AROWANA

30 August 2018

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

Subject: Annual Report for Year Ended 30 June 2018, Appendix 4E and Dividend Declaration

The Directors of Arowana International Limited (ASX: AWN) are pleased to release the Annual Report and Appendix 4E for the year ended 30 June 2018. The accompany Investor Presentation will be released as a separate announcement.

The Directors also declared a final dividend of 0.3 cents per share, payable on 15 October 2018 to shareholders on record on 5 October 2018.

On behalf of the Board of AWN,

Cameron Fellows
Company Secretary

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Arowana International Limited and its Controlled Entities (AWN)

ACN 103 472 751

Appendix 4E - Preliminary Final Report for the year ended 30 June 2018

(Previous corresponding period: year ended 30 June 2017)

Results for Announcement to the Market

				2018 A$	2017 Restated * A$
Revenue from continuing operations	up	44%	to	80,594,354	56,083,810
(Loss) / Profit after tax from continuing operations attributable to members	down	*nmf*	to	(25,755,182)	4,078,291
(Loss) / Profit after tax from discontinued operations attributable to members	up	55%	to	796,720	514,877
Net (Loss) / Profit for the year attributable to members	down	nmf	to	(24,958,462)	4,593,168

** Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior year to provide consistency with the current presentation*

nmf – no meaningful comparison

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend – 2017, paid 16 October 2017	0.30 cents	Nil
Declared post-reporting date		
Final Dividend – 2018, payable 15 October 2018	0.30 cents	Nil
Record date for determining entitlement to dividends		5 Oct 2018

Brief explanation necessary to enable the figures to be understood:

Please refer to attached Annual Report for the year ended 30 June 2018.

AROWANA

Earnings per ordinary fully paid share	Current Period	Previous Corresponding Period
From continuing and discontinued operations combined		
Basic EPS	(7.20) cents	0.94 cents
Diluted EPS	(7.20) cents	0.94 cents

NTA backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	15.8 cents	32.5 cents

Additional information:

For additional information required under listing rule 4.3A, please refer to the attached Annual Report for the year ended 30 June 2018.

Commentary on the Results for the Period:

For commentary on the results of AWN for the year ended 30 June 2018, please refer to the attached Annual Report, including the Chairman's & CEO's Letter.

Audit/Review Status

This report is based on accounts that have been audited by PKF Hacketts, Brisbane.

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Annual Report for the year ended 30 June 2018

Cameron Fellows
Company Secretary
30 August 2018

AROWANA

Arowana International Limited and its Controlled Entities

ACN 103 472 751

Annual Report for the year ended 30 June 2018

AROWANA

Arowana International Limited and its Controlled Entities

ACN 103 472 751

Annual Report for the year ended 30 June 2018

Contents	Page

Chairman's & CEO's Letter

Dear Fellow Shareholders,

28 August 2018: Overall, the last 12 months have been challenging with VivoPower International's underperformance clouding strong performance and growth across EdventureCo Group (formerly Everthought Education), Thermoscan and Arowana Funds Management.

FY2018 in Review

For FY2018, we set our annual theme to be Grow Platforms with the following strategic execution priorities:

- 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.

We achieved 4 out of the 6 objectives above during FY2018, as VivoPower did not achieve its FY18 forecasts primarily as a result of Trump related tariff uncertainty curtailing the US solar development market whilst Arowana Funds Management fell 19% short of its $200m FUM target, despite year on year FUM growth of 36% and the launch of a new fund product, the Arowana Special Income Opportunities Fund ("ASIOF").

We delivered on our objective to scale up Everthought Education (now EdventureCo Group) following the acquisition of Australia's largest ICT training company, DDLS and it has since secured marquee vendor partnerships with Google Cloud and SAP. EdventureCo is also currently engaged in strategic discussions with joint venture partners to expand across the ASEAN region. A key point to note is that there is less than 5% Australian government funding exposure with EdventureCo, a deliberate strategy given past experience.

We also delivered on securing co-investment partnerships in Australia and more so internationally with a number of family office relationships established where we will seek to collaborate and invest in operating companies and/or funds together. The common goal underpinning these relationships is to scale up operating companies globally.

During the year, we also successfully built up Arowana University's knowledge base and capabilities in artificial intelligence (AI), encompassing data analytics. In addition to leveraging the experience and insights of our advisory board member, Professor Hugh Durrant Whyte, we also now call upon the expertise of our newest board member, Ed Fernandez, who is an AI and machine learning expert and technologist based in Silicon Valley. We have already applied AI and machine learning techniques in acquisition due diligence as well as within our operating companies, specifically EdventureCo and Thermoscan. This will continue to be a focus for us at Arowana and the composition of our team will evolve further with future hires including data scientists, AI and machine learning engineers (conversant in tools such as R, Python, Hadoop, Tableau as well as having advanced Excel skills) that will help us to scale up companies more efficiently and effectively. I do find it ironic that the genesis of Arowana was the turnaround, global scale up and trade sale exit of an AI software business called RuleBurst Haley. November 2008 marks the 10 year anniversary of the sale of RuleBurst Haley to Oracle. Back then, AI was not only unfashionable but unheard of – it was called expert systems in those days. We are now returning to our roots in a sense by focussing on building up a team of software developers, engineers and data scientists.

I am proud to be able to say that we secured B Corp accreditation during FY2018. To attain this certification, Arowana and its operating companies underwent a rigorous and detailed due diligence review of several key business areas over a period of 15 months. These areas include:

- Governance: mission & engagement, corporate accountability, ethics and transparency;
- Workers: benefits, compensation, training & education, communication and flexibility;
- Community: job creation, diversity & inclusion, civic engagement and local involvement;
- Environment: offices, inputs and outputs.

We believe that just as ISO 9001 has become a ubiquitous global quality management standard, B Corp accreditation will become a global ESG investment standard that in time to come, will not be a "nice to have" but an essential pre-requisite demanded by investors. The following is an excerpt from BlackRock (the world's largest investment group) Co-Founder and Chairman, Larry Fink's 2018 Annual Letter to CEOs titled A Sense of Purpose:

"In the current environment, these stakeholders are demanding that companies exercise leadership on a broader range of issues. And they are right to: a company's ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process".

A key plank of B Corp certification is that a company's purpose must be to benefit all of its stakeholders. This is in contrast to the maximise shareholder value maxim that has been the overarching purpose of almost every listed company in the world over the last 30 years. This pivot might be anathema to many investors, especially those focussed on short term returns, but our view is that serving all stakeholders will benefit all including shareholders in the long term. This view is not ours alone – again, we reference Larry Fink's letter and the following excerpts:

"We also see many governments failing to prepare for the future, on issues ranging from retirement and infrastructure to automation and worker retraining. As a result, society increasingly is turning to the private sector and asking that companies respond to broader societal challenges. Indeed, the public expectations of your company have never been greater. Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate."

What does B Corp practically mean for Arowana? In terms of our purpose of growing people, growing companies and growing value, there is clear alignment and hence no change. Furthermore, we continue to maintain our long-term commitment to building strong, sustainable businesses that will have a positive impact on economies, industries and the people they employ. Where this long-term commitment is confronted with interference from short-term challenges such as regulatory changes (for example, Trump's tariff cuts), we are committed to overcoming them– we do not abandon ship and say it is too hard or not a good use of our time. We remain as stewards to restore and then create more value, as we know from experience that the scaling up journey is non-linear. B Corp also means that we have embraced an even higher level of governance standards that encompass not just regulatory compliance and ethical conduct, but also environmental and social considerations.

In addition, traditionally we have helped businesses that we have control over to grow. As an operator of small-to-medium sized businesses(SMEs), we understand first hand the challenges not just operationally but the external funding pressures particularly in Australia given the current banking environment and regulatory outlook. With the introduction of our private credit lending arm, we can now extend our experience to help other SME's to grow and by doing so, we will grow our community of entrepreneurs that we support.

FY2019 Objectives

For FY2019, we have set our annual theme to be Drive Value Realisation. The context is that we want to start generating profitable returns on the invested capital we have deployed over the last 12 to 24 months across our numerous businesses and recycle capital to further scale up our focus businesses. Our strategic execution priorities are as follows:

- VivoPower International – crystallise intrinsic portfolio value;
- EdventureCo – drive profitable growth across new markets;
- Arowana Funds Management – deliver profitable FUM growth across all products;
- Thermoscan – realise maximum value from potential sale;
- Arowana University – build out machine learning capabilities; and
- Enterprise Office – transform into a profit centre.

Final Remarks

In closing, I would like to take this opportunity to thank the Arowana 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 Arowana 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 2018 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/2018/08/AWN-Corp-Gov-Stmt-2018.pdf

Directors' Report for the year ended 30 June 2018

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 2018 ("**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 whole of the financial year and up to the date of this report:

Name	Position
Kevin Tser Fah Chin	Executive Chairman and Chief Executive Officer
Robert John McKelvey	Non-Executive Director

Mr. Eduardo (Ed) Fernandez was appointed as a Non-Executive Director on 2 April 2018 and continues in office at the date of this report.

Mr. John Moore AO was a Non-Executive Director from the beginning of the financial year until his resignation on 30 June 2018.

Mr. Anthony Kinnear was a Non-Executive Director from the beginning of the financial year until his resignation on 17 August 2018.

The Company Secretary is Mr. Cameron Fellows who was appointed on 3 January 2018. Mr. Tom Bloomfield was the Company Secretary from the beginning of the financial year until his resignation on 3 January 2018.

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 (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 loss of the Group from overall operations for the reporting period, after tax was $24,958,462 (2017: profit of $4,593,168).

Review and results of operations

Statutory Financial Highlights

Statutory operating revenue for the year ended 30 June 2018 increased by 44% to $80.6 million (2017: $56.1 million) due primarily to the contribution from VivoPower's Aevitas business unit in Australia and significantly increased revenues from EdventureCo, the Group's education platform as well as from Arowana Funds Management.

The statutory EBIT and loss after tax from continuing operations for the year ended 30 June 2018 were a loss of $30.0 million (2017: profit of $12.0 million) and a loss of $25.8 million (2017: profit of $4.1 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 full-year contribution from Aevitas;
- A $13.0 million non-cash impairment write-down of VivoPower's investments in its NC 31 & 47 solar assets following the disposal of its remaining interests in these projects to the majority investor;
- Non-recurring restructuring, remuneration and consulting fees ($4.8 million) incurred by VivoPower primarily in connection with a strategic restructuring of the business;
- 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; and
- Continued organic opex investment in the EdventureCo platform.

The table below sets out the statutory financial results for the year ended 30 June 2018:

All figures in A$ millions	Year ended 30 June 2018 – statutory (audited)	Year ended 30 June 2017 – statutory (audited) *	% change
Operating Revenue	80.6	56.0	44
Interest Income	0.2	1.3	(83)
Total Income	80.8	57.3	41
Other Income	0.2	12.5	(99)
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	(26.5)	14.9	nmf
Earnings Before Interest and Tax (EBIT)	(30.0)	12.0	nmf
Profit Before Tax (PBT)	(31.3)	12.8	nmf
Tax	(5.5)	8.7	nmf
Net Profit After Tax (NPAT) from continuing operations	(25.8)	4.1	nmf
Earnings per Share (EPS)	(7.2) cents	0.9 cents	nmf
Dividend per Share (DPS)	0.3 cents	0.6 cents	(50)
Net Tangible Assets (NTA) per Share	15.8 cents	32.5 cents	(51)

** Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior year to provide consistency with the current presentation.*

nmf – no meaningful comparison

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 2018 versus the year ended 30 June 2017, together with a reconciliation of statutory to underlying results. The table is presented on the following basis:

- Excluding the non-cash provision for impairment arising from the disposal of VivoPower's remaining interests in NC 31 & NC 47, $13.0 million (2017: NIL);
- Excluding the non-cash provision for impairment on the Group's investment in VivoPower Philippines, $0.8 million (2017: NIL);
- Excluding the impact of non-recurring restructuring and other one-off costs incurred by VivoPower, primarily in connection with its strategic review, $4.8 million (2017: NIL);

- Excluding the impact of EdventureCo’s non-recurring restructuring costs and fees incurred in connection with business combinations, $1.0 million (2017: $0.2 million)
- Reinstating the results of Thermoscan for the year ended 30 June 2018 which has been treated as a discontinued operation for statutory reporting purposes, $0.8 million (2017: $0.6 million);
- Excluding the impact of non-recurring project costs incurred by the Enterprise Office, principally related to the launch of the Arowana Australian Special Income Opportunities Fund (“ASIOF”), $0.9 million (2017: $3.7M, principally related to the build-out of VivoPower);
- Excluding any unrealised foreign exchange (gains)/losses from foreign currency holdings, $0.2 million (2017: $0.8M);
- Excluding proceeds received from a confidential legal settlement in relation to a prior period transaction, $0.4 million (2017: NIL);
- Excluding the share of non-cash provision for impairment, and any impact on the Group’s equity-accounted share of the net result, relating to the Group’s investments in Intueri, NIL (2017: $7.6M);
- 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, NIL (2017: $1.5M);
- Excluding the one-off gain recorded on the exchange of the Group’s initial investment in Arowana Inc. for new shares in VivoPower International, NIL (2017: $6.8M); and
- Excluding the impact of dividends received from hybrid securities held in Aevitas Group Limited prior to its acquisition by VivoPower International, NIL (2017: $1.4M).

Reconciliation of Statutory to Underlying Results

	Year ended 30 June 2018		Year ended 30 June 2017	
All figures in A$ thousands	EBIT	EBITDA	EBIT	EBITDA
Statutory reporting basis	**(30,038)**	**(26,469)**	**11,953**	**14,861**
VivoPower International				
Reverse unrealised FX losses / (gains)	772	772	(819)	(819)
Reverse non-cash impairment expense	13,762	13,762	-	-
Normalisation of non-recurring expenses	4,783	4,783	-	-
EdventureCo Group				
Reverse one-off proceeds received from a confidential legal settlement	(364)	(364)	-	-
Reverse non-cash impairment expense	-	-	550	550
Normalisation of non-recurring restructuring expenditure	962	962	204	204
Thermoscan				
Add back from discontinued operations	829	916	567	701
Arowana Funds Management				
Reverse unrealised FX losses	-	-	16	16
Reverse gain on founder investment in ARWA	-	-	(6,793)	(6,793)
Normalisation of project costs	-	-	10	10
Reverse one-off adjustment re: historical dividend entitlement	-	-	(1,439)	(1,439)
Enterprise Office				
Reverse unrealised FX (gains) / losses	(834)	(834)	1,612	1,612
Normalisation of project costs	995	995	3,701	3,701
One-off gains on business combination	-	-	(2,000)	(2,000)
Recovery of prior period impairment loss	-	-	(322)	(322)
Unallocated				
Reverse one-off impairment charges and equity accounted losses re: Intueri	-	-	7,575	7,575
Realised foreign exchange gains not allocated to business units	(96)	(96)	(804)	(804)
Underlying reporting basis	**(9,229)**	**(5,573)**	**14,011**	**17,053**

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

All figures in A$ millions	Year ended 30 June 2018 - underlying (unaudited)	Year ended 30 June 2017 - underlying (unaudited)	% change
VivoPower International	47,610	52,766	(10)
EdventureCo Group	25,638	3,525	627
Thermoscan	2,751	2,635	4
Arowana Funds Management	6,447	1,045	517
Enterprise Office	536	1,027	(48)
Total Revenue	**82,982**	**60,998**	**36**
VivoPower International	(3,785)	22,384	nmf
EdventureCo Group	1,013	23	nmf
Thermoscan	916	701	31
Arowana Funds Management	814	(762)	nmf
Enterprise Office	(4,531)	(5,293)	14
Total EBITDA	**(5,573)**	**17,053**	nmf
VivoPower International	(4,220)	20,918	nmf
EdventureCo Group	(1,990)	(1,338)	(49)
Thermoscan	829	567	46
Arowana Funds Management	814	(762)	nmf
Enterprise Office	(4,662)	(5,374)	13
Total EBIT	**(9,229)**	**14,011**	nmf
Realised FX gains / (losses)	96	804	(88)
Interest Income	220	1,316	(83)
Interest Expense	(1,484)	(535)	(177)
Net Interest Income	(1,264)	781	nmf
Total Underlying PBT	**(10,397)**	**15,596**	nmf
Tax (expense) / benefit	5,547	(8,689)	nmf
Underlying Group NPAT	**(4,850)**	**6,907**	nmf

nmf – no meaningful comparison

Key comments in relation to the above table:

VivoPower International

- Underlying revenue, EBITDA and EBIT for the year ended 30 June 2018 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 decline in VivoPower's revenue for the year primarily reflects a decrease in developer fees from solar power projects as noted below, offset by the material growth in revenue contributed by VivoPower's Australian energy services business, Aevitas. Prior period revenue generated by Aevitas reflected the contribution from its acquisition date, 29 December 2016, to 30 June 2017.
- VivoPower's earnings for the period were materially impacted by the non-cash impairment write-down ($13.0 million) of its investments in NC-31 and NC-47 following the disposal of its remaining interests in these projects to the majority investor. The business also incurred material non-recurring restructuring expenditure in accordance with a strategic review conducted during the period, which resulted in a significant reduction in VivoPower's overhead cost base.
- 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). VivoPower has initiated legal action against its former CEO, Dr. Philip Comberg, for damages amounting to US$27 million (refer to note 29 for further details). 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 in 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 year ended 30 June 2018 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 year ended 30 June 2018 primarily reflect the absence of developer fee revenue offset by the significantly higher earnings contribution from Aevitas.

- Pursuant to a strategic review prompted by reverse inquiry interest from potential investors, VivoPower announced it intends to drive the profitable monetisation of its US development portfolio during FY2019 and is actively considering interest from multiple parties. Significant volumes of new capital continue to enter the new renewables development space and VivoPower is well positioned to leverage this momentum.

EdventureCo Group

- EdventureCo (formerly Everthought Education) is Arowana's vocational and professional education and training platform, encompassing Australia's largest ICT training business, DDLS, and the Trades training business, Everthought Education. The group trains over 15,000 students per year from 8 campuses across Australia
- EdventureCo 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 year ended 30 June 2018 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.
- A comprehensive onboarding and integration of DDLS was undertaken following acquisition which has delivered in excess of $2.0 million of annualised cost savings. In addition, a refresh of vendors has been undertaken seeing the addition of new marquee vendors including Google Cloud and SAP.
- The statutory EBIT result for EdventureCo in FY2018 includes approximately $1.0 million of non-recurring expenditure incurred in connection with the DDLS onboarding project as noted above, in addition to restructuring initiatives implemented within the Trades business
- Everthought Education has grown its Brisbane presence driven by strong growth in domestic apprenticeships and new international enrolments, while the Perth campus continues to be a leading destination for international students seeking trades training.

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 achieved through actively targeting additional strata site clients which can be serviced efficiently.
- Thermoscan is benefiting from multiple business development initiatives and is well-placed to generate growth through leveraging increasingly stringent government OH&S regulations and insurance requirements.

- Thermoscan's consistently strong contributions to revenue, earnings and cashflow throughout Arowana's period of ownership has resulted in multiple parties expressing interest in acquiring the business. As such, a corporate advisor has been appointed to drive a structured sale process. As a result, the assets and liabilities of Thermoscan have been classified as held-for-sale at 30 June 2018 and its results for the year then ended have been classified as earnings from discontinued operations.

Arowana Funds Management

- Arowana Funds Management's result primarily represents management and performance 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 product, the Arowana Special Income Opportunities Fund ("ASIOF").
- The strong out-performance of ACVF against the relevant benchmark for the year to 30 June 2018 resulted in a significant performance fee for the period ($5.0 million), and the fund has continued to perform strongly up to the date of this report.
- The ASIOF product was officially launched in May 2018 with the completion of a founders' class capital raising round which includes capital commitments from the co-founders of the fund, being Dustin Cappelletto and Kevin Chin. Capital raising continues for ASIOF with the first investments expected to be made during the next financial year.

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

Dividends paid or recommended

The following dividends were paid during the year:

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

On 30 August 2018 the Company declared an unfranked divided of 0.3 cents per share. The dividend will be payable to shareholders of record on 5 October 2018 and will be paid on 15 October 2018.

Significant changes in state of affairs

VivoPower

VivoPower recognised a material non-cash provision for impairment ($13.0 million) during FY2018 in connection with the sale of its remaining 14.5% and 10.0% equity interests, respectively, in the NC-31 and NC-47 solar power projects. This impairment charge was the result of uncertainty in the projected future value of the sale of electricity in the wholesale North Carolina market after the current power sale contracts expire in 2017. Predicting the future value of wholesale power so far in the future is difficult, and results in a wide range of possible asset values for asset-in-use valuations. The carrying value of these remaining equity interests is therefore reflected within assets-held-for-sale within current assets at 30 June 2018.

EdventureCo

EdventureCo completed the transformational acquisition of ICT training business, DDLS, during December 2017. The part-year contribution from DDLS, together with full year contributions from its trade business, Everthought Education, has resulted in significant growth in revenue and EBITDA in comparison with the prior year. The Group's Education segment is now a material operating division and is expected to contribute further growth during FY2019.

Thermoscan

As noted above, following the Board's decision to pursue an orderly prospective exit from the business via a structured sale process, Thermoscan has been treated as a 'discontinued operation' and 'asset classified as held-for-sale' in the Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position respectively at 30 June 2018.

Events occurring after the reporting period

On 28 May 2018, VivoPower entered into an agreement to sell its remaining 14.5% and 10.0% equity interests in two North Carolina solar project investments to the majority investor. The proceeds of sale, net of transaction costs, are US$11.4 million. The transaction was subject to customary closing conditions which were satisfied subsequent to the end of the reporting period, and contractual sales proceeds were received in full during July 2018.

The Company declared an unfranked dividend of 0.3 cents per share on 30 August 2018. The dividend will be payable to shareholders of record on 5 October 2018 and will be paid on 15 October 2018.

Other than the matters referred to above, 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.

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 information is current as at the date of this report:

Kevin Chin – Executive Chairman and Chief Executive Officer

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

He has over 16 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 or been a founder / co-founder. He specialises in both complex turnaround and accelerated scaling-up growth situations.

Kevin has also had over 16 years of funds management experience encompassing private equity, listed equities, fund of funds and venture capital.

Kevin has founded or co-founded both operating companies such as Arowana International Limited, EdventureCo Group, VivoPower International PLC and Intueri Education Group as well as funds such as the Arowana Special Income Opportunities Fund, the Arowana Contrarian Value Fund, Arowana Australasian Special Situations Fund I, the Arowana Microcap Australasian Private Equity Fund I and the Asian Masters Fund.

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 – Independent Non-Executive Director

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

Rob is a member of the Audit and Risk Committee and is Chairman of the Nomination and Remuneration Committee

Interest in shares and options of the Company

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

Ed Fernandez – Independent Non-Executive Director

Appointed in April 2018, Ed has over 25 years' experience and is an accomplished business leader, experienced Silicon Valley venture capitalist and a technology entrepreneur with a particular focus on machine learning and artificial intelligence.

Based in Palo Alto, Ed is an electrical & electronics engineer by training and has completed the Global Senior Management Programme (GSMP) post-graduate qualifications at the University of Chicago Booth School of Business & IE Business School (Madrid) as well as the Engineering Leadership Professional Programme (ELPP) from the University of California Berkeley.

Ed is a mentor & advisor at Singularity University Ventures and Berkeley's Centre for Technology & Entrepreneurship. Ed also serves as a Director at BigML Inc, a 'Machine Learning as a Service' platform company headquartered in the US.

Ed founded Naiss.io, a venture capital & advisory boutique in Palo Alto, focusing on technology start-ups and early stage companies. He is also an investor & advisor in several US technology start-ups, including Optimizing Mind, a Palo Alto start-up working on neuroscience-based Deep Learning for xAI (Explainable AI) and MyPark Inc, an IoT smart parking platform.

Other current directorships in listed companies:

None

Former directorships of listed companies in the last 3 years

None

Special responsibilities

Ed is Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee

Interest in shares and options of the Company

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

Cameron Fellows – Company Secretary

Cameron was appointed to the position of Company Secretary on 3 January 2018. With over 20 years' of professional experience, Cameron is a qualified Chartered Accountant, Chartered Company Secretary and a Fellow of the Financial Services Institute of Australasia. Following over 8 years' experience in the audit practice of PricewaterhouseCoopers, Cameron has held senior finance roles in publicly listed and private businesses in Melbourne, Sydney and London.

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	12	12	2	2	2	2
Kevin Chin	11	11 *	N/A	N/A	N/A	N/A
John Moore AO	11	12	2	2	2	2
Robert McKelvey	12	12	2	2	2	2
Ed Fernandez	4	4	-	-	-	-

A = number of meetings attended
B = number of meetings eligible to attend during the time the director held office during the reporting period
** Kevin was deemed ineligible to attend one Board meeting held during the year following a voluntary declaration of interest regarding the potential for a conflict of interest*

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 $69,946 (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]:	
Other services	7,500
Taxation services [PKF Tax Pty Ltd – Sydney]:	
Taxation compliance	46,450
Total paid to PKF Hacketts Audit and its network firms	**53,950**

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 2018 is as follows:

Directors	Ordinary shares
Kevin Chin	15,165,963
Ed Fernandez	-
Robert McKelvey	-

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 28.

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 Rob McKelvey and, at the date of this report, the second member is Ed Fernandez. The Board has commenced a process to appoint a replacement Non-Executive Director and member of the Nomination & Remuneration Committee for Mr Tony Kinnear (resigned on 17 August 2018).

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 2016 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.

Key Terms of Service Agreements

Remuneration and other terms of employment for the executive KMP are formalised in letters of offer and employment agreements. These agreements are not subject to a fixed term and provide for both fixed and performance-based remuneration, superannuation and other benefits such as statutory leave entitlements.

These employment agreements may be terminated by the Group or by the executive subject to providing notice in accordance with prescribed timeframes. Notice periods applicable to employment arrangements for the executive KMP vary between 3 to 6 months.

The Group may terminate employment without notice or payment in lieu of notice for serious and wilful misconduct.

Share-based Compensation

No shares or options were granted to key management personnel as compensation during FY2018. The amortisation expense for shares previously issued under the LTVCP during FY2016 to key management personnel is shown in the table on pages 24-25.

Additional Information

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

	2018	2017
Share price at financial year end (cents per share)	27.50	53.00
Total dividends declared (cents per share)	0.30	0.60
Basic earnings per share (cents per share)	(7.20)	0.94

Non-Executive Directors

Aggregate Directors' base fees are presently up to $150,000 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 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 EdventureCo Pty Ltd and its subsidiaries have scaled up successfully and become a significant part of the Group's operating companies. Key management personnel for the reporting period therefore now includes the Chief Executive Officer of EdventureCo.

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 2018

		Short Term Benefits					Long term benefits			
Remuneration Report	**Year**	**Salary, fees & leave ($)**	**Bonus ($)**	**Non-monetary benefits ($)**	**Other benefit ($)**	**Total ($)**	**Post-employment Superannuation benefits ($)**	**Share-based payments ($)**	**Total ($)**	**Remuneration linked to performance (%)**
Non-Executive Directors										
Current										
Anthony Kinnear	**FY18**	**31,202**	**-**	**-**	**-**	**31,202**	**2,965**	**-**	**34,167**	**-**
	FY17	27,397	-	-	-	27,397	2,603	-	30,000	-
Robert McKelvey	**FY18**	**31,202**	**-**	**-**	**-**	**31,202**	**2,965**	**-**	**34,167**	**-**
	FY17	27,397	-	-	-	27,397	2,603	-	30,000	-
Ed Fernandez	**FY18 From 2 Apr 18**	**10,000**	**-**	**-**	**-**	**10,000**	**-**	**-**	**10,000**	**-**
Former										
John Moore AO	**FY18 Until 30 Jun 18**	**31,202**	**-**	**-**	**-**	**31,202**	**2,964**	**-**	**34,166**	**-**
	FY17	27,397	-	-	-	27,397	2,603	-	30,000	-
Sub-total	**FY18**	**103,606**				**103,606**	**8,894**	**-**	**112,500**	**-**
	FY17	**82,192**	**-**	**-**	**-**	**82,192**	**7,808**	**-**	**90,000**	**-**
Executive Directors										
Kevin Chin, CEO	**FY18**	**30,000**	**-**	**-**	**-**	**30,000**	**-**	**65,112**	**95,112**	**68.5**
	FY17	30,000	50,000	-	-	80,000	-	65,112	145,112	79.3
Total directors' remuneration	**FY18**	**133,606**	**-**	**-**	**-**	**133,606**	**8,894**	**65,112**	**207,612**	**31.4**
	FY17	**112,192**	**50,000**	**-**	**-**	**162,192**	**7,808**	**65,112**	**235,112**	**49.0**
Other Key management personnel (KMP)										
Current										
Dustin Cappelletto, Head of Debt Investments [1, 2]	**FY18 From 1 Jul 17**	**438,540**	**-**	**17,420**	**-**	**455,960**	**-**	**-**	**455,960**	**-**
Art Russell, Chief Financial Officer [3]	**FY18 From 1 Dec 17**	**177,158**	**-**	**-**	**4,429**	**181,587**	**17,716**	**-**	**199,303**	**-**
Conor Byrne, Chief Financial & Operating Officer of Arowana Asset Management [1]	**FY18**	**200,913**	**-**	**-**	**-**	**200,913**	**19,087**	**17,758**	**237,758**	**7.5**
	FY17	200,913	50,000	-	-	250,913	19,087	17,758	287,758	23.6
Gary Hui, Investment Director [1, 2]	**FY18**	**546,338**	**-**	**-**	**-**	**546,338**	**-**		**546,338**	**-**
	FY17	336,000	250,000	-	-	586,000	-	-	586,000	42.7

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

Remuneration Report	Year	Short Term Benefits: Salary, fees & leave ($)	Bonus ($)	Non-monetary benefits ($)	Other benefit ($)	Total ($)	Long term benefits: Post-employment Superannuation benefits ($)	Share-based payments ($)	Total ($)	Remuneration linked to performance (%)
Cameron Fellows, Group Finance Director & Company Secretary	**FY18 From 14 Aug 17**	**143,707**	**35,000**	**-**	**-**	**178,707**	**13,652**	**-**	**192,359**	**18.2**
Sean Steele, EdventureCo Pty Ltd, CEO and Director	**FY18 From 6 Dec 17**	**182,154**	-	-	-	**182,154**	**11,412**	-	**193,566**	-
Kevin Chin, VivoPower International PLC Director [3]	**FY18**	**327,144**	**-**	**-**	**-**	**327,144**	**-**	**-**	**327,144**	**-**
	FY17	412,111	-	-	-	412,111	-	-	412,111	-
Carl Weatherley-White, VivoPower International PLC, CEO and Director [2]	**FY18**	**493,744**	**-**	**10,621**	**-**	**504,365**	**-**	**-**	**504,365**	**-**
	FY17 From 1 Aug 2016	420,763	333,761	46,962	-	801,486	-	-	801,486	41.6
Former										
Philip Comberg, VivoPower International PLC, CEO and Director [2]	**FY18 Until 4 Oct 17**	**230,631**	**-**	**9,225**	**-**	**239,856**	**23,063**	**-**	**262,919**	**-**
	FY17 From 1 Sep 2016	1,004,889	1,043,738	29,821	-	2,078,448	74,553	-	2,153,001	48.5
Total other KMP remuneration	**FY18**	**2,740,329**	**35,000**	**37,266**	**4,429**	**2,817,024**	**84,930**	**17,758**	**2,919,712**	**1.8**
	FY17	**2,374,676**	**1,677,499**	**76,783**	**-**	**4,128,958**	**93,639**	**17,758**	**4,240,355**	**40.0**
Total remuneration	**FY18**	**2,873,935**	**35,000**	**37,266**	**4,429**	**2,950,630**	**93,824**	**82,870**	**3,127,324**	**3.8**
	FY17	**2,486,868**	**1,727,499**	**76,783**	**-**	**4,291,150**	**101,448**	**82,870**	**4,475,468**	**40.5**

[1] *The performance appraisals and associated remuneration reviews, including the determination of bonus awards in respect of the year ended 30 June 2018, remain ongoing for these members of KMP as at the date of this report. To the extent bonuses or other forms of compensation are awarded in respect of FY2018, the appropriate disclosures will be incorporated in the Remuneration Report within the Annual Report for FY2019. The total KMP bonus pool is capped to the value of the unallocated incentive accrual incorporated within the FY2018 Statement of Consolidated Profit or Loss.*

[2] *Representing the AUD equivalent of USD remuneration based on the average AUD / USD foreign exchange rate for the year ended 30 June 2018*

[3] *Representing the AUD equivalent of GBP remuneration based on the average AUD / GBP foreign exchange rate for the year ended 30 June 2018*

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 2016	Purchases	Other change	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**

Name	Held at 1 July 2017	Purchases	Other change	Held at 30 June 2018
Kevin Chin	15,165,963	-	-	15,165,963
John Moore AO	1,400,000	-	(1,400,000) [1]	-
Gary Hui	625,000	-	-	625,000
Robert McKelvey	-	-	-	-
Conor Byrne	130,000	-	-	130,000
Anthony Kinnear	678,069	-	-	678,069
Ed Fernandez	-	-	-	-
Dustin Cappelletto	-	-	-	-
Art Russell	-	-	-	-
Cameron Fellows	-	-	-	-
Sean Steele	-	-	-	-
Carl Weatherley-White	-	-	-	-
Philip Comberg	-	-	-	-
Total	**17,999,032**	**-**	**(1,400,000)**	**16,599,032**

[1] – *John Moore AO retired from his position as Non-Executive Director, and as a member of KMP, effective 30 June 2018. The movement noted under 'Other Change' represents a notional adjustment – as opposed to an actual disposal – to reflect the fact he no longer holds shares of the Company in his capacity as a member of KMP as at 30 June 2018.*

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

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, Executive Chairman and Chief Executive Officer

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 period ended 30 June 2018, 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.

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

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

30 AUGUST 2018
BRISBANE

PKF Hacketts Audit
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Consolidated Statement of Profit or Loss

For the reporting period ended 30 June	Note	2018 $	2017 Restated* $
Revenue from continuing operations			
Revenue	3(a)	80,594,354	56,083,810
Interest income		219,662	1,314,830
Total income		**80,814,016**	**57,398,640**
Other income	3(b)	157,427	12,506,165
Expenses			
Cost of sales	4(a)	(54,406,745)	(15,392,261)
Employee costs		(22,409,700)	(15,954,106)
Administration costs	4(b)	(7,977,123)	(9,598,917)
Long Term Value Creation Plan expense	12	(88,789)	(92,341)
Occupancy costs		(3,468,205)	(1,262,626)
Director fees		(142,500)	(120,000)
Marketing costs		(939,971)	(297,989)
Insurance costs		(1,211,536)	(725,697)
IT and communication costs		(1,608,214)	(841,037)
Travel costs		(816,371)	(1,529,807)
Interest expense		(1,484,093)	(500,539)
Depreciation		(634,125)	(278,749)
Amortisation	15	(2,934,369)	(2,629,246)
Provision for impairment of goodwill	15	(781,054)	(550,000)
Provision for impairment of investments	11	(12,980,877)	(896,035)
Share of net loss of associates accounted for using the equity method	11(c)	(389,942)	(6,468,606)
Total expenses		**(112,273,614)**	**(57,137,956)**
(Loss) / profit before income tax		**(31,302,171)**	**12,766,849**
Income tax benefit / (expense)	7(b)	5,546,989	(8,688,558)
(Loss) / profit after income tax from continuing operations		**(25,755,182)**	**4,078,291**
Discontinued operations			
Profit after income tax from discontinued operations	5(a)	796,720	514,877
(Loss) / profit for the period		**(24,958,462)**	**4,593,168**
(Loss) / profit attributable to:			
Owners of Arowana International Limited		(11,381,624)	1,488,191
Non-controlling interest		(13,576,838)	3,104,977

***Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior year to provide consistency with the current presentation.**

Consolidated Statement of Profit or Loss (continued)

For the reporting period ended 30 June	Note	2018 $	2017 Restated* $
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	28	(7.20)	0.94
Diluted earnings per share (cents)	28	(7.20)	0.94

***Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior year to provide consistency with the current presentation.**

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 2018

Consolidated Statement of Comprehensive Income

For the reporting period ended 30 June	Note	2018	2017
	Note	**$**	**$**
(Loss) / profit for the year		(24,958,462)	4,593,168
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		272,223	(1,642,557)
Fair value adjustment – available for sale investment		-	(4,285,692)
Other comprehensive income for the year, net of tax		272,223	(5,928,249)
Total comprehensive income for the period, net of tax		**(24,686,239)**	**(1,335,081)**
Total comprehensive income attributable to			
Parent interest (Arowana International Limited)		(11,561,963)	(4,015,759)
Non-controlling interests		(13,124,276)	2,680,678
		(24,686,239)	**(1,335,081)**

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

Arowana International Limited and its Controlled Entities

As at 30 June 2018

Consolidated Statement of Financial Position

As at 30 June	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	8	4,977,450	18,397,134
Trade and other receivables	9	17,367,355	8,698,791
Inventory		3,310,030	607,998
Other current assets	10	1,287,362	865,852
Assets classified as held-for-sale	5(b)	20,263,941	-
Total current assets		**47,206,138**	**28,569,775**
Non-current assets			
Investment accounted for using the cost method	11(a)	-	28,436,701
Investments accounted for using the equity method	11(b)	19,464,936	19,533,292
Other financial assets	11(c)	219,372	3,408,640
Other non-current assets	12	2,136,077	1,332,628
Property, plant and equipment	13	4,643,559	3,440,644
Deferred tax asset	14(a)	11,588,699	10,747,765
Intangible assets	15	48,942,002	52,112,247
Total non-current assets		**86,994,645**	**119,011,917**
Total assets		**134,200,783**	**147,581,692**
Current liabilities			
Trade and other payables	16	32,516,754	21,537,382
Deferred consideration	17	2,656,016	200,000
Current tax liabilities	18	280,561	3,151,964
Current provisions	19(a)	4,633,405	2,343,164
Interest bearing liabilities	20	5,633,580	4,225,129
Liabilities directly associated with assets classified as held-for-sale	5(b)	374,643	-
Total current liabilities		**46,094,959**	**31,457,639**
Non-current liabilities			
Non-current provisions	19(b)	2,260,402	254,395
Deferred tax liability	14(b)	7,411,637	10,986,020
Interest bearing liabilities	20	316,276	1,528,680
Total non-current liabilities		**9,988,315**	**12,769,095**
Total liabilities		**56,083,274**	**44,226,734**
Net assets		**78,117,509**	**103,354,958**
Equity			
Issued capital	22	59,845,704	59,859,654
Reserves	23	(33,093,208)	(33,001,658)
Retained earnings	24	37,987,317	49,843,453
Equity attributable to Parent interest		**64,739,813**	**76,701,449**
Equity attributable to non-controlling interest		13,377,696	26,653,509
Total equity		**78,117,509**	**103,354,958**

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 2018

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 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 transaction 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**
Loss for the year	-	-	-	-	-	(11,381,624)	(11,381,624)	(13,576,838)	(24,958,462)
Other comprehensive income for the year	-	-	-	-	(180,339)	-	(180,339)	452,562	272,223
Total comprehensive income	**-**	**-**	**-**	**-**	**(180,339)**	**(11,381,624)**	**(11,561,963)**	**(13,124,276)**	**(24,686,239)**
Transactions with owners in their capacity as owners (net of transaction costs and taxes)									
Issue of shares net of transaction costs	-	-	-	-	-	-	-	71,618	71,618
Cancellation of preference shares	(13,950)	-	-	-	-	-	(13,950)	-	(13,950)
LTVCP reserve	-	88,789	-	-	-	-	88,789	-	88,789
Dividend paid	-	-	-	-	-	(474,512)	(474,512)	(223,155)	(697,667)
As at 30 June 2018	**59,845,704**	**(29,486,646)**	**(2,600,374)**	**3,095,100**	**(4,101,288)**	**37,987,317**	**64,739,813**	**13,377,696**	**78,117,509**

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

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

Consolidated Statement of Cash Flows

For the reporting period ended 30 June		2018	2017
Cash flows from operating activities	Note	$	$
Receipts from customers		76,329,648	60,339,019
Payments to suppliers and employees		(86,644,502)	(41,383,795)
Interest received		116,623	412,402
Interest paid		(1,225,040)	(262,836)
Income tax (paid) refund		(160,227)	9,316
Net cash inflow/(outflow) from operating activities	25(b)	**(11,583,498)**	**19,114,106**
Cash flows from investing activities			
Net cash paid for investment in shares		-	(5,548,319)
Net cash inflow / (outflow) for NC31 and NC47 projects		370,363	(670,822)
Net cash outflow for Joint Venture contributions		(6,311,682)	(11,159,165)
Net cash outflow from acquisition of subsidiaries	36	-	(20,542,087)
Net cash acquired on business acquisition	36	1,945,568	1,940,038
Net cash inflow from redemption of Evolution convertible notes		3,600,000	-
Purchase of property, plant & equipment		(1,330,079)	(327,545)
Proceeds from sale of property, plant & equipment		2,268,127	128,983
Net cash paid for other non-current assets		(1,778,083)	(156,796)
Net cash outflow for intangible assets		(177,750)	(709,328)
Net cash outflow from investing activities		**(1,413,536)**	**(37,045,041)**
Cash flows from financing activities			
Proceeds from partnership contributions		-	350,000
Proceeds from capital raised		-	17,590,451
Payment of capital raising costs		-	(7,820,188)
Payment for share buyback		-	(769,515)
Proceeds from borrowings		5,566,359	4,610,142
Repayment of borrowings		(5,454,526)	(928,475)
Dividends and distributions paid		(697,667)	(949,025)
Net cash inflow/(outflow) from financing activities		**(585,834)**	**12,083,390**
Net decrease in cash and cash equivalents		(13,582,868)	(5,847,545)
Effect of foreign currency translation		441,021	184,810
Cash and cash equivalents at the beginning of the year		18,397,134	24,059,869
Cash and cash equivalents at the end of the year	8, 25(a)	**5,255,287**	**18,397,134**
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

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 have been prepared on a going concern basis, as the Directors believe the Group will be able to meet its liabilities as they fall due.

During the year ended 30 June 2018, the Group recorded a loss after tax from continuing operations of $24,958,462 (2017: profit of $4,593,168) and cash outflows from operations of $11,583,498 (2017: cash inflows from operations of $19,114,106). The Board notes that the net current asset position, however, has significantly improved from the position at 30 June 2017, such that there is a current asset surplus of $1,111,179 as at 30 June 2018 (2017: deficiency of $2,887,864).

The loss for the year was primarily the result of a $13.0 million non-cash impairment write-down of VivoPower's investments in its NC 31 & 47 solar assets, together with a material level of non-recurring restructuring, remuneration and consulting fees ($4.8 million) incurred by VivoPower in connection with a strategic restructuring of the business. The Group also continued to allocate capital towards the domestic and international expansion of business operations, including the acquisition of DDLS Australia in the education sector and the ongoing development of the

2. Basis of preparation and significant accounting policies (continued)

Arowana Asset Management business (in particular, the launch of the Arowana Australian Special Income Opportunities Fund). This is consistent with the Group's stated strategy and theme for FY2018 of building out its platforms across solar, education and asset management, with expectations of returns on invested capital to materialise over the next 12 to 24 months.

Notwithstanding the above, the Group is forecasting a return to profitability in the short to medium term due to the following:

- EdventureCo, the Group's education platform, is beginning to build momentum following the execution of a buy-and-build strategy to scale up the business. The acquisition of DDLS Australia was completed during December 2017, with the business performing ahead of budget having already delivered in excess of $2.0m of annualised cost savings since acquisition;
- Commencement of a structured and orderly sale process in respect of certain non-core assets, including the proposed exit from our thermal imaging business, Thermoscan. The Group expects to generate a strong return on investment upon disposal, with the capital to be redeployed towards funding further growth in EdventureCo and Arowana Asset Management;
- Increased scale in our asset management business following the recent launch and ongoing fundraising process for ASIOF, together with organic growth in AUM from the material investment out-performance achieved by the Arowana Contrarian Value Fund; and
- A reduced overhead base across the Group's operating business following a range of cost-saving initiatives executed during FY2018.

With regard to liquidity, the Group manages its short-term cashflow requirements by maintaining adequate working capital finance facilities, including trade debtor finance facilities recently secured by VivoPower and EdventureCo, 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 Board has approved FY2019 budgets and five-year strategy execution plans for the underlying operating businesses which indicate that the Group can manage its working capital requirements without being reliant on events which are subject to material uncertainty. The Group is also, with the exception of hire purchase facilities in connection with fixed assets, largely unlevered at the date of this report.

In consideration of the above, the Directors have a reasonable expectation that the Group will be able to meets its debts as and when they fall due and have adopted the going concern basis in the preparation of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 August 2018.

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:

2. Basis of preparation and significant accounting policies (continued)

- 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

2. Basis of preparation and significant accounting policies (continued)

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.

(b) 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.

(c) 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.

2. Basis of preparation and significant accounting policies (continued)

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.

(d) 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

2. Basis of preparation and significant accounting policies (continued)

and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) 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.

(f) 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.

2. Basis of preparation and significant accounting policies (continued)

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).

(g) 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.

(h) 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.

2. Basis of preparation and significant accounting policies (continued)

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

Intangible asset type	Useful life	Method
Key customer relationships	10 years	Straight Line
Trade names	15-25 years	Straight Line
Favourable supplier contracts	15 years	Straight Line
Course development materials	3 years	Straight Line

Details of intangible assets held in the Group at 30 June 2018 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.

2. Basis of preparation and significant accounting policies (continued)

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 2018 and the assessments made for impairment are included in Note 15.

(i) 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.

(j) 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.

(k) 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

2. Basis of preparation and significant accounting policies (continued)

account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss.

(l) 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.

2. Basis of preparation and significant accounting policies (continued)

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.

(i) 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

2. Basis of preparation and significant accounting policies (continued)

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.

(m) 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.

(n) 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 asset is 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.

2. Basis of preparation and significant accounting policies (continued)

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.

(o) 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.

(p) 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.

2. Basis of preparation and significant accounting policies (continued)

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.

(q) 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.

(r) Provisions

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

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.

(s) 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.

2. Basis of preparation and significant accounting policies (continued)

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.

(t) 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.

(u) 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.

(v) 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.

2. Basis of preparation and significant accounting policies (continued)

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.

(w) Comparative figures

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

(x) 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.

2. Basis of preparation and significant accounting policies (continued)

(y) 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 may affect the Group's financial instruments, including hedging activity, the process of assessing its impact remains ongoing as at the date of this report. At this stage, however, given the lack of hedging activity within the Group, the directors do not expect the new Standard to have a material impact on its financial statements. The Group will implement the Standard in the financial year beginning 1 July 2018.

- *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;

2. Basis of preparation and significant accounting policies (continued)

- 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 affect the Group's financial statements, the process of assessing its impact remains ongoing as at the date of this report. In particular, the directors note the potential for the Standard to have a material impact on the revenue streams for the VivoPower group given the nature of its operations. The Group will implement the Standard in the financial year beginning 1 July 2018.

- *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.

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.

2. Basis of preparation and significant accounting policies (continued)

The directors anticipate that the adoption of AASB 16 will materially affect the Group's financial statements. At 30 June 2018, the Group has $10,981,195 of non-cancellable operating lease commitments, predominantly relating to property leases within the EdventureCo group. The Group is considering its options with respect to accounting for the transition, however expects a change in reported EBITDA and a material increase in assets and liabilities recognised in accordance with the Standard. The impact of the changes will depend upon the level of operating leases we have in place at the date of transition. The Group will implement the Standard in the financial year beginning 1 July 2019.

(z) 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.

2. Basis of preparation and significant accounting policies (continued)

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 $11,588,699 (2017: $10,747,765) and a deferred tax liability of $7,411,637 (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.

Based on the Group's Board-approved strategy execution plans and budgets, the Directors believe it is probable that the Group will generate sufficient future taxable profits to utilise the tax losses brought to account. These losses can be carried forward indefinitely and have no expiry date.

3. (a) Revenue

For the reporting period ended 30 June	2018	2017
	$	$
Renewable energy services	47,609,830	51,328,990
Education services	26,001,832	3,177,412
Inspection services [1]	-	-
Funds management revenue	6,446,623	700,518
Other revenue	536,069	876,890
Total revenue	**80,594,354**	56,083,810

[1] The assets and liabilities of Thermoscan Inspection Services Pty Limited have been classified as held for sale at 30 June 2018 and its results for the year then ended have been treated as a discontinuing operation. Refer to note 5 for further details.

3. (b) Other Income

For the reporting period ended 30 June	2018	2017
	$	$
Gain on investment valuation	-	6,793,278
Dividend income	-	1,783,854
Reversal of deferred consideration on acquisition [1]	-	2,000,000
Government Funding	-	320,417
Other income	157,427	1,608,616
Total other income	**157,427**	**12,506,165**

[1] 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

	2018	2017 Restated *
	$	$
Commission	266,935	277,153
Communication	101,446	78,235
Contractors	4,358,334	1,023,809
Depreciation	520,603	293,473
Employee expenses	18,908,970	7,195,889
Equipment	252,650	710,453
Materials	27,267,095	5,080,501
Motor vehicle	772,244	375,871
Occupancy	356,432	177,262
Travelling	42,827	36,607
Others	1,559,209	143,008
	54,406,745	**15,392,261**

(b) Administration costs

Due diligence fees	1,071,443	3,897,349
Legal and professional	4,942,549	3,378,503
Compliance and governance	593,191	1,284,415
Research expenses	514,219	719,116
Others	855,721	319,534
	7,977,123	**9,598,917**

*** Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior year to provide consistency with the current presentation.**

5. Assets Held for Sale and Discontinued Operations

(a) Discontinued operations

Thermoscan Inspection Services Pty Limited ("Thermoscan")

During the year ended 30 June 2018, the Board determined that the operations of Thermoscan were no longer in line with the future strategy and direction of the Group and therefore committed to a plan to pursue an orderly prospective exit from the business. As such, the assets and liabilities of Thermoscan have been classified as held-for-sale at 30 June 2018 and the business has been treated as a discontinued operation for the purposes of the Group's financial statements. The comparative consolidated Statements of Profit or Loss and other comprehensive income have been restated to show the discontinued operation separately from continuing operations.

5. Assets Held for Sale and Discontinued Operations (continued)

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

Discontinued operation - Thermoscan	2018	2017
	$	$
Revenue	2,753,468	2,636,450
Expenses	1,956,748	2,121,573
Profit before income tax	**796,720**	**514,877**
Income tax expense	-	-
Profit after tax attributable to the discontinued operation	**796,720**	**514,877**

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

Discontinued operation - Thermoscan	2018	2017
	$	$
Net cash inflow from operating activities	374,836	235,906
Net cash outflow from investing activities	(95,487)	(90,014)
Net cash (outflow) / inflow from financing activities	(240,744)	(161,207)
Net increase / (decrease) in cash generated by the discontinued operation	**38,605**	**(15,315)**

(b) Assets held-for-sale

Thermoscan – Disposal Group

Following the decision of the Board to commence an orderly sale process for Thermoscan (refer note 5(a) above), its assets and liabilities have been treated as a disposal group and classified as held-for-sale (net assets totalling $2.7 million as at 30 June 2018). Thermoscan has historically been represented within the Industrials segment of the Group. The Board expects the sale process to complete within 12 months of the date of this report.

NC-31 and NC-47 Solar Power Projects – Assets held-for-sale

On 28 May 2018, VivoPower entered into an agreement to sell its remaining 14.5% and 10% equity interests in two North Carolina solar project investments to the majority investor. The proceeds of sale, net of transaction costs, are US$11.4 million. The transaction was subject to customary closing conditions which were satisfied subsequent to the end of the reporting period, and contractual sales proceeds were received in full during July 2018. VivoPower's net investments in these projects as at 30 June 2018, totalling $15.6 million, have therefore been classified as held-for-sale assets in the Group's Statement of Financial Position.

5. Assets Held for Sale and Discontinued Operations (continued)

Juice Capital and Sun Connect solar portfolio assets – Assets held-for-sale

Further to a strategic review conducted by VivoPower during the year ended 30 June 2018, a decision was made to realise certain non-core assets within its Australian solar project portfolio in order to release capital. In this context, the Group expects it will complete sale processes for two of VivoPower's existing solar projects – Juice Capital and Sun Connect – within 12 months of the date of this report. Total assets of $1.6 million in relation to these projects have been classified as held-for-sale assets in the Group's Statement of Financial Position.

A summary of the assets and liabilities directly related to the Thermoscan disposal group and the VivoPower solar power projects, collectively classified as assets held-for-sale, is set out below.

Assets held-for-sale and directly associated liabilities	30 June 2018
	$
Current Assets	
Cash and cash equivalents	277,837
Trade and other receivables	355,153
Other current assets	50,615
Non-Current Assets	
Goodwill	2,201,040
Intangibles	1,007,976
Property, plant and equipment	753,568
Deferred tax asset	51,615
Investments accounted for using the cost method	15,566,137
Total Assets	**20,263,941**
Current Liabilities	
Trade and other payables	120,915
Current tax liabilities	7,890
Current provisions	55,911
Non-Current Liabilities	
Interest-bearing liabilities	159,478
Non-current provisions	30,449
Total Liabilities	**374,643**
Net Assets	**19,889,298**

6. Segment Reporting

Identification of reportable operating segments

The Group is currently organised into four Divisions - the Enterprise Office, Renewable Energy, Education (formerly 'Operating Companies') and Funds Management Divisions as defined below.

Reclassification of 'Operating Companies' segment to 'Education'

In the prior year, the Operating Companies segment comprised of two separate divisions, being education and industrials (diagnostic testing). The education segment represents the fast-growing, 100% owned EdventureCo group, whilst the industrials segment has represented the operations of the wholly-owned diagnostic testing company, Thermoscan Inspection Services Pty Limited.

During the year ended 30 June 2018, however, the Board determined that the industrials division was not in line with the future strategy and direction of the Group and has therefore committed to a plan to pursue an orderly prospective exit from the business. As such, the assets and liabilities of Thermoscan Inspection Services Pty Limited have been classified as held for sale at 30 June 2018 and the industrials division has been treated as a discontinuing operation for the purposes of the Group's financial statements. The comparative consolidated statements of profit or loss and other comprehensive income have been restated to show the discontinued operation separately from continuing operations.

In this context, the Board has determined that the 'Operating Companies' division be reclassified to the 'Education' division, solely representing segment information associated with the EdventureCo 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** – VivoPower is a global solar power developer, co-owner, producer and operator which develops, co-owns and operates solar projects;
- **Education** – operates the Group's education platform, EdventureCo, delivering building, construction, IT & communication training programmes to students throughout Australia ; and
- **Funds Management** – manages listed and unlisted 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.

6. Segment Reporting (continued)

Following the change in 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

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.

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

For the year ended 30 June 2018	Enterprise office (Australia)	Renewable Energy (Australia/Asia/ USA/UK)	Education (Australia)	Funds Management (Australia)	Total	Intersegment Eliminations	Consolidated
Segment reporting	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue							
Sales to external customers	295,613	46,148,578	24,235,283	6,446,623	77,126,097	-	77,126,097
Intersegment sales	876,000	-	-	-	876,000	(876,000)	-
Total sales revenue	1,171,613	46,148,578	24,235,283	6,446,623	78,002,097	(876,000)	77,126,097
Interest revenue	2,143,856	41,768	10,161	1,076,540	3,272,325	(3,052,663)	219,662
Other income	357,533	1,461,252	1,766,549	420,000	4,005,334	(537,077)	3,468,257
Total revenue	**3,673,002**	**47,651,598**	**26,011,993**	**7,943,163**	**85,279,756**	**(4,465,740)**	**80,814,016**
Segment result	(1,575,792)	(23,050,258)	124,762	2,309,802	(22,191,486)	(4,058,098)	(26,249,584)
Depreciation and amortisation	130,806	434,887	3,002,801	-	3,568,494	-	3,568,494
Finance costs	347,829	4,479,296	139,066	-	4,966,191	(3,482,098)	1,484,093
(Loss) / profit before income tax – continuing operations	(2,054,427)	(27,964,441)	(3,017,105)	2,309,802	(30,726,171)	(576,000)	(31,302,171)
Income tax expense/(benefit)	2,508,825	(7,705,955)	(349,859)	-	(5,546,989)	-	(5,546,989)
(Loss) / profit after income tax – continuing operations	**(4,563,252)**	**(20,258,486)**	**(2,667,246)**	**2,309,802**	**(25,179,182)**	**(576,000)**	**(25,755,182)**
Segment Assets							
Operating assets	108,118,090	104,370,642	76,577,885	104,752,566	393,819,183		
Elimination within segment	-	-	(31,257,963)	(52,526,662)	(83,784,625)		
Reportable segment assets	**108,118,090**	**104,370,642**	**45,319,922**	**52,225,904**	**310,034,558**	**(175,833,775)**	**134,200,783**
Segment Liabilities							
Operating liabilities	10,814,996	84,897,865	27,865,301	1,118,685	124,696,847		
Elimination within segment	-	-	-	-	-		
Reportable segment liabilities	**10,814,996**	**84,897,865**	**27,865,301**	**1,118,685**	**124,696,847**	**(68,613,573)**	**56,083,274**

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

For the year ended 30 June 2017	Enterprise office (Australia)	Renewable Energy (Australia/Asia/ USA/UK)	Education (Australia)	Funds Management (Australia)	Total	Intersegment Eliminations	Consolidated
Segment reporting	$	$	$	$	$	$	$
Revenue							
Sales to external customers	733,166	51,328,990	3,321,137	700,517	56,083,810		56,083,810
Intersegment sales	8,623,731	-	-	-	8,623,731	(8,623,731)	-
Total sales revenue	9,356,897	51,328,990	3,321,137	700,517	64,707,541	(8,623,731)	56,083,810
Interest revenue	1,779,140	21,005	33,439	1,613,963	3,447,547	(2,132,717)	1,314,830
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**	**24,094,766**	**26,842,663**	**114,977,944**	**(51,861,159)**	**63,116,785**
Segment result	762,828	15,820,154	2,108,107	15,607,657	34,298,746	(18,123,363)	16,175,383
Depreciation and amortisation	81,655	1,464,664	1,361,676	-	2,907,995	-	2,907,995
Finance costs	251,706	1,725,046	27,927	-	2,004,679	(1,502,308)	502,371
Profit before income tax – continuing operations	429,467	12,630,444	718,504	15,607,657	29,386,072	(16,621,055)	12,765,017
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**	**826,255**	**13,589,921**	20,697,514	**(16,621,055)**	**4,076,459**
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**

7. Income tax (benefit) / expense

For the reporting period ended 30 June	2018	2017
	$	$
(a) Income tax (benefit) / expense		
Current tax	(1,297,281)	3,151,963
Deferred tax	(4,249,708)	5,148,406
Under/(Over) provision in respect of prior years	-	388,189
	(5,546,989)	8,688,558
(b) Income tax (benefit)/expense is attributable to:		
(Loss) / Profit from continuing operations	(5,546,989)	8,688,558
(c) Deferred income tax (benefit) / expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	59,975	1,322,420
(Decrease)/increase in deferred tax liabilities	(4,309,683)	3,825,986
	(4,249,708)	5,148,406
(d) Numerical reconciliation of income tax expense to prima facie tax payable:		
(Loss)/Profit from continuing operations before income tax	(31,302,171)	12,766,849
Profit from discontinued operations before income tax	796,720	514,877
	(30,505,451)	13,281,726
Income tax (benefit) / expense calculated at statutory rate of 30%	(9,151,635)	3,984,518

7. Income tax (benefit) / expense (continued)

For the reporting period ended 30 June	2018	2017
Add tax effect of:	$	$
- Non-deductible expenses	2,478,436	2,216,708
- Other non-allowable items	-	67,941
Less:		
- Franking credit	(126,000)	(435,128)
- Under/(over) provision for income tax in prior year	-	405,857
- Tax effect of tax rates in other jurisdiction	2,060,065	2,884,533
- Tax losses not previously recognised	-	(27,620)
- Deferred tax assets not brought to account	2,328,049	(280,344)
- Tax losses used	-	(44,583)
- Others	(94,501)	(65,655)
- Prior year adjustment	(3,041,403)	(17,669)
Income tax (benefit) / expense	(5,546,989)	8,688,558
Effective tax rate	(18.18%)	65.42%
Franking credit balance at the end of the year	**1,355,439**	**391,542**

8. Cash and cash equivalents

As at 30 June	2018	2017
	$	$
Cash at bank and on hand	4,977,450	18,397,134
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	4,977,450	18,167,930
Classified as held for sale (note 5(a))	277,837	229,204
Cash and cash equivalents, Consolidated Statement of Cash Flows	**5,255,287**	**18,397,134**

9. Trade and other receivables

As at 30 June	2018	2017
	$	$
Trade debtors [1]	10,648,155	7,727,062
Accrued interest	209,102	72,481
Sundry debtors	151,472	107,986
Loan Receivable – Arowana Global Services, Singapore [2]	371,297	-
Accrued income – CVF performance fee [3]	4,958,675	-
Other accrued income	1,028,654	791,262
	17,367,355	**8,698,791**

[1] – As at 30 June 2018, 88% ($9,403,841) of the Group's trade debtors balance has been outstanding for less than 60 days, with the remaining 12% ($1,244,314) outstanding between 60 to 365 days and deemed past due but not impaired.

[2] - Represents two short-term loans receivable of $170,000 (provided in the prior year and classified as a non-current receivable at 30 June 2017) and $200,000 (provided during the current year), accruing interest at 6% and 8% respectively. Both loans are due for repayment on 30 September 2018.

[3] – Represents performance fee receivable in connection with the management of the Arowana Contrarian Value Fund for the year ended 30 June 2018. The performance fee represents 20% of the out-performance of the Fund over an 8% per annum cumulative hurdle when the Fund's benchmark (the S&P / ASX 200 Accumulation Index) is positive. This amount was recognised as income in the current year and funds have since been received (July 2018).

10. Other current assets

As at 30 June	2018	2017
	$	$
Prepayments	991,587	790,852
Short term deposits	295,775	75,000
	1,287,362	**865,852**

11. Investments

(a) Investments accounted for using cost method:

During the year ended 30 June 2018, the Company's 61% subsidiary, VivoPower USA LLC, entered into an agreement to sell its remaining 14.5% and 10% equity interests in Innovative Solar 31 LLC ("NC 31") and Innovative Solar 47 LLC ("NC 47") respectively to the majority investor. The proceeds of sale, net of transactions costs, are US$11.4 million. The completion payment in respect of this transaction has been received subsequent to the end of the financial year.

At the time of the transaction, the Group's carrying value of these assets totalled US$21.6 million and, accordingly, a non-cash impairment charge of US$10.2 million was recorded and the remaining net realisable value of US$11.4 million reclassified to current assets as an asset held for sale (refer to note 5 for further details). The impairment charge primarily reflected uncertainty in the projected future value of the sale of electricity in the wholesale North Carolina market after the current power sale contracts expire in 2027. Predicting the future value of wholesale power is difficult, and results in a wide range of possible asset values for asset-in-use valuations. It also reflects changes in the interest rate environment.

11. Investments (continued)

As at 30 June	2018	2017
	$	$
NC 31	-	16,425,726
NC 47	-	12,010,975
	-	**28,436,701**

(b) Investments accounted for using equity method:

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

As at 30 June	2018	2017
	$	$
Innovative Solar Ventures I, LLC	19,140,536	19,102,677
Viento Group Limited	324,400	430,615
	19,464,936	**19,533,292**

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

		Percentage interest	
		30 June 2018	30 June 2017
Associate / Joint venture	Principal activities	%	%
Innovative Solar Ventures I, LLC	Solar power developer	50.0	50.0
Viento Group Limited	Investment holding company	31.8	31.8

11. Investments (continued)

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	Total
	$	$	$	$
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 entitie	(6,356,554)	-	(112,052)	(6,468,606)
Share of other comprehensive income of associated entities	-	(285,993)	-	(285,993)
Dividend received from associated entities	(125,376)	-	-	(125,376)
Provision for impairment	(1,218,045)	-	-	(1,218,045)
Impact of foreign exchange translation	(387,180)	-	-	(387,180)
Ending balance at 30 June 2017	**-**	**19,102,677**	**430,615**	**19,533,292**
Opening balance, 1 July 2017	**-**	**19,102,677**	**430,615**	**19,533,292**
Share of profit (loss) of associated entitie	-	(283,727)	(106,215)	(389,942)
Impact of foreign exchange translation	-	321,586	-	321,586
Ending balance at 30 June 2018	**-**	**19,140,536**	**324,400**	**19,464,936**

11. Investments (continued)

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 2018	Intueri Education Group (NZ)	Innovative Solar Ventures I, LLC	Viento Group Limited
	$	$	$
Share of assets and liabilities:			
Current assets	-	928,833	181,158
Non-current assets	-	18,211,703	78,449
Total assets	**-**	**19,140,536**	**259,607**
Current liabilities	-	-	18,655
Non-current liabilities	-	-	-
Total liabilities	**-**	**-**	**18,655**
Net assets	**-**	**19,140,536**	**240,952**
Share of profit & loss and other comprehensive income			
Revenue	-	-	1,258
Expenses	-	283,727	(107,473)
Net profit	-	(283,727)	(106,215)
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**(283,727)**	**(106,215)**

11. Investments (continued)

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)**

(c) Other financial assets.

The Group had the following other financial assets:

As at 30 June	2018	2017
	$	$
Convertible Notes – Evolution Group Holdings Ltd [1]	-	3,000,000
Other receivables	219,372	238,640
Loan Receivable – Arowana Global Services, Singapore	-	170,000
	219,372	**3,408,640**

1 – In the previous year, this represented 3,000,000 unsecured convertible notes in an unlisted public company, Evolution Group Holdings Ltd ("EGH"). The notes were redeemed at face value during the year ended 30 June 2018 with an early redemption premium of $600,000 which has been recognised as revenue.

12. Other non-current assets

The Group had the following other non-current assets:

As at 30 June	2018	2017
	$	$
Receivable from associated entity [1]	-	762,835
LTVCP loans [2]	348,750	362,700
Security deposit	1,787,327	207,093
	2,136,077	**1,332,628**

[1] - Loans outstanding at 30 June 2017 totalled $762,835 representing amounts advanced to VivoPower Philippines Inc. This entity is now consolidated in the financial statements of the Group (refer note 36) and so the loan balance is eliminated on consolidation.

[2] - 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 2018 totalled $348,750 (2017: $362,700).

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 $88,789 (2017: $92,341).

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	2018	2017
	$	$
Leasehold improvements		
Cost	2,657,035	483,102
Less: Accumulated depreciation	(327,155)	(113,984)
WDV	**2,329,880**	**369,118**
Plant & equipment		
Cost	1,623,269	2,657,752
Less: Accumulated depreciation	(1,165,885)	(954,747)
WDV	**457,384**	**1,703,005**
Leased assets		
Cost	2,404,575	2,501,018
Less: Accumulated depreciation	(1,842,559)	(1,620,178)
WDV	**562,016**	**880,840**
Computer equipment		
Cost	1,527,011	924,023
Less: Accumulated depreciation	(941,225)	(579,768)
WDV	**585,786**	**344,255**
Furniture & fixtures		
Cost	432,487	173,717
Less: Accumulated depreciation	(146,397)	(85,308)
WDV	**286,090**	**88,409**
Motor vehicle		
Cost	622,010	82,401
Less: Accumulated depreciation	(199,607)	(27,384)
WDV	**422,403**	**55,017**
Total		
Cost	9,266,387	6,822,013
Less: Accumulated depreciation	(4,622,828)	(3,381,369)
WDV	**4,643,559**	**3,440,644**

Arowana International Limited and its Controlled Entities

For the year ended 30 June 2018

	Leasehold Improvement	Plant & equipment	Leased assets	Computer equipment	Furniture & fixtures	Motor vehicle	Total
	$	$	$	$	$	$	$
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)
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**
Year ended 30 June 2018							
As at 1 July 2017	369,118	1,703,005	880,840	344,255	88,409	55,017	3,440,644
Additions – via acquisitions (WDV)	2,157,569	-	-	398,134	212,931	-	2,768,634
Additions	16,364	77,002	412,822	216,293	53,741	537,616	1,313,838
Reclassified as available for sale	-	(597,737)	(144,136)	(6,980)	(4,715)	-	(753,568)
Depreciation charge	(213,171)	(211,138)	(222,381)	(361,457)	(61,089)	(172,223)	(1,241,459)
Disposals	-	(513,748)	(365,129)	(4,388)	(3,187)	-	(886,452)
Foreign exchange movement	-	-	-	(71)	-	1,993	1,922
As at 30 June 2018	**2,329,880**	**457,384**	**562,016**	**585,786**	**286,090**	**422,403**	**4,643,559**

14. Deferred tax assets and liabilities

(a) Deferred tax assets

As at 30 June	2018	2017
	$	$
Deferred tax asset	11,588,699	10,747,765
Deferred tax assets comprises the following:		
Tax losses	7,745,428	8,683,130
Other temporary differences on expenses	3,843,271	2,064,635
	11,588,699	**10,747,765**
Movement in deferred tax assets are as follows:		
Balance at beginning of the year	10,747,765	11,117,740
Balance recognised on business combination	900,909	1,303,550
(Charged)/ Credited to profit & loss	(59,975)	(1,322,420)
Under/(Over) provision in respect of prior year	-	(351,105)
Balance at end of the year	**11,588,699**	**10,747,765**

(b) Deferred tax liabilities

As at 30 June	2018	2017
	$	$
Deferred tax liability	7,411,637	10,986,020
Deferred tax liabilities comprises of the following:		
Accrued income	1,502,028	95,191
Intangible assets acquired via business combination	5,006,852	11,400,672
Other temporary differences	902,757	(509,843)
	7,411,637	**10,986,020**
Movement in deferred tax liabilities is as follows:		
Balance at beginning of the year	10,968,020	2,346,625
Balance recognised on business combination	753,300	6,573,751
Charged/(Credited) to profit & loss	(4,309,683)	3,825,984
Charged to equity	-	(1,832,892)
Under/(Over) provision	-	54,552
Balance at end of the year	**7,411,637**	**10,968,020**

15. Intangible assets

(a) Reconciliation of movement in 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 2018	$	$	$	$	$	$	$	$	$	$	$
Cost	33,096,390	4,597,000	8,075,000	5,702,000	153,812	1,066,863	2,246,383	85,697	6,219	26,254	55,055,618
Accumulated amortisation/impairment	(550,000)	(413,806)	(1,684,700)	(856,167)	-	(543,476)	(2,042,483)	(22,984)	-	-	(6,113,616)
Carrying value	**32,546,390**	**4,183,194**	**6,390,300**	**4,845,833**	**153,812**	**523,387**	**203,900**	**62,713**	**6,219**	**26,254**	**48,942,002**
Movement for the year ended 30 June 2018											
Opening balance – 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
Reclassified as assets held for sale	(2,201,040)	-	-	-	(1,007,976)	-	-	-	-	-	(3,209,016)
Additions from business combinations (Note 36)	1,945,833	807,000	2,118,000	2,000	-	391,000	-	-	-	-	5,263,833
Other additions	-	-	-	-	326,851	44,209	-	-	-	5,011	376,071
Adjustments arising from purchase price allocation	3,429,872	148,864	2,615,864	(7,664,545)	-	-	-	-	-	-	(1,469,945)
Disposals	-	-	-	-	(415,765)	-	-	-	-	-	(415,765)
Impairment provision during the period	(781,054)	-	-	-	-	-	-	-	-	-	(781,054)
Amortisation provision during the period	-	(249,274)	(1,350,586)	98,443	-	(366,677)	(1,049,136)	(17,139)	-	-	(2,934,369)
Net book amount 30 June 2018	**32,546,390**	**4,183,194**	**6,390,300**	**4,845,833**	**153,812**	**523,387**	**203,900**	**62,713**	**6,219**	**26,254**	**48,942,002**

15. Intangible assets (continued)

	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	631,633	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**

15. Intangible assets (continued)

(b) Allocation of goodwill

Goodwill as at 30 June 2018 can be allocated to the various cash generating units ("CGUs") as follows:

Cash generating unit	$
Education division – EdventureCo Trades	6,852,566
Education division – DDLS Pty Ltd	1,164,779
Renewable energy division – VivoPower Pty Ltd	1,911,268
Renewable energy division – Aevitas Group Ltd	22,617,777
Total Goodwill	**32,546,390**

Goodwill as at 30 June 2017 was allocated to the various CGUs 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**

(c) Impairment testing

Methodology

The recoverable amount of goodwill allocated to CGUs is determined based on value-in-use. For the purposes of impairment testing, the following methodology was consistently applied across each CGU:

- Value-in-use is estimated based on the discounted value of future cashflow projections over the five-year period from FY2019 to FY2023;
- Future cashflow projections are based on FY2019's detailed financial budgets and associated strategy execution plans as approved by the Board, together with forecasts for a further four years which are extrapolated using estimates of longer-term growth rates and having regard to each CGU's strategy;
- In order to discount projected cashflows to net present value, discount rates are applied to reflect the Group's estimates of market risk and specific risk factors for each CGU not otherwise incorporated in cashflow projections; and

15. Intangible assets (continued)

- The value-in-use estimates above are adjusted to include an assessment of terminal value, representing the discounted cashflows beyond the five-year forecast period.

Key assumptions

In determining the value-in-use calculations for each CGU, management has applied the following key assumptions:

As at 30 June	2018	2017
	%	%
Short-term revenue CAGR * (1-5 years)	6.7% - 24.6%	6.5% - 21.3%
Long-term revenue CAGR * (terminal value)	0.0% - 3.0%	0.0%
Post-tax discount rates applied	9.2% - 21.0%	8.9% - 18.2%

* *Compound Annual Growth Rate ("CAGR")*

Cashflow projections adopted in measuring value-in-use recoverable amounts exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance.

Results

The recoverable amounts derived from the appropriate measures described above are compared to the carrying value for each CGU, and if the carrying value exceeds the recoverable amount, an impairment loss is recognised. Based on the results of the Group's impairment testing as at 30 June 2018, it was determined that the carrying value of goodwill allocated to each CGU was adequately supported by its respective recoverable amount.

Management has identified that a reasonably possible change in two key assumptions could cause the goodwill allocated to the EdventureCo Trades CGU to exceed its recoverable amount. The following table illustrates the sensitivity of the recoverable amount of goodwill to adverse changes in underlying assumptions:

	Change required individually for carrying amount to equal recoverable amount	
As at 30 June 2018	Short-term revenue CAGR	Post-tax discount rate
	%	%
Education division – EdventureCo Trades	16.6%	15.0%

In relation to goodwill for the remaining CGUs, management has determined that, given the significant excess of future cash flows over their carrying value, there are no reasonable possible changes in key assumptions which could occur to cause the carrying amount of these CGU's to exceed their recoverable amounts.

16. Trade and other payables

As at 30 June	2018	2017
	$	$
Current		
Trade creditors	11,061,670	5,504,156
Accrued expenses	7,937,255	4,975,718
Deferred income	7,752,879	2,031,742
Payroll liabilities	1,642,473	1,571,802
Capital commitment - Innovative Solar Ventures I, LLC	1,709,728	7,353,627
GST payable	145,967	40,477
Other payables	2,266,782	59,860
	32,516,754	**21,537,382**

17. Deferred consideration

As at 30 June 2018, $2,656,016 related to unconditional, deferred consideration payable to vendors of DDLS Australia Pty Ltd – refer note 36 for further detail.

As at 30 June 2017, $200,000 related to a retention payment on the acquisition of Evolution Academy Pty Ltd – refer note 36 for further detail.

18. Current tax liabilities

As at 30 June	2018	2017
	$	$
Income tax payable	280,561	3,151,964
	280,561	**3,151,964**

19. Provisions

For the reporting period ended 30 June	2018	2017
	$	$
(a) Employee entitlements - current	4,633,405	2,343,164
(b) Employee entitlements – non-current	2,260,402	254,395
	6,893,807	**2,597,559**

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	2018	2017
	$	$
Current		
Lease liabilities [(a)]	252,035	207,582
Term loans [(b)]	5,381,545	4,017,547
	5,633,580	**4,225,129**
Non-Current		
Lease liabilities [(a)]	316,276	335,202
Term loan [(b)]	-	1,193,478
	316,276	**1,528,680**
Total interest-bearing liabilities	**5,949,856**	**5,753,809**

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

(b) *Term loans consist of short-term finance, US$3,977,500 at 12% per annum, which has been repaid subsequent to the end of the financial year.*

21. Financial instruments

(a) Financial risk management

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.

21. Financial instruments (continued)

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		**2018**	**2017**
	Note	**$**	**$**
Cash and cash equivalents	8	4,977,450	18,167,930
Trade and other receivables	9	17,367,355	8,698,791
Other financial assets	11	219,372	3,408,640
Cash from assets held for sale	5	277,837	229,204
Total		**22,842,014**	**30,504,565**

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

21. Financial instruments (continued)

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 2018					
Trade creditors	(9,001,885)	(404,842)	(2,194,941)	-	(11,601,668)
Lease liability	(41,903)	(206,742)	(319,666)	-	(568,311)
Term loan	-	(5,381,545)	-	-	(5,381,545)
Accrued expenses	-	(7,937,255)	-	-	(7,937,255)
Payroll liabilities	-	(1,642,473)	-	-	(1,642,473)
Capital commitment	-	(1,709,728)	-	-	(1,709,728)
Other payables	-	(2,266,782)	-	-	(2,266,782)
	(9,043,788)	**(19,549,367)**	**(2,514,607)**	**-**	**(31,107,762)**
As at 30 June 2017					
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)
Accrued expenses	-	(4,975,718)	-	-	(4,975,718)
Payroll liabilities	-	(1,571,802)	-	-	(1,571,802)
Capital commitment	-	(7,353,627)	-	-	(7,353,627)
Other payables	-	(59,860)	-	-	(59,860)
	(5,312,249)	**(18,378,043)**	**(1,528,680)**	**-**	**(25,218,972)**

21. Financial instruments (continued)

(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 2018:

	SGD	PHP	GBP	USD
Assets	847,352	897,791	168,025	56,986,690
Liabilities	48,397	35,686,145	467,549	33,068,184
Net Assets	798,955	(34,788,354)	(299,524)	23,918,506
NPAT	1,344,557	(34,666,355)	(299,524)	(14,574,800)

The Group has GBP, USD, SGD and PHP bank accounts.

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

	Average rate	Reporting date spot rate
SGD / AUD	1.0404	1.0078
PHP / AUD	39.0938	39.2996
GBP / AUD	0.5762	0.5634
USD / AUD	0.7753	0.7391

Sensitivity analysis

Any change in the AUD against USD, GBP, SGD or PHP at 30 June 2018 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 2018	Strengthening	Weakening	Strengthening	Weakening
AUD (5% movement)	(1,511,314)	1,670,400	900,576	(995,374)
AUD (10% movement)	(2,885,236)	3,526,399	1,719,282	(2,101,344)

21. Financial instruments (continued)

Interest risk

All of the Group's related party loans receivable and interest-bearing liabilities at the end of the reporting period are subject to fixed interest rates for the duration of their term. The Group's cash and cash equivalents earn interest at a variable interest rate. Depending on market trends the Group may consider a policy to fix a portion of its variable 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	**2018**	**2017**
Fixed rate instruments		
Financial assets	370,000	3,170,000
Financial liabilities	(5,949,856)	(5,211,025)
Variable rate instruments		
Financial assets	4,977,450	18,397,134
Financial liabilities	-	-
Net financial assets/(liabilities)	**(602,406)**	**16,356,109**

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 before tax 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	**2018**	**2017**
Interest rate		
Increase by 100 basis points	49,775	183,971
Decrease by 100 basis points	(49,775)	(183,971)

(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	2018	2018
Ordinary shares	**No. of shares**	**$**
Balance at beginning of the year	158,170,799	59,859,654
LTVCP shares cancelled during the year (refer note 12)	-	(13,950)
Total contributed equity	**158,170,799**	**59,845,704**

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**

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

As at 30 June		2018	2017
	Note	**$**	**$**
Equity reserve [(a)]		(11,754,685)	(11,754,685)
General reserve [(b)]		(17,989,542)	(17,989,542)
LTVCP reserve [(c)]	12	257,581	168,792
General Reserves		**(29,486,646)**	**(29,575,435)**
Option reserve [(d)]		3,095,100	3,095,100
Share buyback reserve [(e)]		(2,600,374)	(2,600,374)
Foreign exchange reserve [(f)]		(4,101,288)	(3,920,949)
		(33,093,208)	**(33,001,658)**

(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) 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 2015 (see Note 12)

(d) Option reserve represents VivoPower International PLC UPO Options

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

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

24. Retained earnings

For the reporting period ended 30 June	2018	2017
	$	$
Opening retained earnings	49,843,453	49,304,286
Net (loss) / profit for the year	(11,381,624)	1,488,191
Dividend paid	(474,512)	(949,024)
Closing retained earnings	**37,987,317**	**49,843,453**

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	2018	2017
	$	$
Cash and cash equivalents – Consolidated Statement of Financial Position	4,977,450	18,397,134
Classified as held for sale (note 5(a))	277,837	-
Cash and cash equivalents – Consolidated Statement of Cash Flows	**5,255,287**	**18,397,134**

25. Cash flow information (continued)

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

Reconciliation of the operating (loss) / profit after tax to the net cash flows from operations:	2018	2017
	$	$
Operating (loss) / profit from ordinary activities after income tax	(24,958,462)	4,593,168
Cash flows excluded from profit attributable to operating activities		
Add/(subtract) non-cash items:		
Impairment/Amortisation	16,696,300	4,075,281
Depreciation	1,241,459	599,185
Retention liability adjustment	-	(2,000,000)
Profit on disposal of investments	(1,875,883)	(6,774,973)
Loss / (profit) on disposal of fixed assets	9,981	(102,050)
Bad debts	628	59,829
Share of net losses of associates accounted for using the equity method	389,942	6,468,606
Foreign currency (gains) / losses	(206,349)	1,485,369
Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:		
Assets		
Increase in trade and other receivables	(7,932,737)	(3,861,293)
Increase in other current assets	(2,690,977)	(66,747)
Decrease in deferred tax assets	53,871	471,392

Reconciliation of the operating (loss) / profit after tax to the net cash flows from operations:	2018	2017
Liabilities		
Increase in trade and other payables	9,027,916	3,515,467
(Decrease) / increase in deferred tax liabilities	(2,819,655)	4,706,523
(Decrease) / increase in income tax payable	(2,841,869)	3,162,426
Increase in provisions	1,325,993	272,888
Increase in other payables	2,996,344	2,509,035
Net cash used in operating activities	**(11,583,498)**	**19,114,106**

25. Cash flow information (continued)

(c) Changes in liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
For the year ended 30 June 2018	**1 July 2017**	**Cash flows**	**Foreign exchange movements**	**Reclassified to held-for-sale**	**30 June 2018**
Current					
Lease liabilities	207,582	44,453	-	-	252,035
Term loans	4,017,547	1,222,947	141,051	-	5,381,545
Non-Current					
Lease liabilities	335,202	140,552	-	(159,478)	316,276
Term loans	1,193,478	(1,193,478)	-	-	-
	5,753,809	**214,474**	**141,051**	**(159,478)**	**5,949,856**

26. Commitments and contingencies

Commitments

Operating Leases

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

	2018	**2017**
	$	**$**
Less than one year	2,924,362	1,113,975
Between one and five years	6,210,693	979,718
More than five years	1,846,140	-
Total	**10,981,195**	**2,093,693**

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

26. Commitments and contingencies (continued)

Finance Leases

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

	2018	2017
	$	$
Gross payments		
Less than one year	252,035	207,582
Between one and five years	316,276	335,202
More than five years	-	-
Total	**568,311**	**542,784**
As presented in liabilities (note 20)		
Current	252,035	207,582
Non-current	316,276	335,202
	568,311	**542,784**

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	2018	2017
	Cents	Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(7.70)	0.61
From discontinued operations	0.50	0.33
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(7.20)**	**0.94**
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(7.70)	0.61
From discontinued operations	0.50	0.33
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(7.20)**	**0.94**
(c) Reconciliation of earnings used in calculating earnings per share	**$**	**$**
(Loss) / Profit attributable to the ordinary equity holders of the company from continuing operations	(12,178,344)	973,314
Profit from discontinued operations	796,720	514,877
	(11,381,624)	**1,488,191**

For the reporting period ended 30 June	2018	2017
	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

Contingent assets and liabilities not provided for in the financial statements of the Group as at 30 June 2018 comprised of the following:

(a) Litigation – VivoPower International PLC

On 26 February 2018, the former Chief Executive Officer of VivoPower International PLC (61% subsidiary of Arowana International Limited), Phillip Comberg, filed a legal claim alleging VivoPower committed a repudiatory breach of his service agreement in connection with the termination of his employment on 4 October 2017. Mr. Comberg is claiming damages of £615,600 related to the notice period in his service agreement, £540,000 related to shares in VivoPower he alleges were due to him and other unquantified amounts related to bonuses and past services fees alleged to be due.

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

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

(b) Bank guarantees

One of the Company's operating subsidiaries has issued bank guarantees totalling $1,352,997 to customers to secure performance obligations under power services contracts. These obligations are secured by first charge over the assets of JA Martin Pty Limited.

30. Related party transactions

Key Management Personnel Compensation

For the reporting period ended 30 June	2018	2017
	$	$
Short-term employee benefits	2,950,630	999,105
Post-employment benefits	93,824	26,895
Other long-term benefits	82,870	155,898
	3,127,324	**1,181,898**

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.

30. Related party transactions (continued)

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	2018	2017
		$	$
Director			
John Moore AO	Director fees	34,167	30,000
John Moore	Reimbursement of expenses	644	318
Robert McKelvey	Director fees	34,167	30,000
Robert McKelvey	Reimbursement of expenses	329	1,010
Anthony Kinnear	Director fees	34,167	30,000
Ed Fernandez	Director fees	10,000	-
Key management personnel			
Cameron Fellows	Reimbursement of expenses	9,003	-
Conor Byrne	Reimbursement of expenses	3,757	11,667
Dustin Cappelletto	Reimbursement of expenses	27,860	-
Gary Hui (b)	Reimbursement of expenses	10,765	1,206
Kevin Chin	Reimbursement of expenses	6,075	-
Sean Steele	Reimbursement of expenses	41,276	-
Velox Consulting fees (b)	Consulting fees	-	357,033
Velox Consulting fees (b)	Rent	-	26,667

30. Related party transactions (continued)

Expense transactions (continued)

	Transaction	2018	2017
		$	$
Other related parties			
Arowana Partners Group Pty Limited [(a)]	Director fees	30,000	30,000
Arowana Partners Group Pty Limited [(a)]	Research fees	157,862	150,000
Arowana Partners Group Pty Limited [(a)]	Reimbursement of expenses	505,312	443,481
Arowana Capital Pty Ltd [(a)]	Reimbursement of expenses	68,296	-
Borneo Capital Pty Limited [(a)]	Rent	323,113	331,192
Borneo Capital Pty Limited [(a)]	Reimbursement of expenses	15,627	1,809
FX2School Pty Limited [(a)]	Reimbursement of expenses	2,870	11,461
Arowana Group (Asia) Pte Ltd	Reimbursement of expenses	35,612	-

Revenue transactions

	Transaction	2018	2017
		$	$
Other related parties			
Arowana Capital Pty Limited [(a)]	Reimbursement of expenses	348	673
Arowana Partners Group Pty Limited [(a)]	Reimbursement of expenses	17,850	19,516
Arowana Inc	Reimbursement of expenses	-	81,137
Arowana Group (Asia) Pte Ltd	Reimbursement of expenses	1,603	-
Borneo Capital Pty Limited [(a)]	Reimbursement of expenses	559	2,152
FX2School Pty Ltd [(a)]	Reimbursement of expenses	774	5,052
Intueri Education Group Limited	Director fee	-	174,338
Intueri Education Group Limited	Reimbursement of expenses	-	15,000
Luz Almond Company Pty Ltd [(a)]	Reimbursement of expenses	185	7,967
Ubiquity Power Maintenance Group[(e)]	Reimbursement of expenses	629	-
V.V.P.Holdings, Inc. [(c)]	Reimbursement of expenses	-	7,783
Viento Group Limited [(d)]	Reimbursement of expenses	175,463	-

30. Related party transactions (continued)

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:

	2018	2017
	$	$
Arowana Partners Group Pty Limited [(a)]	14,770	106,001
Borneo Capital Pty Ltd [(a)]	-	12,380
FX2School Pty Ltd [(a)]	-	43
Rob McKelvey	362	-
John Moore	30	-
Arowana Capital Pty Ltd	3,555	-

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:

	2018	2017
	$	$
Arowana Capital Pty Limited [(a)]	18	11
Kevin Chin	12,780	-
Arowana Partners Group Pty Limited [(a)]	149	7,170
Conor Byrne	-	535
FX2School Pty Ltd [(a)]	13,822	13,561
Gary Hui	2,428	-
Luz Almond Company Pty Ltd [(a)]	-	27

(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	2018	2017
			%	%
Parent entity				
Arowana International Limited				
Controlled entities of Arowana International Limited				
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
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
ACVF Management Pty Limited	Australia	Ordinary	100	100
Arowana Energy Holdings Pty Limited	Australia	Ordinary	100	100
EdventureCo Holdings Pty Limited	Australia	Ordinary	100	100
EdventureCo Pty Ltd	Australia	Ordinary	100	100
Everthought Education Holdings Pty Limited	Australia	Ordinary	100	100
Everthought Education Pty Limited	Australia	Ordinary	100	100
Everthought College of Construction Holdings Pty Limited	Australia	Ordinary	100	100
Everthought College of Construction Pty Limited	Australia	Ordinary	100	100
DDLS Australia Holdings Pty Limited	Australia	Ordinary	100	-
DDLS Australia Pty Limited	Australia	Ordinary	100	-
VivoPower Pty Limited	Australia	Ordinary	61	61
ACN 613885224 Pty Limited	Australia	Ordinary	61	61
VivoPower WA Pty Limited	Australia	Ordinary	61	61
VVP Project 1 Pty Limited	Australia	Ordinary	61	61

31. Controlled entities (continued)

Name of Entity	Country of incorporation	Class of shares	2018	2017
			%	%
VVP Project 2 Pty Limited	Australia	Ordinary	61	61
Amaroo Solar Pty Limited	Australia	Ordinary	61	61
Amaroo Solar TCo Pty Limited	Australia	Ordinary	61	61
Amaroo Solar HCo Pty Limited	Australia	Ordinary	61	61
Amaroo Solar FCo Pty Limited	Australia	Ordinary	61	61
SC TCo Pty Limited	Australia	Ordinary	61	61
SC HCo Pty Limited	Australia	Ordinary	61	61
SC FCo Pty Limited	Australia	Ordinary	61	61
SC OCo Pty Limited	Australia	Ordinary	61	61
Juice Capital Fund 1 Pty Limited	Australia	Ordinary	61	60
Aevitas O Holdings Pty Limited	Australia	Ordinary	61	60
Aevitas Group Limited	Australia	Ordinary	61	60
Aevitas Holdings Pty Limited	Australia	Ordinary	61	60
DGI Pty Limited	Australia	Ordinary	61	60
Electrical Engineering Group Pty Limited	Australia	Ordinary	61	60
JA Martin Electrical Pty Limited	Australia	Ordinary	61	60
Kenshaw Electrical Pty Limited	Australia	Ordinary	61	60
VivoPower International PLC	UK	Ordinary	61	61
VivoPower International Holdings Limited	UK	Ordinary	61	61
VivoPower International Services Limited	Jersey	Ordinary	61	61
VivoPower USA LLC	USA	Ordinary	61	61
VivoRex LLC	USA	Ordinary	61	61
VivoPower US-NC-31, LLC	USA	Ordinary	61	61
VivoPower US-NC-47, LLC	USA	Ordinary	61	61
VivoPower (USA) Development, LLC	USA	Ordinary	61	61
VivoPower Singapore Pte. Ltd.	Singapore	Ordinary	61	61
V.V.P. Holdings Inc *	Philippines	Ordinary	24	-
VivoPower Philippines Inc *	Philippines	Ordinary	39	-
VivoPower RE Solutions Inc *	Philippines	Ordinary	39	-

* The Philippines entities above are under the control of VivoPower Singapore Pte Limited and are therefore treated as subsidiaries for the purposes of the consolidated financials of Arowana International Limited.

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 30 August 2018 the Company declared an unfranked divided of 0.30 cents per share. The dividend will be payable to shareholders of record on 5 October 2018 and will be paid on 15 October 2018.

33. Auditor's remuneration

For the reporting period ended 30 June	2018	2017
	$	$
(a) PKF Hacketts Audit		
Audit and review of financial statements	191,150	120,500
Other services	7,500	6,700
(b) PKF Tax Pty Ltd (NSW)		
Provision of taxation services	46,450	39,800
(c) PKF Littlejohn LLP		
Audit and review of financial statements of VivoPower International PLC	232,715	231,942
(d) PKF Newcastle		
Audit and review of financial statements of Aevitas Group Limited	85,000	84,954
Total paid to PKF Hacketts Audit and its network firms	**562,815**	**483,896**

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 Australasian Holdings Limited;
- Arowana Education Holdings Pty Ltd;
- EdventureCo Holdings Pty Ltd;
- EdventureCo Pty Ltd;
- DDLS Australia Holdings Pty Ltd; and
- DDLS Australia Pty Ltd.

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	2018	2017
Assets	$	$
Current assets	4,280,823	7,371,136
Non-current assets	104,252,251	103,548,363
Total assets	**108,533,074**	**110,919,772**
Liabilities		
Current liabilities	6,878,809	6,305,310
Non-current liabilities	4,434,587	336,221
Total liabilities	**11,313,396**	**6,641,531**
Net assets	**97,219,678**	**104,278,241**

Statement of Equity	2018	2017
	$	**$**
Issued capital	60,343,819	60,357,769
Capital raising costs	(486,020)	(486,020)
Retained earnings	51,473,307	58,592,759
Reserves	(14,111,428)	(14,186,267)
Total equity	**97,219,678**	**104,278,241**

Statement of Comprehensive Income	2018	2017
	$	**$**
Total (loss) / profit	(6,644,940)	421,395
Total comprehensive (loss) / income	(6,733,729)	421,395

Guarantees

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

35. Parent entity information (continued)

Contingent Assets and Liabilities

The Company has no contingent assets as at 30 June 2018.

The Company has contingent liabilities relating to performance guarantees of $929,105.

36. 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 adjustments), representing up-front cash consideration of $500,000 and unconditional deferred consideration of $3,481,223. Instalments of $825,207 were paid between the date of acquisition and 30 June 2018, with the remaining $2,656,016 recognised as a current liability and due to be settled by 30 September 2018.

The acquisition of DDLS contributed revenue of $20,512,739 towards total Group revenue for the year. Had the acquisition occurred on 1 July 2017, the total revenue contribution to the Group would have been $36,517,714.

(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.

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 year ended 30 June 2018.

36. Business combinations (continued)

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	2,768,139	495
Identifiable intangible assets	3,318,000	-
Other non-current assets	-	3,484
Deferred tax asset	900,909	-
Trade and other payables	(8,248,856)	(127,437)
Other non-current liabilities	(2,583,886)	-
Deferred tax liability	(753,300)	-
Borrowings	-	(679,708)
Fair value of identifiable net assets / (liabilities) acquired	**2,816,444**	**(781,054)**
Consideration:		
Cash consideration paid, net of working capital adjustment	1,325,207	-
Deferred consideration (unconditional)	2,656,016	-
Total consideration paid	**3,981,223**	**-**
Goodwill on acquisition	**1,164,779**	**781,054**
Cash acquired	3,249,811	20,964
Less consideration paid, net of working capital adjustment	(1,325,207)	-
Net cash acquired	**1,924,604**	**20,964**

(c) 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).

36. Business combinations (continued)

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 ended 30 June 2017 was ($1,539,950).

If the equity acquisitions had occurred on 1 July 2016, consolidated pro-forma revenue and profit for the year ended 30 June 2017 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.

36. Business combinations (continued)

(d) 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 ended 30 June 2017 was $1,447,906.

36. Business combinations (continued)

If the acquisition had occurred on 1 July 2016, consolidated pro-forma revenue and loss for the year ended 30 June 2017 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.

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 2018 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 Company and 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

30 August 2018

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 2018, 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 2018 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. Funding and Liquidity

Why significant

As detailed in note 2(a), the consolidated entity recorded a loss after tax from continuing operations of $24,96m (2017: profit of $4.59m) and cash outflows from operations of $11,58m (2017: cash inflows from operations of $19.11m). At year-end the consolidated entity had $4.98m (2017: $18.4m) of cash available for future expenditure.

The consolidated entity has prepared a forecast which demonstrates that there will be sufficient funding to operate for a period that is not less than twelve months beyond the date these financial statements are approved. The forecast takes into account the available cash on hand at year-end, combined with the forecast cash flows from operations.

Given the judgement involved in determining the forecast cash flows from operations, we have included the going concern assumption as a key audit matter.

How our audit addressed the key audit matter

We have evaluated management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances. This included evaluating the consolidated entity's latest cash flow forecast for a period that is not less than 12 months beyond the date of the financial statements are approved. We have considered whether there are indicators that the consolidated entity may face a liquidity shortfall and assessed the resulting implications by:

- Understanding and challenging the reasonableness of key assumptions used by the consolidated entity in their cash flow forecast for a period that is not less than 12 months beyond the date of these financial statements are approved;
- Performing a retrospective review of the prior year cash flow forecast to assess the consolidated entity's historical accuracy in preparing cash flow forecasts and in applying this historical accuracy to the current cash flow forecast;
- Performing sensitivity analysis to determine the robustness of the cash flow forecast and the impact of changing key assumptions; and
- Assessing the adequacy of the disclosures made by management in the consolidated financial statements

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

Why significant

During the year, the consolidated entity acquired 100% interest in DDLS Australia Pty Ltd

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

- Goodwill of $1.16m; and
- Identifiable intangible assets of $3.3 million.

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

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.

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(l), Note 15 and Note 36.

3. Carrying value of intangible assets including goodwill

Why significant

As at 30 June 2018, the Group recorded the following assets required impairment considerations in Note 15 of the financial report:

- Goodwill of $32.5 million; and
- Intangible assets of $16.4 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 *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:

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 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:

- 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.

- 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.

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 2018.

In our opinion, the Remuneration Report of Arowana International Limited for the year ended 30 June 2018, 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

30 AUGUST 2018

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 15 August 2018.

Substantial shareholders

The names of the substantial shareholders listed in the holding Company's register at 15 August 2018 (22 August 2017) are:

Shareholders	Number of shares	
	2018	**2017**
HSBC Custody Nominees (Australia) Limited	13,499,555	12,367,766
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	70	26,891	0.02
1,001-5,000	75	198,947	0.13
5,001-10,000	79	609,557	0.38
10,001-100,000	547	20,477,871	12.95
100,001 and over	173	136,857,533	86.52
Total	**944**	**158,170,799**	**100.00**

Twenty largest shareholders

Shareholders	Ordinary shares Number	Ordinary shares %
HSBC Custody Nominees (Australia) Limited	13,499,555	8.53%
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>	7,121,046	4.50%
Panaga Group Pty Ltd <The Panaga Group A/C>	7,079,917	4.48%
Ruminator Pty Ltd	5,046,667	3.19%
Traoj Pty Ltd <Traoj A/C>	4,220,198	2.67%
Nwod Montpelier Investments Pty Limited	3,000,000	1.90%
Impulsive Pty Ltd <Dawson Super Fund A/C>	2,857,000	1.81%
J P Morgan Nominees Australia Limited	2,772,713	1.75%
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%
Yellow Diamond Pty Ltd <Navsar Super A/C>	1,885,643	1.19%
Pintia Pty Ltd <Peter Curry Super Fund A/C>	1,820,000	1.15%
OHJS Group Pty Ltd <Super Hans Super Fund A/C>	1,707,000	1.08%
Leanganook Pty Ltd <Leanganook S/F A/C>	1,430,000	0.90%
Global Mutual Funds Pty Ltd	1,400,866	0.88%
Ralsten Pty Limited	1,400,000	0.88%
Total for twenty largest shareholders	**92,362,671**	**58.39%**
Total Issued Capital	**158,170,799**	

Securities exchange listing

The Company is listed on the Australian Securities Exchange.

ASX Code

AWN

Company Secretary

The name of the Company Secretary is Mr Cameron Fellows

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 and CEO) Mr Robert McKelvey (Non-Executive Director) Mr Eduardo Fernandez (Non-Executive Director)
Company Secretary	Mr Cameron Fellows
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.arowanaco.com