



**AROWANA INTERNATIONAL**

## **ASX ANNOUNCEMENT**

26 February 2016

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

## **FINANCIAL YEAR 2016 HALF YEAR RESULTS**

The Board of Arowana International Limited (ASX: AWN) is pleased to release its Interim Financial Statements including Appendix 4D Disclosures for the half-year ended 31 December 2015.

Also attached is a Results Presentation and Market Update.

On behalf of the Board of AWN

**Tom Bloomfield**  
Company Secretary

### **AROWANA INTERNATIONAL LIMITED**

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# **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 2015  
(Previous corresponding half-year ending 31 December 2014)**

### **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 2015**  
**(Previous corresponding period: half-year ended 31 December 2014)**

**Results for Announcement to the Market**

Key Information	Change from previous corresponding period			A\$
Revenue from ordinary activities from continuing operations	Up	27%	to	1,634,224
Loss after tax from continuing operations attributable to members	Up	1,378%	to	(19,183,784)
Profit after tax from discontinued operations attributable to members	Down	100%	to	0
Net profit / (loss) for the half-year attributable to members	Down	864%	to	(19,183,784)

**Dividends Paid and Proposed**

Dividends (distributions)	Amount per security	Franked amount per security
Interim Dividends - 2015	2.00 cents	0.08 cents
Final Dividend – 2015	1.00 cents	Nil
Interim Dividends - 2016*	0.50 cents	Nil

\* Declared on 26 February 2016 and payable on 18 March 2016

**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
<i>From continuing and discontinued operations combined:</i>		
Basic EPS	(12.13) cents	1.58 cents
Diluted EPS	(12.13) cents	1.58 cents
<i>From continuing operations:</i>		
Basic EPS	(12.13) cents	(0.82) cents
Diluted EPS	(12.13) cents	(0.82) cents
<i>From discontinued operations:</i>		
Basic EPS	Nil	2.40 cents
Diluted EPS	Nil	2.40 cents

**Arowana International Limited and its Controlled Entities**  
**Appendix 4D – Preliminary Half-Year Report**  
**For the half -year ended 31 December 2015**  
**(Previous corresponding period: half-year ended 31 December 2014)**

**Net Tangible Assets**

NTA backing	31 December 2015	30 June 2015
Net tangible asset backing per ordinary security	62.0 cents	76.8 cents

**Control Gained or Lost over Entities in the Half-Year**

VivoPower Pty Ltd and its controlled entities. Refer to VivoPower’s controlled entities in Note 16 to the interim financial statements.

VivoPower Pty Ltd (VivoPower) is a company involved in the development of renewable energy production facilities in Australia and Asia with a focus on the solar power space. The Group previously accounted for its 39.99% investment in VivoPower using the equity method and in December 2015 acquired a further direct interest bringing its total interest to 63.01% at 31 December 2015. VivoPower is therefore included in the consolidated financial statements of the Group from 7 December 2015. The financial effects of this are shown in Note 5 and Note 15 to the interim financial statements.

# Arowana International Limited and its Controlled Entities

## Directors' Report

### For the half-year ended 31 December 2015

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2015.

#### Directors

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

Name	Position
Kevin Tser Fah Chin	Executive Chairman and Managing Director
Hon. John Moore	Non-Executive Director
Robert John McKelvey	Non-Executive Director
Anthony Paul Kinnear	Non-Executive Director (appointed 19 November 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 2015, Arowana International Limited ("AWN") achieved the following consolidated statutory results:

- Group revenue of \$2.84 million (2014: \$2.85 million) (which includes interest income of \$1.16m (2014: \$1.57million));
- Group net (loss) after tax of (\$19.29) million (2014: profit \$2.51 million); and
- Group basic earnings/(loss) per share of (12.13) cents (2014: 1.58 cents).

The net loss and basic EPS figures above include a non-cash impairment provision of \$4.3m against the carrying value of Intueri Education Group ("Intueri") and the further \$13.6m impact of one-off write downs of goodwill in Intueri's equity accounted loss for the period.

##### **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 2015 versus the half-year ended 31 December 2014. The table is presented on the following basis:

- Excluding any foreign exchange gain/loss from foreign currency holdings
- Excluding interest revenue and interest expense
- Excluding the one-off, non-cash provision for impairment, of \$4.3m, on the Group's carrying value of its investment in Intueri ; and
- Excluding the one-off impact on the Group's share of net loss of associates, \$13.6m, representing Intueri's one-off charges for write-offs of goodwill on certain of its investments.

All figures in A\$ millions	Half-year ended 31 December 2015 - statutory (audited)	Half-year ended 31 December 2015 - underlying (unaudited)	Half-year ended 31 December 2014 - underlying (unaudited)	% change
Revenue	\$1.63	\$1.68	\$1.28	31.0%
EBIT	(\$21.40)	(\$1.38)	(\$1.29)	(7.0%)

# Arowana International Limited and its Controlled Entities

## Directors' Report

### For the half-year ended 31 December 2015

Key comments in relation to the above table:

- Revenue and EBIT from the Funds Management division reflects full year contribution from the Arowana Australasian Special Situations Fund and part year contribution, from 29 December 2014, for the management of the Arowana Australasian Value Opportunities Fund
- EBIT has been significantly impacted in the half-year to 31 December 2015 by the non-cash impairment provision made against the Group's investment in Intueri Education Group Limited (NZ) (Intueri), the market value of which has been significantly eroded by the contagion in the listed education sector in both Australia and New Zealand over the period. The Directors have made provision against the carrying value of the Group's 24.88% holding in Intueri, sufficient to reflect its market value of 64 cents per share at 31 December 2015, resulting in a charge of \$4.3m to the Group's provision for impairment expense. In addition, the Group's share of profit/loss of associates has been adversely affected in the half-year by one-off write-downs of goodwill in the accounts of Intueri which totalled NZ\$59.9m or approximately AUD\$13.6m for the Group's 24.88% interest
- AWN Enterprise Office expenses reflect an increase in head count for the half-year that has enabled the Company to rebuild its pipeline of potential deals and to progress key initiatives in solar power offset by consulting revenue
- The reported EBIT above reflects unrealised foreign exchange losses of \$1.36m at 31 December 2015 which reflected investments made in US solar assets and US cash.

#### Dividend

In light of AWN's strong balance sheet and net cash position and taking into consideration potential investment opportunities, the Board has declared an unfranked dividend of 0.5 cents per share to be paid on 18 March 2016. 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 in the corresponding prior period and the partial divestment of Intueri Education Group ("Intueri") before that, AWN now 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, the Operating Companies Division incorporates the Diagnostic Testing company, Thermoscan, the Education sector investment in an associate, Intueri and the Arowana Energy company, VivoPower.

##### *Thermoscan*

Market conditions were challenging for Thermoscan during the half-year ended 31 December 2015 nonetheless revenues have been maintained in line with the previous corresponding period. However, EBITA for the half was slightly behind the previous corresponding period due to minor escalation in operating costs.

# **Arowana International Limited and its Controlled Entities**

## **Directors' Report**

### **For the half-year ended 31 December 2015**

#### *Intueri*

Intueri outperformed its FY2015 PFI revenue forecast by 6%, however fell short of its EBITA forecast by 27%. Underperformance in the New Zealand business was offset by a much stronger than expected performance at its Australian college, Online Courses Australia. Intueri was also beset by regulatory reviews and associated investigations particularly in relation to one of its colleges in New Zealand, Quantum Education ("Quantum"). We understand from Intueri's board and leadership team that these reviews are expected to be completed in the first half of 2016.

#### *VivoPower (Renewable Energy)*

VivoPower was established in August 2014 and is experiencing strong growth off a low base with the business on track to EBIT profitability. The Group, through its Arowana Australasian Special Situations Fund, acquired an interest of 39.99% in 2014 and had increased its overall interest to 63.01% at 31 December 2015. VivoPower has a significant pipeline of qualified investment opportunities.

#### **Funds Management Division**

Established in July 2014, this division manages the Arowana Australasian Special Situations Fund (AASSF) and the Arowana Australasian Value Opportunities Fund (AAVOF) with aggregate funds under management at 31 December 2015 of \$79.5 million.

#### *Arowana Australasian Special Situations Fund (AASSF)*

AWN seeded the AASSF with an investment of \$25m during the half-year ended 31 December 2014. Additional funds raised during June 2015 and August 2015 totalled \$1.5m. The Fund made an investment totalling \$20.9m in convertible notes and preference shares of Ubiquity Power Maintenance Group (UPMG), an unlisted public company, as well as an investment of \$2.5m in the ordinary shares of an unlisted renewable energy company, VivoPower (refer Note 5) and \$1.5m in foundation units of Arowana Inc., a NASDAQ listed special purpose acquisition company (SPAC). At 31 December 2015 the net assets of the fund stood at \$32.5m, including \$22.5m of investments valued at cost.

#### *Arowana Australasian Value Opportunities Fund (AAVOF)*

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 and subsequently listed on the Australian Stock Exchange on 5 January 2015. As at 31 December 2015, funds under management (FUM) was \$49,274,029 and the fund had returned a gross performance of 6.91% since inception with 54% of its capital invested in listed securities at that time.

#### *Net Tangible Assets*

Statutory net tangible assets decreased to 62.0 cents from 87.1 cents over the past 6 months. However, the bulk of that decrease has been in the non-cash provisioning against the carrying value of Intueri. 26.3 cents of the 31 December 2015 NTA per share is reflected in cash at bank, 5.1 cents per share in an interest bearing, secured commercial promissory note and a further 4.7 cents per share in a NASDAQ listed special purpose acquisition company (that has only USD cash as its only asset at present).



# **Arowana International Limited and its Controlled Entities**

## **Directors' Report**

### **For the half-year ended 31 December 2015**

#### **Subsequent Events - Dividends**

As mentioned previously, subsequent to balance sheet date, on 26 February 2016 the Directors of AWN have declared an interim unfranked dividend of 0.5 cents.

For the avoidance of doubt, the dividend was not provided for in the 31 December 2015 half-year financial statements.

#### **Subsequent Events – Investments**

The share price of Intueri has declined from a last sale price of 64.0 cents as at 31 December 2015 to 26.0 cents at 22 February 2016. All other items being equal, the impact of this is a reduction in the Group NTA from 62.0 cents per share at 31 December 2015 to 56.0 cents per share at 22 February 2016.

#### **Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 9 for the half-year ended 31 December 2015.

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  
Managing Director

Sydney, 26 February 2016

**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 2015 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 2016

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

**Interim Financial Statements**  
**For the half-year ended 31 December 2015**

# Arowana International Limited and its Controlled Entities

## Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2015

	Note	Consolidated Half-year ended	
		31 Dec 2015 \$	31 Dec 2014 \$
<b>Continuing operations</b>			
Revenue		1,634,224	1,284,856
Other revenue and interest income	3	1,206,867	1,568,438
<b>Total income</b>		<b>2,841,091</b>	<b>2,853,294</b>
<b>Expenses</b>			
Employee expenses		(2,049,436)	(1,599,568)
Long Term Value Creation Pool expense		-	(1,000,000)
Occupancy expenses		(193,425)	(244,406)
Board fees		(48,452)	(50,004)
Marketing expense		(72,487)	(130,470)
Insurance		(104,541)	(80,284)
IT and Communication		(117,595)	(75,287)
Travel		(350,132)	(147,386)
Finance costs		(7,008)	(8,464)
Depreciation		(94,499)	(80,580)
Administration		(184,558)	(120,871)
Compliance and governance		(258,101)	(404,879)
Legal and professional		(474,266)	(391,414)
Research & business intelligence expenses		(181,946)	(203,029)
Due diligence		(636,245)	(99)
Provision for impairment		(4,322,045)	-
Foreign exchange gain / (loss)		(1,168,425)	230,114
Share of net (loss)/profit of associates accounted for using the equity method		(12,827,537)	472,314
<b>Net profit / (loss) before tax</b>		<b>(20,249,607)</b>	<b>(981,019)</b>
Income tax benefit / (expense)		956,851	(316,787)
<b>Profit / (loss) from continuing operations</b>		<b>(19,292,756)</b>	<b>(1,297,806)</b>
Profit from discontinued operations after tax		-	3,807,699
<b>Profit / (loss) for the period</b>		<b>(19,292,756)</b>	<b>2,509,893</b>
Profit / (loss) is attributable to:			
<b>Arowana International Limited</b>		<b>(19,183,784)</b>	<b>2,509,893</b>
Non-controlling interest		(108,972)	-
		<b>(19,292,756)</b>	<b>2,509,893</b>
<b>Statutory earnings per share</b>			
		<b>Cents</b>	<b>Cents</b>
From continuing and discontinued operations			
Basic earnings / (loss) per share		(12.13)	1.58
Diluted earnings / (loss) per share		(12.13)	1.58
From continuing operations			
Basic earnings / (loss) per share		(12.13)	(0.82)
Diluted earnings / (loss) per share		(12.13)	(0.82)
From discontinued operations			
Basic earnings / (loss) per share		-	2.40
Diluted earnings / (loss) per share		-	2.40

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 2015**

	Consolidated Half-year ended	
	31 Dec 2015	31 Dec 2014
	\$	\$
<b>Profit / (loss) for the period</b>	<u>(19,292,756)</u>	<u>2,509,893</u>
<b>Other comprehensive income</b>		
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>		
Exchange differences on translation of foreign operations	(1,090,426)	1,759,081
Fair value adjustment - available for sale investment	<u>275,258</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>(815,168)</u>	<u>1,759,081</u>
<b>Total comprehensive income for the period</b>	<b><u>(20,107,924)</u></b>	<b><u>4,268,974</u></b>
Total comprehensive income is attributable to:		
<b>Arowana International Limited</b>	<b>(20,017,369)</b>	<b>4,268,974</b>
Non-controlling interest	<u>(90,555)</u>	<u>-</u>
	<b><u>(20,107,924)</u></b>	<b><u>4,268,974</u></b>

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 2015

	Note	Consolidated	
		31 Dec 2015	30 June 2015
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		41,629,474	54,061,080
Trade and other receivables		3,068,892	2,677,923
Other financial assets	6	8,036,024	-
Other current assets		377,008	198,600
<b>Total current assets</b>		<b>53,111,398</b>	<b>56,937,603</b>
<b>Non-current assets</b>			
Investments accounted for using cost method	5	6,268,157	6,266,831
Investment in available for sale financial assets	5	7,509,863	7,116,638
Investments accounted for using equity method	5	15,925,473	37,333,502
Other financial assets	6	14,622,606	14,622,606
Other non-current assets	7	1,129,861	41,800
Property, plant and equipment		1,666,400	457,072
Deferred tax assets		8,026,466	7,185,945
Intangible assets	8	4,889,662	2,201,040
<b>Total non-current assets</b>		<b>60,038,488</b>	<b>75,225,434</b>
<b>Total assets</b>		<b>113,149,886</b>	<b>132,163,037</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,095,630	1,069,707
Current tax liabilities		-	26,994
Current provisions		136,092	102,699
Interest bearing liabilities	9	890,041	58,743
<b>Total current liabilities</b>		<b>2,121,763</b>	<b>1,258,143</b>
<b>Non-current liabilities</b>			
Trade and other payables		-	8,980
Non-current provisions		23,645	24,276
Interest bearing liabilities	9	51,970	76,429
<b>Total non-current liabilities</b>		<b>75,615</b>	<b>109,685</b>
<b>Total liabilities</b>		<b>2,197,378</b>	<b>1,367,828</b>
<b>Net assets</b>		<b>110,952,508</b>	<b>130,795,209</b>
<b>Equity</b>			
Issued capital	11	59,948,003	59,504,436
Reserves		(13,403,807)	(12,570,222)
Retained earnings		61,796,853	82,562,345
Equity attributable to Parent interest		<b>108,341,049</b>	<b>129,496,559</b>
Equity attributable to non-controlling interest		2,611,459	1,298,650
<b>Total equity</b>		<b>110,952,508</b>	<b>130,795,209</b>

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 2015

	Issued Capital \$	General Reserve \$	Share Buyback Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Non- Controlling Interest \$	Total Equity \$
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)
<b>Balance as at 31 December 2014</b>	<b>59,509,048</b>	<b>(11,754,685)</b>	<b>(2,600,374)</b>	<b>1,710,123</b>	<b>94,640,875</b>	<b>-</b>	<b>141,504,987</b>

## Arowana International Limited and its Controlled Entities

### Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Issued Capital \$	General Reserve \$	Share Buyback Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total Controlling Interest \$	Non- Controlling Interest \$	Total Equity \$
Balance as at 1 July 2015	59,504,436	(7,795,429)	(2,600,374)	(2,174,419)	82,562,345	129,496,559	1,298,650	130,795,209
Profit / (loss) for the period	-	-	-	-	(19,183,784)	(19,183,784)	(108,972)	(19,292,756)
Other comprehensive income for the period, net of tax	-	252,431	-	(1,086,016)	-	(833,585)	18,417	(815,168)
Total comprehensive income for the period	-	252,431	-	(1,086,016)	(19,183,784)	(20,017,369)	(90,555)	(20,107,924)
Transactions with owners in their capacity as owners:								
Non-controlling interest from acquisition during the period	-	-	-	-	-	-	1,153,364	1,153,364
Preference Shares Issued and partnership contribution	451,050	-	-	-	-	451,050	250,000	701,050
Capital raising cost	(7,483)	-	-	-	-	(7,483)	-	(7,483)
Payment of dividends	-	-	-	-	(1,581,708)	(1,581,708)	-	(1,581,708)
Total transactions with owners	443,567	-	-	-	(1,581,708)	(1,138,141)	1,403,364	265,223
<b>Balance as at 31 December 2015</b>	<b>59,948,003</b>	<b>(7,542,998)</b>	<b>(2,600,374)</b>	<b>(3,260,435)</b>	<b>61,796,853</b>	<b>108,341,049</b>	<b>2,611,459</b>	<b>110,952,508</b>

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 2015

	Consolidated half-year ended		
	Note	31-Dec-15 \$	31-Dec-14 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,932,930	4,059,371
Payments to suppliers and employees (inclusive of GST)		(5,724,390)	(25,017,941)
Interest received		348,973	889,234
Interest paid		(4,649)	(8,464)
Income tax refunded / (paid)		(62,609)	83,191
<b>Net cash inflow / (outflow) from operating activities</b>		<b>(3,509,745)</b>	<b>(19,994,609)</b>
<b>Cash flows from investing activities</b>			
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		878,537	6,685,304
Payment for other financial assets		(8,100,889)	-
Net cash acquired from the acquisition of VivoPower	16	630,882	-
Payment for Sun Connect PPA book	8	(1,118,365)	-
Purchase of fixed assets		(49,663)	(67,500)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(7,759,498)</b>	<b>(15,875,946)</b>
<b>Cash flows from financing activities</b>			
Payments for related party loan		(3,075)	(80,310)
Repayment of borrowings		(40,331)	(67,432)
Proceeds from partnership contribution		250,000	-
Capital raising costs		(12,980)	-
Share buyback		-	(4,492,742)
Dividend received		1,338,785	-
Dividends paid		(1,581,708)	-
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(49,309)</b>	<b>(4,640,484)</b>
Net increase/(decrease) in cash and cash equivalents		(11,318,552)	(40,511,039)
Effect of the foreign currency translation		(1,113,054)	279,136
Cash and cash equivalents at the beginning of the period		54,061,080	97,077,244
<b>Cash and cash equivalents at the end of the period</b>		<b>41,629,474</b>	<b>56,845,341</b>

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 2015

#### 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 2015 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 2015, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 26 February 2016.

##### 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.

#### 3. Other income

	31 Dec 2015	31 Dec 2014
	\$	\$
Interest income	1,157,867	1,568,438
Other income	49,000	-
Total other income	1,206,867	1,568,438

# Arowana International Limited and its Controlled Entities

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

### 4. Segment Information

For the half-year ended 31 December 2015	Enterprise office (Australia) \$	Operating Companies (Australia) \$	Fund Management (Australia) \$	Total	Intersegment Eliminations \$	Consolidated \$
<b>Revenue</b>						
Sales to external customers	113,488	1,274,499	246,237	1,634,224	-	1,634,224
Intersegment sales	288,000	-	-	288,000	(288,000)	-
Total sales revenue	401,488	1,274,499	246,237	1,922,224	(288,000)	1,634,224
Interest revenue	335,057	19,128	803,682	1,157,867	-	1,157,867
Other income	124,000	-	-	124,000	(75,000)	49,000
Total revenue	860,545	1,293,627	1,049,919	3,204,090	(363,000)	2,841,091
<b>Segment result</b>						
Non-recurring items	(1,307,008)	(16,550,963)	206,123	(17,651,847)	(363,000)	(18,014,847)
Gross segment result	(1,716,505)	221,919	(638,665)	(2,133,251)	-	(2,133,251)
Depreciation	(3,023,513)	(16,329,044)	(432,542)	(19,785,099)	(363,000)	(20,148,099)
Finance costs	(16,418)	(78,081)	-	(94,499)	-	(94,499)
Profit / (loss) before income tax – continuing operations	-	(7,008)	-	(7,008)	-	(7,008)
Income tax expense / (benefit)	(3,039,931)	(16,414,133)	(432,542)	(19,886,606)	(363,000)	(20,249,606)
Profit after income tax – continuing operations	959,722	(7,526)	4,655	956,851	-	956,851
	(2,080,209)	(16,421,659)	(427,887)	(18,929,755)	(363,000)	(19,292,755)
<b>Segment Assets</b>						
Total assets	137,294,244	22,883,937	32,589,774	192,767,955		
Elimination within segment	(30,224,902)	-	-	(30,224,902)		
Reportable segment assets	107,069,342	22,883,937	32,589,774	162,543,053	(49,393,167)	113,149,886

# Arowana International Limited and its Controlled Entities

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

### 4. Segment Information (continued)

For the half-year ended 31 December 2014	Enterprise office (Australia)	Operating Companies (Australia)	Fund Management (Australia)	Total	Intersegment Eliminations	Consolidated
	\$	\$	\$		\$	\$
<b>Revenue</b>						
Sales to external customers	5,372	1,275,688	3,796	1,284,856	-	1,284,856
Intersegment sales	344,157	-	-	344,157	(344,157)	-
Total sales revenue	349,529	1,275,688	3,796	1,629,013	(344,157)	1,284,856
Interest revenue	1,025,955	3,429	539,055	1,568,438	-	1,568,438
Other income	978,996	-	-	978,996	(978,996)	-
Total revenue	2,354,480	1,279,117	542,851	4,176,447	(1,323,153)	2,853,294
<b>Segment result</b>						
Non-recurring items	(199,321)	1,201,320	322,160	1,324,159	(344,157)	980,002
Gross segment result	(748,484)	(76,965)	(67,531)	(892,981)	(978,996)	(1,871,977)
Depreciation	(947,805)	1,124,355	254,629	431,178	(1,323,153)	(891,975)
Finance costs	(14,058)	(66,524)	-	(80,580)	-	(80,580)
Profit / (loss) before income tax – continuing operations	-	(8,464)	-	(8,464)	-	(8,464)
Income tax expense / (benefit)	(961,863)	1,049,368	254,629	342,134	(1,323,153)	(981,019)
Profit after income tax – continuing operations	333,882	(17,095)	-	316,787	-	316,787
Reportable segment assets	(1,295,745)	1,066,463	254,629	25,347	(1,323,153)	(1,297,806)
<b>Segment Assets</b>						
Total assets	128,170,210	166,969,339	25,433,988	320,573,537		
Elimination within segment	(31,213,917)	(3,692,396)	(32,625)	(34,938,938)		
Reportable segment assets	96,956,293	163,276,943	25,401,363	285,634,599	(142,617,003)	143,017,596

# Arowana International Limited and its Controlled Entities

## For the half-year ended 31 December 2015

### 4. Segment Information (continued)

#### *Identification of reportable operating segments*

The Group is organised into the Enterprise Office and two other segments – Operating Companies and Funds Management as defined below. These segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Operating Companies segment previously included three separate divisions – being education, diagnostic testing and training and events. As at 31 December 2015, the Group has included in this segment its operations from: the wholly-owned diagnostic testing company; the share of profit/loss derived from its equity accounted holdings relating to the Intueri Education Group (and income derived thereon); the solar business derived from Arowana Energy Holdings Pty Ltd and VivoPower Pty Ltd and its controlled entities from the period 'control' was obtained and any other asset balances related to operating divisions current or prior.

#### *Types of services*

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

- **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).

#### **Geographical segmentation**

As outlined above, at 31 December 2015 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.

#### **Other Segment information**

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

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

### 5. Investments

#### a. *Investments accounted for using cost method:*

	31 December 2015	30 June 2015
	\$	\$
Ubiquity Power Maintenance Group Limited	6,266,831	6,266,831
V.V.P Holdings Inc (Singapore)	1,326	-
	<b>6,286,157</b>	<b>6,266,831</b>

# Arowana International Limited and its Controlled Entities

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

### 5. Investments (continued)

#### b. Investments available for sale financial assets:

	31 December 2015	30 June 2015
	\$	\$
Opening balance – Arowana Inc (USA)	7,116,638	-
311,250 shares purchased on 14 January 2015	-	1,134,265
244,760 shares purchased on 27 April 2015	-	316,177
Fair value adjustment	393,225	5,666,196
<b>Ending balance – at fair value</b>	<b>7,509,863</b>	<b>7,116,638</b>

#### c. Investment accounted for using equity method:

	31 December 2015	30 June 2015
	\$	\$
Intueri Education Group (NZ)	37,604,395	52,442,685
Provision for impairment – Intueri Education Group (NZ)	(21,678,922)	(17,356,877)
Net investment – Intueri Education Group (NZ)	15,925,473	35,085,808
VivoPower Pty Ltd	-	2,247,694
	<b>15,925,473</b>	<b>37,333,502</b>

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

Associate	Principal activities	Percentage interest	
		31 December 2015	30 June 2015
		%	%
Intueri Education Group Limited	Education college services	24.9	24.9
VivoPower Pty Ltd*	Renewable energy solutions	63.0	39.9

\* In December 2015, the Group increased its ownership of VivoPower to 63.0%. Accordingly VivoPower now forms part of the Arowana International Limited consolidated Group. Refer to Note 15.

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

	Intueri Education Group (NZ)	VivoPower
Opening balance, 1 July 2015	35,085,808	2,247,694
Share of profit (loss) of associated entities	(12,421,002)	(415,793)
Share of other comprehensive income of associated entities	(160,471)	9,258
Dividend received	(1,338,785)	-
Transfer of balance on consolidation	-	(1,841,159)
Impact of foreign exchange translation	(918,032)	-
Provision for impairment	(4,322,045)	-
<b>Ending balance, 31 December 2015</b>	<b>15,925,473</b>	<b>-</b>

## Arowana International Limited and its Controlled Entities

### Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

#### 6. Other financial assets

		31 December 2015	30 June 2015
Current portion:			
Principal Solar Inc (a)	Secured promissory notes	8,036,024	-
Non-current portion:			
Ubiquity Power Maintenance Group Limited (b)	Unsecured convertible notes	14,622,606	14,622,606
Total other financial assets		<b>22,658,630</b>	<b>14,622,606</b>

- (a) The company entered into two secured promissory note agreements with Principal Solar, Inc. The notes are in USD and carry a coupon of 6% and 12% respectively and are secured against solar project assets in the USA. These promissory notes are redeemable by 31 December 2016.
- (b) The company through its subsidiary, the Arowana Australasian Special Situations Fund (AASSF) acquired 2,000,000 unsecured convertible notes in an unlisted public company, Ubiquity Power Maintenance Group Limited (UPMG) for \$7.00 per note totalling to \$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.

#### 7. Other non-current assets

	31 December 2015	30 June 2015
	\$	\$
Security deposit	41,800	41,800
Employee share loan scheme (refer to note 11)	451,050	-
Related party loans receivable*	632,571	-
Other	4,440	-
	<b>1,129,861</b>	<b>41,800</b>

\* These are non-secured interest bearing loans with an interest rate of 5% per annum and due on 30 June 2020.

#### 8. Intangible Assets

Increase in intangible assets of approximately \$2.7 million was mainly due to the following:

- In December 2015, the Group, through its subsidiary, VivoPower, entered into a Transfer Agreement with Sun Connect whereby the Group agreed to purchase Sun Connect's solar contracts with customers. The consideration paid for this purchase was \$1 million and was treated as 'Intangible Assets – Customer Contracts' in the Group's Statement of Financial Position
- In December 2015, the Company recognised goodwill of \$1.7 million from the acquisition of VivoPower. Refer to Note 15 for further detail of the business combination

# Arowana International Limited and its Controlled Entities

## Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

### 9. Interest bearing liabilities

	31 December 2015	30 June 2015
	\$	\$
<b>Current</b>		
ANZ Facility *	838,000	-
Hire Purchase	52,041	58,743
	<b>890,041</b>	<b>58,743</b>
<b>Non-Current</b>		
Hire Purchase	51,970	76,429
	<b>51,970</b>	<b>76,429</b>

\* Principle terms of ANZ Tailored Commercial facility – total facility amount of \$1.35m at 1.20% pa margin secured by VivoPower’s solar assets; interest only during construction period and for the initial 6 month period post-construction; after which repayment will be calculated on the basis of 11.5 years.

### 10. Dividends paid and proposed

	No. Shares	\$ Per Share	31 Dec 2015	31 Dec 2014
			\$	\$
Dividend paid during the half-year:				
Ordinary final unfranked dividend declared on 27 August 2015 and paid on 15 September 2015	158,170,799	0.01	1,581,708	-

### 11. Issued Capital

On 31 October 2015, 769,579 convertible preference shares were issued at \$0.5861/share totalling to \$450,050 under the company’s Long Term Value Creation Plan (LTVCP) which was approved by shareholders at the AGM on 26 November 2014. Further details of the LTVCP are contained in the explanatory memorandum that accompanied the notice of meeting sent to all shareholders on 24 October 2014.

### 12. Capital Commitments

There were no capital commitments as at 31 December 2015.

### 13. Contingent Liabilities

There have been no significant changes to the contingent liabilities presented in the annual report for the year ended 30 June 2015, as at 31 December 2015.

### 14. Events after Balance Sheet Date

#### Subsequent Events - Dividends

As mentioned previously, subsequent to balance sheet date, on 26 February 2016 the Directors of AWN have declared an interim unfranked dividend of 0.5 cents.

For the avoidance of doubt, the dividend was not provided for in the 31 December 2015 half-year financial statements.



# Arowana International Limited and its Controlled Entities

## Notes to the Consolidated Financial Statements

### For the half-year ended 31 December 2015

#### Subsequent Events – Investments

The share price of Intueri has declined from a last sale price of 64.0 cents as at 31 December 2015 to 26.0 cents at 22 February 2016. All other items being equal, the impact of this is a reduction in the Group NTA from 62.0 cents per share at 31 December 2015 to 56.0 cents per share at 22 February 2016.

#### 15. Business combination achieved in stages

In December 2015, the Company, through its newly established wholly owned subsidiary, Arowana Energy Holdings Pty Ltd ('AEN'), acquired 2,421,716 new shares issued at \$0.65 per share by VivoPower Pty Ltd ('VVP') with total consideration of \$1,583,082. At the same time, AEN also acquired 260,000 shares at \$0.65 per share from Arowana Partners Group ('APG'), a related party outside the consolidated group, for a total consideration of \$170,000 (which was the cost price for APG). These transactions have increased the Company's ownership of VVP to 63.01%. Prior to this acquisition, the Company's investment in VVP of 39.9% was accounted under the equity method and since December 2015, VVP is part of the consolidated group. This business combination achieved in stages has given rise to goodwill of \$1.63 million.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Pre-acquisition carrying amounts	Fair value adjustment	Recognised values on acquisition
Cash and cash equivalents	2,384,683	-	2,384,683
Trade and other receivables	144,896	-	144,896
Other current assets	34,694	-	34,694
Property, plant and equipment	794,553	-	794,553
Deferred tax asset	6,508	-	6,508
Investment	1,348	-	1,348
Related party loans	643,221	-	643,221
Other non-current assets	46,278	-	46,278
Trade and other payables	(81,278)	-	(81,278)
Accrued expenses	(18,667)	-	(18,667)
Borrowing	(838,000)	-	(838,000)
Net identifiable assets and liabilities	3,118,236	-	3,118,236
Fair value of 63.01% net assets acquired			1,964,871
Consideration paid:			
Fair value of the previously held investment			1,841,159
Cash consideration for 2,421,716 new shares			1,583,802
Cash consideration for 260,000 shares acquired from APG			170,000
Total consideration			3,594,961
Goodwill on acquisition			1,630,090
Cash acquired			2,384,683
Less consideration paid			(1,753,802)
Net cash inflow			630,881

The acquired business contributed revenues of \$1,038 and net loss of \$156,870 to the group during the period since the acquisition date to 31 December 2015.

# Arowana International Limited and its Controlled Entities

## Notes to the Consolidated Financial Statements

### For the half-year ended 31 December 2015

#### 16. Controlled Entities

During the period, the company has established a new wholly owned entity, Arowana Energy Holdings Pty Ltd. In addition, the previously held equity investment in VivoPower Pty Ltd has also formed part of the Group at 31 December 2015. Refer to Note 15 for further details.

In addition to the controlled entities disclosed in the 30 June 2015 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 2015 %
Arowana Energy Holdings Pty Ltd	Australia	Ordinary	100
VivoPower Pty Ltd	Australia	Ordinary	63
VivoPower WA Pty Ltd	Australia	Ordinary	63
VivoPower Singapore Pte Ltd	Singapore	Ordinary	63
Amaroo Solar Pty Ltd	Australia	Ordinary	63
Amaroo Solar TCo Pty Ltd	Australia	Ordinary	63
Amaroo Solar HCo Pty Ltd	Australia	Ordinary	63
Amaroo Solar FCo Pty Ltd	Australia	Ordinary	63
SC TCo Pty Ltd	Australia	Ordinary	63
SC HCo Pty Ltd	Australia	Ordinary	63
SC FCo Pty Ltd	Australia	Ordinary	63
SC OCo Pty Ltd	Australia	Ordinary	63

# Arowana International Limited and its Controlled Entities

## Directors' Declaration

### For the half-year ended 31 December 2015

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

1. The accompanying consolidated financial statements and notes, as set out on pages 11 to 25, 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 2015 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

Sydney, 26 February 2016

**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 2015, the consolidated statement of profit or loss and other comprehensive income, 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.

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

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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.

*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:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 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*.

*PKF Hacketts*

**PKF Hacketts Audit**



**Shaun Lindemann**

**Partner**

Brisbane, 26 February 2016

# **Arowana International Limited and its Controlled Entities**

## **Corporate Directory**

### **Arowana International Limited**

ABN 83 103 472 751

### **Registered Office**

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

### **Directors**

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

### **Share Registry**

Boardroom Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Telephone 02 9290 9600  
Facsimile 02 9279 0664  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### **Auditor**

PKF Hacketts Audit  
Level 6, 10 Eagle Street,  
Brisbane QLD 4000  
[www.pkf.com.au](http://www.pkf.com.au)



**AROWANA INTERNATIONAL LIMITED**  
**2016 HALF YEAR RESULTS PRESENTATION**

**February 2016**

# DISCLAIMER

The information contained in this Presentation or subsequently provided to the recipient whether orally or in writing by, or on behalf of Arowana International Limited (AWN) or any of its directors, officers, employees, agents, representatives and advisers (the Parties) is provided to the recipient on the terms and conditions set out in this notice.

The information contained in this Presentation has been furnished by the Parties and other sources deemed reliable but no assurance can be given by the Parties as to the accuracy or completeness of this information.

To the full extent permitted by law:

(a) no representation or warranty (express or implied) is given; and

(b) no responsibility or liability (including in negligence) is accepted,

by the Parties as to the truth, accuracy or completeness of any statement, opinion, forecast, information or other matter (whether express or implied) contained in this Presentation or as to any other matter concerning them.

To the full extent permitted by law, no responsibility or liability (including in negligence) is accepted by the Parties:

(a) for or in connection with any act or omission, directly or indirectly in reliance upon; and

(b) for any cost, expense, loss or other liability, directly or indirectly, arising from, or in connection with, any omission from or defects in, or any failure to correct any information, in this Presentation or any other communication (oral or written) about or concerning them.

The delivery of this Presentation does not under any circumstances imply that the affairs or prospects of AWN or any information have been fully or correctly stated in this Presentation or have not changed since the date at which the information is expressed to be applicable. Except as required by law and the ASX listing rules, no responsibility or liability (including in negligence) is assumed by the Parties for updating any such information or to inform the recipient of any new information of which the Parties may become aware.

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The provision of this Presentation is not and should not be considered as a recommendation in relation to an investment in AWN or that an investment in AWN is a suitable investment for the recipient.

References to 'normalised' information are to non-IFRS financial information.

Non-IFRS financial information has not been subject to audit or review.







# **GROUP STATUTORY FINANCIALS**

# FY2016 STATUTORY FINANCIAL RESULTS

- ◆ 1H FY2016 statutory results:
  - Consolidated revenue of **\$2.8m**<sup>1</sup>
  - Consolidated loss before interest and tax (“EBIT”) of **\$21.4m** (includes non-cash IQE impairment and provision of \$17.9m)
  - Consolidated net loss after tax (“NPAT”) of **\$19.3m** (includes non-cash IQE impairment and provision of \$17.9m)
  - Consolidated loss per share of **12.1** cents (includes IQE impairment and provision of 11.3 cents per share)
- ◆ Numerical comparison to 1H FY2015 statutory results is not meaningful
  - HRM Asia was sold during 1H FY2015
  - New Arowana Energy division (incorporating 63% shareholding in VivoPower Pty Ltd) first consolidated in 1H FY 2016
  - 1H FY 2016 result includes one-off, non cash provisioning and write-offs in respect of the equity accounted Intueri investment
- ◆ Statutory net tangible assets (“NTA”) per share of **62.0** cents as at 31 December 2015 (versus **76.8** cents as at 30 June 2015)
- ◆ Dividend per share of **0.5** cents declared 26 February 2016
  - Franking level of 0%
  - Record date of 4 March 2016 and dividend payment date of 18 March 2016

1. Includes interest and other income



# FY2016 UNDERLYING FINANCIAL PERFORMANCE

All figures in A\$ 000's	Statutory half year ended 31 December 2015 <sup>1, 2</sup>	Underlying half year ended 31 December 2015	Underlying half year ended 31 December 2014	Underlying % change 1H FY2016 vs 1H FY2015
Revenue <sup>2</sup>	1,634	1,683	1,284	31.0%
EBIT (underlying excludes IQE one-off impacts)	(21,400)	(1,376) <sup>2,3</sup>	(1,286) <sup>2,3</sup>	(7.0%)

- ◆ Underlying results remove non recurring revenue and expense items, a one-off non-cash impairment provision of \$4.3m against the carrying value of Intueri and a one-off write-off of goodwill and other intangibles in the equity accounted losses of Intueri of \$13.6m
- ◆ Group revenue (excluding interest income) is up 31.0%, primarily reflecting the full period contribution from the Funds Management division with management fees from the Arowana Australasian Opportunities Fund Limited
- ◆ Underlying results include part year contribution from the newly established Arowana Energy division (which comprises of a 63% holding in VivoPower Pty Ltd)

1. Statutory results for half year ended 31 December 2015

2. Excludes interest income received on corporate cash reserves

3. Includes adjustments to exclude the impact of non-recurring items and one off non cash impairment of Intueri

Note: References to “underlying” information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review



# GROUP SEGMENT EBIT RESULTS

EBIT in A\$ 000's	Underlying half year ended 31 December 2015 <sup>1,2,3</sup>	Underlying half year ended 31 December 2014 <sup>1,2,3</sup>	Underlying % change 1H FY2016 vs 1H FY2015	Comments
Arowana Funds Management	(598)	(217)	(175.6%)	Includes equity accounted losses of VivoPower in AASSF
Arowana Energy	(89)	-	n/a	Reflects VivoPower consolidated from December 2015
Thermoscan	227	327	(30.5%)	Reflects a shortfall in budgeted revenue in 1H FY 2016
AWN Enterprise Office	(916)	(1,396)	34.4%	Reflects increase in growth related headcount offset by other revenues
<b>Group Total</b>	<b>(1,376)</b>	<b>(1,286)</b>	<b>(7.0%)</b>	

1. Divisional EBIT excludes any internal management fee charges
2. Includes adjustments to exclude the impact of non-recurring items
3. Numbers may not add exactly due to rounding

Note: References to "underlying" information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review



# NTA BREAKDOWN

NTA Breakdown	A\$	Comments
Group cash	41,629,474	Includes USD\$26.98 million; refer Appendix for cash movement breakdown
Intueri (IQE) shareholding	15,925,473	At equity accounted valuation after impairment assessment and provision of \$4.3m
Principal Solar Inc promissory notes	8,036,024	USD (including 6% p.a. accrued interest; secured against US solar projects)
AASSF Investments:		AASSF is the Arowana Australasian Special Situations Fund I
◆ UPMG convertible notes	14,622,606	At cost (excluding any accrued interest)
◆ UPMG convertible preference shares	6,266,831	At cost (excluding any dividends)
◆ Arowana Inc ordinary shares	7,509,863	At market value as at 31 December 2015 (@ 0.7306 fx rate AUD/USD)
Net Working Capital	1,973,262	Receivables less payables
PPE	1,666,400	At cost (net of depreciation)
Other Assets	1,508,195	At cost
Other Liabilities	(159,737)	Includes provisions only
Borrowings	(942,011)	VVP ANZ facility and Thermoscan vehicle and camera finance
<b>Net Tangible Assets (\$)</b>	<b>98,036,380</b>	<b>Excludes goodwill amortisation and tax assets</b>
<b>Total Shares on Issue (#)</b>	<b>158,170,799</b>	<b>As at 31 December 2015</b>
<b>NTA per share (cents)</b>	<b>62.00</b>	<b>As at 31 December 2015</b>

Alternative valuation approach is Sum of the Parts incorporating net cash, investments (including seeded investments in the AASSF) and applying earnings based multiples to Thermoscan and the Funds Management division, net of Enterprise Office costs



# FY2016 HALF YEAR COMMENTARY

## Enterprise Office

Board

Leadership

Team

Arowana Uni

Treasury

## Operating Companies

THERMOSCAN  
FOR ASSET, FOR LIFE



 **vivopower**

 **INTUERI**  
EDUCATION GROUP

## Funds Management

**AAVOF**  
AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND

 **AASSF**  
AROWANA AUSTRALASIAN SPECIAL SITUATIONS FUND

 **AROWANA INC.**





# FY2016 HALF YEAR COMMENTARY: ENTERPRISE OFFICE

## Board

- ◆ Added a new independent director in November 2015, Tony Kinnear

## Leadership (CEO, CFOO, CIO)

- ◆ Stable and highly experienced “spine” in place
- ◆ Focus on capital allocation, risk management and team development

## Investment and Operations Team

- ◆ Beefed up team with high performance hires (from Deloitte, Goldman Sachs and Wesfarmers)
- ◆ Team’s primary focus is on sourcing, buying and managing investments

## Arowana University

- ◆ Curriculum developed and rolled out internally with regular in-house courses





**OPERATING COMPANIES  
DIVISION**



# FY2016 HALF YEAR COMMENTARY: OPERATING COMPANIES DIVISION



## THERMOSCAN

Leading Australian based thermography company

HQ in Queensland with national coverage

AWN controls with 100% shareholding



## VIVOPOWER

Solar company focussed on PPA projects

Geographic coverage across Australia, Asia and USA

AWN controls with 63.0% shareholding



## INTUERI

NZ's leading private education college group

Dual listed on the ASX and NZX

AWN has a passive 24.9% shareholding



# FY2016 HALF YEAR COMMENTARY: THERMOSCAN

All figures in A\$ 000's	Statutory half year ended 31 December 2015 <sup>1, 2</sup>	Underlying half year ended 31 December 2015	Underlying half year ended 31 December 2014	Underlying % change 1H FY2016 vs 1H FY2015
Revenue <sup>2</sup>	1,273	1,273	1,276	(0.2%)
EBIT	227 <sup>1</sup>	227 <sup>2,3</sup>	327 <sup>2,3</sup>	(30.5%)

- ◆ Revenue was below budget for 1H FY2016 but broadly in line with actual revenue for 1H FY2015
- ◆ Market conditions were tepid during 1H FY 2016 with many customers deferring spending decisions
- ◆ A slightly increased cost base reflects enhanced systems for operational improvements in the period ahead
- ◆ EBIT for the half-year was therefore down 30% on corresponding prior period
- ◆ Staffing changes have resulted in a reduced cost base for 2H FY2016 which will position the business well to recover EBIT for the full year
- ◆ Key priority is a ramp up of sales lead generation and conversion
- ◆ In addition, strong cost management and discipline achieved to date to be continued

1. Statutory results for half year ended 31 December 2015

2. Excludes any internal management fee charges

3. Includes adjustments to exclude the impact of non-recurring items

Note: References to “underlying” information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review



# FY2016 HALF YEAR COMMENTARY: VIVOPOWER

All figures in A\$ 000's	Statutory half year ended 31 December 2015 <sup>1</sup>	Underlying half year ended 31 December 2015	Underlying half year ended 31 December 2014	Underlying % change 1H FY2016 vs 1H FY2015
Revenue	1	1	n/a	n/a
EBIT	(89)	(89)	n/a	n/a

- ◆ VivoPower was launched in August 2014 and has graduated to become an operating company and subsidiary of AWN
- ◆ During 1H FY2016, VivoPower completed its first solar PPA project in Australia, a 0.6MW rooftop system with a 20 year PPA offtake with the ACT government; this asset is held at cost on the balance sheet
- ◆ VivoPower also acquired a book of solar PPA contracts from Sun Connect for \$1.1m
- ◆ The VivoPower team has been focused on building a global pipeline of solar power opportunities
- ◆ Results above reflect revenue and EBIT contribution for December 2015 only
- ◆ AWN has separately invested in US solar projects via a promissory note investment

1. Statutory results for half year ended 31 December 2015

Note: References to "underlying" information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review



# FY2016 HALF YEAR COMMENTARY: FUNDS MANAGEMENT DIVISION



## AAVOF (A\$49m FUM)

ASX listed investment  
company (LIC)

Mandate to invest in  
Australasian stocks

Highly forensic research  
underpins concentrated  
portfolio

AAVOF outperforming  
benchmarks as at 31 Jan



## AASSF (A\$32m FUM)

Unlisted fund that invests  
in growth or turnaround  
situations with positive  
asymmetric risk and yield  
potential

SIV (Special Investor Visa)  
compliant fund

Underlying investments  
including UPMG, VivoPower  
and Arowana Inc. all  
delivering with upside risk



## ARWA (A\$118m FUM)

NASDAQ listed SPAC  
(with US\$82.8m cash)

Managed  
by AWN team

Has until October 2016 to  
consummate acquisition

Currently reviewing  
acquisition opportunities  
in solar energy





# FY2016 HALF YEAR COMMENTARY: AAVOF

- ◆ As at 31 December 2015, the Arowana Australasian Value Opportunities Fund (AAVOF) had total Funds Under Management (FUM) of **\$49m**
- ◆ FUM tracking ahead of management budget but focus remains on growing to at least \$100m
- ◆ Performance of the invested funds has been strong relative to the benchmark ASX/S&P200 index
- ◆ The gross portfolio return from inception to 31 January 2016 was **+7.1%** while the ASX/S&P200 index recorded a negative **-7.5%** and the ASX/S&P200 accumulation index **-3.1%** for the same period
- ◆ Investment of the portfolio has been undertaken very patiently with 46% of the assets held in cash at 31 December 2015

## AAVOF Summary

At 31 December 2015

FUM		\$49.2m
	AAVOF	7.1%
Performance (inception to 31 January 2016)	ASX/S&P200 Accumulation index	(3.1%)
Portfolio Investments	ASX /NZ listed Securities	54%
	Cash	46%
Current Focus	Capital preservation and patient investment in value opportunities	



# FY2016 HALF YEAR COMMENTARY: AASSF

- ◆ As at 31 December 2015, the Arowana Australasian Special Situations Fund (AASSF) had FUM of **\$32.1m**
- ◆ Investments include:
  - \$20.9m in convertible notes and convertible preference shares in a turnaround and business transformation opportunity, **Ubiquity Power Maintenance Group (UPMG)**
  - \$1.8m in ordinary shares in **VivoPower**, a solar energy PPA (power purchase agreement) company focused on Australia & Asia
  - \$7.5m in ordinary shares in **Arowana Inc**, a NASDAQ listed SPAC
- ◆ The portfolio is fully invested with only 5.9% of assets held in cash and other net assets at 31 December 2015
- ◆ The underlying portfolio investments are tracking ahead of expectations

AASSF Summary		At 31 December 2015
Fund Capital	Committed	\$28.0m
	Called & Invested	\$26.5m
	UPMG Notes (at cost)	\$20.9m
Portfolio Value (at cost and/or market value)	VivoPower shares (equity accounted)	\$1.8m
	ARWA shares (USD) at market value	\$7.5m
	Other net assets	\$1.9m
Current Focus	Managing investments with a view to realisation	





# FY2016 HALF YEAR COMMENTARY: ARWA

- ◆ IPO on NASDAQ in May 2015 raising US\$82.8m
  - Upsized from original US\$60M target due to demand
- ◆ Awn has just over 5% of ARWA shares at US\$2.00 issue price (versus US\$10.00 IPO price)
  - At 31 December 2015 this shareholding was worth A\$7.5m
- ◆ Arowana Inc (ARWA) will need to consummate an initial business combination (IBC) by October 2016
  - A number of opportunities are being reviewed at the moment
  - Focus is on the solar energy sector globally





# APPENDICES



# UNDERLYING FINANCIAL POSITION

## Explanation of underlying financial information

Underlying financial information represents profit and loss information derived from the unaudited management accounts for the relevant operating entities in respect of the half year ended 31 December 2015 and 31 December 2014 respectively adjusted as follows:

- ◆ To exclude all revenue and costs associated with previous operating activities that have now ceased
- ◆ To exclude non recurring revenue and cost items

References to “underlying” information is to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011.

Non-IFRS financial information has not been subject to audit.



# CASH MOVEMENT BREAKDOWN

AWN Cash Reconciliation	A\$	Comments
Cash @ 30 June 2015	54,061,080	As per audited balance sheet on 30 June 2015
Cash @ 31 December 2015	41,629,474	As per audited balance sheet on 31 December 2015; includes USD26,976,972
<b>Total Cash Movement</b>	<b>(12,431,606)</b>	
Sun Connect investment	(1,118,365)	Acquisition of solar PPA book
Principal Solar Inc investment	(8,100,889)	Promissory notes investment (secured against solar projects in the USA)
VivoPower Pty Ltd investment	(170,000)	Ordinary shares acquired from Arowana Partners, at cost
VivoPower Pty Ltd cash	800,881	Represents cash in new subsidiary that has been consolidated
Property plant & equipment	(49,663)	Represents fixed assets purchased
Other net operating cashflows	(3,509,745)	Includes net interest income, non recurring revenue and expense items and regular operating revenue and expenses
Other financing cashflows	(56,386)	Include finance lease repayment and capital raising costs
FX movement	(1,113,053)	USD and SGD bank accounts fx movement
Dividend payment	(1,581,708)	FY 2015 final dividend of 1.0 cents per share paid in September 2015.
Dividend received	1,338,785	FY 2015 interim dividend received from Intueri Education NZ
Capital raised	250,000	AASSF minority LP (limited partner) investment
HRM retention	878,537	Represents final retention payment received from October 2014 sale of HRM Asia subsidiary
<b>Total Cash Movement</b>	<b>(12,431,606)</b>	

1. Breakdown above is unaudited and classifications are based on management accounts



# FY2016 KEY PRIORITIES



**ALLOCATE OUR CAPITAL**  
patiently and creatively



**GROW INVESTMENT PIPELINE**  
of qualified deals to \$200m+ aggregate EBIT



**MANAGE OPERATING COMPANIES**  
to deliver long term EBIT CAGR of 10-20%



**BUILD LEADERSHIP ROLODEX**  
comprising board, C-suite and management



**INCREASE FUM BASE**  
for Arowana Funds Management to \$200m



**EXPAND INVESTOR UNIVERSE**  
to encompass offshore investors





QUESTIONS  
& ANSWERS

