AROWANA

26 February 2019

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

**Subject: Interim Financial Report for half-year ended 31 December 2018**

The Directors of Arowana International Limited (ASX: AWN) are pleased to release the Interim Financial Report for the half-year ended 31 December 2018. The accompanying Investor Presentation will be released as a separate announcement.

On behalf of the Board of AWN,

Cameron Fellows
Company Secretary

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AROWANA

# Arowana International Limited and its Controlled Entities

(ABN 83 103 472 751)

# Interim Financial Report

Including Appendix 4D Disclosures

For the half-year ended 31 December 2018

(Previous corresponding half-year ended 31 December 2017)

Contents

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### Results for announcement to the Market

| Key information | Half-year ended 31 December 2018 $ | Half-year ended 31 December 2017 $ | % Change |
|---|---|---|---|
| Revenue from ordinary activities | **48,198,936** | 30,189,162 | 60 |
| Loss after tax attributable to members | **(5,432,034)** | (6,206,442) | 12 |

*nmf – no meaningful comparison*

### Dividends paid and proposed

| Dividends | Amount per security | Franked amount per security |
|---|---|---|
| 2018 Final dividend – paid 15 October 2018 | 0.3 cents | Nil |

The Directors have not declared an interim dividend in respect of the half-year ended 31 December 2018. The Directors changed the dividend policy in the previous period such that dividends will be paid annually only, to save on the inefficiency of paying two dividends per annum. The intention is to maintain dividends at least the same as for the prior financial year.

### Dividend reinvestment plan

AWN does not have a dividend reinvestment plan in operation.

### Explanation of key information and dividends

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

### Earnings per share

| Earnings per ordinary fully paid share | Current Period | Previous Corresponding Period |
|---|---|---|
| Basic EPS | **(3.43) cents** | (3.92) cents |
| Diluted EPS | **(3.43) cents** | (3.92) cents |

### Net tangible assets

| NTA backing | 31 December 2018 | 30 June 2018 |
|---|---|---|
| Net tangible asset backing per ordinary security | 11.4 cents | 15.8 cents |

### Control gained or lost over entities in the half-year

There were no transactions entered into by the Group during the half-year ended 31 December 2018 that resulted in control being gained over any entities.

Effective 2 November 2018, control was lost over Juice Capital Fund 1 Pty Ltd (which was part of VivoPower Australia) following the disposal of the entity for total consideration of $570,000. The resulting gain on sale was not material to the results of the Group for the half-year ended 31 December 2018.

### Associates and joint venture entities

| | Ownership interest | | Contribution to Net Loss | |
|---|---|---|---|---|
| **Name** | **Current period** % | **Previous corresponding period** % | **Current period** $ | **Previous corresponding period** $ |
| Innovative Solar Ventures I, LLC | 50.0 | 50 | - | (442,100) |
| Viento Group Limited | 31.8 | 31.8 | (5,390) | (45,997) |

**Directors' Report for the half-year ended 31 December 2018**

Your directors submit the financial report of Arowana International Limited ("the Company") and its controlled entities ("the Group") for the half-year ended 31 December 2018.

**Directors**

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

| Name | Position |
|---|---|
| Kevin Tser Fah Chin | Executive Chairman and Chief Executive Officer |
| Robert John McKelvey | Non-Executive Director |
| Anthony Paul Kinnear [1] | Non-Executive Director |
| Eduardo Fernandez | Non-Executive Director |

[1] Mr. Anthony Paul Kinnear was a Non-Executive Director from the beginning of the half-year until his resignation on 17 August 2018.

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

**Review of Operations**

***Statutory Financial highlights***

Statutory operating revenue for the half-year ended 31 December 2018 increased by 60% to $48.2 million (2017: $30.2 million) due primarily to significantly increased revenues from EdventureCo, the Group's education platform, together with strong organic growth from VivoPower's Aevitas business unit in Australia.

The statutory EBIT and loss after tax attributable to shareholders for the half-year ended 31 December 2018 were a loss of $8.1 million (2017: loss of $11.4 million) and a loss of $8.4 million (2017: loss of $8.6 million) respectively. Key contributors to the loss for the period - an improvement on the prior corresponding period – were:

- Decline in solar project developer fee revenue in VivoPower in the United States;
- Non-recurring restructuring, remuneration and professional fees ($1.2 million) incurred by VivoPower primarily in connection with a cost reduction programme for the business;
- Continued investment into the growth of the Funds Management division in support of the launch of a new product, the Australian Special Income Opportunities Fund; and
- Non-cash amortisation of identifiable intangibles ($1.3 million) following acquisition of DDLS and Aevitas (supply contracts, customer relationships, course development etc).

The following table sets out the statutory financial results for the half-year ended 31 December 2018:

| All figures in A$ thousands | Half-year ended 31 December 2018 – Statutory (reviewed) | Half-year ended 31 December 2017 – Statutory (reviewed) * | % change |
|---|---|---|---|
| Operating revenue | 48,199 | 30,189 | 60 |
| Interest income | 102 | 141 | (28) |
| Total income | 48,301 | 30,331 | 59 |
| Other income / (expenses) | 224 | (277) | nmf |
| Earnings before interest, tax, depreciation & amortisation (EBITDA) | (6,272) | (9,064) | 31 |
| Earnings before interest and tax (EBIT) | (8,136) | (11,387) | 29 |
| Loss before tax (PBT) | (8,513) | (11,734) | 27 |
| Tax benefit | 72 | 3,123 | (98) |
| Net loss after tax (NPAT) from continuing operations | (8,441) | (8,611) | 2 |
| Earnings per share (EPS) | (3.4) cents | (3.9) cents | 13 |
| Dividend per share paid (DPS) | 0.3 cents | 0.3 cents | - |
| Net tangible assets (NTA) per share | 11.4 cents | 22.9 cents | (50) |

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

*nmf – no meaningful comparison*

### *Underlying Financial Performance*

In order to enable a more meaningful comparison of underlying financial performance, the following tables outline AWN's financial performance for the half-year ended 31 December 2018 versus the half-year ended 31 December 2017, together with a reconciliation of statutory to underlying results. The tables are presented on the following basis:

- Excluding the impact of non-recurring restructuring and other one-off costs incurred by VivoPower, primarily in connection with its strategic review, $1.2 million (2017: NIL);
- Excluding the impact of non-recurring project costs incurred by the Enterprise Office, principally related to the impending launch of the Australian Special Income Opportunities Fund ("ASIOF"), $0.2 million (2017: $0.7 million);
- Excluding any unrealised foreign exchange gains from foreign currency holdings, $0.2 million (2017: losses of $0.4 million);
- Excluding the impact of EdventureCo's non-recurring restructuring costs following the acquisition and integration of DDLS Australia Pty Ltd, $0.1 million (2017: NIL);

- Excluding the non-cash provision for impairment on the Group's investment in VivoPower Philippines, NIL (2017: $0.8 million);
- Excluding proceeds received from a confidential legal settlement in relation to a prior period transaction, NIL (2017: $0.4 million); and
- Excluding the impact of other individually immaterial, non-recurring transactions, $0.3 million (2017: $0.7 million).

**Reconciliation of Statutory to Underlying Results**

| | Half-year ended 31 December 2018 | | Half-year ended 31 December 2017 | |
|---|---|---|---|---|
| All figures in A$ thousands | EBIT | EBITDA | EBIT | EBITDA |
| **Statutory reporting basis** | **(8,136)** | **(6,272)** | **(11,387)** | **(9,064)** |
| **VivoPower International** | | | | |
| Reverse unrealised FX losses / (gains) | 960 | 960 | (79) | (79) |
| Reverse non-cash provision for impairment | - | - | 767 | 767 |
| Normalisation of non-recurring expenses | 1,186 | 1,186 | 634 | 634 |
| **EdventureCo** | | | | |
| Reverse one-off proceeds received from a confidential legal settlement | - | - | (364) | (364) |
| Normalisation of project costs | 16 | 16 | - | - |
| Normalisation of non-recurring expenses | 126 | 126 | 54 | 54 |
| **Thermoscan** | | | | |
| Add back from discontinued operations | 453 | 489 | 421 | 470 |
| **Arowana Funds Management** | | | | |
| Normalisation of non-recurring expenses | 23 | 23 | - | - |
| **Enterprise Office** | | | | |
| Reverse unrealised FX (gains) / losses | (1,201) | (1,201) | 449 | 449 |
| Normalisation of project costs | 239 | 239 | 704 | 704 |
| Normalisation of non-recurring expenses | 228 | 228 | - | - |
| **Unallocated** | | | | |
| Realised foreign exchange gains / (losses) not allocated to business units | 19 | 19 | (93) | (94) |
| **Underlying reporting basis** | **(6,087)** | **(4,187)** | **(8,894)** | **(6,523)** |

### Underlying Results

| All figures in A$ thousands | Half-year ended 31 December 2018 – underlying (unaudited) | Half-year ended 31 December 2017 – underlying (unaudited) | % change |
|---|---|---|---|
| VivoPower International | 26,407 | 24,019 | 10 |
| EdventureCo | 21,233 | 4,529 | 369 |
| Thermoscan | 1,521 | 1,445 | 5 |
| Arowana Funds Management | 556 | 992 | (44) |
| Enterprise Office | 3 | 286 | (99) |
| **Total underlying revenue** | **49,720** | **31,271** | **59** |
| VivoPower International | (1,757) | (2,969) | 41 |
| EdventureCo | 833 | (1,199) | nmf |
| Thermoscan | 489 | 470 | 4 |
| Arowana Funds Management | (1,664) | 7 | nmf |
| Enterprise Office | (2,089) | (2,832) | 26 |
| **Total underlying EBITDA** | **(4,187)** | **(6,523)** | **36** |
| VivoPower International | (2,512) | (4,425) | 43 |
| EdventureCo | (202) | (2,000) | 90 |
| Thermoscan | 453 | 421 | 8 |
| Arowana Funds Management | (1,664) | 7 | nmf |
| Enterprise Office | (2,162) | (2,897) | 25 |
| **Total underlying EBIT** | **(6,087)** | **(8,894)** | **32** |
| Realised FX gains | (19) | 93 | nmf |
| Interest income | 103 | 143 | (28) |
| Interest expense | (484) | (522) | 7 |
| Net interest expense | (381) | (379) | - |
| **Total underlying PBT** | **(6,487)** | **(9,180)** | **29** |
| Tax benefit | 72 | 3,123 | (98) |
| **Underlying Group NPAT** | **(6,415)** | **(6,057)** | **(6)** |

*nmf – no meaningful comparison*

*NOTE: Numbers may not compute exactly due to rounding*

Key comments in relation to the preceding table:

*VivoPower International*

- Underlying revenue, EBITDA and EBIT for the half-year ended 31 December 2018 includes the consolidated results of VivoPower International PLC ("VivoPower"), of which the Company holds 60.9% post VivoPower's NASDAQ listing on 29 December 2016.

- The 10% growth in revenue for the period is primarily due to outperformance of the Aevitas business unit in Australia, which has more than offset a decline in solar development activity and revenues.
- Revenue growth for Aevitas was also accompanied by EBITDA and EBIT margin expansion, which coupled with overhead cost savings achieved in VivoPower's US and UK operations, resulted in underlying EBITDA loss improving 41% to ($1.7m) versus the previous corresponding period of ($3.0m). Underlying EBIT loss improved 43% to ($2.5m) versus the previous corresponding period of ($4.4m).

*EdventureCo Group*

- Underlying revenue, EBITDA and EBIT for the half-year ended 31 December 2018 includes the consolidated results of EdventureCo Group, which is a wholly owned subsidiary of the Company and comprises the DDLS and Everthought Education business units.
- The 369% growth in revenue to $21.2m for the period is primarily due to a full period contribution from the acquisition of DDLS (consummated in December 2017) augmented by underlying organic revenue growth.
- Underlying EBITDA improved to $0.8m from an EBITDA loss of ($1.2m) in the previous corresponding period, as a result of the full period contribution and also the successful onboarding and integration of DDLS which delivered cost savings significantly ahead of target. Underlying EBIT improved to a loss of $0.2m from a loss of $2m (net of a $0.7m non-cash amortisation charge in both periods).

*Thermoscan*

- Underlying revenues increased by 5% versus the previous corresponding period reflecting pricing optimisation initiatives and in spite of volume constraints, due to shortage of technicians.
- Underlying EBITDA improved by 4% versus the previous corresponding period reflecting the pricing optimisation initiatives and continued application of lean management principles.

*Arowana Funds Management*

- Arowana Funds Management's result primarily reflects fee revenue generated in respect of its management of the investment portfolios of the Arowana Contrarian Value Fund ("ACVF"), the Arowana Australasian Special Situations Fund ("AASSF I") and increased overheads associated with scaling up the division to launch its new investment platform, Australian Special Income Opportunities Fund ("ASIOF").
- The ASIOF product is a private debt fund that 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. The fund's first investment was completed during February 2019.
- Total funds under management (FUM) as at 31 December 2018 was $150m, versus $132m as at 31 December 2017.
- Underlying funds management revenue increased by 44% to $0.56m for the half-year ended 31 December 2018, as compared to the previous corresponding period of $0.39m

(noting that the prior period included $0.6m of realised gain from early redemption of securities in the AASSF I Fund).

- Underlying EBITDA and EBIT loss was $1.6m for the half-year ended 31 December 2018, as compared to the previous corresponding period of an EBITDA and EBIT loss of $0.6m (noting that the prior result included $0.6m of realised gain from early redemption of securities held in the AASSF I Fund).

**Dividends paid or recommended**

The following dividends were paid during the half-year ended 31 December 2018:

| Dividend | $ |
|---|---|
| **Final ordinary dividend – 15 October 2018 of 0.3 cents per share (fully franked)** | 474,512 |

The Directors have not declared an interim dividend in respect of the half-year ended 31 December 2018. The Directors changed the dividend policy in the previous period such that dividends will be paid annually only, to save on the inefficiency of paying two dividends per annum. The intention is to maintain dividends at least the same as for the prior financial year.

**Events occurring after the reporting period**

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group and Company, the results of those operations, or the state of affairs of the Group and Company in future financial periods.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 11 for the half-year ended 31 December 2018.

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

**Kevin Chin**

**Executive Chairman and Chief Executive Officer**

Brisbane, 26 February 2019

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018, there have been:

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

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

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

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

BRISBANE
DATE: 26 FEBRUARY 2019

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

**Interim Financial Statements**

**For the half-year ended 31 December 2018**

Arowana International Limited and its Controlled Entities

For the half-year ended 31 December 2018

# Consolidated Statement of Profit or Loss

| For the reporting period ended 31 December | Note | 2018<br>$ | 2017 Restated*<br>$ |
|---|---|---|---|
| *Revenue from continuing operations* | | | |
| Revenue | 3(a) | 48,198,936 | 30,189,162 |
| Interest income | | 102,278 | 141,403 |
| **Total income** | | **48,301,214** | **30,330,565** |
| Other income / (expenses) | 3(b) | 223,957 | (276,961) |
| *Expenses* | | | |
| Cost of sales | 4(a) | (34,335,695) | (20,886,075) |
| Employee costs | | (11,335,446) | (8,133,330) |
| Occupancy costs | | (2,185,476) | (1,169,263) |
| Director fees | | (77,862) | (60,000) |
| Marketing costs | | (484,009) | (448,630) |
| Insurance costs | | (519,733) | (576,615) |
| IT and communication costs | | (877,045) | (637,125) |
| Travel costs | | (387,376) | (555,046) |
| Interest expense | | (479,444) | (487,430) |
| Depreciation | | (534,864) | (177,010) |
| Amortisation | 10 | (1,329,397) | (2,146,223) |
| Administration costs | 4(b) | (4,350,578) | (5,255,911) |
| Provision for impairment of investments | | (136,297) | (766,538) |
| Share of net loss of associates accounted for using the equity method | | (5,390) | (488,097) |
| **Total expenses** | | **(57,038,612)** | **(41,787,293)** |
| **Loss before tax** | | **(8,513,441)** | **(11,733,689)** |
| Income tax benefit | | 72,276 | 3,123,015 |
| **Loss after income tax from continuing operations** | | **(8,441,165)** | **(8,610,674)** |
| **Discontinued operations** | | | |
| Profit after income tax from discontinued operations | 7 | 420,420 | 387,725 |
| **Loss for the period** | | **(8,020,745)** | **(8,222,949)** |
| ***Loss attributable to:*** | | | |
| Owners of Arowana International Limited | | (5,432,034) | (6,206,442) |
| Non-controlling interest | | (2,588,711) | (2,016,507) |

*** Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior period to provide consistency with the current reporting period 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 half-year ended 31 December 2018

# Consolidated Statement of Profit or Loss (continued)

| For the reporting period ended 31 December | 2018 | 2017 Restated* |
|---|---|---|
| | Cents | Cents |
| **Earnings per share** | | |
| *From continuing operations:* | | |
| Basic loss per share (cents) | (3.70) | (4.17) |
| Diluted loss per share (cents) | (3.70) | (4.17) |
| *From discontinued operations:* | | |
| Basic loss per share (cents) | 0.27 | 0.25 |
| Diluted loss per share (cents) | 0.27 | 0.25 |
| *From continuing and discontinued operations:* | | |
| Basic loss per share (cents) | (3.43) | (3.92) |
| Diluted loss per share (cents) | (3.43) | (3.92) |

*** Amounts classified in 2018 as relating to discontinued operations have been reclassified in the prior period to provide consistency with the current reporting period 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 half-year ended 31 December 2018

# Consolidated Statement of Comprehensive Income

| For the reporting period ended 31 December | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Loss for the period | (8,020,745) | (8,222,949) |
| | | |
| Other comprehensive income for the period | | |
| ***Items that may be reclassified to profit or loss*** | | |
| Exchange differences on translating foreign operations | 184,066 | (612,637) |
| Other comprehensive income for the period, net of tax | 184,066 | (612,637) |
| **Total comprehensive income for the period, net of tax** | **(7,836,679)** | **(8,835,586)** |
| | | |
| ***Total comprehensive income attributable to*** | | |
| Parent interest (Arowana International Limited) | (4,900,547) | (6,543,921) |
| Non-controlling interests | (2,936,132) | (2,291,665) |
| | **(7,836,679)** | **(8,835,586)** |

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 31 December 2018

# Consolidated Statement of Financial Position

| As at | Note | 31 Dec 2018 $ | 30 Jun 2018 $ |
|---|---|---|---|
| *Current assets* | | | |
| Cash and cash equivalents | | 6,198,271 | 4,977,450 |
| Trade and other receivables and contract assets | 6 | 8,830,085 | 17,367,355 |
| Inventory | | 6,981,589 | 3,310,030 |
| Other current assets | | 1,456,990 | 1,287,362 |
| Assets classified as held-for-sale | 7 | 24,407,431 | 20,263,941 |
| **Total current assets** | | **47,874,366** | **47,206,138** |
| *Non-current assets* | | | |
| Investments accounted for using cost method | 8(a) | 44,190 | - |
| Investments accounted for using equity method | 8(b) | 319,010 | 19,464,936 |
| Other financial assets | | 219,372 | 219,372 |
| Other non-current assets | 9 | 2,134,137 | 2,136,077 |
| Property, plant and equipment | | 4,334,882 | 4,643,559 |
| Deferred tax assets | | 11,642,387 | 11,588,699 |
| Intangible assets | 10 | 47,500,234 | 48,942,002 |
| **Total non-current assets** | | **66,194,212** | **86,994,645** |
| **Total assets** | | **114,068,578** | **134,200,783** |
| *Current liabilities* | | | |
| Trade and other payables and contract liabilities | 11 | 26,402,233 | 32,516,754 |
| Deferred consideration | 12 | 556,016 | 2,656,016 |
| Current tax liabilities | | 384,784 | 280,561 |
| Current provisions | | 4,089,405 | 4,633,405 |
| Interest bearing liabilities | 13 | 1,332,803 | 5,633,580 |
| Liabilities directly associated with assets classified as held-for-sale | 7 | 1,881,827 | 374,643 |
| **Total current liabilities** | | **34,647,068** | **46,094,959** |
| *Non-current liabilities* | | | |
| Non-current provisions | | 2,147,255 | 2,260,402 |
| Deferred tax liabilities | | 7,239,930 | 7,411,637 |
| Interest bearing liabilities | 13 | 91,594 | 316,276 |
| **Total non-current liabilities** | | **9,478,779** | **9,988,315** |
| **Total liabilities** | | **44,125,847** | **56,083,274** |
| **Net assets** | | **69,942,731** | **78,117,509** |
| *Equity* | | | |
| Issued capital | | 59,845,704 | 59,845,704 |
| Reserves | | (32,561,721) | (33,093,208) |
| Retained earnings | | 32,080,771 | 37,987,317 |
| **Equity attributable to Parent interest** | | **59,364,754** | **64,739,813** |
| **Equity attributable to non-controlling interest** | | 10,577,977 | 13,377,696 |
| **Total equity** | | **69,942,731** | **78,117,509** |

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 half-year ended 31 December 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 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 half-year | - | - | - | - | - | (6,206,442) | (6,206,442) | (2,016,507) | (8,222,949) |
| Other comprehensive income for the half-year | - | - | - | - | (337,479) | - | (337,479) | (275,158) | (612,637) |
| **Total comprehensive income** | **-** | **-** | **-** | | **(337,479)** | **(6,206,442)** | **(6,543,921)** | **(2,291,665)** | **(8,835,586)** |
| ***Transactions with owners in their capacity as owners (net of transaction costs and taxes)*** | | | | | | | | | |
| Issue of shares net of transaction costs | - | - | - | - | - | - | - | 908 | 908 |
| Dividend paid | - | - | - | - | - | (474,512) | (474,512) | - | (474,512) |
| **As at 31 December 2017** | **59,859,654** | **(29,575,435)** | **(2,600,374)** | **3,095,100** | **(4,258,428)** | **43,162,499** | **69,683,016** | **24,362,752** | **94,045,768** |
| | | | | | | | | | |
| **As at 1 July 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** |
| Loss for the half-year | - | - | - | - | - | (5,432,034) | (5,432,034) | (2,588,711) | (8,020,745) |
| Other comprehensive income for the half-year | - | - | - | - | 531,487 | - | 531,487 | (347,421) | 184,066 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **531,488** | **(5,432,034)** | **(4,900,547)** | **(2,936,132)** | **(7,836,679)** |
| ***Transactions with owners in their capacity as owners (net of transaction costs and taxes)*** | | | | | | | | | |
| Issue of shares net of transaction costs | - | - | - | - | - | - | - | 136,413 | 136,413 |
| Dividend paid | - | - | - | - | - | (474,512) | (474,512) | - | (474,512) |
| **As at 31 December 2018** | **59,845,704** | **(29,486,646)** | **(2,600,374)** | **3,095,100** | **(3,569,801)** | **32,080,771** | **59,364,754** | **10,577,977** | **69,942,731** |

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 half-year ended 31 December 2018

# Consolidated Statement of Cash Flows

| For the reporting period ended 31 December | 2018 | 2017 |
|---|---|---|
| *Cash flows from operating activities* | $ | $ |
| Receipts from customers | 60,813,344 | 33,617,582 |
| Payments to suppliers and employees | (67,996,710) | (42,190,505) |
| Interest received | 32,268 | 155,015 |
| Interest paid | (246,357) | (299,626) |
| Income tax paid | (2,297) | (122,022) |
| **Net cash outflow from operating activities** | **(7,399,752)** | **(8,839,556)** |
| | | |
| *Cash flows from investing activities* | | |
| Net cash inflow for NC31 and NC47 projects | 16,337,584 | 3,167,116 |
| Net cash inflow from disposal of Juice Capital | 585,296 | - |
| Net cash outflow for Joint Venture contributions | (377,398) | (4,230,436) |
| Net cash inflow from redemption of Evolution convertible notes | - | 3,600,000 |
| Net cash (outflow) / inflow from acquisition of DDLS Australia | (2,100,000) | 2,749,811 |
| Net cash inflow from acquisition of VivoPower Philippines | - | 20,964 |
| Net cash outflow on purchase of solar contracts | - | (398,760) |
| Net cash inflow / (outflow) for intangible assets | 84,357 | (29,177) |
| Net cash paid for other non-current assets | (42,196) | - |
| Purchase of property, plant & equipment | (394,764) | (491,092) |
| Proceeds from sale of property, plant & equipment | - | 10,274 |
| **Net cash inflow from investing activities** | **14,092,879** | **4,398,700** |
| | | |
| *Cash flows from financing activities* | | |
| Proceeds from / (repayment) of related party loans | 371,297 | (200,000) |
| Proceeds from borrowings | 1,129,607 | 3,041,414 |
| Repayment of borrowings | (5,834,798) | (2,743,906) |
| Dividends paid | (474,512) | (474,512) |
| **Net cash outflow from financing activities** | **(4,808,406)** | **(377,004)** |
| | | |
| *Net decrease in cash and cash equivalents* | 1,884,721 | (4,817,860) |
| Effect of foreign currency translation | (586,558) | (238,692) |
| Cash and cash equivalents at the beginning of the period [1] | 5,255,287 | 18,397,134 |
| **Cash and cash equivalents at the end of the period [1]** | **6,553,450** | **13,340,582** |

[1] Cash and cash equivalents at the beginning and end of the current reporting period includes $277,837 and $355,179 respectively of cash held by the Group's discontinued operation, Thermoscan, which is incorporated within 'Assets classified as held-for-sale' in the Statement of Financial Position (refer note 7 for further information).

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

## 1. Reporting entity

Arowana International Limited (the "Company") is a company incorporated and domiciled in Australia. The address of the Company's registered office is Level 11, 153 Walker Street, North Sydney, NSW, 2060. The financial report includes financial statements for Arowana International Limited as a consolidated entity consisting of Arowana International Limited and its controlled entities (together referred to as "Group").

## 2. Summary of significant accounting policies

### Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Arowana International Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

During the half-year ended 31 December 2018, the Group recorded a loss after tax from continuing operations of $8,441,165 (2017: loss of $8,610,674) and cash outflows from operations of $7,399,752 (2017: cash outflows from operations of $8,839,556). The Board notes that the net current asset position, however, has significantly improved from the position at 30 June 2018, such that there is a current asset surplus of $13,227,298 at 31 December 2018 (30 June 2018: surplus of $1,111,179).

Key contributors to the loss for the period included the following:

- Decline in solar project developer fee revenue in VivoPower in the United States;
- Non-recurring restructuring, remuneration and professional fees ($1.2 million) incurred by VivoPower primarily in connection with a cost reduction programme for the business;
- Continued investment into the growth of the Funds Management division in support of the launch of a new product, the Australian Special Income Opportunities Fund (ASIOF); and
- Non-cash amortisation of identifiable intangibles ($1.3 million) following acquisition of DDLS and Aevitas (supply contracts, customer relationships, course development etc).

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 integration and on-boarding of DDLS Australia, an acquisition completed during

**2. Summary of significant accounting policies (continued)**

December 2017, has been successfully completed ahead of schedule and budget, with over $2 million of annualised cost savings realised. The strong contribution of DDLS has underpinned a material improvement in EdventureCo's statutory EBITDA from a loss of $0.9 million in the previous period to a profit of $0.7 million in the current period. We expect to generate further growth in the platform through expansion into the ASEAN region, with a first campus expected to open in the Philippines this calendar year as part of a joint venture with a US$8 billion Filipino family-controlled conglomerate;

- Completion of a structured and orderly sale process in respect of the proposed exit from our thermal imaging business, Thermoscan, which has attracted firm interest from multiple parties. 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 Funds Management. The net assets and liabilities of Thermoscan have therefore been classified as available-for-sale, and we expect to finalise the disposal before 30 June 2019;
- VivoPower has taken the strategic decision to sell its interest in Innovative Solar Ventures I LLC (ISS JV) and commenced a formal and structured sale process. The disposal is expected to generate proceeds above the current carrying value of $18.6 million, which has been classified as a current available-for-sale asset as at 31 December 2018. Furthermore, the strong performance of the Aevitas business will continue to deliver a growing stream of cashflow to VivoPower;
- Increased scale in our funds management business following the recent launch and ongoing fundraising process for ASIOF, together with organic growth in FUM arising from investment out-performance achieved by the Arowana Contrarian Value Fund (ASX: CVF); and
- A reduced overhead based across the Group's operating businesses following a range of cost-savings and technology based efficiency initiatives executed over the past 12 months.

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.

The Board has approved 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.

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.

These interim financial statements were authorised for issue on 26 February 2019.

## 2. Summary of significant accounting policies (continued)

### Significant accounting policies

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

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group, except as noted below.

### New and revised Standards adopted by the Group

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 111 *Construction Contracts,* AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

To achieve this objective, AASB 15 provides the following five-step process:

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group derives revenue from the following four separate and distinct segments:

- **Enterprise Office** – Provides strategic and operational support services to its various business units and funds and is also the Group's designated investment entity. Revenue represents management fees charged to Arowana's operating businesses and funds, consulting fees in connection with external mandates and interest, dividend and distribution income derived from the Group's investments;
- **Renewable Energy** – VivoPower is a global solar power producer and energy storage company that develops, owns and operates solar projects. The division derives revenue from two operating segments: (i) solar development activities focused on opportunities in the USA and Australia; and (ii) power services provided by Aevitas in Australia;

**2. Summary of significant accounting policies (continued)**

- **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.

The Group completed its assessment of the implications of adopting the new standard and concluded that, due to the nature of the Group's services, there has been no significant changes to the Group's revenue accounting.

### *(i)* Sale of goods

The Group's contracts with customers for the sale of equipment generally include one performance obligation. The Group has concluded that revenue from sale of equipment should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition. The amount of revenue to be recognised was also unaffected.

### *(ii)* Warranty obligations

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under AASB 15, which the Group accounts for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of AASB 15.

### *(iii)* Rendering of services

The Group's Renewable Energy, Education and Funds Management segments provide development/installation/servicing/repairs servicing, training/tuition and asset management services.

*Renewable Energy Segment – Development Revenue*

Prior to the adoption of AASB 15, development revenue, which is revenue generated from development services relating to the building and construction of solar projects, was recognised on a percentage completion basis as the value is accrued by the end user over the life of the contract. The periodic recognition was calculated through weekly project progress reports. Under AASB 15, revenue continues to be recognised over time, using an input method to measure progress towards complete satisfaction of the performance obligation similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

Installation services of the Renewable Energy segment are sold either separately or bundled together with the sale of equipment to a customer. Whilst the installation services can be obtained from other providers, the provision of the installation services is considered part of one contracted performance obligation to the customer. The procurement and installation services tend to be highly interrelated and the Group provides a significant service of integration for these assets under contract.

## 2. Summary of significant accounting policies (continued)

*Renewable Energy Segment – Equipment and Installation Services*

Prior to the adoption of AASB 15, the Group accounted for the equipment and installation service as one deliverable and recognised revenue based on the percentage completion basis as the value is accrued by the end user over the life of the contract. Under AASB 15, the Group assessed that there remains one performance obligation in a contract for bundled sales of equipment and installation services, because the transfer of equipment and provision of installation services are considered not to be distinct and separately identifiable.

In addition, the Group also reclassified the remaining Deferred revenue for installation services yet to be rendered to Contract liabilities.

Prior to adoption of AASB 15, the Group determined the total costs incurred as a percentage of total estimated costs to recognise revenue. Under AASB 15, the Group concluded that revenue from sale of equipment and installation services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the performance obligation similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Moreover, under AASB 15, any earned consideration that is conditional should be recognised as a contract asset rather than receivable.

Therefore, upon adoption of AASB 15, the Group made reclassifications from Trade and other receivables to Contract assets.

*Renewable Energy Segment – Servicing and Repairs*

Prior to adoption of AASB 15 all servicing and repair revenue, generated on a time and materials basis, was recognised at the contractual rates as labour hours are delivered and direct expenses are incurred. Under AASB 15, revenue continues to be recognised over time, using an input method to measure progress towards complete satisfaction of the performance obligation similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue for small jobs and those completed in a limited timeframe continue to be recognised when the job is complete and performance obligation satisfied.

*Education Segment*

Prior to the adoption of AASB 15, revenue was recognised when the Group satisfied its performance obligations by transferring education services (including both tuition and other related goods and services) to the customer, and the revenue can be reliably measured at the fair value of the consideration received. Under AASB 15 revenue continues to be recognised in a similar manner.

The Group's contracts with customers for the provision of education services can include multiple performance obligations. The Group assesses each performance obligation to determine if those performance obligations are distinct from other obligations in the contract. Performance obligations that are not assessed as being distinct from other obligations are grouped together as a bundle of performance obligations. Bundles of performance obligations are determined where the various performance obligations represent the combined outcome for which the customer has contracted, or a service is highly dependent on another entity specific good or service promised in the contract. For each distinct performance obligation, or bundle of performance obligations, the Group

**2. Summary of significant accounting policies (continued)**

allocates the price, as determined by the terms of the contract with the customer, based on the stand-alone selling price of the performance obligation, or bundle of performance obligations. The Group's primary performance obligations is the delivery of tuition services.

The Group has concluded that these should be recognised over time based on the stage of completion of the service being delivered to the customer. The stage of completion is measured by reference to the number of contact days held as a percentage of the total number of contact days in the course. This treatment is the same as under AASB 118.

The Group's other performance obligations are recognised either over time, on a stage of completion basis, or at the point in time the service, or good, is sold. This determination is made on a case by case basis for each performance obligation based on the point at which control of the good or service completely passes to the customer. This treatment is the same as under AASB 118. Where income is recorded in advance of the provision of service the full amount is recognised as Contract liabilities in the Statement of Financial Position.

Refunds of tuition or course fees are provided in some instances where appropriate notice is provided in accord with terms and conditions of the contract with the customer. Refund assets and liabilities are not separately recognised in the Statement of Financial Position due to the infrequency of refunds.

*Funds Management Segment*

Revenue from asset management services provided by the Group includes a base management fee and a performance fee or variable component.

Prior to adoption of AASB 15, the Group determined the total service period expired as a percentage of total service period contracted to perform the services to recognise revenue associated with the base management fee component of asset management fee revenue. Under AASB 15, the Group concluded that revenue from base management services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

Prior to the adoption of AASB 15, the Group recognised revenue from the performance fee component of asset management revenue when revenue could be reliably measured. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved. Under AASB 15, performance fees are deemed to be a variable component of the same asset management services that is constrained and are recognised only when it is highly probable that the performance hurdles are met and a reversal will not occur. Determining the amount and timing of performance fees to be recognised involves judgement and the use of estimates. Factors taken into consideration include the:

– nature of underlying fund assets and potential for volatility of investment returns;
– returns on assets realised to-date;
– time remaining until realisation of fund assets or crystallisation date;
– the proportion of assets already realised; and
– downside valuation on remaining unrealised assets and reliability of those estimates.

***General***

The Group does not incur material costs to obtain or fulfil a contract with customers such as sales commissions. Accordingly, no capitalisation of these costs occurs.

**2. Summary of significant accounting policies (continued)**

***(iv)* Comparative information / changes to presentation of Financial Statements**

Where necessary, comparative information has been restated to conform to changes in presentation in the current reporting period.

***(v)* Consolidated Statement of Comprehensive Income**

As required for the consolidated interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 5 for the disclosure on disaggregated revenue.

***(vi)* Consolidated Statement of Financial Position**

Classification of deferred revenue and accrued income has been changed.

Contract assets include project revenues earned by the Renewable Energy division related to performance obligations which have been met and the Group has the right to consideration in exchange for goods or services that have transferred to a customer which do not form part of the trade receivables balance.

Contract liabilities include prepaid tuition fees and training credits from the Education business and deferred revenues from the Renewable Energy division. These liabilities represent the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

AASB 9 *Financial Instruments*

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies adopted by the Group, which have been detailed in the following narrative. The change in the Group's accounting policies, applied from 1 July 2018, did not impact prior period financial statement balances. Opening balances have not been restated. There has been no impact on the Group's results for the half-year ended 31 December 2018.

**(i) Impairment of financial assets**

The Group's trade receivables and contract assets are subject to AASB 9's new expected credit loss model. The Group has revised its impairment methodology for trade receivables and contract assets and applies the simplified approach to measuring expected credit losses. The simplified approach uses a lifetime expected loss allowance.

Individual debts that are known to be uncollectible are written off when identified.

The revised methodology for calculating impairment did not have a material impact on the financial statements.

## 2. Summary of significant accounting policies (continued)

### Change in classification

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 31 December 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.

### Critical accounting estimates and judgements

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

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

*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.

*Provisions*

Due to the nature of provisions, a considerable part of their determination is based on estimates and/or judgements, 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.

## 2. Summary of significant accounting policies (continued)

*Income taxes*

The Group has recorded a deferred tax asset of $11,642,387 (30 June 2018: $11,588,699) and a deferred tax liability of $7,239,930 (30 June 2018: $7,411,637). The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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. Subject to meeting the requisite continuity of ownership and business tests, these losses can be carried forward indefinitely and have no expiry date.

Arowana International Limited and its Controlled Entities

For the half-year ended 31 December 2018

### 3(a) Revenue

| For the reporting period ended 31 December | 2018 | 2017 Restated * |
|---|---|---|
| | $ | $ |
| Renewable energy services | 26,407,188 | 24,018,757 |
| Education services | 21,232,705 | 4,892,952 |
| Inspection services | - | - |
| Funds management revenue | 555,993 | 991,549 |
| Other revenue | 3,050 | 285,904 |
| Total revenue | **48,198,936** | **30,189,162** |

[1] The assets and liabilities of Thermoscan Inspection Services Pty Limited have been classified as held-for-sale at 31 December 2018 and its results for the period then ended have been treated as a discontinuing operation. Refer to note 7 for further details.

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

### 3(b) Other income / (expenses)

| For the reporting period ended 31 December | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Other income / (expenses)** | | |
| Foreign exchange gains / (losses) | 223,957 | (276,961) |
| **Total other income / (expenses)** | **223,957** | **(276,961)** |

## 4. Expenses

### (a) Cost of sales

| | 2018 | 2017 Restated * |
|---|---|---|
| | $ | $ |
| Funds management costs | - | 407,406 |
| Commission | 145,356 | 228,776 |
| Contractors | 1,179,433 | 716,337 |
| Depreciation | 61,503 | 239,913 |
| Employee expenses | 10,417,325 | 8,370,237 |
| Equipment | 141,888 | 384,346 |
| Materials | 21,030,001 | 9,714,783 |
| Motor vehicle | 314,101 | 204,453 |
| Occupancy | 417,575 | 162,597 |
| Travelling | 26,950 | 217,282 |
| Others | 601,563 | 239,945 |
| | **34,335,695** | **20,886,075** |

### (b) Administration costs

| | 2018 | 2017 Restated * |
|---|---|---|
| | $ | $ |
| Due diligence fees | 238,503 | 591,774 |
| Legal and professional | 2,777,095 | 3,491,762 |
| Compliance and governance | 301,465 | 486,112 |
| Research expenses | 403,630 | 277,912 |
| Others | 629,885 | 408,351 |
| | **4,350,578** | **5,255,911** |

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

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

The Board has since 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 31 December 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' segment be reclassified to the 'Education' segment, 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** – Provides strategic and operational support services to its various business units and funds and is also the Group's designated investment entity. Revenue represents management fees charged to Arowana's operating businesses and funds, consulting fees in connection with external mandates and interest, dividend and distribution income derived from the Group's investments;
- **Renewable Energy** – VivoPower is a global solar power producer and energy storage company that develops, owns and operates solar projects. The division derives revenue from two operating segments: (i) solar development activities focused on opportunities in the USA and Australia; and (ii) power services provided by Aevitas in Australia;
- **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.

**5. Segment reporting (continued)**

Revenue from the Group's Renewable Energy, Education and Funds Management segments is derived from the provision of development/installation/servicing/repairs servicing, training/tuition and asset management services.

*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 half-year ended 31 December 2018

| For the half-year ended 31 December 2018 | Enterprise Office (Australia) | Renewable Energy (Australia/Asia/ USA/UK) | Education (Australia) | Funds Management (Australia) | Total | Intersegment Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| **Segment reporting** | $ | $ | $ | $ | $ | $ | $ |
| ***Revenue*** | | | | | | | |
| Goods and services transferred at a point in time | - | - | 514,064 | - | 514,064 | - | 514,064 |
| Services transferred over time | - | 26,343,743 | 20,427,222 | 555,993 | 47,326,958 | - | 47,326,958 |
| Sales to external customers | - | 26,343,743 | 20,941,286 | 555,993 | 47,841,022 | - | 47,841,022 |
| Intersegment sales | 2,551,357 | - | - | - | 2,551,357 | (2,551,357) | - |
| Total sales revenue | 2,551,357 | 26,343,743 | 20,941,286 | 555,993 | 50,392,379 | (2,551,357) | 47,841,022 |
| Interest revenue | 1,131,740 | 1,732 | 7,592 | 495,431 | 1,636,495 | (1,534,217) | 102,278 |
| Other income | 21,653 | 63,445 | 291,419 | 211,726 | 588,243 | (230,329) | 357,914 |
| **Total revenue** | **3,704,750** | **26,408,920** | **21,240,297** | **1,263,150** | **52,617,117** | **(4,315,903)** | **48,301,214** |
| ***Segment result*** | 408,001 | (3,892,175) | 338,599 | (980,802) | (4,126,377) | (2,043,359) | (6,169,736) |
| Depreciation and amortisation | 73,562 | 755,711 | 1,034,988 | - | 1,864,261 | - | 1,864,261 |
| Finance costs | 9,847 | 2,165,786 | 59,170 | - | 2,234,803 | (1,755,359) | 479,444 |
| Profit / (loss) before income tax – continuing operations | 324,592 | (6,813,672) | (755,559) | (980,802) | (8,225,441) | (288,000) | (8,513,441) |
| Income tax benefit | - | (72,276) | - | - | (72,276) | - | (72,276) |
| **Profit / (loss) after income tax – continuing operations** | **324,592** | **(6,741,396)** | **(755,559)** | **(980,802)** | **(8,153,165)** | **(288,000)** | **(8,441,165)** |
| ***Segment assets*** | | | | | | | |
| Operating assets | 109,329,105 | 90,443,557 | 73,427,867 | 104,747,075 | 377,947,604 | | |
| Elimination within segment | - | - | (31,257,963) | (52,526,652) | (83,784,615) | | |
| **Reportable segment assets** | **109,329,105** | **90,443,557** | **42,169,904** | **52,220,423** | **294,162,989** | **(180,094,411)** | **114,068,578** |
| ***Segment liabilities*** | | | | | | | |
| Operating liabilities | 13,352,959 | 77,411,870 | 25,336,195 | 2,094,007 | 118,195,031 | | |
| Elimination within segment | - | - | - | - | - | | |
| **Reportable segment liabilities** | **13,352,959** | **77,411,870** | **25,336,195** | **2,094,007** | **118,195,031** | **(74,069,185)** | **44,125,846** |

Arowana International Limited and its Controlled Entities

For the half-year ended 31 December 2018

| For the half-year ended 31 December 2017 | Enterprise Office (Australia) | Renewable Energy (Australia/Asia/ USA/UK) | Education (Australia) | Funds Management (Australia) | Total | Intersegment Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| **Segment reporting** | $ | $ | $ | $ | $ | $ | $ |
| *Revenue* | | | | | | | |
| Goods and services transferred at a point in time | - | - | 400,332 | - | 400,332 | - | 400,332 |
| Services transferred over time | 37,623 | 23,028,190 | 3,627,299 | 2,349,377 | 29,042,489 | - | 29,042,489 |
| Sales to external customers | 37,623 | 23,028,190 | 4,027,631 | 2,349,377 | 29,442,821 | - | 29,442,821 |
| Intersegment sales | 555,077 | - | - | (1,357,828) | (802,751) | (438,000) | (1,240,751) |
| Total sales revenue | 592,700 | 23,028,190 | 4,027,631 | 991,549 | 28,640,070 | (438,000) | 28,202,070 |
| Interest revenue | 1,067,338 | 22,649 | 1,156 | 584,479 | 1,675,622 | (1,534,219) | 141,403 |
| Other income | 248,281 | 990,567 | 865,321 | 211,726 | 2,315,895 | (328,803) | 1,987,092 |
| **Total revenue** | **1,908,319** | **24,041,406** | **4,894,108** | **1,787,754** | **32,631,587** | **(2,301,022)** | **30,330,565** |
| *Segment result* | (1,790,429) | (4,263,205) | (910,121) | 803,306 | (6,160,449) | (2,038,299) | (8,198,748) |
| Non-recurring items | (595,858) | - | (128,421) | - | (724,278) | - | (724,278) |
| Depreciation and amortisation | 64,997 | 1,456,877 | 801,359 | - | 2,323,233 | - | 2,323,233 |
| Finance costs | 225,543 | 1,987,562 | 24,624 | - | 2,237,729 | (1,750,299) | 487,430 |
| Profit / (loss) before income tax – continuing operations | (2,676,826) | (7,707,644) | (1,864,525) | 803,306 | (11,445,689) | (288,000) | (11,733,689) |
| Income tax expense/(benefit) | (733,075) | (2,389,940) | - | - | (3,123,015) | - | (3,123,015) |
| **Profit / (loss) after income tax – continuing operations** | **(1,943,751)** | **(5,317,704)** | **(1,864,525)** | **803,306** | **(8,322,674)** | **(288,000)** | **(8,610,674)** |
| *Segment assets* | | | | | | | |
| Operating assets | 106,850,964 | 129,663,057 | 76,797,552 | 103,974,887 | 417,286,460 | | |
| Elimination within segment | - | - | (31,257,963) | (57,358,038) | (88,616,001) | | |
| **Reportable segment assets** | **106,850,964** | **129,663,057** | **45,539,589** | **46,616,849** | **328,670,459** | **(181,305,091)** | **147,365,368** |
| *Segment liabilities* | | | | | | | |
| Operating liabilities | 5,729,671 | 81,400,453 | 27,391,777 | 1,139,860 | 115,661,761 | | |
| Elimination within segment | - | - | - | (814,697) | (814,697) | | |
| **Reportable segment liabilities** | **5,729,671** | **81,400,453** | **27,391,777** | **325,163** | **114,847,064** | **(61,527,464)** | **53,319,600** |

## 6. Trade and Other receivables

| As at | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|
| | $ | $ |
| Trade debtors [1] | 3,123,426 | 4,040,106 |
| Accrued interest | 586 | 209,102 |
| Sundry debtors | 39,363 | 151,472 |
| Loan Receivable – Arowana Global Services, Singapore [2] | - | 371,297 |
| Contract assets – CVF performance fee [3] | - | 4,958,675 |
| Contract assets – Other | 4,979,188 | 6,608,049 |
| Other accrued income | 687,522 | 1,028,654 |
| | **8,830,085** | **17,367,355** |

*[1] – As at 31 December 2018, 54% ($1,682,093) of the Group's trade debtors balance has been outstanding for less than 60 days, with the remaining 46% ($1,441,333) outstanding between 60 to 365 days and deemed past due but not impaired.*

*[2] - Represented two short-term loans receivable of $170,000 and $200,000, accruing interest at 6% and 8% respectively. Both loans were repaid during the half-year ended 31 December 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 year ended 30 June 2018 and funds received during the half-year ended 31 December 2018.*

## 7. 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 31 December 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.

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 | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| | $ | $ |
| Revenue | 1,521,159 | 1,445,410 |
| Expenses | (1,100,739) | (1,057,685) |
| **Profit before income tax** | **420,420** | **387,725** |
| Income tax expense | - | - |
| **Profit after tax attributable to the discontinued operation** | **420,420** | **387,725** |

### 7. Assets held-for-sale and discontinued operations (continued)

#### (a) Discontinued operations (continued)

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 | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| | $ | $ |
| Net cash inflow from operating activities | 135,967 | 200,565 |
| Net cash outflow from investing activities | (41,043) | (59,822) |
| Net cash (outflow) / inflow from financing activities | (17,853) | 21,964 |
| **Net increase in cash generated by the discontinued operation** | **77,071** | **162,707** |

#### (b) Assets held-for-sale

*Thermoscan – Disposal Group*

Following the decision of the Board to commence an orderly sale process for Thermoscan (refer note 7(a) above), its assets and liabilities have been treated as a disposal group and classified as held-for-sale (net assets totalling $2.9 million as at 31 December 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.

*Sun Connect solar portfolio asset – 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 Juice Capital solar project was sold in November 2018 and the Group expects it will also dispose of its Sun Connect solar project within 12 months of the date of this report. Total assets of $1.0 million in relation to this project have been classified as held-for-sale assets in the Group's Statement of Financial Position.

*VivoPower ISS JV – Assets held-for-sale*

Pursuant to its strategic review as noted above, VivoPower has also commenced a sale process for its 50% share in Innovative Solar Ventures 1 LLC, a joint venture with US-based solar developer, Innovative Solar Systems (ISS). Total assets and liabilities of the Group's investment in the ISS JV (net assets totalling $18.6 million as at 31 December 2018), previously disclosed as an equity-accounted investment, have therefore been classified as held-for-sale assets and liabilities in the Group's Statement of Financial Position. The Board expects the sale process to complete within 12 months of the date of this report.

## 7. Assets held-for-sale and discontinued operations (continued)

### (b) Assets held-for-sale (continued)

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

| Assets held-for-sale and directly associated liabilities | 31 Dec 2018 |
|---|---|
| | $ |
| ***Current assets*** | |
| Cash and cash equivalents | 355,179 |
| Trade and other receivables | 374,193 |
| Other current assets | 31,613 |
| | |
| ***Non-current assets*** | |
| Goodwill | 2,201,040 |
| Intangibles | 1,008,376 |
| Property, plant and equipment | 194,394 |
| Deferred tax asset | 51,615 |
| Investments accounted for using cost method | 20,191,021 |
| *Total assets* | **24,407,431** |
| | |
| ***Current liabilities*** | |
| Trade and other payables | 1,611,441 |
| Current tax liabilities | 47,318 |
| Current provisions | 61,109 |
| | |
| *Non-current liabilities* | |
| Interest-bearing liabilities | 127,607 |
| Non-current provisions | 34,352 |
| *Total liabilities* | **1,881,827** |
| *Net assets* | **22,525,604** |

## 8. Investments

### (a) Investments accounted for using cost method:

The Group has the following investments using the cost method:

| As at | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|
| | $ | $ |
| VVPR-ITP Griffith [1] | 44,190 | - |
| | **44,190** | - |

*[1] Partnership with IT Power (Australia) Pty Ltd to jointly develop a portfolio of utility-scale ground-mounted solar projects in NSW.*

### (b) Investments accounted for using equity method:

The Group has the following investments using the equity method:

| As at | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|
| | $ | $ |
| Innovative Solar Ventures I, LLC | - | 19,140,536 |
| Viento Group Limited | 319,010 | 324,400 |
| | **319,010** | **19,464,936** |

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

| | | Percentage interest | |
|---|---|---|---|
| | | 31 Dec 2018 | 30 Jun 2018 |
| Associate / Joint venture | Principal activities | % | % |
| Viento Group Limited | Investment holding company | 31.8 | 31.8 |

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

| | Innovative Solar Ventures I, LLC (USA) | Viento Group Limited | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Opening balance, 1 July 2018** | **19,140,536** | **324,400** | **19,464,936** |
| Share of profit (loss) of associated entities | - | (5,390) | (5,390) |
| Impact of foreign exchange translation | 1,050,486 | - | 1,050,486 |
| Reclassified as assets held-for-sale | (20,191,022) | - | (20,191,022) |
| **Ending balance at 31 December 2018** | **-** | **319,010** | **319,010** |

## 9. Other non-current assets

| As at | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|
| | $ | $ |
| LTVCP loans [1] | 348,750 | 348,750 |
| Security deposit | 1,785,387 | 1,787,327 |
| | **2,134,137** | **2,136,077** |

*[1] - 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 31 December 2018 totalled $348,750 (30 June 2018: $348,750).*

*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).*

## 10. 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 31 December 2018 | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Cost | 33,096,390 | 4,597,000 | 8,075,000 | 5,702,000 | - | 1,106,102 | 2,246,383 | 85,697 | 6,219 | 26,254 | 54,941,045 |
| Accumulated amortisation/impairment | (550,000) | (553,703) | (2,302,767) | (1,142,000) | - | (745,332) | (2,115,385) | (31,624) | - | - | (7,440,811) |
| Carrying value | **32,546,390** | **4,043,297** | **5,772,233** | **4,560,000** | **-** | **360,770** | **130,998** | **54,073** | **6,219** | **26,254** | **47,500,234** |
| | | | | | | | | | | | |
| Movement for the half-year ended 31 December 2018 | | | | | | | | | | | |
| Opening balance – carrying value – 1 July 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 |
| Other additions | - | - | - | - | - | 41,441 | - | - | - | - | 41,441 |
| Disposals | - | - | - | - | (153,812) | - | - | - | - | - | (153,812) |
| Amortisation provision during the period | - | (139,897) | (618,067) | (285,833) | - | (204,058) | (72,902) | (8,640) | - | - | (1,329,397) |
| **Net book amount 31 Dec 2018** | **32,546,390** | **4,043,297** | **5,772,233** | **4,560,000** | **-** | **360,770** | **130,998** | **54,073** | **6,219** | **26,254** | **47,500,234** |

## 10. Intangible assets (continued)

### (b) Allocation of goodwill

Goodwill as at 31 December 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** |

## 11. Trade and other payables

| As at | 31 Dec 2018 $ | 30 Jun 2018 $ |
|---|---|---|
| *Current* | | |
| Trade creditors | 8,261,071 | 11,061,670 |
| Accrued expenses | 5,430,096 | 7,937,255 |
| Deferred income | 1,564,357 | 1,237,555 |
| Contract liabilities | 8,866,610 | 6,515,324 |
| Payroll liabilities | 1,423,960 | 1,642,473 |
| Capital commitment – Innovative Solar Ventures I, LLC [1] | - | 1,709,728 |
| GST payable | 329,486 | 145,967 |
| Other payables | 526,653 | 2,266,782 |
| | **26,402,233** | **32,516,754** |

[1] *Reclassified as 'Liabilities directly associated with assets classified as held-for-sale', refer note 7 for further information*

## 12. Deferred consideration

| As at | 31 Dec 2018 $ | 30 Jun 2018 $ |
|---|---|---|
| DDLS Australia Pty Ltd [1] | 556,016 | 2,656,016 |
| | **556,016** | **2,656,016** |

[1] *Representing unconditional, deferred consideration payable to vendors of DDLS Australia Pty Ltd.*

## 13. Interest bearing liabilities

| As at | 31 Dec 2018<br>$ | 30 Jun 2018<br>$ |
|---|---|---|
| *Current* | | |
| Lease liabilities [(a)] | 203,197 | 252,035 |
| Trade debtor financing [(b)] | 1,129,606 | - |
| Term loans [(c)] | - | 5,381,545 |
| | **1,332,803** | **5,633,580** |
| *Non-current* | | |
| Lease liabilities [(a)] | 91,594 | 316,276 |
| | **91,594** | **316,276** |
| **Total interest-bearing liabilities** | **1,424,397** | **5,949,856** |

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

(b) *Representing drawn proportion of VivoPower's $5 million debtor finance facility, secured by a fixed charge over the Aevitas Group debtors' book and floating charge over all other assets of J.A. Martin Electrical Pty Limited and Kenshaw Electrical Pty Limited.*

(c) *At 30 June 2018, term loans consisted of short-term finance, US$3,977,500 at 12% per annum, which was repaid during the half-year ended 31 December 2018.*

## 14. Dividends paid

| Dividend paid during the half-year | No. Shares | Cents Per Share<br>$ | 31 Dec 2018<br>$ | 31 Dec 2017<br>$ |
|---|---|---|---|---|
| Ordinary final fully franked dividend paid 15 October 2018 (2017: 0.3 cps) | 158,170,799 | 0.3 | 474,512 | 474,512 |

## 15. Capital commitments

There were no capital commitments as at 31 December 2018.

## 16. Contingent assets

The Company has no contingent assets as at 31 December 2018.

## 17. Contingent liabilities

There have been no significant changes to the contingent liabilities presented in the annual report for the year ended 30 June 2018, as at 31 December 2018.

## 18. Events occurring after the reporting period

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group and Company, the results of those operations, or the state of affairs of the Group and Company in future financial periods.

## 19. Controlled entities

In addition to the controlled entities disclosed in the 30 June 2018 annual financial statements, below are the details of new entities that form part of the Group during the period.

| Name of Entity | Country of incorporation | Class of shares | 31 Dec 2018 % |
|---|---|---|---|
| AlicornCo Pty Ltd | Australia | Ordinary | 100 |
| Arowana REIF Fund Pty Ltd | Australia | Ordinary | 100 |
| Arowana REIF Management Pty Ltd | Australia | Ordinary | 100 |
| ASIOF Fund Pty Ltd | Australia | Ordinary | 100 |
| ASIOF Investments 1 Pty Ltd | Australia | Ordinary | 100 |
| ASIOF Management Pty Ltd | Australia | Ordinary | 100 |

Arowana International Limited and its Controlled Entities

For the half-year ended 31 December 2018

# 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 31 December 2018 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**Kevin Chin**

**Executive Chairman and Chief Executive Officer**

Brisbane, 26 February 2019

# INDEPENDENT AUDITOR'S REVIEW REPORT
# TO THE MEMBERS OF AROWANA INTERNATIONAL LIMITED

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Arowana International Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

### Independence

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

### Directors' Responsibility for the Half-Year Financial Report

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

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## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Arowana International Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

BRISBANE
DATE: 26 FEBRUARY 2019

Arowana International Limited and its Controlled Entities

For the half-year ended 31 December 2018

# Corporate Directory

## Corporate Directory

| | |
|---|---|
| **Directors** | Mr Kevin Chin (Executive Director and CEO)<br>Mr Robert McKelvey (Non-Executive Director)<br>Mr Eduardo Fernandez (Non-Executive Director) |
| **Company Secretary** | Mr Cameron Fellows |
| **Principal registered office in Australia** | Level 11, 153 Walker Street<br>North Sydney NSW 2060 |
| **Share Registry** | Boardroom Pty Limited<br>Level 12, 225 George Street<br>Sydney NSW 2000 |
| **Auditor** | PKF Brisbane Audit<br>Level 6, 10 Eagle Street<br>Brisbane QLD 4000 |
| **Legal Adviser** | Watson Mangioni Lawyers Pty Limited<br>23/858 Castlereagh Street<br>Sydney NSW 2000 |
| **Stock Exchange** | Australian Securities Exchange<br>AWN – Ordinary Shares |
| **Website** | www.arowanaco.com |