

Arowana International Limited and its Controlled Entities

ABN 83 103 472 751

Interim Financial Statements

**Including Appendix 4D Disclosures
For the half-year ended 31 December 2014
(Previous corresponding half-year ending 31 December 2013)**

Contents

- 1. Appendix 4D – Preliminary Half-year report**
- 2. Interim Financial Statements, Directors' Report and Auditor's Review Report**

**This information is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule
4.2A and should be read in conjunction with the most recent annual financial report**

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Arowana International Limited and its Controlled Entities

Appendix 4D – Preliminary Half-Year Report

For the half -year ended 31 December 2014

(Previous corresponding period: half-year ended 31 December 2013)

Results for Announcement to the Market

Key Information	Change from previous corresponding period			A\$
Revenue from ordinary activities from continuing operations	Down	5%	to	1,284,856
Profit after tax from continuing operations attributable to members	Down	24%	to	(1,297,806)
Profit after tax from discontinued operations attributable to members	Up	308%	to	3,807,699
Net profit for the year attributable to members	Up	2316%	to	2,509,893

Dividends Paid and Proposed

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend - 2013	0.85 cents	Nil
Interim Dividends - 2014	4.40 cents	2.00 cents
Interim Dividend – 2015 *	2.00 cents	0.08 cents

* Declared on 26 February 2015 and to be paid on 12 March 2015

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 (Restated)
<i>From continuing and discontinued operations combined:</i>		
Basic EPS	1.58 cents	(0.07) cents
Diluted EPS	1.58 cents	(0.07) cents
<i>From continuing operations:</i>		
Basic EPS	(0.82) cents	(0.64) cents
Diluted EPS	(0.82) cents	(0.64) cents
<i>From discontinued operations:</i>		
Basic EPS	2.40 cents	0.57 cents
Diluted EPS	2.40 cents	0.57 cents

Arowana International Limited and its Controlled Entities

Appendix 4D – Preliminary Half-Year Report

For the half -year ended 31 December 2014

(Previous corresponding period: half-year ended 31 December 2013)

For the half-year ended 31 December 2013, a restatement was required to reflect the completion of provisional accounting for the acquisition of a number of operating entities by Intueri Education Group Limited (“Intueri”). The completion of the provisional accounting resulted in the recognition of a number of specific identifiable intangible assets (and the deferred tax impact thereon), which has impacted the previously stated balance of goodwill, intangible assets and the related amortisation expenses. Intueri was subsequently partially divested in May 2014.

Net Tangible Assets

NTA backing	31 December 2014	30 June 2014
Net tangible asset backing per ordinary security	87.1 cents	82.1 cents

Control Gained or Lost over Entities in the Half Year

On 30 September 2014, the Group completed the sale of HRM Asia Pte Ltd (“HRM Asia”), which had been up to that point a wholly owned subsidiary of AWN.

Refer to Note 5 of the Interim Financial Statements for detailed information on the above transactions.

Arowana International Limited and its Controlled Entities

Directors' Report

For the half-year ended 31 December 2014

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2014.

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
David Malcolm Keefe	Independent Non-Executive Director and Chairman (resigned 26 February 2015)
Kevin Tser Fah Chin	Executive Chairman (appointed 26 February 2015) and Managing Director
Hon. John Moore	Non-Executive Director
Robert John McKelvey	Non-Executive Director (appointed 26 February 2015)

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

For the half year ended 31 December 2014, Arowana International Limited ("AWN") achieved the following consolidated statutory results:

- Group revenue of \$2.85 million (which includes other revenue of \$1.57m);
- Group net profit after tax of \$2.51 million; and
- Group basic earnings per share of 1.58 cents

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 half year ended 31 December 2014 versus the half year ended 31 December 2013. The table is presented on the following basis:

- Excluding any financial contributions from Intueri (partially divested in May 2014) and HRM Asia (sold on 30 September 2014);
- Excluding the profit realised from sale of HRM Asia;
- Including the contribution from AWN's new Funds Management division (established July 2014);
- Excluding any non-recurring costs (including LTVCP payments relating to HRM Asia); and
- Excluding interest revenue and interest expense

All figures in A\$ millions	Half year ended 31 December 2014 - statutory (audited)	Half year ended 31 December 2014 - underlying (unaudited)	Half year ended 31 December 2013 - underlying (unaudited)	% change
Revenue	\$1.28	\$1.28	\$1.35	(5.1%)
EBIT	(\$2.54)	(\$1.29)	(\$1.13)	(14.0%)

Arowana International Limited and its Controlled Entities

Directors' Report

For the half -year ended 31 December 2014

Key comments in relation to the above table:

- Revenue and EBIT contribution from the Funds Management division only commenced from 1 August 2014 for the Arowana Australasian Special Situations Fund ("AASSF") and from 29 December 2014 for the Arowana Australasian Value Opportunities Fund ("AAVOF");
- Revenue for Thermoscan was below that for the previous corresponding period but EBIT was higher reflecting the impact of productivity and efficiency initiatives against the backdrop of a lacklustre and more competitive industrial environment; and
- AWN Enterprise Office expenses reflect an increase in head count for the half year that was more than offset by efficiency and productivity gains including commencement of offshore outsourcing of back office functions.

Dividend

In light of AWN's strong balance sheet and net cash position and taking into consideration potential investment opportunities, the Board has declared a partially franked dividend of 2 cents per share to be paid on 12 March 2015. The declaration and payment of this dividend reflect the Board's confidence that AWN will continue generating positive earnings and cash flow.

Operational Highlights

Following the sale of HRM Asia and the partial divestment of Intueri Education Group ("Intueri"), AWN operates two business divisions being the Operating Companies division and the Funds Management division. Comments in relation to each of these are outlined below:

Operating Companies Division

This division comprises of operating companies that are or were previously subsidiaries of AWN. During the half year period, there were 3 business units in the Operating Companies Division, being the Diagnostic Testing unit (Thermoscan), the Education unit (investment in an associate, Intueri and the iCarnegie partnership) and the Training and Events unit (HRM Asia).

Thermoscan

Market conditions were challenging for Thermoscan during the half year ended 31 December 2014 and revenues were down on budget and also the previous corresponding period. However, EBITA for the half was higher than the previous corresponding period due to operational optimisation initiatives that improved productivity.

Intueri

Intueri exceeded its revenue and gross profit forecasts by 1% for its FY15 fiscal period but fell 4.9% shy of its EBITA forecast. We understand from Intueri management that this was primarily as a result of the additional opex investment that is necessary to accommodate an exponential growth outlook in excess of forecast for the Online Courses Australia division as well as for building shared support services capabilities to support an increased level of bolt on acquisition activity. In addition, on the domestic front, a stronger than expected New Zealand economy meant that the labour participation rate hit an all-time record high during the most recent quarter. This in particular impacted the Design and Arts College business in Christchurch and coupled with distractions at NZSCDT resulted in weaker than expected domestic enrolments. The Intueri board and management team have updated their FY2015 forecasts to reflect a balance of a much stronger than expected NZ domestic economy impacting NZ domestic enrolments, contribution from bolt on acquisitions and a significantly enhanced outlook for Online Courses of Australia.

Arowana International Limited and its Controlled Entities

Directors' Report

For the half -year ended 31 December 2014

iCarnegie

A number of discussions are being held with education institutions who are interested in the iCarnegie programme. However, as at 31 December 2014, no licence agreements had been signed.

HRM Asia

This division comprised HRM Asia Pte Ltd and was sold on 30 September 2014, delivering net proceeds (after costs associated with the sale) of \$7,856,091 and crystallising a net profit before tax of \$3,935,870.

The sale of HRM Asia resulted in a Trigger Event under the terms of the Group's LTVCP programme and as was announced to the ASX on the 17th November 2014, the board decided to cap this incentive payment at \$1m.

Funds Management Division

Established in July 2014, this division manages listed and unlisted funds that have either permanent capital or semi-permanent capital (defined as minimum 10 year life funds). As at 31 December 2014, aggregate funds under management were in excess of \$72m across 2 vehicles namely the AASSF and the AAVOF.

Arowana Australasian Special Situations Fund (AASSF)

AWN seeded the AASSF with an investment of \$25m during the half year ended 31 December 2014. The AASSF has made an investment totalling \$20,000,000 in convertible notes and preference shares of an unlisted public company called Ubiquity Power Maintenance Group ("UPMG") as well as an investment of \$2,493,750 in the ordinary shares of an unlisted alternative energy company called VivoPower Pty Limited ("Vivopower"). In both cases, the AASSF has secured board representation as well as one voting right for each unit of security it holds. The balance of the AASSF as at 31 December 2014 was \$25,000,000 including \$22,493,750, of investments valued at cost with the residual being cash.

Arowana Australasian Value Opportunities Fund (AAVOF)

The AAVOF completed an initial public offering ("IPO") process in December 2014 raising gross proceeds of \$48,114,002 through an issue of ordinary shares and a free attaching option. AAVOF subsequently listed on the Australian Stock Exchange on 5 January 2015. As at 31 December 2014, funds under management ("FUM") were \$46,978,401 (after all transaction costs including broker fees had been paid).

During the IPO process, abrupt changes to FOFA regulations created significant uncertainty and increased legal and compliance costs associated with the offer. These costs had to be borne by AWN and constitute non-recurring start up operating expenses.

Net Tangible Assets

Statutory net tangible assets increased to 87.1 cents from 82.1 cents over the past 6 months. However, the composition of net tangible assets has changed with an increase in investments held and a decrease in cash and cash equivalents. The reduction in cash and cash equivalents also reflects the net impact of 2 share buybacks during the half year period ended 31 December 2014, net proceeds from the sale of HRM Asia, LTVCP payments triggered by the divestment of HRM Asia and Intueri as well as net operating cashflows of both a recurring and non-recurring nature.

Arowana International Limited and its Controlled Entities

Directors' Report

For the half -year ended 31 December 2014

Subsequent Events - Dividends

As mentioned previously, subsequent to balance sheet date, on 26 February 2014 the Directors of AWN have declared an interim partially franked dividend of \$3,163,416 representing 2.0 cents per share. The franking percentage is 3.85%.

For the avoidance of doubt, the dividend was not provided for in the 31 December 2014 half year financial statements.

Subsequent Events – AAVOF listing

On 5 January 2015, the shares and options of the AAVOF were listed on the Australian Stock Exchange ("ASX") with the tickers AWQ and AWQO respectively. AWN is the manager of the AAVOF which raised gross proceeds of \$48,114,002 from its IPO.

Subsequent Events – Investments

During the month of January 2015, the Company committed to new potential investments as follows:

- Arowana Inc. – the Company has committed to investing a minimum US\$0.9m from its \$25m seed investment in the AASSF into foundation sponsor ordinary shares in Arowana Inc., a special purpose acquisition company ("SPAC") that will be listing on NASDAQ. Arowana Inc. was seeking to initially raise US \$60m but is now intending to upsize its offering to a minimum raising of US\$72m in response to strong investor interest. Should it do so, the Company will increase its investment to retain the same shareholding percentage; and
- Evolution Road Maintenance Group ("ERMG") – the Company has entered into an agreement with ERMG to provide or procure funding of \$10.2m to enable ERMG to finance its expansion plans (including potential bolt on acquisitions). The Company will receive a minimum fee of \$0.2m as part of this agreement.

Subsequent Events – Board changes

On 26 February 2015, a number of changes to the AWN board were announced. Non-Executive Chairman, Malcolm Keefe retired following the completion of his agreed 3 year tenure with the company with CEO and Managing Director, Kevin Chin, assuming the role of Executive Chairman. In addition, a new non-executive director, Robert John McKelvey has been appointed. In addition, AWN announced the appointment of a new CFO, Conor Byrne (on an interim with a view to permanent basis) as well as an external chief compliance officer.

Arowana International Limited and its Controlled Entities

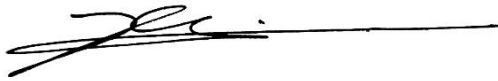
Directors' Report

For the half -year ended 31 December 2014

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 10 for the half-year ended 31 December 2014.

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.

A handwritten signature in black ink, appearing to be 'Kevin Chin', followed by a long horizontal line extending to the right.

Kevin Chin
Managing Director

Brisbane, 26 February 2015

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 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 2014 there have been no contraventions of:

- a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

PKF Hacketts

PKF Hacketts Audit



**Shaun Lindemann
Partner**

Brisbane, 26 February 2015

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

Interim Financial Statements
For the half-year ended 31 December 2014

Arowana International Limited and its Controlled Entities

Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2014

	Note	Consolidated	
		Half-year ended 31 Dec 2014 \$	31 Dec 2013 (Restated) \$
Continuing operations			
Revenue		1,284,856	1,354,244
Other income	3	1,568,438	376,181
Total income		2,853,294	1,730,425
Expenses			
Employee expenses		(1,599,568)	(1,592,894)
Long Term Value Creation Pool expense		(1,000,000)	-
Occupancy expenses		(244,406)	(234,591)
Board fees		(50,004)	(69,504)
Marketing expense		(130,470)	(13,106)
Insurance		(80,284)	(25,695)
IT and Communication		(75,287)	(107,917)
Travel		(147,386)	(167,923)
Finance costs		(8,464)	(12,648)
Depreciation		(80,580)	(65,234)
Administration		(120,970)	(67,484)
Compliance and governance		(404,879)	(150,532)
Legal and professional		(391,414)	(120,449)
Research & business intelligence expenses		(203,029)	(115,615)
Foreign exchange gain		230,114	-
Share of net profit of associates accounted for using the equity method		472,314	-
Net profit / (loss) before tax		(981,019)	(1,013,167)
Income tax benefit / (expense)		(316,787)	(33,103)
Profit / (loss) from continuing operations		(1,297,806)	(1,046,270)
Profit from discontinued operations after tax	5	3,807,699	932,992
Profit / (loss) attributable to the equity holders of Arowana International Limited		2,509,893	(113,278)
Statutory earnings per share		Cents	Cents
From continuing and discontinued operations			
Basic earnings / (loss) per share		1.58	(0.07)
Diluted earnings / (loss) per share		1.58	(0.07)
From continuing operations			
Basic earnings / (loss) per share		(0.82)	(0.64)
Diluted earnings / (loss) per share		(0.82)	(0.64)
From discontinued operations			
Basic earnings / (loss) per share		2.40	0.57
Diluted earnings / (loss) per share		2.40	0.57

The accompanying notes form part of these financial statements.

Arowana International Limited and its Controlled Entities
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the half-year ended 31 December 2014

	Consolidated	
	Half-year ended	Half-year ended
	31 Dec 2014	31 Dec 2013
	\$	(Restated) \$
Profit / (loss) attributable to the equity holders of Arowana International Limited	<u>2,509,893</u>	<u>(113,278)</u>
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Exchange differences on translation of foreign operations	1,801,259	1,837,763
Share of other comprehensive income of associates accounted for using equity method	(42,178)	-
Other comprehensive income for the period, net of income tax	<u>1,759,081</u>	<u>1,837,763</u>
Total comprehensive income attributable to the equity holders of Arowana International Limited	<u>4,268,974</u>	<u>1,724,485</u>

The accompanying notes form part of these financial statements.

Arowana International Limited and its Controlled Entities

Consolidated Statement of Financial Position

As at 31 December 2014

		Consolidated	
	Note	31 Dec 2014	30 Jun 2014
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		56,845,341	97,077,244
Trade and other receivables		2,101,122	2,785,997
Other current assets		311,686	158,404
Total current assets		59,258,149	100,021,645
Non-current assets			
Investments accounted for using cost method	7(a)	6,000,000	-
Investments accounted for using equity method	7(b)	59,167,473	54,491,286
Other financial assets	8	14,000,000	-
Related party loans		80,310	-
Property, plant and equipment		550,647	642,567
Deferred tax assets		1,759,977	1,913,225
Goodwill	9	2,201,040	5,810,477
Total non-current assets		83,759,447	62,857,555
Total assets		143,017,596	162,879,200
LIABILITIES			
Current liabilities			
Trade and other payables	10	913,089	20,345,161
Deferred income		-	169,968
Current tax payables		-	19,909
Borrowings		75,734	112,004
Provisions		163,503	179,418
Total current liabilities		1,152,326	20,826,460
Non-current liabilities			
Trade and other payables		-	151,864
Borrowings		104,010	135,172
Deferred tax liabilities		218,681	8,642
Provisions		37,592	28,307
Total non-current liabilities		360,283	323,985
Total liabilities		1,512,609	21,150,445
Net assets		141,504,987	141,728,755
Equity			
Issued capital	12	59,509,048	61,401,416
Reserves		(12,644,936)	(11,500,329)
Retained earnings		94,640,875	91,827,668
		141,504,987	141,728,755

The accompanying notes form part of these financial statements.

Arowana International Limited and its Controlled Entities

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

	Issued Capital \$	General Reserve \$	Share Buyback Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total Equity \$
Balance as at 1 July 2013	61,401,416	(11,754,685)	-	1,533,938	(9,118,507)	42,062,162
Profit / (loss) for the period	-	-	-	-	(113,278)	(113,278)
Other comprehensive income for the period, net of tax	-	-	-	1,837,763	-	1,837,763
Total comprehensive income for the period	-	-	-	1,837,763	(113,278)	1,724,485
Transactions with owners in their capacity as owners:						
Payment of dividends	-	-	-	-	(1,397,887)	(1,397,887)
Total transactions with owners	-	-	-	-	(1,397,887)	(1,397,887)
Balance as at 31 December 2013	61,401,416	(11,754,685)	-	3,371,701	(10,629,672)	42,388,760
Balance as at 1 July 2014	61,401,416	(11,754,685)	-	254,356	91,827,668	141,728,755
Profit / (loss) for the period	-	-	-	-	2,509,893	2,509,893
Other comprehensive income for the period, net of tax	-	-	-	1,759,081	-	1,759,081
Transfer of Foreign currency translation reserve to Retained Earnings	-	-	-	(303,314)	303,314	-
Total comprehensive income for the period	-	-	-	1,455,767	2,813,207	4,268,974
Transactions with owners in their capacity as owners:						
Share Buyback	(1,892,368)	-	(2,600,374)	-	-	(4,492,742)
Payment of dividends	-	-	-	-	-	-
Total transactions with owners	(1,892,368)	-	(2,600,374)	-	-	(4,492,742)
Balance as at 31 December 2014	59,509,048	(11,754,685)	(2,600,374)	1,710,123	94,640,875	141,504,987

The accompanying notes form part of these financial statements.

Arowana International Limited and its Controlled Entities

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	Note	Consolidated half-year ended	
		31 Dec 2014 \$	31 Dec 2013 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,059,371	19,774,252
Payments to suppliers and employees (inclusive of GST)		(25,017,941)	(19,486,397)
Interest received		889,234	296,331
Interest paid		(8,464)	(578,337)
Income tax refunded / (paid)		83,191	(937,812)
Net cash inflow / (outflow) from operating activities		(19,994,609)	(931,963)
Cash flows from investing activities			
Payments for investment in UPMG shares		(6,000,000)	-
Payment for UPMG convertible notes		(14,000,000)	-
Payment for investment in associate		(2,493,750)	-
Proceeds from sale of Training & Events division	5(a)	6,685,304	-
Purchase of fixed assets		(67,500)	(1,447,001)
Proceeds from sale of fixed assets		-	43,005
Net cash inflow / (outflow) from investing activities		(15,875,946)	(1,403,996)
Cash flows from financing activities			
Payments for related party loan		(80,310)	-
Proceeds from borrowings		-	160,251
Repayment of borrowings		(67,432)	(853,838)
Share buyback		(4,492,742)	-
Dividends paid		-	(1,397,887)
Net cash inflow / (outflow) from financing activities		(4,640,484)	(2,091,474)
Net increase/(decrease) in cash and cash equivalents		(40,511,039)	(4,427,433)
Effect of the foreign currency translation		279,136	27,812
Cash and cash equivalents at the beginning of the period		97,077,244	20,610,541
Cash and cash equivalents at the end of the period		56,845,341	16,210,920

The accompanying notes form part of these financial statements.

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

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, 110 Mary Street, Brisbane, QLD 4000. 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 2014 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 2014, together with any public announcements made during the following half-year. These interim financial statements were authorised for issue on 26 February 2015.

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.

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

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

3. Other income

	31 December 2014	31 December 2013
	\$	\$
Interest income	1,568,438	269,291
Other income	-	106,890
Total other income	<u>1,568,438</u>	<u>376,181</u>

4. Restatement of Prior Period Balances

In March 2014, Intueri, a 100% owned subsidiary of Arowana International Limited, finalised its provisional accounting for the acquisition of a number of operating businesses acquired during the year ended 30 June 2013. As a result of this, a number of additional assets / liabilities were identified which existed at the date of acquisition of the operating businesses, and the allocation of provisional goodwill to specific, identifiable intangible assets, and the related impact on deferred tax balances has been completed, requiring a restatement of the previous reported balances in the financial statements for the year ended 30 June 2013 and for the half-year ended 31 December 2013. The impact of the above on the consolidated statement of profit or loss and other comprehensive income, applied for the half-year ended 31 December 2013, is summarised below:

	31 December 2013	Changes	31 December 2013 (Restated)
Income Statement:			
Amortisation expense – intangible assets	-	(1,794,557)	(1,794,557)
Profit/(loss) before income tax	1,607,240	(1,794,557)	(187,317)
Income tax (expense)/benefit	(352,338)	426,377	74,039
Profit/(loss) for the year	1,254,902	(1,368,180)	(113,278)
Profit/(loss) attributable to the equity holders of Arowana International Limited	1,254,902	(1,368,180)	(113,278)
Statement of comprehensive income:			
Other comprehensive income for the year	1,863,367	(25,604)	1,837,763
Total comprehensive income for the year	3,118,269	(1,393,784)	1,724,485

Basic and diluted earnings per share for the prior period have also been restated. The amount of the adjustment for both basic and diluted earnings per share (overall operations) was a decrease of 0.84 cents per share.

As a result of the deconsolidation of the Intueri on 23 May 2014 (refer to Note 5b), all of the above comparative financial performance restatements have been reclassified to “Profit / (loss) from discontinued operations” as required by AASB 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

5. Discontinued Operations

a. Divestment of HRM Asia Pte Ltd

Effective 1 October 2014, Arowana International Limited (“AWN”), via its 100% owned subsidiaries Arowana International Holdings Limited (“AIHL”) and HRM Asia Holdings Pty Ltd (“HRMH”), disposed of 100% of its investment in HRM Asia Pte Ltd (“HRM Asia”).

	31 December 2014	31 December 2013
	\$	\$
Details of the sale:		
Consideration received or receivable:		
Cash	7,906,835	-
Receivable	878,537	-
Cost related to the sale	(929,281)	-
Net consideration	7,856,091	-
Carrying amount of assets and liabilities of HRM Asia Pte Ltd as at the date of deconsolidation were:		
Cash	292,250	-
Current assets	624,441	-
Non-current assets	3,688,276	-
Current liabilities	(675,623)	-
Non-current liabilities	(9,123)	-
Net assets	3,920,221	-
Gain on sale before income tax	3,935,870	-
Cashflow reconciliation:		
Sales	8,785,372	-
Retention	(878,537)	-
Proceeds from sales	7,906,835	-
Cost paid related to the sales	(929,281)	-
Carrying amount of cash at the date of deconsolidation	(292,250)	-
Cash inflow / (outflow)	6,685,304	-

b. Divestment of Intueri Education Group Limited

On 23 May 2014, AWN, via its 100% owned subsidiaries AIHL and Intueri Education Group Holdings Pty Ltd (“IEGH”), divested of 75.1% of its investment in Intueri. At the same time, Intueri conducted an additional capital raise and dual listed its securities separately on the New Zealand Stock Exchange and the Australian Stock Exchange. AWN has retained an investment in Intueri of 24.9% after the separate capital raising and listing of Intueri’s securities. The above transaction was approved by the shareholders of AWN and further information relating to the transaction and subsequent transactions for Intueri have been announced and are available on the ASX.

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

5. Discontinued Operations (continued)

The Directors are of the view that AWN ceased to control Intueri as of 23 May 2014, although it still is considered for accounting purposes to maintain a "significant influence" over Intueri by virtue of its shareholding and having a board seat out of a 5 member board. On this basis, AWN has equity accounted for the remaining investment in Intueri from that date onwards, and the results for the division have been reclassified as discontinued operations up until the point of loss of control in accordance with AASB 5.

The financial performance of the discontinued operation up to the date of sale, which is included in profit / (loss) from discontinued operations per the statement of comprehensive income, is as follows:

	31 December 2014		
	HRMH	Intueri	Total
	\$	\$	\$
Revenue	506,692	-	506,692
Expenses	(634,863)	-	(634,863)
Profit before income tax	(128,171)	-	(128,171)
Income tax expense	-	-	-
Profit attributable to members of the parent entity	(128,171)	-	(128,171)
Profit on sale before income tax	3,935,870	-	3,935,870
Income tax benefit / (expense)	-	-	-
Profit on sale after income tax	3,935,870	-	3,935,870
Total profit after tax attributable to the discontinued operation	3,807,699	-	3,807,699

	31 December 2013		
	HRMH	Intueri	Total
	\$	\$	\$
Revenue	1,154,294	15,082,157	16,236,451
Expenses	(1,259,357)	(14,151,245)	(15,410,602)
Profit before income tax	(105,063)	930,912	825,849
Income tax benefit	24,246	82,896	107,142
Profit attributable to members of the parent entity	(80,817)	1,013,808	932,991
Profit on sale before income tax	-	-	-
Income tax benefit / (expense)	-	-	-
Profit on sale after income tax	-	-	-
Total profit after tax attributable to the discontinued operation	(80,817)	1,013,808	932,991

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

6. Segment Information

For the half year ended 31 December 2014	Enterprise office (Australia) \$	Funds Management (Australia) \$	Diagnostic Testing (Australia) \$	Total	Intersegment Eliminations \$	Consolidated \$
Revenue						
Sales to external customers	5,372	3,796	1,275,688	1,284,856	-	1,284,856
Intersegment sales	344,157	-	-	344,157	(344,157)	-
Total sales revenue	349,529	3,796	1,275,688	1,629,013	(344,157)	1,284,856
Interest revenue	1,026,048	539,055	3,335	1,568,438	-	1,568,438
Other income	978,996	-	-	978,996	(978,996)	-
Total revenue	2,354,573	542,851	1,279,023	4,176,447	(1,323,153)	2,853,294
Segment result						
Non-recurring items	(748,484)	(67,531)	(76,966)	(892,981)	(978,996)	(1,871,977)
Gross segment result	(143,095)	254,629	319,644	431,178	(1,323,153)	(891,975)
Depreciation	(14,057)	-	(66,523)	(80,580)	-	(80,580)
Finance costs	-	-	(8,464)	(8,464)	-	(8,464)
Profit / (loss) before income tax – continuing operations	(157,152)	254,629	244,657	342,134	(1,323,153)	(981,019)
Income tax expense / (benefit)	333,882	-	(17,095)	316,787	-	316,787
Profit after income tax – continuing operations	(491,034)	254,629	261,752	25,347	(1,323,153)	(1,297,806)
Segment Assets						
Total assets	291,319,789	25,433,988	3,819,760	320,573,537		
Elimination within segment	(34,501,313)	(32,625)	(405,000)	(34,938,938)		
Reportable segment assets	256,818,476	25,401,363	3,414,760	285,634,599	(142,617,003)	143,017,596

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

6. Segment Information (continued)

For the half year ended 31 December 2013	Enterprise office (Australia) \$	Funds Management (Australia) \$	Diagnostic Testing (Australia) \$	Total	Intersegment Eliminations \$	Consolidated \$
Revenue						
Sales to external customers	-	-	1,354,244	1,354,244	-	1,354,244
Intersegment sales	277,171	-	-	277,171	(277,171)	-
Total sales revenue	277,171	-	1,354,244	1,631,415	(277,171)	1,354,244
Interest revenue	265,846	-	3,445	269,291	-	269,291
Other income	92,945	-	13,945	106,890	-	106,890
Total revenue	635,962	-	1,371,634	2,007,596	(277,171)	1,730,425
Segment result						
Non-recurring items	(903,672)	-	346,530	(557,142)	(236,137)	(793,279)
Gross segment result	(104,188)	-	(37,818)	(142,006)	-	(142,006)
Depreciation	(1,007,860)	-	308,712	(699,148)	(236,137)	(935,285)
Finance costs	(5,794)	-	(59,440)	(65,234)	-	(65,234)
Profit / (loss) before income tax – continuing operations	-	-	(12,648)	(12,648)	-	(12,648)
Income tax expense / (benefit)	(1,013,654)	-	236,624	(777,030)	(236,137)	(1,013,167)
Profit after income tax – continuing operations	163,782	-	(130,679)	33,103	-	33,103
	(1,177,436)	-	367,303	(810,133)	(236,137)	(1,046,270)
Segment Assets						
Total assets	142,929,218	-	6,450,812	149,380,030		
Elimination within segment	(44,012,179)	-	(2,880,191)	(46,892,370)		
	98,917,039	-	3,570,621	102,487,660	(80,529,677)	21,957,983
Other assets – discontinued operations						60,531,529
Reportable segment assets						82,489,512

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

6. Segment Information (continued)

Identification of reportable operating segments

The Group is organised into the Enterprise Office, the Operating Companies division and the Funds Management division. The Operating Companies division in turn comprises business units including the Diagnostic and Testing unit, the Training and Events unit and the Education unit. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

During the period, a new Funds Management division was established. This division manages listed and unlisted funds that have either permanent capital or semi-permanent capital (defined as minimum 10 year life funds). As at 31 December 2014, aggregate funds under management were in excess of \$72 million across 2 vehicles namely the AASSF and the AAVOF.

As outlined in Note 5a, on 1 October 2014 the Group disposed of its training and events business, HRM Asia. The segment information reported on the preceding pages does not include any amounts for these discontinued operations, which are described in more detail in note 5.

As outlined in Note 5b, on 23 May 2014 the Group disposed of a controlling interest in its education business, Intueri. The segment information reported on the preceding pages does not include any amounts for these discontinued operations, which are described in more detail in note 5.

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 also provides strategic, operational, financial, human resources and marketing support to the operating entities within the Group;
- **Operating Companies** – houses business units and underlying businesses that are or were wholly owned subsidiaries of the Group; and
- **Funds Management** – manages listed and unlisted funds that have either permanent capital or semi-permanent capital (defined as minimum 10 year life funds).

Discontinued operations (segments)

Training and events – the provision of information services for human resources professional including organising and managing events. Further information regarding this segment's operations is detailed in Note 5.

Education - the provision of education services in New Zealand, Australia and Asia. Further information regarding this segment's operations is detailed in Note 5.

Geographical segmentation

As outlined above, at 31 December 2014 the Group no longer controlled the Training and Events division which was located in Singapore and the Education division which was located in New Zealand and hence only has one geographic segment, namely Australia.

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

6. Segment Information (continued)

Other Segment information

Segment revenue - Sales between segments are carried out on an arm's length basis and are eliminated on consolidation. Segment revenue from external customers is recorded in accordance with that set out in the Consolidated Statement of Profit and Loss.

Segment assets - are recorded in accordance with that of the Consolidated Statement of Financial Position. These assets are allocated based on the operations of the segment and the physical location of the asset.

7. Investments

- a. **Investments accounted for using cost method:** during the period, the company through its wholly owned partnership, the AASSF acquired 2,000,000 redeemable preference shares in an unlisted public company UPMG at \$3.00 per share totalling \$6,000,000.
- b. **Investment accounted for using equity method:** during the period, the company through its wholly owned partnership, Arowana Australasian Special Situations Partnership 1, LP ("AASSP") acquired 1,995,000 ordinary shares in a private company, Vivopower at \$1.25 per share totalling \$2,493,750 (excluding share of profits/losses for the period).

As at 31 December 2014, the Group had the following investments using the equity method:

	31 December 2014	30 June 2014
	\$	\$
Intueri Education Group (NZ)	56,749,558	54,491,286
Vivopower Pty Limited	2,417,915	-
	59,167,473	54,491,286

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

Associate	Principal activities	Percentage interest	
		31 December 2014	30 June 2014
		%	%
Intueri Education Group Limited	Provision of education services	24.9	24.9
Vivopower Pty Limited	Energy solutions provider	39.9	-

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

7. Investments (continued)

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

	Intueri Education Group (NZ)	Vivopower Pty Limited
Opening balance, 1 July 2014	54,491,286	-
Acquisition on 1 August 2014	-	1,246,875
Acquisition on 1 November 2014	-	1,246,875
Share of profit (loss) of associated entities	548,149	(75,835)
Share of other comprehensive income of associated entities	(42,178)	-
Impact of foreign exchange translation	1,752,301	-
Ending balance, 31 December 2014	56,749,558	2,417,915

8. Other financial assets

During the period, the company through its wholly owned partnership, the AASSF acquired 2,000,000 unsecured convertible notes in an unlisted public company, UPMG for \$7.00 per note totalling \$14,000,000. These notes are first ranking (as UPMG has no bank debt). The notes carry a coupon of 8.5% per annum for the period from issue date to 30 June 2015 and 11.4% per annum for all subsequent periods, with coupons being cumulative. The latest redemption date is 30 June 2018 with a redemption premium of 5% unless there is a Trigger Event which results in earlier redemption.

9. Goodwill

The decrease in the consolidated goodwill balance of \$3,609,437 (from \$5,810,477 as at 30 June 2014 to \$2,201,040 as at 31 December 2014), is due to the disposal of HRM Asia on the 30 September 2014 (as outlined in note 5).

10. Trade and other payables

	31 December 2014	30 June 2014
	\$	\$
Trade creditors	6,103	510,498
Intueri IPO costs	-	1,618,214
Accrued expense	232,116	393,270
Long Term Value Creation Plan	498,150	17,722,252
Other payable	176,720	100,927
	913,089	20,345,161

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

11. Dividends paid and proposed

	No. Shares	Per Share \$	31 Dec 2014 \$	31 Dec 2013 \$
Dividend paid during the half-year:				
Ordinary unfranked final dividend declared on 30 September 2013 and paid on 25 October 2013	163,159,830	0.85	-	1,386,859
Ordinary partially interim franked dividend declared on 26 February 2015 and paid 12 March 2015	158,170,799	0.02	3,163,416	-

12. Issued Capital

During the half-year period to 31 December 2014, the company executed 2 different share buybacks:

	No. Shares	Per Share \$	31 Dec 2014 \$
Shares bought back during the half-year:			
29 July 2014	4,962,894	0.90	4,466,605
31 October 2014	26,137	1.00	26,137
	<u>4,989,031</u>		<u>4,492,742</u>

13. Capital Commitments

There were no capital commitments as at 31 December 2014.

14. Contingent Liabilities

There have been no significant changes to the contingent liabilities presented in the annual report for the year ended 30 June 2014, as at 31 December 2014.

15. Events after Balance Sheet Date

Subsequent to balance sheet date, on 26 February 2014 the Directors of AWN declared an interim partially franked dividend of \$3,163,416, representing 2.0 cents per share. The franking level attached to the dividend is 3.85%. The dividend was not provided for in the 31 December 2014 half year financial statements.

On 5 January 2015, the shares and options of the AAVOF were listed on the ASX with the tickers AWQ and AWQO respectively. AWN is the manager of the AAVOF which raised gross proceeds of \$48,114,002 from its IPO.

Arowana International Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

15. Events after Balance Sheet Date (continued)

During the month of January 2015, the Company committed to new potential investments as follows:

- *Arowana Inc.* – the Company committed to investing a minimum US\$0.9m from its \$25m seed investment in the AASSF into foundation sponsor ordinary shares in Arowana Inc., a SPAC that will be listing on NASDAQ. Arowana Inc. was seeking to initially raise US\$60m but is now intending to upsize its offering to a minimum raising of US\$72m in response to strong investor interest. Should it do so, the Company will increase its investment to retain the same shareholding percentage; and
- *Evolution Road Maintenance Group (“ERMG”)* – the Company has entered into an agreement with ERMG to provide or procure funding of \$10.2m to enable ERMG to finance its expansion plans (including potential bolt on acquisitions). The Company will receive a minimum fee of \$0.2m as part of this agreement.

On 26 February 2015, a number of changes to the AWN board were announced. Non-Executive Chairman, Malcolm Keefe retired following the completion of his agreed 3 year tenure with the company with CEO and Managing Director, Kevin Chin, assuming the role of Executive Chairman. In addition, a new non-executive director, Robert John McKelvey has been appointed. In addition, AWN announced the appointment of a new CFO, Conor Byrne (on an interim basis with a view to becoming permanent) as well as an external chief compliance officer.

Arowana International Limited and its Controlled Entities

Directors' Declaration

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

1. The accompanying financial statements and notes, as set out on pages 11 to 27, are in accordance with the *Corporations Act 2001* including:
 - (i) Complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (ii) Giving a true and fair view of the group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that Arowana International Limited will be able to pay its debts as and when they become due and payable.

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



Kevin Chin
Managing Director

Brisbane, 26 February 2015

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Arowana International Limited ('the Company') and its controlled entities ('the Group') which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Arowana international Limited and its controlled entities' financial position as at 31 December 2014 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 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AROWANA INTERNATIONAL LIMITED (Continued)**

Conclusion

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 and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PKF Hacketts

PKF Hacketts Audit



**Shaun Lindemann
Partner**

Brisbane, 26 February 2015

Arowana International Limited and its Controlled Entities

Corporate Directory

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Directors

Mr Kevin Tser Fah Chin (Executive Chairman)

Hon. John Moore (Non Executive Director)

Mr Robert John McKelvey (Non Executive Director)

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