Powerhouse Ventures Limited
ASX Code: PVL
Annual Report
2018

Annual Report 2018

Our vision: to transform seed-stage companies into real-world success stories by following a proven investment pathway.

This Powerhouse Ventures Limited Annual Report is signed on behalf of the Board of Directors by:

Russell Yardley
Executive Chairman
Powerhouse Ventures Limited

Rick Christie
Director
Powerhouse Ventures Limited

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Powerhouse invests in ground-breaking intellectual property generated through scientific and technological research.

Executive Chairman’s Report

It is now a year since I sat down to write my first Chairman’s Report for Powerhouse Ventures Limited and I am reflecting on our considerable progress achieved against some very tough headwinds. Your Board has worked hard with the team, to focus on driving increased value, reduce costs, remove distractions and focus on accelerating every one of our investee companies along their pathway to commercialise great science that can make a world of difference to the world.

Invert Robotics was the company's outstanding performer raising around $9m of capital confirming major sophisticated investor interest in the asset. We are excited having established 2.2GForce (energy dissipaters with activation alerts to safeguard buildings and bridges in earthquake-prone regions), and Hot Lime Labs (food production in the global green-house industry using recovered CO^2). Other exciting new companies are Hapai (safe patient transfer), Deliveon (precision nutrition) and Silventum (dental decay protection).

I have an absolute belief in what needs to be the single-minded proposition of Powerhouse — ‘to find the best science in Australia’s and New Zealand’s universities and to build companies based on that world leading science that can become recognised as the best in the world at what they do'. This is what motivated me to become a director and then to take on the chair role, at a time when Powerhouse was dealing with some challenging issues.

Powerhouse achieves its goal by incubating companies, with valuable government support, accelerating their journey to profitability and global success. The work of Powerhouse not only benefits you our shareholder but delivers benefits to many others including employees, customers, universities and taxpayers. All the leading innovation science/technology-based economies in the world have generous financial support for R&D from their governments to encourage R&D investment and your company is working closely with governments in Australia and New Zealand to improve these policy settings in our target markets.

Investment in early stage science commercialisation is a very high-risk activity. Failures are inevitable, and our mantra is ‘fail early and learn always’. Powerhouse has achieved a lot over the past decade in commercialising science. The company has helped launch 31 companies, 8 of these companies are showing exciting promise and substantial value, 8 of these companies are challenged but given the right investment and smart decisions a few could be turned around and 10 of our companies are still very young and in the early stages of development. One investment has been sold realising 4 times our investment in ArcActive, and most recently we have sold a $1million parcel of our Invert Robotics shares. These two sales this financial year build on our realisation at 10 times our investment in Syft in the previous year.

The concept behind Powerhouse is simply brilliant in my view and that view resonates in Australia where I live. The company is listed on the ASX, meaning Powerhouse can be an ‘Anzac’ brand and company. We have seen the interest by Australian financial markets in the Powerhouse portfolio companies, because Powerhouse can be a truly Australasian enterprise and this Board is determined to deliver on the strategy detailed in its Prospectus — to expand into Australia to find more great science investment opportunities and to raise capital for these companies that have the potential to be built into global companies.

The announcement of Powerhouse’s first investment in UniSA-sourced IP — Ferronova — is another step towards achieving that goal. Ferronova is an Adelaide-based medical device company that brings together magnetic probe technology from the University of South Australia and magnetic nanoparticle technology from Victoria University of Wellington. The Ferronova magnetic probe and tracer system is being developed to allow staging of complex cancers, initially targeting oral cavity and other head and neck cancers. Improved staging of these complex cancers is anticipated to allow better treatment, lower patient morbidity and reduced healthcare system costs. This is indeed an exciting opportunity for Powerhouse, bridging the Tasman and reinforcing our Anzac links.

Powerhouse’s relationship with the University of Otago started through a merger in 2014 with Upstart, a Dunedin incubator jointly owned by the Dunedin City Council, University of Otago and Otago Polytechnic. Powerhouse’s first University of Otago-sourced investment was Photonic Innovations, with further investments in Upstream and Silventum.

Powerhouse’s relationship with the University of Canterbury was a natural progression from Powerhouse’s predecessor Canterbury Innovation Incubator’s formal partnerships with Lincoln University and University of Canterbury.

Powerhouse has formal letters of support with CSIRO, Deakin University, Melbourne University, Adelaide University, Flinders University, University of South Australia. In the May 2018 budget the Australian Federal Government allocated $1.9 billion over the forward estimates to improving the research infrastructure across the nation. Australian university research ranks very highly but collaboration with business and translation of that excellent research into global leading commercial results ranks well below where it should. This is a major opportunity for Powerhouse and we have negotiated a number of relationships with CSIRO and Data61 as well as the major universities listed above.

Over the past year, Powerhouse has executed its core strategy of building high-quality businesses based on intellectual property generated through academic research.

Our business model relies on three core components:

- access to University or Crown Research Institute, CSIRO and Data61 sourced, potentially disruptive, commercialisable intellectual property;
- a rigorous and systematic approach to opportunity selection, shaping and business building; and
- access to extensive sources of capital to finance businesses as they develop and mature into profitable companies.

Powerhouse has taken steps over the past year to advance each of these vital mechanisms that drive our success.

In addition to the ongoing development of our New Zealand activities, this year our expansion progressed into Australia. We have already begun screening technology from some of Australia's leading universities and have invested in our first spinout created with the University of South Australia.

Over many years Powerhouse has refined its methodology for the systematic commercialisation of intellectual property. Our approach involves identifying talented people that have the capability and motivation to transform world-class research into globally competitive businesses.

In the early stages, it is often our own team that provides operational support to help newly-formed companies develop and validate the commercial opportunity presented. We insist on developing low-risk, high-return business plans, as these are essential in the pathway to success.

Powerhouse has long recognised the importance of access to capital from a wide variety of sources for developing businesses. This past year has seen a significant strengthening of our access to third party capital, particularly with venture capital firms and angel networks in Australia. Co-investment into the portfolio totalled $29.1million in the year to 30 June 2018.

Powerhouse now has a small but very focused team of people capturing the important steps in our proven approach, to ensure that our portfolio companies have access to highly-skilled technology development experts and a disciplined capital raising and investment team.

In closing, there have been some challenges, but the Company has a clear plan for what needs to be done and knows where there needs to be more detail and focus. We are all working diligently so that truly great science, builds great commercial companies in Australia and New Zealand.

Russell Yardley
Executive Chairman
Powerhouse Ventures Limited

Vision and Values

Powerhouse's vision is to become Australasia's leading IP commercialisation company.

Whilst striving to achieve this vision, Powerhouse underpins its day-to-day operations with core company values that have been developed and refined with input from the entire Powerhouse team during the past year. Our values are:

Integrity	We are highly skilled professionals.
Honesty	We have no hidden agenda meaning we can be trusted to deliver on our shared ambitions.
Innovation	We know that what we do will transform the New Zealand and Australian economies, creating the high-value jobs of the future.
Accountability	We do what we say, and we front up to discuss the process and the outcomes.
Openness	We work in a transparent way to ensure our partners understand what we propose, what we do and what we build.
Relationships	We aim to form long-term relationships in the research and innovation communities and in this way, we will be a welcomed partner operating in a 'hard-to-succeed' space.
	Powerhouse's values have been developed with all stakeholders in mind.

Powerhouse stands by these values which underpin our point of difference when dealing with research teams, Universities and Research Institutes, early stage spin-outs and their investors, our co-investors and our own shareholders.

Sustainability Policy

In line with a firm belief in our values and corporate vision, Powerhouse is committed to ensuring it pursues sustainable development principles.

Powerhouse will strive for this alignment in its own operations and also through its wider portfolio of investee companies. Through our focus on science, innovation and brilliant ideas, we will:

- implement and maintain ethical business practices and sound systems of corporate governance;
- integrate sustainable development considerations within our corporate decision-making processes;
- uphold fundamental human rights and respect cultures, customs and values in dealings with employees and all those people who are affected by our corporate and investment activities;
- implement risk management strategies based on valid data and sound science;
- seek continual improvement of our health, safety and environmental performance;
- contribute to conservation of biodiversity and appropriate land use;
- facilitate and encourage responsible product design, use and re-use, encouraging recycling and sustainable disposal of products;
- through innovation, contribute to the social and economic development of the communities in which we operate; and
- implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

Matthew Jones

Chief Executive Officer
CertusBio

"CertusBio is a lab-on-a-chip biosensor technology company. Its novel technologies allow for continuous monitoring of industrial processes. CertusBio's interference-free wastewater monitoring technology provides processors continuous real-time processing data allowing them to use big data and artificial intelligence to become more resource and energy efficient."

www.certusbio.com

Glen Slater

Chief Executive Officer
Cirrus Materials

“Cirrus Materials Science is a niche eco-science spin out from the University of Auckland that provides patented surface technologies to the global aerospace and electronics industry. As a research-oriented firm, Cirrus has a small, green footprint and exports weightless, environmentally friendly technology to manufacturers around the world.”

www.cirrusmaterials.com

Portfolio Overview

Powerhouse's business model is to form companies based on intellectual property developed at universities, other research intensive organisations and publicly funded research institutes in New Zealand and Australia.

Risks for investors are managed via holding a portfolio of alternative investments, in many cases leveraged with grant support.

Powerhouse invests in and supports companies that commercialise technology in these sectors:

- cleantech and engineering;
- digital and ICT;
- agritech and environmental; and
- medical and healthcare.

Cleantech and Engineering
Powerhouse focuses on advanced materials and clean-tech solutions. During the year Powerhouse sold its holding in ArcActive (4x).

We are pleased to announce the creation of 2.2 GForce Limited (seismic shock asset protection) as a 100% owned Powerhouse company, supported by Callaghan Innovation.

Cirrus and Photonic successfully raised additional investment funds. We have written off our investment in legacy business SolarBright in the financial year.

Digital and ICT
Powerhouse invests in exciting digital and ICT companies that are aimed at revolutionising their industries, from language learning, to education and building design specification.

Last year saw us complete an asset sale of struggling Motim Technologies to US-based investors closely linked to the fast-moving AI/VR space. We are excited about the potential upside opportunity here.

Additional new investment flowed into EdPotential and Fluent from a range of investors.

Agritech and Environmental
Powerhouse has a strong track record in growing agritech and environmental businesses that contribute to safe, sustainable and secure food production for the rapidly growing global population.

Invert Robotics was a stand-out performer with around $9m of new growth capital raised, and an ambitious expansion achieved. The expansion was both geographical (new EU base) and into new verticals (petrochem and aviation).

Veritide raised additional capital from investors but due to delays in market acceptance, Powerhouse has written the fair value of this investment down.

CropLogic (ASX: CLI) has had a volatile year post listing, which has had a significant impact on Powerhouse, but the business has successfully re-located, reduced management costs and launched a new product and strategic pathway.

We are excited to announce the creation of Hot Lime Labs Limited, again with support from Callaghan Innovation. This innovative business has perfected an innovative process for enhanced (+20%) food production in the global green-house industry using recovered CO^2. More renewable energy resources can be used to heat green-houses and CO^2 is both recovered and injected into greenhouses via a proprietary iron infused limestone pebble-bed.

Medical and Healthcare
Powerhouse has created many globally disruptive medical and healthcare businesses, in many cases leveraged with government grants and made possible with the support of Callaghan Innovation.

We are pleased to have created Hapai (safe patient transfer), Deliveon (precision nutrition), and Silventum (dental decay protection using silver nano-tech) in the period. Callaghan Innovation has supported the creation of these businesses through the Technology Incubation Programme.

Significant external validating investment capital has flowed into MARS, Avalia, Ferronova, Hi-Aspect, and Objective Acuity.

$11.5m	$2.3m	$31.4m
Fair Value of portfolio at year end 30 June 2018 (2017: $17.5m)	**New investment by Powerhouse in year to 30 June 2018**	**Total amount invested in portfolio companies in year to 30 June 2018 of which Powerhouse invested $2.3m**

Portfolio Analysis

The Powerhouse portfolio included 26 companies as at 30 June 2018.

Stage diversity at 30 June 2018

Sector diversity		Pre-seed	Seed	Post-seed
Technology	Cleantech and Engineering	2.2GForce Cirrus Materials Science Inhibit Coatings Koti Technologies	Photonic Innovations SolarBright Veritide	-
Technology	Digital & ICT	EdPotential	Fluent Scientific Motim Technologies	Modlar
Biotechnology	Agritech and Environmental	CertusBio Hot Lime Labs Orbis Diagnostics	-	CropLogic Invert Robotics
Biotechnology	Medical and Healthcare	AuramerBio Hapai Transfer Systems Hi-Aspect Silventum	Avalia Immunotherapies Ferronova Objective Acuity Tiro Medical Upstream Medical	MARS Bioimaging

An analysis of the Powerhouse portfolio across sector and stage at 30 June 2018 is shown below.

Sectors

Cleantech & Engineering $1.0m, 9%

Photonic	70%
SolarBright	0%
Koti	0%
Cirrus	14%
Inhibit Coatings	10%
2.2GForce	6%

Agritech and Environmental $5.5m, 48%

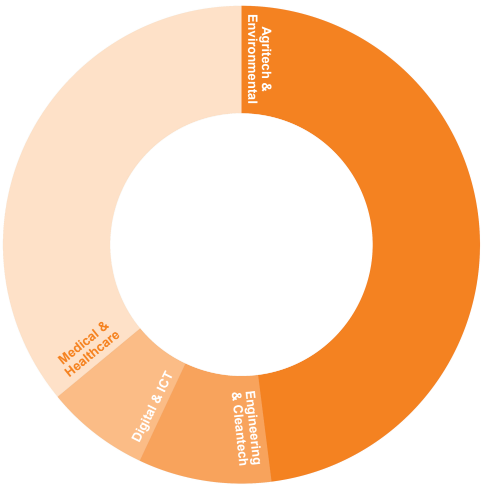
Invert	79%
CropLogic	11%
Veritide	3%
CertusBio	5%
Hot Lime Labs	1%
Orbis	1%

Digital and ICT $0.8m, 7%

EdPotential	18%
Fluent	35%
Modlar	47%
Motim	0%

Medical and Healthcare $4.2m, 36%

MARS	23%
Tiro	10%
AuramerBio	7%
Avalia	12%
Ferronova	11%
Hi-Aspect	4%
Objective Acuity	19%
Upstream	11%
Deliveon	0%
Silventum	2%
Hapai	1%



Stages

Pre-seed $2.2m, 19%

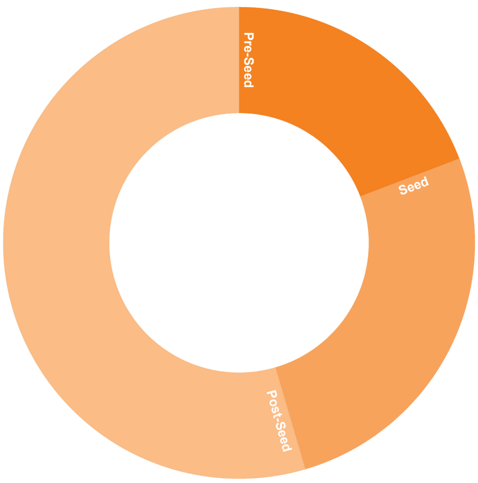
CertusBio	13%
AuramerBio	13%
Koti	0%
Objective Acuity	35%
EdPotential	7%
Hi-Aspect	7%
Inhibit Coatings	4%
Cirrus	7%
Hot Lime Labs	3%
Orbis	2%
2.2GForce	3%
Silventum	3%
Deliveon	1%
Hapai	2%

Seed $3.0m, 26%

Fluent	10%
Ferronova	16%
Avalia	17%
Upstream	15%
Motim	0%
Photonic	24%
SolarBright	0%
Veritide	5%
Tiro	13%

Post-seed $6.3m, 55%

CropLogic	10%
Invert	69%
MARS	15%
Modlar	6%



AuramerBio: a biosensor company specialising in small molecule detection solutions

AuramerBio is a biosensors company spun out of Victoria University of Wellington in 2015.

AuramerBio is an excellent example of the benefits of cross-disciplinary research, having come out of a collaboration between Professor Ken McNatty and Dr Shalen Kumar at Victoria's School of Biological Sciences, Dr Justin Hodgkiss' team at Victoria University's School of Chemical and Physical Sciences.

The company is developing a portfolio of biosensors that can be used in a range of medical and environmental applications. Their advantage will come from the use of AuramerBio's novel aptamers to drive higher specificity and sensitivity for infield testing.

The technology can be rapidly adapted to measure a wide range of targets in liquid samples (saliva, urine, blood, environmental water) providing access to a large number of future market opportunities. AuramerBio is developing both simple economic 'qualitative' dipstick tests and also more complex 'quantitative' digital devices with its industry partners.

Since incorporation, AuramerBio has successfully built its reputation as a leading developer of aptamers which has resulted in a number of collaborations to explore the use of aptamers in different detection systems for consumer and industrial use.

Recently the government-owned Institute of Environmental Science and Research joined Viclink and Powerhouse as investors, taking a ~20% holding.

Powerhouse Impact

AuramerBio was set up by Viclink, the commercialisation office of Victoria University (Wellington), with investment and support from Powerhouse.

Powerhouse's Technology Incubator status and initial equity investment enabled AuramerBio to leverage NZ$450k non-diluting loan funding to achieve initial market validation for its technology.

Melissa Yiannoutsos joined the board as Investor Director on behalf of Powerhouse alongside Victoria University Director Kate McGrath, the Vice-Provost (Research).

www.auramerbio.com

Upstream has developed a world-leading cardiovascular diagnostic

Upstream is a medical diagnostics company, founded in 2015 to develop clinical tests to assist in the treatment of acute cardiac care and associated clinical complications.

Upstream's biomarkers were developed at the Christchurch Heart Institute, a University of Otago Centre of Research Excellence, in Christchurch, New Zealand by researchers who were the first in the world to discover fragments of proteins called signal peptides in the blood.

This discovery has led to a novel class of biomarkers that can be used in diagnosis of various cardiovascular diseases and clinically associated diseases, protected by an extensive patent portfolio.

The researchers have an established publication record in this field spanning over 10 years, and seven patent families have resulted from the research.

The Primary Problem
Emergency Department (ED) physicians require rapid and accurate methods to determine which patients require immediate life-saving medical treatment when they present with chest pain. The challenge is to determine who is really at risk of a heart attack.

Diagnosis of Heart Attack Risk
Acute coronary syndrome (ACS) is a continuum of artery blockage resulting in ischemia — lack of blood supply.

How Big Is This Problem?
8 million patients in the USA present in ED with chest pain each year. Only one in eight of these chest pain patients will be experiencing a life-threatening event such as an actual or imminent heart attack. 1 in 25 is at risk of heart attack but is not able to be quickly and easily diagnosed.

Numbers are growing because populations are aging and there is a growing public awareness of early intervention due to heart attack.

Current screening requires a ‘watch and wait’ approach consuming time and resources within ED. A missed diagnosis results in less effective treatment and may result in readmission within 30 days as the condition of a patient deteriorates.

1/8

Only one in eight of chest pain patients will be experiencing a life-threatening event such as an actual or imminent heart attack.

8m

8 million patients in the USA alone present in ED with chest pain each year.

The Upstream test

The UARatio blood test provides a much-needed tool to help ED Physicians determine which patients with chest pain can safely be sent home, thus freeing-up badly needed ED hospital beds and resources. UARatio provides a rapid and accurate test to help determine which patients need immediate life-saving medical treatment for unstable angina.

Upstream has a novel technology platform built on many years of research. This provides a new class of diagnostic tests designed for ED use.

The lead assay can detect imminent heart attack BEFORE tissue damaging occurs. Upstream is building a pipeline of tests that enable earlier diagnosis for improved patient recovery.

Powerhouse Impact

Upstream was spun out of the University of Otago after nearly twelve months pre-commercialisation work undertaken in conjunction with Powerhouse.

Powerhouse's Technology Incubator status and initial equity investment enabled Upstream to leverage NZ$450k non-diluting loan funding that provided Upstream with an initial cash runway with which to protect its IP and advance the technical validation.

Powerhouse has appointed an Investor Director to the Upstream Board.

www.upstreamdx.com

Invert Robotics: state-of-the-art mobile climbing robots

Invert Robotics provides non-destructive inspection services using mobile climbing robots. The proprietary robotic platform can be used for the inspection of mission and business critical assets in the dairy, food and beverage, aviation, petrochemical, and industrial chemical markets.

Industrial assets are increasingly required by law to be maintained to a specified level in order to remain in-service. Conventional maintenance typically requires a technician to physically enter and/or traverse the asset to inspect it and either identify defects or confirm working order. This process is time consuming, inefficient, prone to human error and can deliver low quality data, whilst being a hazardous work practice.

Invert's robot displaces the human inspection methods by enabling remote inspection of critical assets. The robots are equipped with high definition cameras and other sensor technology that allow equipment to be assessed for cracks, defects and malfunctioning components. Defects invisible to the naked eye, that are not yet a problem, can be detected allowing for more precise planning of maintenance work and capital expenditure.

Inspectors are fed real-time video during the inspection that allows immediate and highly accurate analysis. An automated summary is delivered immediately to clients and a formally reviewed report is delivered within three days of an inspection.

The robotic inspection solution allows clients to manage and minimise their exposure to risk, be it risk of harm to employees/contractors using manual inspection techniques, risk of unplanned production downtime or risk of product/ environmental contamination due to inadequate inspection quality.

Invert has successfully disrupted the NZ dairy inspection market to become a leading service provider and is now doing business in the same sector in Europe, Australia, North America and South East Asia.

Invert is in a high-growth phase, expanding its dairy, food and beverage inspection service globally whilst also entering aviation, petrochemical and other markets with cornerstone customers.

Invert recently raised a significant capital round to support continued growth in the European dairy sector, development of dairy sector opportunities in the Asia Pacific region and the Americas, and continued expansion into aviation and chemical markets.

Invert has rapidly emerged as an industry disruptor changing the way that crack and defect inspections are conducted.

Powerhouse Impact

Powerhouse was involved at student project level and funded (alongside the university) a pre-commercialisation project to develop the technology into a product and to find a commercial application.

In the early days Powerhouse provided initial equity funding, IP advice, found and appointed the CEO, and provided introductions for the CEO to some of the early investors.

Powerhouse has retained an Investor Director on the board since incorporation, and led a number of investment rounds that Invert successfully closed at share prices starting at NZ$1.67 and increasing to NZ$16.50 per share over a five year period.

Invert recently raised more than $9m at NZ$17.51 per share independently - with the company's valuation increasing from less than NZ$100k to more than NZ$21m in seven years.

www.invertrobotics.com

Our Business

Powerhouse has established itself as a leader in the commercialisation of intellectual property (IP) in New Zealand. By working with universities and research-intensive institutions, Powerhouse creates start-up companies that take science and engineering-based innovation to market.

Following the October 2016 ASX IPO, Powerhouse has carefully expanded its investment operations to Australia.

Overview

Powerhouse identifies IP created by universities and Crown Research Institutes, then commercialises this through start-up companies in which Powerhouse invests. The Company collaborates with universities and research organisations to improve the process of technology transfer from research to market. Powerhouse uses a systematic approach to identify suitable opportunities for emerging technologies with genuine market potential.

Following opportunity identification, Powerhouse establishes and incubates start-up companies and provides investment and support, with the objective of enabling investee companies to reach their full commercial potential.

Powerhouse has developed a portfolio of companies based on a diverse range of technologies. Investing directly in each of its incubated companies, the Powerhouse Portfolio comprised 26 active businesses in the technology and bio-technology sectors at 30 June 2018. Powerhouse takes an active role in assisting to build these new companies.

Powerhouse currently holds relationships with numerous universities and government-owned research organisations across Australia and New Zealand. These relationships provide a pipeline of opportunities for assessment of commercialisation potential that may lead to possible company formation and investment.

University and Research Organisation Network

Powerhouse has already established a presence in the New Zealand university sector, holding relationships with all eight New Zealand universities. In Australia, Powerhouse has begun working with universities in Melbourne, Sydney and Adelaide, as well as with the CSIRO.

Powerhouse believes that it is important to establish a long-term relationship between the start-up companies created and the research department that initiated the intellectual property that is the foundation of the company. In many cases, research contracts between the spin-out company and the university or research organisation encourage the development of new technologies that support the on-going competitive advantage of the company.

Importantly, Powerhouse underpins these relationships through its operational processes and structure. Powerhouse seeks to maintain regular interaction, visibility and a positive working relationship with its university or research organisation partners. The relationships are additionally strengthened by an on-site location (in some instances) or regular visits, participation in business plan competitions and providing feedback on individual technologies reviewed.

Business Model

Powerhouse's business model is to invest in IP earlier than traditional venture capital firms, building a company around the identified and secured IP with a specialist commercial team to transform this IP into revenue generating businesses.

IP is typically sourced from universities and other research-intensive organisations (such as the CSIRO) through deep relationships with researchers. It is these relationships that allow Powerhouse to understand IP and potential commercial applications at the early stage of IP development.

Powerhouse adds value to its investments by taking an active role in building these opportunities into globally competitive businesses. This includes forming the expert team of CEOs, CFOs, CTOs and Company Directors around the IP and technology.

Powerhouse's model is based on companies generating early revenues with forgiving trial customers. Powerhouse targets local research strengths and local target industrial markets where new companies can prove their technology and generate early sales, before taking the technology global. End-to-end, Powerhouse's investment pipeline can be broken down into 4 stages with multiple inputs along the way, as follows:

The Powerhouse Innovation Pipeline

Pipeline	Pipeline Screening	Pipeline Transformation	Pipeline Outputs
Strategic University	Partnerships	High Impact Innovation	Powerhouse Expertise
Academic Discovery	Risk-managed Deal Flow	Validate / Learn / Adapt / Accelerate	Shareholder Returns
Powerhouse strategically partners with research institutes to source intellectual property and embedding our sector experts on-campus	Powerhouse filters and screens for the high impact innovations, providing the pipeline with risk-managed deal flow	Powerhouse deploys management expertise as the businesses learn, adapt and focus on clearly defined commercial outcomes	Powerhouse leverages the commercial success of the business with the objective to optimise shareholder returns

Creating the investment pipeline

Powerhouse identifies IP created by universities and research organisations, then commercialises this through start-up companies in which Powerhouse invests. Powerhouse collaborates with these research organisations to improve the process of technology transfer from research to market, using a systematic approach to identify emerging technologies with genuine market potential. Powerhouse currently holds relationships with numerous universities and research organisations across New Zealand and more recently, Australia. These relationships provide a pipeline of opportunities for assessment of commercialisation potential that leads to company formation and investment.

Working closely with universities and research institutes in New Zealand and Australia, Powerhouse (and its co-investors) usually lead first investments in a pre-seed company, which means it can both mitigate risk by investing relatively small amounts and ensure that it drives the proof-of-concept stage.

Powerhouse uses a 7-stage process to identify the best investment opportunities, outlined below:

Powerhouse selects Pre-Seed investments – detail

1	2	3	4	5	6	7
identify technologies with potentially disruptive applications	determine the job to be done, what will customers buy?	establish how customers value solutions, what outcomes are important and unsatisfied?	assess freedom to operate and barriers to entry	determine key technical and market assumptions and assess cost to verify	seek third party validation from world experts and local customers	rank the opportunity against the investment pipeline and criteria

Powerhouse invests directly from its balance sheet, and through the more common closed-end fund structures, used by the majority of venture capital firms in Australia. This longer-term view means Powerhouse is an ideal source of capital to companies based on university-developed technologies.

These investments are often based around unproven technology and can take some time to prove-up, mature, and evolve into compelling market-accepted products or services. Closed-end funds are often run meaning planning for exit is taking place by on 5-7 year investment time horizons, years 3-5. This shorter investment horizon makes them less appropriate for investing in technologies which may take longer than 5 years to mature.

Support PVL provides after investing

Following opportunity identification, Powerhouse establishes new start-up companies, providing investment and commercial support, with the objective of enabling these companies to reach their full commercial potential. Powerhouse initially invests from its own balance sheet.

However, as investee companies grow, and additional equity is required, Powerhouse has the necessary contacts and networks to bring in capital partners to investee companies.

Our activities across the lifecycle consist of:

- **Shaping the opportunity**

  Writing the business plan, defining the value proposition, researching the customer and market opportunity, understanding the industrial application, disciplined growth spin-out, and investment model.

- **Providing expert commercial support**

  Directors, CEO & CTOs from our talent pools, leveraging Powerhouse's network and introductions, market knowledge, and critical capital partners.

Powerhouse has a long-term relationship with its investee companies and provides ongoing support, including governance through an Investor Director and dedicated Investment Manager until the company is around 4 years post launch.

Powerhouse assists with strategy – holding the start-ups accountable for milestone achievement.

Powerhouse also provides capital-raising assistance and access to investors, so that start-ups receive funds to achieve their goals and drive growth. Powerhouse's suite of services and support is illustrated in the figure below.

Powerhouse Expertise Deployed:

IP / Legal / HR / Admin / Accounting / Finance / Sales / Marketing / Distribution / Governance / Corporate Advisory

Structure / Management / Governance / Expertise

- Management is actively involved with Portfolio Companies through regular secondment of key staff into selected Portfolio Companies
- It takes high-quality, motivated management teams to build a successful business. We support our Portfolio Companies with recruitment through access to our networks of executive talent
- Powerhouse is actively involved in the appointment of skilled Portfolio Company Board members
- Powerhouse's expertise is deployed across all operational disciplines to keep capital requirements low

Leverage / Growth / Corporate Advisory / International Expansion / Commercial Enterprise

- A disruptive go-to-market strategy for innovations with a well-defined road map developed for expansion into international markets
- Where justified, further capital investment is deployed to enable the business to compete internationally
- Powerhouse's integrated business model provides Powerhouse with insight into leveraging early-stage research and turning it into substantial, high-quality businesses. This end-to-end capability is not replicated in the NZ or Australian listed market

Knowledge and Capital

As Powerhouse develops investee companies in its portfolio, it accumulates knowledge and experience which it can incorporate into its investment process.

Value realisation

Powerhouse obtains portfolio liquidity through trade sales or IPOs. Powerhouse has successfully sold its positions in 3 post-seed businesses over the last year which generated capital for recycling / reinvestment.

Two further portfolio companies are in active liquidity plan mode whereby Powerhouse anticipates realising a further $2.2 million. The recent IPO of CropLogic (ASX Code: "CLI") demonstrates our "IP to IPO" pathway.

One further Powerhouse portfolio company is currently on this same ASX trajectory, but this time in the medical device sector.

Recycling of returned funds provides the opportunity to re-invest capital into fresh start-ups. This is how the programme becomes self-sustaining, as evidenced by the success of our New Zealand investments to date.

Powerhouse Ventures is perfectly positioned to take advantage of breakthrough technologies as they emerge.

Corporate Governance

Corporate Governance Statement

Powerhouse's Corporate Governance Statement can be found on its website at www.powerhouse-ventures.co.nz/investor-relations/corporate-governance

The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition), which came into effect on 1 July 2014 **(ASX Corporate Governance Principles)**, which are as follows:

Recommendation 1	Lay solid foundations for management and oversight
Recommendation 2	Structure the board to add value
Recommendation 3	Act ethically and responsibly
Recommendation 4	Safeguard integrity in corporate reporting
Recommendation 5	Make timely and balanced disclosure
Recommendation 6	Respect the rights of security holders
Recommendation 7	Recognise and manage risk
Recommendation 8	Remunerate fairly and responsibly

The ASX Corporate Governance Principles are guidelines, not prescriptions. As a listed entity, the Company is required to report against the ASX Corporate Governance Principles and disclose to stakeholders any divergence from the ASX Recommendations. Further, if the Company has not followed a particular recommendation, it must disclose the reason for not following it.

The Board

The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of the Company.

In conducting business, the Board's objective is to ensure that the Company is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

At present, there are four Directors on the Board, three being non-Executive Directors and one Executive Director. The Chairman of the Board is Russell Yardley.

The Board, as constituted currently, has a sound knowledge and understanding of the venture capital industry and has the range of competencies considered appropriate to the needs of the Company.

Russell Yardley
FAICD, FAIM

Executive Chairman and Acting CEO

Appointed to the Board on 28 February 2017.

Russell has been a professional Non-Executive Director and Chairman for the past decade following a career in the informational technology and communications sector. He is Chairman of The Resolution, a peer to peer learning network for company directors, board member of the Australian Research Data Commons supported by the Australian Government through the National Collaborative Research Infrastructure Strategy program, a member of the Victorian Government Purchasing Board as well as being an honorary member of the board of the Alannah and Madeline Foundation.

After spending more than 7 years at IBM he founded his first company Decision Engineers that was merged with ASI to form Applied Learning that was then listed on the ASX in 1993. He was chairman of Readify Pty Ltd from 2012 until it was sold to Telstra in 2016, Chairman of Tesserent Limited through its listing on ASX in 2015 until 2018, Chairman of Alcidion Group Limited from 2012 until its reverse listing on ASX in 2015. Russell was the Victorian State Chair 2010-2011 and the National Treasurer 2011-2014 of the Australian Information Industry Association, was made an Honorary Member of the Australian Computer Society in 2010 and made a Fellow of the Australian Institute of Company Directors in 2012.

Geoff Gander
BComm (UWA)

Non-Executive Independent Director

Appointed to the Board on 15 September 2018.

Geoff has a corporate background across a range of industry sectors, including Technology and Oil & Gas. He has held a number of Executive and Non-Executive Director roles with ASX listed companies over the past 14 years and these entities have covered a range of industry verticals including technology, mining, mining services, retail and oil & gas.

He is currently the Chairman/CEO of an ASX listed oil and gas company.

Geoff began his career in the technology sector in 1985 and continued to work with technology companies until 2004 at which time he began to focus on a wider range of industry verticals, working with organisations that were seeking either an initial public offering or were already publicly listed but required some form of market recapitalisation.

Rick Christie
MSc (Hons), (Chemistry), CFIOD, CRSNZ

Non-Executive Independent Director

Appointed to the Board on 10 December 2014.

Rick is a professional director with appointments in both the private and public sectors. He has extensive experience as a chief executive. He has lived and worked in Australia and the UK, with executive responsibilities in the Middle East and Asia. He has also been Managing Director of a large NZX listed industrial conglomerate. Rick is currently the Chairman of ikeGPS, and also is a Director of Solnet Solutions Ltd.

Rick was Chairman of EBOS Group, for 12 years. EBOS is a top 300 dual ASX and NZX listed health services provider. Rick is also a Chairman of NeSI, the New Zealand supercomputer network, and past Chairman of New Zealand Crown Research Institute AgResearch Ltd and the Science Media Centre. Rick was a member of the New Zealand Prime Minister's Enterprise Council and was Chairman of the Technological Innovation Working Group, the Science and Innovation Advisory Council and the New Zealand Growth and Innovation Advisory Board. In 2010 he was made a Companion of the Royal Society of NZ.

Dianne McCarthy
BA, BSc, MSc (Hons), PhD, CRSNZ, ONZM, CNZM

Non-Executive Independent Director

Appointed to the Board on 10 December 2014.

Di has an academic background and is the former Chief Executive of the Royal Society of New Zealand. Over the past 20 years, Di has had extensive experience in a number of management and governance roles in the tertiary education, science and health sectors. She is Chair of the Ageing Well National Science Challenge and sits on the Governance Boards of the Healthier Lives National Science Challenge, the Dodd Walls Centre for Photonic and Quantum technologies, the Cawthron Institute and the New Zealand Institute of Economic Research. She is also a Trustee of the Malaghan Institute of Medical Research.

She was made an Officer of the New Zealand Order of Merit for her services to education (2008); a Companion of the Royal Society of New Zealand for services to science (2015); and a Companion of the New Zealand Order of Merit for service to science, business and women (2016).

Management

Russell Yardley - Acting Chief Executive Officer

Russell has more than 25 years' experience as a CEO and Managing Director of technology-based companies first being appointed Managing Director of Decision Engineers in 1985 that merged with Advanced Systems Incorporated and listed on the Australian Stock Exchange in 1993

Andy Matheson - Chief Investment Officer

Andy has held senior executive roles in energy, infrastructure and clean-tech companies. He has worked as CEO, MD and Board Director in start-up businesses through the pre-seed to exit stages for over 10 years. Before this Andy held international marketing and business development roles targeting the global industrial and utilities sector for 12 years.

Prior to joining Powerhouse, Andy worked at a significant New Zealand fund manager, which was a substantial shareholder of a diversified NZX listed company. In this role, Andy was responsible for clean-tech origination, evaluation and transaction execution.

At Powerhouse, Andy is a member of the executive leadership team, operationally responsible for generating high quality deal flow through the Investment Team and building equity capital market linkages and liquidity strategies for Powerhouse Portfolio Companies.

Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee, Human Resources and Remuneration Committee, and Corporate Governance and Nomination Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

Membership of each committee is reviewed by the Board on an annual basis. All committees are comprised of at least three non-executive Directors appointed by the Board, the majority being independent.

Committee	Overview	Members (at 28 September 2018)
Audit and Risk Committee	Responsible for monitoring and advising the Board on: – the Company's audit; – risk management; and – regulatory compliance policies and procedures.	Geoff Gander (Chair) Russell Yardley Rick Christie
Human Resources and Remuneration	Provides assistance to the Board in relation to: – Board and Executive Remuneration Policy; and – key human resources policies.	Dianne McCarthy (Chair) Geoff Gander Russell Yardley
Corporate Governance and Nomination	Provides assistance to the Board in relation to: – nomination processes; – selected application of human resources policies as they relate to the Board; and – the corporate governance framework.	Russell Yardley (Chair) Rick Christie Geoff Gander

Board Governance

The functions and responsibilities of the Board are set down in the Company's 'Role and Composition of the Board' Charter. Further details regarding the role and responsibilities of the Board and the Managing Director/CEO can be found in Powerhouse's corporate governance documents located on the Company's website at www.powerhouse-ventures.co.nz.

The Board Charter provides for an annual performance evaluation that compares the performance of the Board with the requirements of this Charter, reviews the performance of the Board's committees and individual Directors and sets forth the goals and objectives of the Board for the upcoming year and effecting any amendments to this Charter considered necessary or desirable of the Board and its Committees.

The Board has adopted charters for all Board committees. The matters covered in the charters and the accompanying Board committee standing procedures include composition, quorum, attendees and access to information and review of rules, charter and performance. The charters are reviewed at least annually and are available on the Company's website.

Attendance by Directors at Board and Board Committee meetings during the year was as follows:

		Board	Portfolio Committee	Audit & Risk Committee	Human Resources & Remuneration Committee	Corporate Governance & Nomination Committee
Total meetings held		15	4	2	7	2
Di McCarthy		15	4	n/a	7	2
John Hunter	(resigned 12.09.18)	15	n/a	2	6	n/a
Rick Christie		12	n/a	1	n/a	2
Russell Yardley		15	3	2	6	2
John Walley	(resigned 24.11.17)	5	4	n/a	n/a	n/a
Steve Hampson	(resigned as Executive Director 29.08.17)	3	n/a	n/a	n/a	n/a
Paul Viney	(resigned as Executive Director 29.08.17)	3	n/a	n/a	n/a	n/a

Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or disposals of relevant interests in the Company between 1 July 2017 and 30 June 2018, the details of those dealings were entered in the Company's interests register. The particulars of such disclosures are:

Director	Nature of Interest	Shares Acquired	Consideration	Date
Rick Christie	Direct	23,647	Remuneration (NED) for 01.01.18 to 31.03.18 worth NZ$6,250	3 April 2018
Rick Christie	Direct	29,649	Remuneration (NED) for 01.04.18 to 30.06.18 worth NZ$6,250	3 July 2018
John Hunter	Direct	31,214	Remuneration (NED and ARC Chair) for 01.01.18 to 30.03.18 worth NZ$8,000	3 April 2018
John Hunter	Direct	39,137	Remuneration (NED and ARC Chair) for 01.04.18 to 30.06.18 worth NZ$8,000	3 July 2018
Di McCarthy	Beneficial (Di McCarthy and Frank Metcalfe)	29,322	Remuneration (NED and HRRC Chair) for 01.01.18 to 31.03.18 worth NZ$7,750	3 April 2018
Di McCarthy	Beneficial (Di McCarthy and Frank Metcalfe)	36,765	Remuneration (NED and HRRC Chair) for 01.04.18 to 30.06.18 worth NZ$7,750	3 July 2018
Russell Yardley	Beneficial (Yardley Family Super Fund A/C)	15,425	Average share price AU$31c	11 to 13 Oct 2017
Russell Yardley	Beneficial (Yardley Family Super Fund A/C)	15,000	Average share price AU$25c	7 to 9 March 2018
Russell Yardley	Beneficial (Yardley Family Super Fund A/C)	47,294	Remuneration (Chair) for 01.01.18 to 31.03.18 worth NZ$12,500	3 April 2018
Russell Yardley	Beneficial (The Yardley Family A/C)	59,298	Remuneration (Chair) for 01.04.18 to 30.06.18 worth NZ$12,500	3 July 2018

Directors Disclosures

There were no notices from Directors of the Company during the financial year requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

Directors Shareholdings

Number of fully paid shares held by Directors, including those held in trust:

Director	30 June 2018	30 June 2017
Rick Christie	53,296	0
John Hunter[1]	70,351	0
Di McCarthy	109,947	43,860
Russell Yardley (The Yardley Family A/C)	59,298	0
Russell Yardley (Yardley Family S/F A/C)	149,971	0
Stephen Hampson[2]	751,980	272,600
Stephen Hampson[2] (with Robyn Hampson)	205,181	205,181
Paul Viney[2]	112,954	43,165
Paul Viney[2] (with Anna McKendrick)	20,047	0
Paul Viney[2] (Paul K M Viney S/F A/C)	301,362	301,362
John Walley[3] (Three Valleys A/C)	425,395	425,935

1. Resigned as Non-Executive Director on 12 September 2018
2. Resigned as Executive Director on 29 August 2017
3. Resigned as Non-Executive Director on 24 November 2017

Investment Processes

Detailed procedures govern the investment processes and detail responsibilities for identifying, shaping, investing in and monitoring portfolio investments.

The responsibilities for investment processes are as follows:

Powerhouse Board	– approving the investment strategy and capital allocation plan;
	– approving non-standard investments;
	– monitoring investment policy;
	– responsibility for portfolio construction and performance; and
	– targets and compliance.
Executive Team	– reporting portfolio performance to the Board;
	– preparing the investment strategy and capital allocation plan;
	– approving standard investments; and
	– preparing recommendations to the Board for non-standard investments.
Investment Team	– identifying investment opportunities that fit with the Powerhouse investment criteria;
	– shaping investment opportunities for investment; and
	– processing investment transactions in accordance with the ‘How we invest’ procedure.

An Investment forum has been established and is utilised for reviewing investment themes, directions and opportunities in the following technology sectors - Digital and ICT, Agritech and Environmental, Medical Devices & Health Care and Cleantech and Engineering.

Company Policies

Share Trading Policy

The Board encourages Directors, senior executives and employees to own Powerhouse shares, to further align their interests with the interests of Shareholders. The Powerhouse Share Trading Policy governs share dealings by Directors and employees and:

- provides a summary of the insider trading prohibition and sets out the specific requirements in relation to the buying, selling or otherwise dealing in Powerhouse shares, or shares in other companies;
- establishes procedures relating to buying and selling shares that provides protection to the Company, Directors and employees, to ensure they do not contravene and do not place themselves under suspicion of contravening the laws against insider trading, especially in periods leading up to an announcement of the Company's results; and

Risk management policy

The identification and proper management of the Company's risk are an important priority of the Board. The Company has a Risk Management Policy and Framework (available on the Company's website) appropriate for its business. The Policy and Framework highlight the risks relevant to the Company's operations and the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risk. The Audit and Risk Committee is responsible for monitoring risk management and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Risk Management Framework is in place to identify, oversee, manage and control risk. A formal review of the Risk Framework, including the development of a Risk Appetite Statement were undertaken during the reporting period by the Committee.

Continuous disclosure policy

The Company is committed to observing its disclosure obligations under the ASX Listing Rules. The Company has a policy that establishes procedures which are aimed at ensuring that Directors and Executives are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

Communications with shareholders

The Company is committed to keeping Shareholders informed of all major developments affecting the Company's state of affairs relevant to Shareholders in accordance with all applicable laws. Information is communicated to Shareholders through the lodgement of all relevant financial and other information with on the website and with the ASX. In particular, the Company's website will contain information about the Company, including media releases, key policies and the terms of reference of the Company's Board Committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website as soon as they have been released to the ASX.

Economic, environmental and social sustainability

The Company issues a separate sustainability report in accordance with the international reporting frameworks. It is available online on the Company's website and considers company activities as well as the activities of portfolio companies.

Additional company policies

In addition to the policies and procedures already discussed above, the Company has also implemented a wide range of policies and procedures. These policies form part of the Company's broader governance documentation suite. Copies of these policies are available on the Company's Website.

Diversity Report

Our Stance on Diversity

Powerhouse is committed to diversity and equal opportunity. It recognises the value of diversity and the potential contribution of people with diverse capabilities, experiences, ethnicities, nationalities, sexual and gender orientations and ages.

Powerhouse makes employment decisions on the basis of merit and is committed to ensuring that staff are treated equitably. The Company will not discriminate on the grounds of sex, marital status, religious or ethical belief, race or colour, ethnic or national origins, ability or disability, age, employment status, family status, sexual or gender orientation, or political opinion.

Powerhouse aims to:

- increase and celebrate the diversity of the workforce;
- ensure employees experience employment free of discrimination and inappropriate barriers; and
- meet obligations under the New Zealand Human Rights and employment legislation.

Promoting and Valuing Diversity

Powerhouse employees are expected to demonstrate:

- behaviour that is fair and equitable;
- discretion, in relation to their own and others personal relationships;
- due regard for people’s rights and wellbeing - physical, sexual or psychological harassment will not be tolerated; and
- tolerance, forbearance and an open mind - racial or religious vilification or intimidating or bullying behaviour will not be tolerated.

Board Diversity

The Board has developed an appointment process for future Directors that takes diversity of background, capability, skills and experience into account, as well as previous Board and leadership experience and their likely contribution to the Board as a strong, effective team.

This Diversity Policy also covers senior executive appointments and requires the Managing Director/Chief Executive to have reference to the Policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the senior executive team.

Gender Diversity as at 30 June 2018

The gender diversity of Powerhouse was as follows:

- Board: one female, three males
- Senior Executive: two males (Chief Executive Officer and Chief Investment Officer)
- Total other Powerhouse employees: five females, three males

Diversity Objectives and Monitoring

The Board and Management will have continuing regard for the implications of the Company’s Diversity Policy. Management will report annually to the Board on the effectiveness of the policy, compliance with it and any breaches and opportunities for improving the Company's performance.

Each year the Powerhouse Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior executive level and that performance against these objectives. Performance against objectives are detailed in the tables below:

Measurable Diversity Objectives—Performance 2017/18

Objective 1:	Flexible Work Practices Procedure to be approved by the CEO and Human Resources and Remuneration Committee.	Complete. The Company currently operates under a procedure with very flexible and contemporary work practices. Employees are able to work from home when it suits them and when it does not conflict with the needs of the Company. Technology is in place to support these work practices. Time off in lieu processes are in place and working effectively.
Objective 2:	Establish partnership/sponsorship/membership with an external body promoting a women's leadership initiative.	This measure has not been achieved in the timeframe to 30 June 2018. The Chairman of the Human Resources and remuneration Committee will work with the CEO during 2018/19 to progress this initiative.
Objective 3:	PVL to expand the scope of the Succession Planning programme to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles. The CEO to report annually to the Corporate Governance and Nomination Committee or Human Resources and Remuneration Committee on the success of this initiative.	Succession plan has identified all high potential employees within PVL. Strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles are embedded in standard HR processes and in particular the 6 monthly performance appraisal process, which includes a talent development focus.
Objective 4:	PVL to implement an internal mentoring programme which aims to increase opportunities for PVL female employees in management or professional positions.	PVL Executive has mentored high potential female employees during the year. This has resulted in an increase in responsibility for key female employees.
Objective 5:	Aim to increase the percentage of women in senior management positions (those positions either in the PVL Executive or reporting directly to the PVL Executive) as vacancies arise, subject to identification of candidates with appropriate skills.	This initiative was achieved by 30 June 2018.

Remuneration Report

This Remuneration Report is prepared in accordance with Australian legal requirements, noting in many instances, the Company is not required to comply with such disclosures, being a New Zealand entity. As such, this Remuneration Report is not required to be audited in accordance with the Corporations Act (Australia) governing Australian companies.

Details of Auditor remuneration is set out in the Financial Statements section of this Annual Report.

Principles Used To Determine The Nature And Amount Of Remuneration

The Company's Human Resources and Remuneration Committee considers the quantum and structure of Director and Executive remuneration. The Committee adopts a series of principles in determining remuneration related decisions. The principles used are:

- Executive remuneration should be market competitive and generally account for market practice including recognition of level of responsibility;
- the remuneration structure should reward those employees who have the ability to influence the achievement of the Company's strategic objectives and business plans to enhance shareholder value for successful performance outcomes and their contribution to these;
- Executives, whose appointment and remuneration packages are considered and approved individually by the Company, are personnel who:
  - report directly to the Managing Director / Chief Executive Officer or the Board;
  - are designated as an Executive by the Board; and
  - have responsibility and authority for management of a significant profit or cost centre.

Executives' remuneration package should have:

- a substantial portion of their total remuneration that is "at risk" and aligned with reward for creating shareholder value;
- an appropriate balance between short and long-term performance focus and outcomes; and
- a mix of cash and equity based remuneration.

The Managing Director / Chief Executive Officer should, relative to other Executives, have:

- a greater proportion of total remuneration (at least 50%) that is "at risk", i.e. contingent upon the achievement of performance hurdles, and
- a greater proportion of "at risk" remuneration weighted towards equity based rewards rather than cash, because of the leadership role in establishing and delivering achievement of medium and long term strategic objectives and business plans and increasing shareholder value over that period;
- the opportunity to participate in equity based rewards should be a component of remuneration for Executives both to align their reward with the creation of shareholder value and to encourage their ongoing participation in and retention by the Company;
- Non-Executive Directors' remuneration should enable the Company to attract and retain high quality Directors with the relevant experience. In order to maintain independence and impartiality, non-Executive Directors do not receive performance based remuneration; and
- the Board uses discretion when setting remuneration levels, taking into account the current market environment and Company performance.

The Board, on the advice of the Human Resources and Remuneration Committee has accountability to set all Executive remuneration. Recognising the principles above, the current prevailing market conditions and the reported performance of the Company, the Committee determined the following in relation to the 30 June 2018 review of base remuneration:

- Directors, 0% increase;
- Managing Director / Chief Executive Officer, 0% increase, and
- generally Executives and Staff received no increase unless accompanying an increase in duties / responsibilities.

Remuneration Structure

The Company's objective is to provide a remuneration framework whereby every incentive payment over and above an employee's fixed pay, whether in the form of cash or equity, is appropriate for the results delivered by both the Company and the employee and is based on reward for their performance. The Board, through the Committee, undertakes its governance role in establishing Executive remuneration including, where required, use of external independent remuneration consultants and/or available market information, with reference to both total remuneration and its various components.

Employee Remuneration

In accordance with Section 211 of the Companies Act 1993, the number of employees or former employees of the Company, who received remuneration and other benefits in their capacity as employees totalling NZD $100,000 or more during the year have been disclosed as follows:

	30 June 2018 Number of employees	30 June 2017 Number of employees
Employee remuneration ($NZD)		
100,000-110,000	1	2
110,000-120,000	-	1
120,000-130,000	-	1
130,000-140,000	1	-
140,000-150,000	-	4
150,000-160,000	1	1
160,000-170,000	-	3
170,000-180,000	1	-
200,000-210,000	1	-
240,000-250,000	1	-
270,000-280,000	1	-
330,000-340,000	-	1
430,000-440,000	-	1

Executive Remuneration

The Executive remuneration structure (which applied to 3 Executives including the Managing Director / Chief Executive Officer during the year ended 30 June 2018) has three components: base salary and benefits; short-term incentives; and long-term incentives. The combination of these comprises the Executives' total remuneration. Other staff have a remuneration framework incorporating the same components.

1. Base salary and benefits

Executive base salaries are structured as part of a negotiated total employment remuneration package comprising a mix of cash and non-monetary benefits.

Executives are offered a base salary that comprises the fixed component of pay and rewards. Base salary for Executives is reviewed annually to assess appropriateness to the position and competitiveness with the market.

Executive benefits made available are superannuation contributions made in accordance with the legislation specific to the country in which the employee is resident.

2. Short term incentives

Executives including the Chief Executive Officer are eligible to participate in an annual short term incentive which delivers rewards by way of cash, subject to the achievement of Company financial performance targets and individual KPIs. The Managing Director / Chief Executive Officer's short term incentive is up to 30% of base annual salary and other Executives' short term incentive is up to 30% of base annual salary.

A number of targeted KPIs are used as the appropriate performance targets to trigger payment of short term incentives.

3. Long term incentive plan

This plan is intended to focus performance on achievement of key long term performance metrics. The Board continues to reassess the plan and its structure to ensure it will best support and facilitate the growth in shareholder value over the long term relative to current business plans and strategies. Any grants made to Executive Directors are subject to shareholder approval.

Vesting of performance rights is dependent upon the Company achieving a number of Board approved measures. See the Financial Report for further details.

Non-Executive Directors' fees

The current aggregate limit for non-Executive Directors' fees is NZ$250,000 per annum. (A$237,800). The remuneration of non-Executive Directors is structured separately from that of any Executive Directors and Senior Executives. The Chairman of the Board received a fee of $50,000 per annum. Remaining non-Executive Directors received a fee of $25,000 per annum. Directors are also remunerated for their roles as Committee chairs. Directors receive reimbursement of reasonable expenses. Any fees paid to the Company's non-Executive Directors will reflect the demands on and responsibilities of those Directors. The advice of independent remuneration consultants is taken to establish that the Directors' fees are in line with market standards.

Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration and are not eligible to participate in the Company's Employee Share Plan or any other incentive plan. They do not receive any retirement benefits. The aggregate remuneration paid to all the non-Executive Directors may not exceed an amount set by Shareholders in a general meeting. This 'fee pool' will only be available to non-Executive Directors, as Board membership is taken into account in determining the remuneration paid to any Executive Directors as part of their normal employment conditions.

Executive Directors do not receive Directors' fees. Some amounts disclosed for Directors' fees are expressed in AUD given the specific requirements for remuneration reporting applying to ASX listed companies. However, other amounts reported in the tables within this report are specified in NZD, being the reporting currency of the Company.

It remains the Board's intention that Directors' fees will be reviewed annually, with external independent remuneration consultants providing advice to ensure fees reflect market rates. There are no guaranteed annual increases in any Directors' fees.

Non-Executive Directors do not participate in the Company short or long term incentive schemes.

The following base fees apply per annum:

	A$	NZ$
Chairman	47,560	50,000
Other non-Executive Directors	23,780	25,000
Chair of Audit & Risk Committee	7,610	8,000
Chair of Portfolio Committee	7,610	8,000
Chair of Human Resources and Remuneration Committee	5,710	6,000
Chairs of Four Investment Advisory Committees	5,710	6,000
Actual fees paid in year ended 30 June 2018		**NZ$**
(in reporting currency)		189,529
Chairman		50,000
Other non-Executive Directors (total)		139,529

Directors remuneration and other benefits required to be disclosed pursuant to section 211 (1) of the Companies Act 1993 were as follows:

		2018 $	2017 $
Russell Yardley		75,000	9,438
Blair Bryant	(appointed 19.04.17, Chair 26.05.17 to 14.06.17, resigned 30.06.17)	n/a	6,312
Kerry McDonald	(resigned as Director and Chair 27.01.17)	n/a	28,625
Rick Christie		25,000	25,000
Stephen Hampson	(resigned 29.08.17)	206,477	437,585
John Hunter	(resigned 12.09.18)	36,000	52,779
Dianne McCarthy		34,000	31,000
Paul Viney	(resigned Director position 29.08.17)	274,207	335,659
John Walley	(resigned 24.11.17)	14,417	28,667
Steve Wilson	(resigned 18.04.17)	n/a	24,200
Total Directors remuneration and other benefits		**665,101**	**979,265**

The remuneration of Stephen Hampson and Paul Viney disclosed above was earned under the terms of their respective employment agreements and not for their services as Executive Directors. Russell Yardley has also been paid $25,000 p/a since 28 February 2017 as an Independent Contractor. In addition, a payment of $25,000 was made to Russell Yardley on 24 January 2018 as a one-off payment for additional services from August to November 2017. This is included in the figure above.

Subsidiary company directors

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors and particulars of entries in the interests registers made during the year ended 30 June 2018.

Director	Subsidiary	
Stephen Hampson	Powerhouse No. 1 Nominee Limited	(Resigned 29.08.17)
	Powerhouse No. 2 Nominee Limited	
	Powerhouse No. 3 Nominee Limited	
	Powerhouse No. 4 Nominee Limited	
	Powerhouse Ventures Australia Pty Limited	
Paul Viney	Powerhouse No. 1 Nominee Limited	(appointed 29.08.17)
	Powerhouse No. 2 Nominee Limited	
	Powerhouse No. 3 Nominee Limited	
	Powerhouse No. 4 Nominee Limited	
	Powerhouse Ventures Australia Pty Limited	
John Walley	Powerhouse Venture Managers Limited	
Steve Wilson	Powerhouse Venture Managers Limited	(resigned 02.08.17)

Financial Report

Company Directory

Postal Address

PO Box 29519
Riccarton
Christchurch 8440
New Zealand

Registered Office

Level 7 Press Building
158 Gloucester Street
Christchurch Central
Christchurch 8011
New Zealand

Business Locations

Level 7 Press Building
158 Gloucester Street
Christchurch Central
Christchurch 8011

Gracefield Innovation Precinct
69 Gracefield Road
Lower Hutt 5012
Wellington

Level 19, HWT Tower
40 City Road
Southbank
VIC 3006
Australia

New Zealand Company Number

CH1854396

Australian Foreign Company Registration

ARBN 612076169

Solicitors

Andrew Lewis Law
Auckland, New Zealand

Buddle Findlay
Christchurch, New Zealand

HWL Ebsworth
Sydney, Australia

K&L Gates, Sydney
Australia

Auditors

Ernst & Young, Christchurch

Date of Formation

17 August 2006

Directors' Responsibility Statement

The Directors of Powerhouse Ventures Limited ("the Company") hereby present to the shareholders the financial statements of the Company for the year ended 30 June 2018.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Company as at 30 June 2018 and the results of its operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the Company have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance to the integrity and reliability of the financial statements.

The Financial Statements are signed on behalf of the Board by:

Russell Yardley
Chairman
31 August 2018

John Hunter
Director
31 August 2018

Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 $	2017 $
Income			
Net changes in fair value of investments at fair value through profit or loss	4	(6,306,230)	(4,532,146)
Revenue from services and other income	3	802,095	2,406,010
Finance income		378,471	1,218,373
Total income and fair value changes		**(5,125,664)**	**(907,763)**
Expenses			
Employee benefits expense	6	2,439,282	3,605,321
Marketing and events		528,604	302,235
Legal & professional costs		768,762	765,861
Travel		185,128	342,917
IPO costs expensed through profit and loss		-	931,271
Interest expense		87,269	145,430
Other expenses	7	692,146	1,779,017
Impairment of financial assets	5	607,639	3,798,300
Total expenses		**5,308,830**	**11,670,352**
Profit/(loss) before income tax		**(10,434,494)**	**(12,578,115)**
Income tax expense / (credit)	8 (a)	-	(1,358,345)
Profit/(loss) after tax for the year		**(10,434,494)**	**(11,219,770)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to equity holders of the Company		**(10,434,494)**	**(11,219,770)**
Earnings per share:			
Basic (cents per share)	9	(36)	(43)
Diluted (cents per share)	9	(36)	(43)

The accompanying accounting policies and notes to the financial statements form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Share capital $	Equity-settled share based payment reserve $	Retained earnings $	Total equity $
Balance at 1 July 2017		**30,446,388**	**252,088**	**(10,874,812)**	**19,823,664**
Increase in share capital	10,11	209,750	(175,000)	-	34,750
Equity-settled share-based payments	11	-	(8,872)	-	(8,872)
Total comprehensive income/(loss) for the year		-	-	(10,434,494)	(10,434,494)
Balance at 30 June 2018		**30,656,138**	**68,216**	**(21,309,306)**	**9,415,048**
Balance at 1 July 2016		**19,184,099**	**126,666**	**344,958**	**19,655,723**
Increase in share capital	10	11,262,289	-	-	11,262,289
Equity-settled share-based payments	11	-	125,422	-	125,422
Total comprehensive income/(loss) for the year		-	-	(11,219,770)	(11,219,770)
Balance at 30 June 2017		**30,446,388**	**252,088**	**(10,874,812)**	**19,823,664**

The accompanying accounting policies and notes to the financial statements form an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Cash and cash equivalents	12	1,052,690	1,320,416
Trade and other receivables and prepayments	13	395,486	969,686
Unsecured short-term loans receivable	14	-	1,004,253
Convertible notes in portfolio companies		437,263	302,000
Investments in portfolio companies	25, 26, 27	11,549,973	17,469,782
Property, plant and equipment		20,334	28,435
Intangible assets		-	12,802
Total assets		**13,455,746**	**21,107,374**
Liabilities			
Trade and other payables	15	1,787,882	790,457
Provisions	16	-	493,253
Convertible notes	17	2,252,816	-
Total liabilities		**4,040,698**	**1,283,710**
Net assets		**9,415,048**	**19,823,664**
Equity			
Share capital	10	30,656,138	30,446,388
Equity-settled share-based payments reserve	11	68,216	252,088
Retained earnings		(21,309,306)	(10,874,812)
Total equity		**9,415,048**	**19,823,664**

Russell Yardley,
Chairman
For and on behalf of the Board
Date: 31 August 2018

John Hunter,
Director
For and on behalf of the Board
Date: 31 August 2018

The accompanying accounting policies and notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,106,229	1,797,457
Payments to suppliers and employees		(4,727,467)	(7,706,283)
Finance income		37,214	72,834
Income taxes paid		-	(22,329)
Interest paid		(84,886)	(145,430)
Net cash inflow/(outflow) from operating activities	**18**	**(3,668,910)**	**(6,003,751)**
Cash flows from investing activities			
Purchase of investments and convertible notes		(1,156,431)	(2,325,318)
Sale of investments		1,904,094	1,097,900
Recovery of/(Transfer to) restricted cash	12	180,036	(1,000,000)
Purchase of property plant and equipment		(4,496)	(28,592)
Proceeds from sale of property plant and equipment		2,250	-
Receipts from/(payments for) short term loans to investee companies		105,025	(1,865,000)
Net cash inflow/(outflow) from investing activities		**1,030,478**	**(4,121,010)**
Cash flows from financing activities			
Proceeds from issuance of shares		-	10,787,687
Proceeds from issuance of convertible notes		2,252,816	1,250,000
Equity issuance costs		-	(504,008)
Proceeds from borrowings		315,033	-
Repayments of borrowings		(197,143)	(553,679)
Net cash inflow/(outflow) from financing activities		**2,370,706**	**10,980,000**
Net increase/(decrease) in cash and cash equivalents		**(267,726)**	**855,239**
Cash and cash equivalents at the beginning of the year		1,320,416	465,177
Cash and cash equivalents at the end of the year	12	**1,052,690**	**1,320,416**

The accompanying accounting policies and notes to the financial statements form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2018

1 Summary of accounting policies

Statement of compliance

Powerhouse Ventures Limited (the 'Company') and its subsidiaries are profit-oriented companies incorporated and domiciled in New Zealand under the Companies Act 1993, except for its dormant subsidiary Powerhouse Ventures Australia Pty Limited which was incorporated in Australia under the Corporations Act 2001. The Company is an investment company whose targeted asset-class is research-backed intellectual property. The Company was formed in Christchurch in 2006 to commercialise scientific and technical innovation developed at New Zealand's universities and government-owned research institutes.

The Company is listed on the Australian Stock Exchange.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable reporting standards as appropriate for profit-oriented entities. For the purpose of applying NZ GAAP the Company is a for-profit entity.

The financial statements comply with International Financial Reporting Standards ("IFRS").

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain financial assets held at fair values as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018 and the comparative information presented in these financial statements for the year ended 30 June 2017.

The financial statements are presented in New Zealand dollars, being the Company's functional and presentation currency, rounded to the nearest dollar.

Critical judgements in applying accounting policies

In preparing these financial statements, the Company has made estimates and assumptions concerning the future in order to determine certain balances at reporting date. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key estimates and assumptions in the preparation of these financial statements are the assessment of investment fair values (Notes 25-27), the investment entity designation (note 1 (a)), impairment of financial assets (Note 5), recognition of deferred tax assets and liabilities (note 8) and the going concern assumption (note 2).

Summary of significant accounting policies

The following specific accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Basis of consolidation

NZ IFRS 10 provides an exemption to investment entities from consolidating subsidiaries. The Company qualifies for this exemption as it:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

In addition, there are four typical characteristics of an investment entity provided in NZ IFRS 10 being:

- it has more than one investment;
- it has more than one investor;
- it has investors that are not related parties of the entity; and
- it has ownership interests in the form of equity or similar interests.

The Directors have assessed that the Company meets these requirements. The Company has applied this NZ IFRS 10 investment entity exemption since 1 July 2014.

Under NZ IFRS 10, investments in subsidiaries are measured at fair value through profit or loss in accordance with NZ IAS 39, rather than being consolidated to form group accounts. As such, these separate financial statements are the Company's only financial statements.

Subsidiaries are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has power over the entity, exposure to variable returns from its involvement in the entity and the ability to use its power to affect the amount of the returns.

In addition, a venture capital organisation may measure its investments in associated entities at fair value through profit or loss in accordance with NZ IAS 39, or by applying the equity method as per NZ IAS 28. The Company has elected to account for investments in associates at fair value through profit or loss. Associate entities are those over which the Company has significant influence, but does not have control.

References to "portfolio companies" in this report include all companies in which the Company has invested for the purpose of commercialising technology from universities and other research institutions.

(b) Revenue recognition

Government grant funding:

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions are likely to be met. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Revenue is otherwise deferred until the conditions of the grant have been met. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Company with no future related costs, are recognised in profit or loss in the period in which they become receivable.

Revenue from services:

Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax. This is recognised as income when contractual terms have been met.

Interest income:

Revenue is recognised as interest accrues, using the effective interest method.

Dividend income:

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

(c) Goods and service tax

With the exception of trade payables and receivables, all items are stated exclusive of goods and services tax.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Investments

The Company is an Investment Entity and accordingly values its financial assets comprising the investment portfolio at Fair Value.

The Company classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset’s fair value measurement. The fair value hierarchy has the following levels:

Level 1 — Quoted prices in active markets.

Level 2 — Inputs other than quoted prices that are observable, such as prices from market transactions. These are mainly based on prices determined from recent investments in the last twelve months.

Level 3 — One or more inputs that are not based on observable market data.

The Company seeks to value its assets in a way that uses methods that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Accordingly, the Company assesses fair value of unlisted securities using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG).

The valuation methodology used most commonly by the Company is the 'price of recent investment' or a 'milestone analysis' approach. Given the nature of the Company's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. The Company considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation. The Company considers the sophistication of such third party investment when assessing fair value.

Where the Company considers that the price of recent investment no longer represents fair value, the Company carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages the Company seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. When considered appropriate due to the size of the change or inherent uncertainty, the Company may use external valuers to assess the reasonableness of any change in fair value estimated by management.

Where a fair value assessment indicates a deterioration in fair value has occurred, the Company will reduce the carrying value of the asset. Where an enhanced assessment of fair value has occurred and there is evidence of an increase in fair value of an asset, the Company may consider increasing the carrying value of the investment: however, in the absence of additional third party funding rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments and accordingly caution is applied.

The above fair value hierarchy translates into the following considerations when calculating the fair value of unquoted securities:

- Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business;
- Where there has been any recent investment by third parties, the price of that investment will provide a basis for the valuation depending on the sophistication of such investors;
- If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Company considers alternative methodologies in the IPEVCVG guidelines being:
  - where investments are sufficiently mature, discounted cash flows and price-earnings multiples are used by management requiring assumptions over the timing and nature of future earnings and cash flows when calculating fair value. Multiples applied to such analysis to determine the investment's enterprise value are derived from the appropriate market sector. Due to the inherent risk to businesses in early stages of operations and lack of marketability, a discount of up to 60% is applied against the derived enterprise value;
  - where investments are not sufficiently mature and the investment exceeds the period for which it remains appropriate to use the price of recent investment (which depends on the specific circumstances of the investment and the stability of the external environment, but 12 months is a default assumption) then the Company considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required. Where the Company considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Factors which the Company considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction;
- Where the equity structure of a portfolio company involves different class rights in a sale or liquidity event, the Company takes these different rights into account when forming a view of the value of its investment.
- Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

(f) Financial instruments

Non-derivative financial instruments comprise investments in shares, cash and cash equivalents, loans and borrowings, trade and other receivables, trade and other payables and convertible notes.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Purchases and sales of financial assets are accounted for at trade date, being the date the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

The Company classifies its investments under the category 'financial assets at fair value through profit or loss - designated as such upon initial recognition'. Investments in subsidiaries are required to be held at fair value, as the company has applied the investment entity exemption under NZ IFRS 10. The Company has elected to measure investments in associates at fair value as per the provisions of NZ IAS 28 available to venture capital organisations.

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with changes in the carrying amount of the allowance account being recognised within 'other expenses' in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(g) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. This includes the shares which have been issued to employees as part of their bonuses. Equity instruments are recognised at the proceeds received, net of direct issue costs.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Costs incurred to list existing shares on a publicly-traded stock exchange are not attributable to the issue of new shares and therefore are expensed through profit or loss.

(h) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in accrued expenses in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

The Company recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Obligations for contributions to defined contribution pension plans (including KiwiSaver) are recognised as an expense in profit or loss when they are due.

(i) Share-based payments

The Company engages in equity-settled share-based payment transactions in respect of services receivable from employees, by granting employees' conditional awards of ordinary shares subject to certain vesting conditions.

Conditional awards of shares are made pursuant to the Company's Long-Term Incentive Plan ("LTIP") awards. The fair value of the shares is determined at grant date.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in reserves within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting. Where conditional awards of shares lapse the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse.

Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

(j) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives received are recognised in profit or loss over the lease term as an integral part of the total lease expense.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Property, plant and equipment and intangible assets

Items of property, plant and equipment and finite life intangible assets are measured at cost less accumulated depreciation/amortisation and accumulated impairment losses.

Assets are depreciated/amortised over their useful economic lives on the following basis:

Office equipment	1.5 years straight line
Website costs	2 years straight line
Furniture and fittings	3.3 years straight line
Computer equipment	2 years straight line

Depreciation/amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets include trademarks carried at cost less accumulated impairment losses.

(m) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets with a finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of value in use and fair value less costs of disposal.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(o) Statement of cash flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the profit or loss.

Definitions of the terms used in the statement of cash flows are as follows:

- "Cash and cash equivalents" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash;
- "Operating activities" includes all transaction and other events that are not investing or financing activities;
- "Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments and other similar activities; and
- "Financing activities" are those activities relating to changes in the equity and debt capital structure of the Company and those activities relating to the cost of servicing the Company's equity capital.

(p) Foreign currency translation

Functional and presentation currency

The financial statements of the Company and each of its subsidiary entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which is New Zealand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non- monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss.

(q) Segment reporting

The Company's operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(r) Treasury stock

Treasury stock held consists of the following:

(i) shares which have been distributed to the Company as part of the restructuring undertaken in prior years. These shares were distributed to the Company to ensure that the Company received a return of the equivalent value in shares to the carried interest return it would have received if the counter-parties in the restructurings had received cash for the sale of their assets rather than shares. These distributed shares are held in trust for the benefit of certain employees who the Board of the Company may determine from time to time are entitled to a portion of such shares pursuant to the Company's remuneration policy. An expense is recorded for the fair value of the shares in the profit or loss in the period in which the shares are distributed.

(ii) shares held in trust for certain employees of the Company in anticipation of allocation under the employee Long Term Incentive Plan. An expense will be recorded for the fair value of the shares in the profit or loss in the period in which the shares are distributed.

(s) Standards and interpretations in issue not yet effective

A number of new standards and interpretations have been issued or amended but are not yet effective. None of these standards are expected to have a significant impact on the Company's financial statements except for the following:

IFRS 9 Financial Instruments. The final version of IFRS 9 Financial Instruments brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project. The standard has replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of NZ IFRS 9 for reporting periods commencing on or after 1 January 2018. The standard will therefore be applied for the reporting period commencing 1 July 2018 for the Company. The Company has reviewed the standard and no significant impact will occur given that the majority of its financial assets are currently measured at fair value through profit or loss.

IFRS 15 Revenue from Contracts with Customers. The standard provides a single comprehensive standard on revenue recognition and replaces existing revenue recognition standards including IAS 18 Revenue. The standard is effective for reporting periods commencing on or after 1 January 2018 and will therefore be applied for the reporting period commencing 1 July 2018 for the Company. A comprehensive review has determined that the recognition of certain government grants will be impacted.

The Company receives grants from government to determine whether technology developed by universities and other research institutes is viable for commercialisation. Under IAS 18 the Company recognised these grants at the date the grant was received as this was determined to be a reasonable proxy for approval date. IFRS 15 requires that income is recognised over the performance period and therefore a change in accounting policy is required to ensure that such government grant income is recognised over the performance period, which is usually 180 days.

No adjustments will be required to the December 2018 interim or June 2019 financial statements comparatives as no material grants were received in those comparative periods.

IFRS 16 Leases. This standard prescribes the recognition, measurement, presentation and disclosure of leases. The standard is effective for reporting periods commencing on or after 1 January 2019 and will therefore be applied for the reporting period commencing 1 July 2019 for the Company. The standard requires all lessees to account for all leases in excess of one year, both operating and finance, under a single on-balance sheet model. Initial review has determined that this new standard will have some impact on the financial statements of the Company given the Company's use of operating leases, but the profit impact is considered to be negligible.

(t) Adoption of new and revised standards and interpretations

No new standards, interpretations or amendments effective for the first time from 1 July 2017 have had a material effect on the Company's

2 Going concern

In considering the appropriateness of the going concern assumption used as the basis of preparation of these financial statements, the Directors have considered cashflow forecasts for 12 months from August 2018, which include the ongoing operational costs and revenues of the Company, the ongoing investment program and other cashflows.

As reported in the Statement of Cash Flows, the Company has experienced negative operating cashflows and these are forecast to continue. Furthermore, as described in Note 17, the Company is obligated to pay up to $2.2m of Convertible Notes on 31 March 2019 should those Notes remain unconverted by that date. As a listed company Powerhouse has the potential to raise capital at any time and at short notice. Cashflow contingency plans include the possibility of new capital being introduced which is consistent with the Company's operating model. Further funds are able to be generated from the disposal of off-model or other portfolio companies as recently demonstrated. Uncertainty exists in the timing and level of funding that investment disposals or potential new capital introductions will generate.

Cashflow forecasts are uncertain by their very nature but the Directors consider contingency plans in place are sufficient to enable the Company to meet its financial obligations and continue as a going concern. Therefore, the Directors consider these financial statements are appropriately prepared on a going concern basis.

3 Revenue from services and other income

	2018 $	2017 $
Government grant funding	430,000	1,555,000
Revenue from services	372,095	851,010
Total Revenue from services and other income	**802,095**	**2,406,010**

Revenue from services in both the current and prior year are largely derived from incubation services provided to investee companies such as accounting, business support, directorships and transaction fees for capital raisings.

4 Net changes in fair value of investments at fair value through profit or loss

	2018 $	2017 $
Revaluation gains on investments at fair value through profit or loss	1,477,095	2,496,449
Revaluation losses on investments at fair value through profit or loss	(7,783,325)	(7,028,595)
Net gain/(loss) on investments at fair value through profit or loss	**(6,306,230)**	**(4,532,146)**

Revaluation gains in the current year include a realised $0.4m profit on the sale of ArcActive Limited.

Revaluation losses in the current year include $3.0m relating to the fall in market price of listed portfolio company CropLogic Limited. Revaluation losses in the prior year include $4.3m relating to Hydroworks Limited.

5 Impairment of financial assets classified as loans and receivables

	2018 $	2017 $
Provision for/(reversal of) impairment of short term loans to portfolio companies (Note 14)	685,296	2,620,697
Provision for/(reversal of) impairment of cash held as a guarantee (Note 12)	(180,036)	1,000,000
Provision for doubtful debts (Note 13)	93,192	177,603
Other	9,187	-
Total impairment of financial assets expense	**607,639**	**3,798,300**

The current year impairment charge includes $0.86m pertaining to Solar Bright (2017: $0.04m) and $0.27m pertaining to Hydroworks (2017: $3.40m).

6 Employee benefits expense

	2018 $	2017 $
Salaries	2,067,993	3,065,211
Share-based payments (Note 11)	(8,872)	125,422
Bonuses	123,279	124,651
Kiwisaver defined contribution plans	57,770	81,675
Directors' fees	189,529	203,289
Investment Committee fees	9,583	5,073
Total employee benefits expense	**2,439,282**	**3,605,321**

Bonuses in the current and previous financial years represent cash awards to employees. Refer to note 11 for further details on share-based payments.

7 Other expenses

Other expenses in the Statement of Comprehensive Income include the following:

	2018 $	2017 $
Accounting, assurance and tax advisory	128,930	175,248
Insurance	227,046	96,316
Office costs and rent	404,484	361,380
Impairment of intangible assets	-	151,380
Broker research costs	-	318,924
Provision expense/(release)	(208,253)	493,253
Miscellaneous expenses	139,939	182,516
Total Other Expenses	**692,146**	**1,779,017**

8 Income taxes

(a) Tax expense recognised in the statement of comprehensive income

	2018 $	2017 $
Tax expense/(credit) comprises:		
Current tax expense/(credit):	-	-
Current year	-	-
Adjustment for prior years	-	-
Total current tax expense/(credit)	**-**	**-**
Deferred tax expense/(credit):	-	-
(Increase)/decrease in deferred tax assets (Note 8(c))	-	212,217
Increase/(decrease) in deferred tax liabilities (Note 8(d))	-	(1,570,562)
Origination and reversal of temporary differences	-	-
Adjustment for prior years	-	-
Total deferred tax expense/(credit)	**-**	**(1,358,345)**
Total tax expense/(credit)	-	**(1,358,345)**

The prima facie tax expense on pre-tax accounting profit from operations reconciles to the tax expense in the financial statements as follows:

	2018 $	2017 $
Profit/(loss) before tax expense	(10,434,494)	(12,578,115)
Expected tax charge using tax rate applicable for the year (28%)	**(2,921,658)**	**(3,521,872)**
(Non-assessable income)/non-deductible expenses	2,281,739	3,117,080
Unrecognised current year tax losses	639,919	404,792
Reversal of prior year deferred tax movements (see below note 8(d))	-	(1,358,345)
Total tax expense/(credit)	**-**	**(1,358,345)**

(b) Current tax assets and liabilities

	2018 $	2017 $
Current tax assets:		
Current tax refundable	**-**	**-**
Current tax liabilities:		
Current tax payable	**-**	**-**

(c) Deferred tax assets

Deferred tax assets comprise temporary differences attributable to:	2018 $	2017 $
Employee benefits	-	-
Deferred tax assets	-	-
Movements in the deferred tax asset account		
Opening balance	-	212,217
(Charged)/credited to profit or loss (See below Note 8d)	-	212,217
Closing balance	**-**	**-**

The Company has unused tax losses and credits amounting to $4,578,757 (2017: $2,293,332) for which no deferred tax asset has been recognised in the statement of financial position. Deferred tax assets for losses or for other temporary differences have not been recognised as it is not considered probable that there will be sufficient taxable profits against which to utilise the benefits of the losses and temporary differences in the foreseeable future.

(d) Deferred tax liabilities

Deferred tax liabilities comprise temporary differences attributable to:	**2018 $**	**2017 $**
Net value of Investments at fair value through profit or loss	-	-
Deferred tax liabilities	**-**	**-**
Movements in the deferred tax liability account		
Opening balance	-	1,570,562
Charged/(credited) to profit or loss (see below)	-	(1,570,562)
Closing balance	**-**	**-**

(e) Imputation credits

	2018 $	**2017 $**
Imputation credits available for use	-	-

9 Earnings per share calculation

Basic earnings per share (refer to Statement of Comprehensive Income and note 10)	**2018**	**2017**
Basic earnings/(loss) per share (cents)	**(36)**	**(43)**
Earnings used in the calculation of total basic earnings per share	($10,434,494)	($11,219,770)
Weighted average number of ordinary shares for the purposes of basic earnings per share	28,986,363	25,958,843
Diluted earnings per share (refer to Statement of Comprehensive Income and note 10)		
Diluted earnings/(loss) per share (cents)	**(36)**	**(43)**
Earnings used in the calculation of total diluted earnings per share	($10,364,931)	($11,219,770)
Weighted average number of ordinary shares for the purposes of diluted earnings per share	43,244,804	26,477,122

Diluted earnings per share inputs are affected by the outstanding convertible notes issued (refer note 17) and related interest payments.

10 Share capital

At 30 June 2018, share capital comprised 28,986,363 authorised and issued ordinary shares (2017: 28,986,363). All issued shares are fully paid and have no par value.

Share capital comprises	**2018 $**	**2017 $**
Authorised, issued and fully paid in capital	32,803,403	32,935,635
Treasury stock	(631,548)	(973,530)
Issuance costs	(1,515,717)	(1,515,717)
Total share capital	**30,656,138**	**30,446,388**

Movements in share capital	**2018 $**	**2017 $**
Opening balance	30,446,388	19,184,099
Shares issued during the period for cash	-	12,037,687
Issuance costs incurred	-	(775,398)
Treasury stock movement	341,982	-
Other movements	(132,232)	-
Closing balance	**30,656,138**	**30,446,388**

Treasury stock and other movements relate to the transfer of shares from treasury stock to certain employees who were granted shares as a result of achieving KPIs in relation to the IPO Retention Scheme, and also to the transfer of shares from treasury stock to directors in lieu of director fees payable for the period 1 January 2018 to 31 March 2018.

Subsequent to balance date a further 164,848 shares at a total value of $197,818 were transferred from treasury stock to directors in lieu of director fees payable for the period 1 April 2018 to 30 June 2018.

Number of ordinary shares authorised, issued and fully paid	**2018 shares**	**2017 shares**
Opening balance	28,986,363	17,824,296
Shares issued during the period for cash	-	10,747,765
Shares issued during the period in respect of non-cash transactions	-	414,302
Closing balance	**28,986,363**	**28,986,363**

Treasury stock

In the current and prior year the Company dealt in treasury shares as detailed below:

	2018 Number of shares	**2018 Value of shares ($)**	**2017 Number of shares**	**2017 Value of shares ($)**
Opening balance	811,275	973,530	811,275	973,530
Distributed to Executives as ESOP	(153,508)	(184,210)	-	-
Distributed to Directors for Director fees	(131,477)	(157,772)	-	-
Closing balance	**526,290**	**631,548**	**811,275**	**973,530**

Components of treasury stock as at reporting date:

	2018 Number of shares	2018 Value of shares ($)	2017 Number of shares	2017 Value of shares ($)
Acquired for the employee ESOP	407,642	489,170	561,150	673,380
Balance of shares acquired during restructuring	118,648	142,378	250,125	300,150
	526,290	**631,548**	**811,275**	**973,530**

The Company acquired treasury stock in 2015 as part of the restructuring undertaken in that year and to meet the estimated future obligations under the long-term incentive plan for employees. The fair value of the shares acquired and distributed above is $1.20 per share.

During the year to 30 June 2018, shares were distributed to Executives under the IPO Retention ESOP Scheme. See note 10 below for further details. Shares were also distributed to Directors for Director fees payable for the period January to March 2018.

Shares distributed into trust for employees are held by Powerhouse Ventures Managers Limited as custodian.

The Company owns 118,430 shares directly with the balance of 407,860 shares held in trust for the Company by Powerhouse Ventures Managers Limited.

11 Share-based payments

As at 30 June 2017, the Company operated two equity-settled incentive schemes for senior executives. Details of how the schemes operated during the year to 30 June 2018 are set out below:

(i) Executive Performance Rights Scheme

During 2016, Powerhouse implemented a long-term equity settled incentive plan for certain senior executives.

This plan was cancelled during the year ended 30 June 2018 in favour of a new long-term incentive scheme, details of which are set out in item (iii) below. All performance rights outstanding under the old scheme were cancelled.

(ii) Executive IPO Retention Scheme

During 2016, the Company implemented an equity-settled incentive plan for certain senior Executives in respect of the planned IPO.

Under the plan, Executives were granted Performance Rights, which were subject to a nine month vesting period, and a number of Performance Conditions. These rights enabled participating Executives to acquire Powerhouse shares upon vesting at a price of $nil.

During the year to 30 June 2018, all Performance Rights outstanding as at 30 June 2017 vested and shares were issued to eligible Executives.

Reconciliation of performance rights for Executive IPO Retention Scheme	**2018 number**	**2017 number**
Opening balance	153,508	-
Granted during the reporting period	-	175,438
Cancelled due to non-performance of vesting conditions	-	(21,930)
Vested as a result of KPI achievement	(153,508)	-
Closing balance	**-**	**153,508**

(iii) Staff Performance Rights Scheme

During 2017 the Company implemented a long-term equity-settled incentive plan for all employees including senior executives.

Under the plan, employees are granted Performance Rights, which are subject to a three year vesting period and a number of Performance Conditions. These rights enable participating employees to acquire Powerhouse shares upon vesting at a price of $nil. The Directors have considered the terms of the share-based payment agreement and consider the performance rights are granted in annual instalments allocated evenly to each financial year the overall arrangement covers.

The fair value of the outstanding Performance Rights is yet to be determined as aspects of the agreement are yet to be finalised.

Reconciliation of performance rights for Staff Performance Rights Scheme	**2018 number**	**2017 number**
Opening balance	-	-
Granted during the reporting period	4,003,629	-
Cancelled due to non-performance of vesting conditions	(238,938)	-
Closing balance	**3,764,691**	**-**

(iv) Executive Retention Scheme

During 2017 the Company implemented a long-term equity-settled incentive plan for senior Executives.

Under the plan, Executives are granted Performance rights, which are subject to a 22 month vesting period, and a number of Performance Conditions. These rights enable participating Executives to acquire Powerhouse shares upon vesting at a price of $nil.

Reconciliation of performance rights for Executive Retention Performance Rights Scheme	2018 number	2017 number
Opening balance	-	-
Granted during the reporting period	1,400,000	-
Closing balance	**1,400,000**	**-**

Share-based payments, measurement and recognition

The fair value of equity settled Performance Rights at the grant date is recognised as an expense, together with a corresponding increase to the Performance Rights reserve within equity, over the vesting period in which the performance and/or service conditions are fulfilled. The total amount to be expensed is based on the initial fair value of each Performance Right along with the best estimate of the number of equity instruments that will ultimately vest which includes an assessment of the likelihood that service conditions will be met.

Total expenses arising from share-based payment transactions were recognised during the period as part of employee benefit expense.

Equity-settled share-based payment reserve	2018 $	2017 $
Opening balance	252,088	126,666
Expense for equity settled share based payment transactions	68,216	125,422
Reversal for cancellation of Exec ESOP (see 11(i) above)	(77,088)	-
Transfer to share capital for IPO Retention Scheme achievement	(175,000)	-
Closing balance	**68,216**	**252,088**

12 Cash and cash equivalents

	2018 $	2017 $
Cash at bank available on demand	1,052,690	1,320,416
Restricted cash	-	1,000,000
Financial guarantee	-	(1,000,000)
Total cash and cash equivalents	**1,052,690**	**1,320,416**

$820k of restricted cash as at 30 June 2017 was claimed by the bankers of Hydroworks. The remaining $180k was returned to funds available for use by Powerhouse. A corresponding reversal of $180k of the $1m provision was recorded in the statement of comprehensive income.

13 Trade and other receivables and prepayments

	2018 $	2017 $
Trade debtors	523,407	621,272
Provision for doubtful debts	(270,795)	(177,603)
Prepayments	142,874	122,000
Accrued income	-	315,000
GST receivable	-	89,017
Total trade and other receivables and prepayments	**395,486**	**969,686**

The provision for doubtful debts is based on estimated non-recoverable amounts determined by reference to customer circumstances and past default experience. In the current year, the Company has recognised an expense of $93,192 in respect of bad and doubtful debts (2017: $177,603).

Ageing of impaired trade and other receivables

	2018 $	2017 $
Current	-	15,972
30-60 days	-	57,516
60-90 days	-	32,597
90 days +	270,795	71,518
Total	**270,795**	**177,603**

Trade and other receivables which are past due and not impaired are as follows:

	2018 $	2017 $
30-60 days	10,844	56,680
60-90 days	6,888	28,348
90 days +	80,622	191,929
Total	**98,354**	**276,957**

14 Short-term loans receivable

These short term loans are unsecured and are normally of a duration of four to six weeks. Interest is normally charged on these receivables at rates of 10-15% p.a. In some circumstances interest is charged at a rate of 4% per month. An additional rate of 10% per annum, or in some cases 10% per month, is applied to loans that are in default. Short-term loans are provided to assist investee companies with immediate cash flow needs. These loans have been issued to the following entities:

	2018 $	2017 $
CropLogic Limited	-	102,564
Hydroworks Limited	-	2,256,460
Koti Technologies Limited	-	57,700
Motim Technologies Limited	-	364,237
Solar Bright Limited	803,865	739,958
Veritide Limited	-	104,031
	803,865	**3,624,950**
Less provision for impairment	**(803,865)**	**(2,620,697)**
Total short term loan receivable	**-**	**1,004,253**

All short term loans as at 30 June 2017 were either repaid, converted to Convertible Notes or equity in portfolio companies, or fully impaired.

15 Trade and other payables

	2018 $	2017 $
Trade payables	945,170	230,376
Employee entitlements	110,899	335,840
Other accruals	423,055	207,170
Short term loans	134,961	17,071
Other short-term creditors	150,000	-
GST payable	23,797	-
Total trade and other payables	**1,787,882**	**790,457**

16 Provisions

	2018 $	2017 $
Provisions	-	493,253
Total provisions	**-**	**493,253**

As at 30 June 2017 a provision was made for a potential claim arising through one of the Company's portfolio investments relating to monies owed under short term loans The provision was partly reversed during the reporting period following resolution of the matter with the final liability transferred to trade and other payables.

17 Convertible Notes

The Company issued 9,093,750 Convertible Notes during the year to 30 June 2018 resulting in cash proceeds of NZ$2,252,816.

Date of issue	Price per note (A$)	Number of Notes	Total A$ value	Total NZ$ value
Dec-17	0.32	2,343,750	750,000	818,118
May-18	0.20	2,000,000	400,000	420,190
June-18	0.20	4,750,000	950,000	1,014,508
		9,093,750	**2,100,000**	**2,252,816**

Subsequent to the reporting date, all convertible notes issued in December 2017 have been re-issued at a strike price of A$0.20 per note, increasing the total number of convertible notes issued at the date of this report to 10,500,000. All Convertible Notes accrue a coupon rate of 12% per annum and may convert into ordinary shares at a ratio of 1:1 at the earlier of 31 March 2019 and note holder election. If unconverted, the notes are repayable on 31 March 2019.

18 Reconciliation of profit / (loss) after taxation to net cash inflows/ (outflows) from operating activities

	2018 $	2017 $
Profit/(loss) for the year	(10,434,494)	(11,219,770)
(Less)/plus non cash items		
Depreciation	10,347	12,372
Amortisation	12,802	21,849
Net changes in fair value of investments at fair value through profit or loss	6,306,230	4,532,146
Expense converted to equity investments	(167,732)	(12,000)
Deferred tax movement	-	(1,358,345)
Trademark impairment	-	151,380
Share-based payment expense/(credit)	(8,871)	125,422
Unpaid interest receivable	(358,625)	(1,145,542)
Director fees paid in shares	72,550	-
Impairment of financial assets	575,261	3,620,697
Provisions	(343,253)	493,253
(Less)/plus changes in working capital		
Decrease/(increase) in trade and other receivables	(14,371)	58,432
Decrease/(increase) in accrued income	245,000	(288,750)
Decrease/(increase) in current tax receivable	-	22,329
(Decrease)/increase in trade and other payables	436,246	(1,017,224)
Net cash inflow/(outflow) from operating activities	**(3,668,910)**	**(6,003,751)**

19 Remuneration of Auditors

	2018 $	2017 $
Audit of the financial statements	55,000	59,000
Review of interim financial statements	39,000	29,400
Other assurance services	-	20,000
Total remuneration paid to auditors	**94,000**	**108,400**

20 Segment information

Reportable segments

Under NZ IFRS 8, as at 30 June 2018, the Company operates in one geographical segment, New Zealand. This segment is reported on internally for the chief operating decision maker. Material operations in Australia had not commenced as at 30 June 2018. The Company has one operating segment: investment in and incubation of start-up companies using IP developed in tertiary institutions.

21 Related party transactions

(a) Subsidiaries

The results of portfolio companies, including subsidiaries and associates, have not been consolidated due to the Company's Investment Entity exemption. Refer to accounting policies for further details.

As at the reporting date the Company owned over 50% of ordinary share capital in a number of portfolio companies. All such companies have independent Boards and as such all transactions conducted with these companies are considered to be at arm's length.

Transactions with portfolio companies include accounting services, business advisory services and capital raising management services.

(b) Other related parties

The Company had transactions with the following entities, who were shareholders of the Company during the reporting period (other than Directors):

- CRIS Limited and its parent Canterbury Development Corporation

- University of Canterbury

(c) Transactions with related parties:

For the year ended 30 June 2018:

Name	Revenues $	Expenses $	Trade and other receivables $	Trade and other payables $
Subsidiary and associate portfolio companies	362,023	20,000	188,220	-
University of Canterbury	-	21,000	-	-

For the year ended 30 June 2017:

Name	Revenues $	Expenses $	Trade and other receivables $	Trade and other payables $
Subsidiary and associate portfolio companies	772,787	70,000	246,140	-
Canterbury Development Corporation	180,000	-	51,750	-
University of Canterbury	-	36,000	-	9,000

At balance date, $102k (2017: $178k) of related party receivables had been provided for in full and are not included in the figures in the table above.

(d) Key management personnel compensation

The key management personnel of the Company consists of the executive management team.

	2018 $	2017 $
Short-term employee benefits	961,768	892,708
Equity-settled share-based payments	(8,870)	125,422
Total key management personnel compensation	**952,898**	**1,018,130**

(e) Convertible Notes

250,000 Convertible Notes were issued to Mr Paul Viney, the Company's CEO, with a face value of A$50,000 during the reporting period. 500,000 Convertible Notes were also issued to Mr Russell Yardley, the Company's Board Chair, with a face value of A$100,000 during the reporting period.

22 Commitments

Investments

The Company was committed to investing a total of $563,500 into new and existing investee companies as at 30 June 2018 (2017: $330,300) as a result of contractual agreements with the following companies:

	2018 $	2017 $
2.2GForce Limited	100,000	25,000
Avalia Immunotherapies Limited	-	80,000
Cirrus Materials Science Limited	-	37,500
Deliveon Health Limited	137,500	-
Ferronova Pty Limited	-	137,800
Hapai Transfer Systems Limited	100,000	-
Hot Lime Labs Limited	80,000	-
Inhibit Coatings Limited	50,000	50,000
Orbis Diagnostics Limited	16,000	-
Silventum Limited	80,000	-
	563,500	**330,300**

The cashflows associated with the above commitments are uncertain in timing and are dependent on the above named companies achieving certain milestones. Should agreed-upon milestones not be met, the Company is not obligated to invest.

Operating lease commitments

The operating lease commitments relate to certain property lease agreements and IT equipment leases, with lease terms of between one to three years with options to extend for a further one to two years.

Non-cancellable operating lease payments

	2018 $	2017 $
Less than one year	134,321	136,144
Between one and five years	144,208	175,255
More than five years	-	-
Total non-cancellable operating lease payments	**278,529**	**311,399**

23 Contingencies

Contingent assets

There were no contingent assets as at 30 June 2018 (2017: nil).

Contingent liabilities

There were no contingent liabilities as at 30 June 2018 (2017: nil).

24 Subsequent events

As described in recent announcements to the ASX, the Company has proceeded with the sale of a portion of its portfolio company Invert Robotics Limited. As at the date of this report the company has received $0.9m cash proceeds for 53,563 shares reducing its shareholding in Invert to 16.0%.

The Board is continuing to restructure the Company in order to optimise the Company's performance. The terms and conditions within each Employment Contract will determine the short term costs associated with such activity, noting the long term gains arising.

25 Investments in portfolio subsidiaries and associates held at fair value through profit or loss

Name of subsidiary or associate	Ownership interest	Valuation methodology applied	Nature of operations
2.2GForce Limited	100.0%	Price of recent investment	Delivers certified preventative, predictive and aftershock enduring solutions.
Motim Technologies Limited	74.7%	Price of recent investment	Delivers innovative mobile marketing capability through interactive cell phone applications.
Koti Technologies Limited	65.0%	Price of recent investment	Uses ceramic thin-film coating technology to coat complex shapes and surfaces.
Deliveon Health Limited	58.3%	Price of recent investment	Develops personalised nutritional solutions based on high quality nutritional science and technology.
Silventum Limited	41.2%	Price of recent investment	Novel nanochemistry technology conferring dental filling materials with resistance to bacterial infection.
CertusBio Limited	30.9%	Price of recent investment	Development of biosensor solutions for dairy and other industries.
Tiro Medical Limited	30.1%	Price of recent investment	Develops physiological modelling systems using digital sensor technologies.
Photonic Innovations Limited	29.9%	Price of recent investment	Develops a laser spectroscopy-based gas detection system to identify gas leaks.
Hi-Aspect Limited	29.5%	Price of recent investment	Develops protein-based materials and products for the medical and life-sciences markets.
Ferronova Pty Limited	27.2%	Price of recent investment	Develops a medical device that helps in easier detection of cancers using magnetic tracers.
Hapai Transfer Systems Limited	25.0%	Price of recent investment	Developed a range of low force lift and transfer devices to improve the mobility of frail patients.
Veritide Limited	22.6%	Price of recent investment	Uses optical fluorescent techniques for detection and identification of hazardous organisms.
Inhibit Coatings Limited	21.3%	Price of recent investment	Uses nanotechnology for environmentally friendly marine antifouling and antimicrobial coatings.
EdPotential Limited	20.7%	Price of recent investment	Provides software for schools to inquire into assessment data and improve achievement.
Fluent Scientific Limited	20.1%	Price of recent investment	Uses facial and verbal micro-expression analysis to enhance verbal and visual communication.
Invert Robotics Limited	20.0%	Price of recent investment	Designs and manufactures mobile robotic systems and delivers inspection services.

Fair value has been determined by reference to price of recent investment adjusted for impairment or qualitative factors that indicate price of recent investment is not suitable. For example, fair value has been adjusted for impairment due to lack of milestone achievement or where recent investment does not include sufficient third party validation.

All subsidiaries or associates listed above have their principal place of business in New Zealand except for Ferronova Pty Limited which is based in Australia.

The above portfolio subsidiaries are held as part of the Company's investment portfolio. They are measured at fair value using IPEV principles outlined in the accounting policies in note 1 (e). See note 27 (h) below for further information on how fair value has been determined.

The Company is required to apply the investment entity exception to consolidation under NZ IFRS 10 to account for its subsidiary investments at fair value through profit or loss because the parent entity is an investment entity as defined in that standard.

The Company has elected to hold investments in associates at fair value through profit or loss in accordance with the provisions made available under NZ IAS 28. The ownership percentages represent the equity interest in the entities at the measurement date.

26 Investments in other entities held at fair value through profit or loss

Name of other entity	Ownership interest	Valuation methodology applied	Nature of operations
Auramer Bio Limited	18.2%	Price of recent investment	Provides novel chemical sensing technologies for small molecule and protein detection.
Objective Acuity Limited	15.8%	Price of recent investment	Developed a vision testing system to accurately and reliably detect visual function.
CropLogic Limited	14.9%	Mark to market	Provider of yield-predicting decision-support software for the agriculture sector.
Upstream Medical Technologies Limited	13.4%	Price of recent investment	Front line biomarker testing for heart disease and associated clinical complications.
Avalia Immunotherapies Limited	13.2%	Price of recent investment	Develops vaccine and adjuvant technologies for the treatment of cancer, allergy and disease.
Modlar Limited	9.9%	Price of recent investment	Creator and distributor of Building Information Models (BIM) for use by architects and designers.
Cirrus Materials Science Limited	8.7%	Price of recent investment	Develops and licenses chemistry technologies and IP for novel coatings and surface finishing solutions.
MARS Bioimaging Limited	8.4%	Price of recent investment	Provides in-vivo colour x-ray imaging to drug research companies.
Hot Lime Labs	5.8%	Price of recent investment	Developing CO^2 capture systems for biomass boilers in order to supply commercial greenhouse growers with low-cost, renewable CO^2.
Orbis Diagnostics Limited	3.9%	Price of recent investment	Developing in-line milking measurement for protein, fat, somatic cell and progesterone.

All investments in other entities carry on their business in New Zealand only.

27 Financial Instruments

(a) Financial risk management objectives

The Company has approved detailed capital and liquidity management policies. In accordance with the policies, when capital and liquidity balances dictate, the orderly and efficient management of working capital, cash and near cash assets will enable the Company to:

- meet its own operating expenses;
- invest in existing portfolio companies and new investment opportunities as they arise and are recommended for approval;
- avoid forced asset sale situations;
- avoid stressed negotiations for debt limits and pricing;
- take full advantage of favourable market conditions for equity capital raising; and
- avoid the need to raise capital under subdued market conditions.

The Company's working capital management includes equity capital management, as this is the primary means for funding the Company's operations during the investment cycle of balance sheet utilisation. The Company has altered its business model to include the recycling of capital from liquidity events.

As the Company is unlikely to be able to fund its operations to a significant degree through borrowings, access to recycled capital from liquidity events and strict operational cost control are central to the Company's capital and liquidity management policy. The Company has adopted an integrated planning capability to ensure that the routine finance tasks come together to establish a strategic view. This integrated approach to capital and liquidity management includes processes that seek to address:

- alignment of strategy and risk (understand risk versus returns);
- considered and strategic allocation of capital;
- increased stakeholder confidence;
- management and board collaboration;
- strategic analysis of new opportunities;
- alignment of management actions and rewards; and
- timely reporting.

The Company has set the following balance sheet composition limits which are designed to maximise the financial returns whilst preserving investment flexibility and the ability to meet business critical objectives. The limits apply where cash balances exceed those required to prudently meet the ongoing operations of the business. The limits are as follows:

Asset pool type	Financial asset type	Percentage holding
A1	Cash	At least 30%
A2	Term deposits <= 180 days	At least 30% until financial assets fall to below $5 million
B1	Term deposits > 180 days	Maximum of 20% but reducing to nil when financial assets fall to below $5 million
B2	Investments in other long-dated bank investment products	Maximum of 20% but reducing to nil when financial assets fall to below $5 million

The Company also ensures that particular care is taken to ensure that any B1 or B2 instruments purchased will be able to be held-to-maturity, so as to avoid tainting of held-to-maturity portfolios. Discrete pools of B1 and B2 assets are created to be designated as trading assets (available for sale). These assets are liquidated prior to any held-to-maturity assets with the aim of preserving the accounting integrity of the held-to-maturity portfolios (and thereby enabling their continuing carrying values and isolation from fair value accounting). The financial instruments designated as available for sale comprise 50% of the B1 and B2 financial asset portfolio.

The Company ensures that whenever possible (whilst preserving scale efficiencies), staggered maturity/roll-over dates are employed within the liquid asset portfolio.

To minimise counterparty risk, where practicable, no more than 50% of any category of the liquid asset pool can be invested with any one institution.

(b) Market liquidity risk

Market liquidity risk is the risk that insufficient liquidity in the market for a security will limit the ability of the security to be sold, resulting in the Company suffering a financial loss. The Company is subject to market liquidity risk if investments are made in relatively illiquid securities. This exposure to market liquidity risk is an unavoidable feature of the Company's operating model. The objective of the Company's market liquidity risk management is to ensure that other assets can be readily liquidated without incurring excessive cost, to enable asset allocation decisions to be implemented or to meet cash flow requirements.

(c) Interest rate risk

Interest rate risk is the risk that the Company could suffer either a capital loss or additional exposure to liquidity risk through adverse movements in interest rates. The objective of the Company's interest rate risk management is to ensure that the Company is not exposed to a level of interest rate risk, outside those limits anticipated through the structured approach envisaged within the Company's risk management policy. The Company manages interest rate risk by ensuring tactical asset allocation which provides for the effective management of interest rate and associated liquidity risk. The approach to managing the investment of funds ensures that there is adequate matching of the duration of assets with the likely cash needs of the business. The Company monitors the effect upon yield and liquidity of probable movements in interest rates and manages its liquid asset holdings accordingly.

(d) Equity price risk

Equity price risk is the risk that the Company's investments in equities are exposed to movements that are not correlated to the general or targeted market. The objective of equity price risk management is to achieve a return equal to or better than the set performance benchmarks for that asset class. The Company manages equity price risk by monitoring and through management of its investments. This risk is limited to the investment portfolio.

Ratings

All B1 and B2 investments must have a S&P (or equivalent) credit rating of A or higher.

Any A1 or A2 investments must be with institutions that have a short term S&P (or equivalent) credit rating of A-2 or higher.

(e) Foreign currency risk management

The Company undertakes certain transactions denominated in Australian dollars, and as such has exposure to exchange rate fluctuations. The Company does not use any derivative financial instruments to manage this foreign currency risk due to the minimal and short-term nature of this exposure.

(f) Credit risk

Credit risk is the risk that a counter party will default on its contractual obligations, resulting in financial loss to the Company. The Company only deals with credit worthy counter-parties and as such does not require collateral to be held. The carrying value of the financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk. The Company does not have any significant exposure to any single counter party.

(g) Liquidity risk

The following table sets out the contractual, undiscounted cash flows for non-derivative financial assets and liabilities.

As at 30 June 2018	On Demand $	Not later than one month $	Later than one month and not later than three months $	Later than three months and not later than one year $	Later than one year $	Total $
Financial assets						
Cash and cash equivalents	1,052,690	-	-	-	-	1,052,690
Trade and other receivables	-	192,752	59,860	-	-	252,612
Convertible notes in portfolio companies	-	-	-	-	437,263	437,263
Investments	-	-	-	-	11,549,973	11,549,973
Total financial assets	**1,052,690**	**192,752**	**59,860**	**-**	**11,987,236**	**13,292,538**
Financial Liabilities						
Trade and other payables	-	1,003,968	463,054	320,860	-	1,787,882
Convertible notes	-	-	-	2,252,816	-	2,252,816
Total financial liabilities	**-**	**1,003,968**	**463,054**	**2,573,676**	**-**	**4,040,698**

As at 30 June 2017	On Demand $	Not later than one month $	Later than one month and not later than three months $	Later than three months and not later than one year $	Later than one year $	Total $
Financial assets						
Cash and cash equivalents	1,320,416	-	-	-	-	1,320,416
Trade and other receivables	-	551,588	296,098	-	-	847,686
Short-term loan receivable	-	-	1,004,253	-	-	1,004,253
Convertible notes in portfolio companies	-	-	-	-	302,000	302,000
Investments	-	-	-	-	17,469,782	17,469,782
Total financial assets	**1,320,416**	**551,588**	**1,300,351**	**-**	**17,771,782**	**20,944,137**
Financial Liabilities						
Trade and other payables	-	230,376	224,241	335,840	-	790,457
Total financial liabilities	**-**	**230,376**	**224,241**	**335,840**	**-**	**790,457**

(h) Classification of financial assets and liabilities

	Loans and receivables $	Amortised cost $	Fair value through profit or loss $	Total $
As at 30 June 2018				
Financial assets				
Cash and cash equivalents	1,052,690	-	-	1,052,690
Trade and other receivables	252,612	-	-	252,612
Convertible notes	437,263	-	-	437,263
Investments	-	-	11,549,973	11,549,973
Total financial assets	**1,742,565**	**-**	**11,549,973**	**13,292,538**
Financial liabilities				
Trade and other payables	-	1,787,882	-	1,787,882
Convertible notes	-	2,252,816	-	2,252,816
Total financial liabilities	**-**	**4,040,698**	**-**	**4,040,698**
As at 30 June 2017				
Financial assets				
Cash and cash equivalents	1,320,416	-	-	1,320,416
Trade and other receivables	847,686	-	-	847,686
Short-term loans receivable	1,004,253	-	-	1,004,253
Convertible notes in portfolio companies	302,000	-	-	302,000
Investments	-	-	17,469,782	17,469,782
Total financial assets	**3,474,355**	**-**	**17,469,782**	**20,944,137**
Financial liabilities				
Trade and other payables	-	790,457	-	790,457
Total financial liabilities	**-**	**790,457**	**-**	**790,457**

The fair value of cash and cash equivalents, trade and other receivables, short-term loan receivables, trade and other payables and convertible notes have been determined to be their carrying value. This is due to these items being short term in nature.

Fair value of investments held at fair value through profit or loss

NZ IFRS 13 provides for a three-level fair value hierarchy that requires inputs to valuation techniques used to measure fair value, to be categorised as follows:

- Level 1 Inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs - either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1.
- Level 3 Inputs - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table analyses, within the fair value hierarchy, the Company's financial assets measured at fair value:

As at 30 June 2018

Financial assets designated at fair value through profit or loss

	Level 1 $	Level 2 $	Level 3 $	Total $
Available for sale investments	-	-	-	-
Held-to-maturity investments	-	-	-	-
Investments at fair value through profit or loss valued as at last capital raise or liquidity event	-	-	10,928,677	10,928,677
Investments at fair value through profit or loss valued using observable quoted prices	621,296	-	-	621,296
Total financial assets measured at fair value through profit or loss	**621,296**	**-**	**10,928,677**	**11,549,973**

Following the listing of CropLogic on the Australian Securities Exchange (ASX) on 12 September 2017, the Company's investment in CropLogic has been reclassified to Level 1 in the fair value hierarchy as at that date. The fair value of CropLogic Limited is now principally determined by reference to market transactions as disclosed by the ASX.

As at 30 June 2017

Financial assets designated at fair value through profit or loss

	Level 1 $	Level 2 $	Level 3 $	Total $
Available for sale investments	-	-	-	-
Held-to-maturity investments	-	-	-	-
Investments at fair value through profit or loss valued as at last capital raise or liquidity event	-	-	17,469,782	17,469,782
Investments at fair value through profit or loss valued using observable quoted prices	-	-	-	-
Total financial assets measured at fair value through profit or loss	**-**	**-**	**17,469,782**	**17,469,782**

Fair values of financial assets valued using level one inputs are determined by reference to quoted prices in an active market.

The below table provides information about how the fair values of financial assets valued using level three inputs have been determined.

Valuation methodology	Total value	Key inputs	Unobservable inputs	Sensitivity analysis
Price of recent investment	10,928,677	Price of last round, milestone achievement, impairment assessment, qualitative factors	Management's assessment of performance against milestones, impairment asessment where there are indicators of impairment and market and qualitative factors. See below for further detail.	The greater the assessment of impairment, the lower the fair value. See below for further detail.

The table below shows a reconciliation of fair value movements in Level 3 financial instruments.

Investments at fair value through profit and loss

	2018 $	2017 $
Opening balance	17,469,782	20,063,110
Total unrealised fair value gains recognised in profit or loss	1,219,666	1,997,949
Total unrealised fair value losses recognised in profit or loss	(4,894,781)	(7,028,595)
Transfers to investments classified as level one in the fair value hierarchy	(3,659,840)	-
Total fair value of investments purchased	791,431	2,337,318
Total fair value of convertible notes converted to equity	799,238	-
Total fair value of short term loans converted to equity	572,555	100,000
Total fair value of trade debtors converted to equity	127,292	-
Total fair value of investments disposed	(1,496,666)	-
Closing value	**10,928,677**	**17,469,782**

Building a better working world

Independent auditor's report to the shareholders of Powerhouse Ventures Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Powerhouse Ventures Limited ("the company") on pages 39 to 66, which comprise the statement of financial position of the company as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 39 to 66 present fairly, in all material respects, the financial position of the company as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the company in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We provide other assurance review services to the company. We have no other relationship with, or interest in, the company.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the going concern assumption is dependent upon the company disposing of investments or the introduction of new capital and satisfying its obligations in respect of its Convertible Notes. Should the disposals of investments or introduction of new capital not occur or raise sufficient cash, or the Convertible Notes are not converted, material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investments in, and loans to, portfolio companies

Why significant	How our audit addressed the key audit matter
The company's accounting policy for investments in portfolio companies is outlined at Note 1(e) and details of the investments and loans at Note 13, 25 and 26 to the financial statements. The company's investments and convertible notes in, and loans to, portfolio companies represent 89% of total assets as at 30 June 2018. The valuation of these investments is considered a key matter for our audit due to the significant judgement involved and the resultant higher potential risk of error. The investments are carried at fair value, established using the International Private Equity and Venture Capital Valuation Guidelines. Refer to Note 1(e). There is a risk that the recent investments are not at arm's length and therefore are not representative of fair value. There is also the risk that funding rounds were not current and as a result the price of recent investment may no longer represent fair value. For selected investments where the price of recent investment may not have represented fair value, due to the existence of indicators of impairment, the company applied judgement to make an assessment of fair value. Assessments of impairment of the investments and loans are inherently judgmental given the start-up nature of many of the portfolio company investments.	We performed the following procedures in respect of this matter: ► For portfolio company funding rounds in the current year, we obtained third party evidence of the round and considered whether the participants in the funding round were sufficiently independent for the transaction price to be deemed arm's length. ► Where there were no portfolio company funding rounds in the current year, we assessed whether the price of recent investment in the portfolio company remained representative of fair value and if there were indicators of impairment. In such cases, if impairment indicators existed, we considered other evidence used by management in its assessment of fair value. ► We performed checks over new shares issued by portfolio companies to identify if additional funding rounds had occurred but were not recorded or considered for revaluation of the investment in the portfolio company. ► We considered whether there were any other indicators of impairment for individual portfolio companies, relevant to the nature and stage of the investment in the portfolio companies. ► We assessed the recoverability of loans to the portfolio companies. ► We assessed the adequacy of the disclosures made by the directors in the financial statements regarding the valuation of the investments.

Information Other than the Financial Statements and Auditor's Report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Directors' Responsibilities for the Financial Statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the entity the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is John Hodge.

Ernst + Young

Christchurch
31 August 2018

Statutory Information

Twenty Largest Shareholders
As at 28 September 2018

Shareholders	Fully paid shares held	Percentage of capital
CRIS LIMITED	6,282,975	21.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,982,654	17.19
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,030,330	3.55
MR STEPHEN PETER HAMPSON	751,980	2.59
FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	513,934	1.77
PARMELIA PTY LTD <REILLY FAMILY SUPER FUND A/C>	467,290	1.61
MR JOHN LEONARD WALLEY + MRS LYNN WALLEY + WALLEY TRUSTEES LIMITED	425,935	1.47
POWERHOUSE VENTURE MANAGERS LIMITED	343,338	1.18
MR DAVID GEORGES ANDRE DROMER	338,345	1.17
PISTACHIO PTY LTD <THE PECAN SUPERANNUATION A/C>	318,438	1.10
UNITED WORLD GROUP PTY LTD <UNITED WORLD GROUP PTY LTD>	306,989	1.06
KENSINGTON INVESTMENTS SUPERANNUATION PTY LTD <PAUL K M VINEY S/FA/C>	301,362	1.04
MRS VICTORIA MARGARET WILDER ROCKEFELLER	254,949	0.88
BT PORTFOLIO SERVICES LIMITED <THE VABEN S/F A/C>	253,091	0.87
OKAVANGO INVESTMENTS PTY LTD <STRAHORN INVESTMENT A/C>	235,000	0.81
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	216,264	0.75
MR STEPHEN ERNEST WILSON	205,900	0.71
MR STEPHEN PETER HAMPSON + MRS ROBYN HAMPSON	205,181	0.71
MR GEOFFREY KENNETH ANDREWS	202,679	0.70
MR MURRAY DAVID SPACKMAN	194,932	0.67
Top 20 holders of Ordinary Fully Paid (TOTAL)	**17,831,566**	**61.52**

Powerhouse Venture Managers Limited holds shares in trust for certain individuals. Voting rights are attached to shares held in trust as though they were held outright by the beneficiaries. Therefore Powerhouse Venture Managers Limited as an entity does not have any voting rights and therefore does not have any control over Powerhouse Ventures Limited.

Limitations on the acquisition of securities

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares including substantial holdings and takeovers.

Limitations on the acquisition of the securities imposed by the jurisdiction in which the Company is incorporated (New Zealand) are:

a) In general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition of a shareholder holds 90% or more of the shares of the Company.

c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an “overseas person” acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

Substantial shareholders as at 28 September 2018

As at 28 September 2018, Powerhouse had received notice that the following were substantial product holders in accordance with s671B of the Corporations Act (Australia).

Date of last disclosure notice before 28 September 2018	Name of substantial holder	Relevant interest in number of shares	% held as at the date of notice
26 October 2016	Julliard Advisory Group Pty Limited	1,560,424	5.38%
16 August 2017	Managed Accounts Holdings Limited	5,199,978	17.94%
23 January 2018	Financial Clarity Pty Limited	3,729,608	12.87%

As at 28 September 2018, Powerhouse confirms that CRIS Limited was also a substantial product holder, holding a total of 6,532,975 shares, which constituted 22.54% of the total shares on issue.

Distribution of ordinary shares and shareholders

As at 28 September 2018

Range	Number of holders	Number of ordinary shares	% of issued capital
1 - 1,000	22	11,815	0.04
1,001 - 5,000	172	597,342	2.06
5,001 - 10,000	89	703,282	2.43
10,001 - 100,000	184	6,923,302	23.88
100,001 Over	40	20,750,622	71.59
Total	**507**	**28,986,363**	**100%**

As at 28 September 2018, the total number of shares on issue was 28,986,363.

A total of 11,208,725 ordinary shares were held by 180 shareholders resident in Australia. One shareholder who held 87,739 shares is a resident in the United Kingdom, and one shareholder who held 42,050 shares is a resident of the Netherlands. All other shareholders were residents of New Zealand.

There were 93 shareholders holding less than a marketable parcel of shares as defined in the ASX Listing Rules (based on the closing price of $0.16 per share on 28 September 2017). The ASX Listing Rules define a marketable place of share as a “parcel of not less than AU$500”.

Interests Register

Pursuant to section 140(2) of the Companies Act 1993, the Directors named below have disclosed the following current entries in the interest register during the accounting period as at 30 June 2018. Where changes in the interests register were notified during the year, or subsequently, they have been indicated below.

Russell Yardley (Robert McEwan Russell Yardley)	Alannah and Madeline Foundation	Board Member
	Algonquin Investments Pty Limited	Chair
	Board Resolution Pty Limited	Chair
	NeCTAR (Australian National eResearch Collaboration Tools Resources Project)	Chair
	Victorian Government Purchasing Board	Member
Rick Christie (Richard Gordon Maxwell Christie)	Awarua Holdings Limited	Director
	ikeGPS Group Limited	Chair
	ikeGPS Limited	Director
	NeSI (New Zealand eScience Infrastructure)	Chair
	Service IQ International Limited	Chair
	Solnet Group Limited	Director / shareholder
	South Port New Zealand Limited	Director
	Victoria University Foundation	Trustee
Geoff Gander (Geoffrey Anthony Gander) - appointed 15 September 2018	Jupiter Energy Limited	Chair / CEO
John Hunter (John Henry Hunter) - resigned 12 September 2018	Ara Institute of Canterbury (formerly CPIT)	Director
	Nelson Bays Primary Health Board	Chair
	WWL Trustees Services 105 Limited	Director
Dianne McCarthy (Dianne Christine McCarthy)	Business Trust Marlborough	Trustee
	Cawthron Institute	Director
	Centre for Brain Research, University of Auckland - Advisory Board	Member
	DCM Solutions Limited	Director / shareholder
	Hearing Research Foundation NZ	Trustee
	Dodds-Wall Centre for Photonic and Quantum Technologies, University of Otago - Board	Member
	Malaghan Institute of Medical Research	Trustee
	National Science Challenge, 'Ageing Well' - Board	Chair
	National Science Challenge, 'Healthier Lives' - Board	Member
	New Zealand Institute of Medical Research Board	Member
John Walley (John Leonard Walley) - resigned 24 November 2017	Bits for Farms Limited	Director - resigned July 2017
	Coretex Limited	Director / shareholder
	Coretex NZ Limited	Director
	Horotane Investments Limited	Board Advisor from August 2017
	Hydroworks Limited	Director / shareholder
	LJL Property Limited	Director
	Synapse Distribution Limited	Director / shareholder

Stephen Hampson (Stephen Peter Hampson) - resigned August 2017	ArcActive Limited	Shareholder
	Canterbury Innovation Incubator Limited	Director - resigned September 2017
	CropLogic Limited	Director / shareholder
	Fluent Scientific Limited	Director - resigned July 2017
	Invert Robotics Limited	Director - resigned August 2017
	Koti Holdings Limited	Director - resigned September 2017
	Powerhouse No.1 Nominee Limited	Director - resigned August 2017
	Powerhouse No.2 Nominee Limited	Director - resigned August 2017
	Powerhouse No.3 Nominee Limited	Director - resigned August 2017
	Powerhouse No.4 Nominee Limited	Director - resigned August 2017
	Powerhouse Ventures Australia Pty Limited	Director - resigned August 2017
	Solar Bright Limited	Director - resigned September 2017
	Thinking Cactus Limited	Director - resigned August 2017
	Veritide Limited	Director - resigned August 2017
Paul Viney (Paul Keith Mathieson Viney) - resigned as Executive Director August 2017	Powerhouse Ventures Australia Pty Limited	Director
	Kensington Investments Superannuation Pty Limited	Director / shareholder
	Hydroworks Limited	Director - February 2017 to July 2017
	General Practice Training Tasmania Limited	Director

Portfolio Directory

(As at 30 June 2018)

Cleantech and engineering

2.2 GForce Ltd

Stage Pre-seed
Powerhouse Holding 100%
Significant other shareholders (>10%) N/A

Cirrus Materials Science Ltd

Stage Pre-seed
Powerhouse Holding 8.7%
Significant other shareholders (>10%) Ice Angels Nominees Limited; Glen Slater; Christopher Goode; Auckland Uniservices.

Inhibit Coatings Ltd

Stage Pre-seed
Powerhouse Holding 21.28%
Significant other shareholders (>10%) Eldon Tate; Hayden Nicholson; Lorne Crowley; Andrew Taylor.

Koti Technologies Ltd

Stage Pre-seed
Powerhouse Holding 65.02%
Significant other shareholders (>10%) NZVIF.

Photonic Innovations Ltd

Stage Seed
Powerhouse Holding 29.9%
Significant other shareholders (>10%) NZVIF Investments Ltd; Otago Innovation Ltd

SolarBright Ltd

Stage Seed
Powerhouse Holding 33.8%
Significant other shareholders (>10%) Patrick John Martin & Nicola Jane Martin; NZVIF Investments Ltd

Veritide Ltd

Stage Seed
Powerhouse Holding 22.64%
Significant other shareholders (>10%) NZVIF; Camtech Investments Limited; EIP Nominees Limited

Information and Communication Technologies

EdPotential Ltd

Stage Pre-seed
Powerhouse Holding 20.69%
Significant other shareholders (>10%) Victoria Link Ltd; Macleans College of Auckland

Fluent Scientific Ltd

Stage Seed
Powerhouse Holding 20.14%
Significant other shareholders (>10%) Alan Cox; Jessica Lin; Thor Russell

Modlar Ltd

Stage Post-seed
Powerhouse Holding 9.95%
Significant other shareholders (>10%) Scott Barrington Trustees; GD1 Nominees (Fund) Ltd, Movac Fund 3 LP.

Motim Technologies Ltd

Stage Seed
Powerhouse Holding 74.75%
Significant other shareholders (>10%) N/A

Agritech and environmental

CertusBio Ltd

Stage Pre-seed
Powerhouse Holding 31.12%
Significant other shareholders (>10%) Harvey Investment Fund Ltd; Lincoln Agritech Ltd

CropLogic Ltd

Stage Post-seed
Powerhouse Holding 14.87%
Significant other shareholders (>10%)

Hot Lime Labs Ltd

Stage Pre-seed
Powerhouse Holding 5.81%
Significant other shareholders (>10%) Vlatko Materic

Invert Robotics Ltd

Stage Post-seed
Powerhouse Holding 20.4%
Significant other shareholders (>10%) NZVIF Investments Ltd

Orbis Diagnostics Ltd

Stage Pre-seed
Powerhouse Holding 3.87%
Significant other shareholders (>10%) Cather Simpson; David Williams, Pacific Channel Holdings Limited; Harvey Investments Limited; Auckland Uniservices; Alliance Investments Ltd

Medical and healthcare

AuramerBio Ltd

Stage Pre-seed
Powerhouse Holding 18.19%
Significant other shareholders (>10%) Victoria Link Ltd; Institute of Environmental Science and Research Limited

Avalia Immunotherapies Ltd

Stage Seed
Powerhouse Holding 13.2%
Significant other shareholders (>10%) Malcorp Biodiscoveries Ltd; Victoria Link Ltd

Ferronova Pty Ltd

Stage Seed
Powerhouse Holding 27.89%
Significant other shareholders (>10%) Victoria Link Limited; UniSA Ventures

Hapai Transfer Systems Ltd

Stage Pre-seed
Powerhouse Holding 25%
Significant other shareholders (>10%) Keith Alexander

Hi-Aspect Ltd

Stage Pre-seed
Powerhouse Holding 29.50%
Significant other shareholders (>10%) Souson Holdings

Deliveon Health Ltd

Stage Pre-seed
Powerhouse Holding 58.3%
Significant other shareholders (>10%) Souson Holdings Ltd

MARS Bioimaging Ltd

Stage Post-seed
Powerhouse Holding 8.38%
Significant other shareholders (>10%) APH & JMA Butler; Canterprise Limited; PH Butler; IMH Holdings Pty Limited.

Objective Acuity Ltd

Stage Seed
Powerhouse Holding 15.82%
Significant other shareholders (>10%) Auckland Uniservices Ltd

Silventum Ltd

Stage Pre-Seed
Powerhouse Holding 41.18%
Significant other shareholders (>10%) Otago Innovation Limited

Tiro Medical Ltd

Stage Seed
Powerhouse Holding 30.09%
Significant other shareholders (>10%) James Geoffrey Chase; A Dawson, C Dawson & B Sheppard

Upstream Medical Technologies Ltd

Stage Seed
Powerhouse Holding 13.42%
Significant other shareholders (>10%) Otago Innovations Ltd; A Dawson, C Dawson & B Sheppard, Christopher Reeve

Powerhouse Directory

Registered Office of the Company:

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Email: info@powerhouse-ventures.co.nz

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Business Advisory Pty Limited
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Australia
+64 21 999 319

External Auditor

Ernst & Young
Christchurch

Share Registry

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Services Pty. Limited
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Australia

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https://www-au.computershare.com/Investor/

Solicitors

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