2) 9290 9600
Facsimile: +61 (2) 9279 0664
www.boardroomlimited.com.au

Auditor
PKF Hacketts Audit
Level 6, 10 Eagle Street,
Brisbane QLD 4000
www.pkf.com.au