
Powerhouse Ventures Limited
ASX Code: PVL
Annual Report

powerHouse

2019

Annual Report

2019



Our vision: to transform world class science into globally successful companies 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



Ian Lothian
Executive Director
Powerhouse Ventures Limited

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Powerhouse Directory

To find the best science and technology and to build companies based on that world leading science and technology to be the best in the world at what they do.

Chairman's Report

This past year has seen a substantial restructure of Powerhouse Ventures Limited (PVL) with a tight focus on supporting our nine exciting focussed investments, developing important and valuable international relationships and realising substantial returns from our post-seed investments. Your Board has worked hard to establish a new team, reduce costs and focus on accelerating every one of our targeted investee companies along their pathway to commercialise great science that can make a world of difference to the world.

United World Group (UWG) a Shenzhen based investment company holds ~18% of the PVL shares on issue. UWG has over 500 employees with divisions focused on Private Equity, E-Commerce, Technology Services, Municipal Services, Travel Rentals and Services as well as Overseas Investments. UWG (Australia) holds their investment in PVL, and its Australian representative Shuyu Yang (Nick Young) has been appointed as a non-executive director of PVL. See more on Nick elsewhere in this report.

Jun Hong Shen (Aust) Limited (JHSA) is the Australian subsidiary of Shanghai based investment company Shanghai Junsheng Investment Fund (SJEIF). JHSA holds ~10% of the PVL shares on issue, having completed a recent placement of 3,000,000 shares at \$A0.10 per share. SJEIF currently holds investments in eleven Chinese companies ranging in positions from 5 to 20% holdings. The investee companies reside in different geographic locations and operate in diversified industries. Investments cover Copper, Silver and Iron Ore Mining; Aquaculture including sea cucumber farming; Waste Recycling; Mobile Games and Digital Entertainment Apps; Ecommerce platform for importing food into China; Agriculture including buckwheat and straw production; Precision forging for automotive and high-speed train components; and Nickel alloy production including piping and plumbing supplies. Richard Symon is a Director of JHSA and has been appointed as a non-executive director of PVL. See more on Richard elsewhere in this report.

The relationships with UWG and JHSA are part of a broader strategy to build stronger links into overseas markets for PVL and its portfolio companies, many of which have significant opportunities to seek both ongoing capital and sales growth into China and South East Asia. The PVL Board believes that working with UWG and JHSA will provide a range of funding and commercialisation opportunities for PVL and its portfolio companies and is a significant step in the restructure of PVL into a true 'end to end' IP commercialisation vehicle.

In addition, UWG and JHSA see their respective investments in PVL providing an opportunity to not only take Australian and New Zealand technologies to China but also to bring Chinese technologies and Intellectual Property to Australasia, thereby providing an excellent mutually beneficial opportunity for all parties.

I am delighted to welcome Nick and Richard to the PVL Board and look forward to working with them and the rest of the PVL team to develop our existing strong portfolio of investee companies and provide them with access to numerous channels of significant follow-on investment capital and meaningful connections into global commercialisation opportunities.

In October 2019, we were pleased to be able to advise that PVL had signed an agreement to sell its MARS shareholding, subject to normal sale contract conditions. The sale is consistent with PVL's investment strategy whereby PVL aims to own between 20 to 40% of its investee companies prior to their expansion rounds, when they grow to become "post-seed stage" companies. MARS, like Invert Robotics and CropLogic has now reached this point and therefore the PVL Board feels it is an appropriate time to exit these investments. These transactions demonstrate the substantial value of our investments and illustrates the importance of early stage, science commercialisation to the Australian and New Zealand economies and the value that can be created when investments are made following the proven investment model of PVL.

We continue to focus on the single-minded proposition of Powerhouse — 'to find the best science and technology produced at Australia and New Zealand universities and to build companies based on that world leading science and technology that can become recognised as the best in the world at what they do'. This is what has motivated the whole board 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. 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, nine of these companies are showing exciting promise, seven of these companies are challenged but given the right investment and smart decisions some could be turned around, and ten of our companies are in the early stages of development. Seven investments have been sold (or partially sold) at the time of writing this report, realising \$NZD6.5 million (2.0 times) our investment.

Through our investments we have created a number of CleanTech, Agritech and MedTech companies. It has been exciting to see Hot Lime Labs, Ferronova, HT Systems, Certus Bio and Inhibit Coatings all beginning to take significant steps in building their foundations to become global achievers.

HT Systems has developed an innovative, patented patient lift and transfer device to assist carers move their patients. PVL was delighted to see HT Systems make their first sales and to see on New Zealand television patients extolling the virtues of this great invention by Keith Alexander, Professor of Mechanical Engineering design at University of Canterbury.

Hot Lime Labs provides world-leading CO² capture technology for high tech greenhouse growers who need cost effective and renewable sources of CO², a key nutrient for plant growth. The Hot Lime technology not only produces sustainable CO² from waste biomass, but it is also available to growers everywhere. This system provides a green alternative to traditional fossil fuel CO² sources. A pilot system has now been delivered and the first commercial units will be built in 2020.

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.

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 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 aims to end avoidable waste in the food processing industry increasing productivity and environmental sustainability. Its novel technologies allow for continuous monitoring of industrial processes. CertusBio's interference-free water quality monitoring technology provides processors real-time data allowing them to become more resource and energy efficient."

certusbio.com



Eldon Tate

Chief Executive Officer
Inhibit Coatings

"Inhibit Coatings Limited is a New Zealand based company producing leading edge antimicrobial coatings. Inhibit Coatings uses a unique silver nanoparticle functionalisation method that produces physically robust, low-leaching and long lifetime antimicrobial coatings."

inhibitcoatings.com

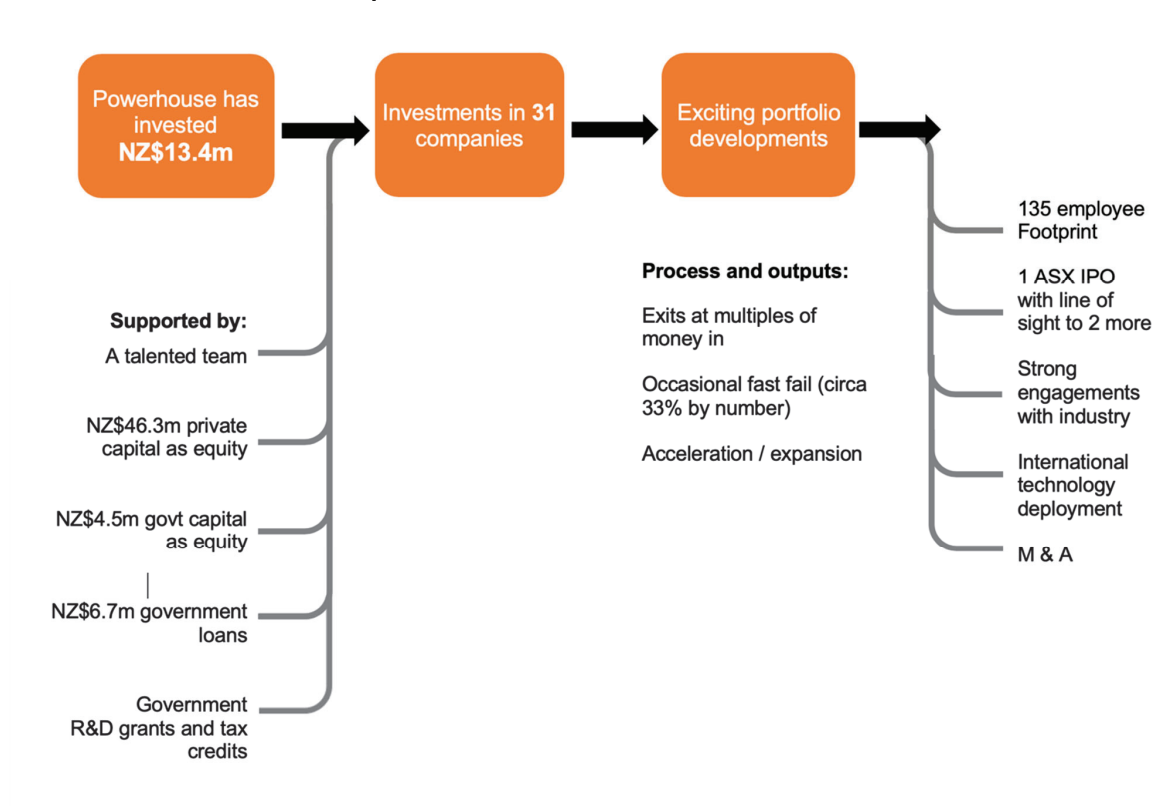
Portfolio Overview

The capital markets in Australia and New Zealand, compared to the USA and Europe, under invest in science commercialisation. Albeit, New Zealand does better than Australia, both countries rank poorly against the 30 developed nations in collaboration between researchers and business.

The Powerhouse strategy is to identify those areas of research where we have a competitive advantage from our quality institutions, regulatory and legal systems and sophisticated economy to correct this imbalance. Our focus has been to work with universities in both New Zealand and Australia to identify outstanding intellectual property that can be used as the foundation to create companies in four broad sectors:

- Engineering and Cleantech;
- Digital and ICT;
- Agritech and Environmental; and
- Medical and Healthcare.

Powerhouse Portfolio and Footprint



Portfolio Overview - Outcomes to Date

Investments

Total investments in 31 companies since 2010.

Nine investments are showing measurable achievements along their pathway and will continue to be supported and, when appropriate, will receive further investment from Powerhouse. A number of investments are looking at next round capital raises in the next six months with solid increases in valuations expected for all nine investments.

- AuramerBio – aptamer development and biosensing technologies
- Avalia – immune system modulators
- Certus Bio – waste water monitoring
- Cirrus Materials – coating technologies
- Ferronova – cancer diagnostic
- Hapai (HT Systems) – highly mobile patient transfer system
- Hot Lime labs – carbon capture
- Inhibit Coatings – high performance coatings for food safety, medical and HVAC sectors
- Objective Acuity – visual acuity test for children, identifies amblyopia (lazy eye)

Sixteen investments have not met milestones and therefore will no longer receive further funding, including three in liquidation (Hydroworks, Motim, SolarBright).

Liquid assets

- ASX listed Croplogica (ASX:CLI) ~10 million shares valued at ~\$600,000 based on 30 September 2019 share price.

Returns

Average return realised to date on all investments is ~2x. Three noteworthy investments have realised the following returns:

- Syft: ~10x return on funds invested
- ArcActive: ~4x return on funds invested
- Invert Robotics: ~6x return on funds invested (partial sale)

Learnings

From these investments, Powerhouse has developed 31 case studies that provide actual examples of what actions were done to establish and grow each investee company. These real situations feed into documentation that is anonymised where necessary to provide step by step guides to all the activities required to commercialise deep and complex IP to build a globally successful company.

We learn more from our mistakes than our successes! The lessons learnt by Powerhouse in providing funds to companies that failed to meet important milestones can be provided to start-up ventures to help them create practical strategic plans supported by realistic business and operational plans that get results.

\$7^{.5}_m

Fair Value of portfolio at year end 30 June 2019 (2018: \$11.5m)

\$0^{.9}_m

New investment by Powerhouse in year to 30 June 2019 (2018: \$2.3m)

\$21^{.8}_m

Total amount invested in portfolio companies in year to 30 June 2019 (2018: \$31.4m) of which Powerhouse invested \$0.9m

Portfolio Analysis

The Powerhouse portfolio included 18 companies as at 30 June 2019. An analysis of the Powerhouse portfolio by stage diversity at 30 June 2019 is shown below.

Stage diversity

		▶ Pre-seed	▶ Seed	▶ Post-seed	▶	
Sector diversity	Technology	Engineering and Cleantech	Cirrus Materials Science	Photonic Innovations Veritide Inhibit Coatings	-	
		Digital and ICT	EdPotential	Fluent Scientific	-	
	Biotechnology	Agritech and Environmental	Orbis Diagnostics	CertusBio Hot Lime Labs	CropLogic Invert Robotics	
		Medical and Healthcare	AuramerBio Hapai Transfer Systems	Avalia Immunotherapies Feronova Objective Acuity Tiro Medical (SOLD Sep-2019)	MARS Bioimaging (SOLD Oct-2019)	

An analysis of the Powerhouse portfolio across sector and stage at 30 June 2019 is shown below.

Sectors

Engineering and Cleantech

\$0.3m, 4%

Veritide	0%
Photonic	0%
Cirrus Materials Science	50%
Inhibit Coatings	50%

Agritech and Environmental

\$3.8m, 50%

Croplogica	13%
Invert Robotics	76%
Hot Lime Labs	3%
CertusBio	8%
Orbis Diagnostics	0%

Medical and Healthcare

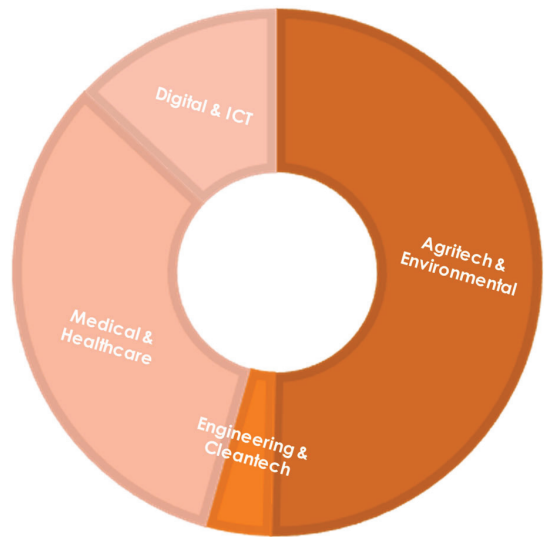
\$2.4m, 33%

AuramerBio	16%
Avalia Immunotherapies	21%
Ferronova	24%
Tiro Medical	0%
Hapai Transfer Systems	9%
Objective Acuity	33%

Digital and ICT

\$1.0m, 13%

EdPotential	0%
Fluent Scientific	0%
MARS Bioimaging	100%



Stages

Pre-seed

\$0.7m, 9%

Orbis Diagnostics	0%
Cirrus Materials Science	22%
EdPotential	0%
AuramerBio	57%
Hapai Transfer Systems	22%

Post-seed

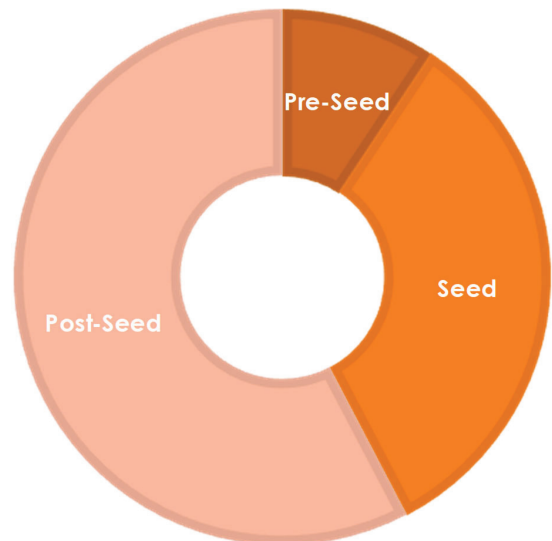
\$4.3m, 58%

Croplogica	12%
Invert Robotics	66%
MARS Bioimaging	23%

Seed

\$2.5m, 33%

Hot Lime Labs	4%
CertusBio	13%
Veritide	0%
Photonic Innovations	0%
Inhibit Coatings	6%
Fluent Scientific	0%
Avalia Immunotherapies	21%
Ferronova	23%
Tiro Medical	0%
Objective Acuity	32%



Case Studies

HT Systems: Patient transfer and mobility

Hapai Transfer Systems Limited (HT Systems) was established in January 2018 to commercialise Keith Alexander's innovative patient lift and transfer aid. The company plans to grow into a multi-country, multi-product mobility business with a range of complementary products servicing the healthcare industry.

Moving people that can't move for themselves is a difficult and sometimes hazardous task. Existing solutions are slow, cumbersome and inefficient. Whether it be in the home, where a child or an elderly person is being cared for by their family, or at a rest home or hospital, standard equipment can take two caregivers 15 minutes to transfer a patient.

This is a problem in healthcare and aged care environments where they are dealing with limited staffing levels and especially for sole carers in the home.

As a consequence, patient transfers are the most common cause of injuries in

these environments. There is an average of four transfer-related injuries among healthcare workers in New Zealand every day. This places a further cost and resource burden on the healthcare sector. There were almost 1,700 insurance claims for lifting or twisting injuries in the New Zealand Healthcare sector in 2016/2017 costing over \$5 million.

HT Systems has developed the Kera™ patient transfer aid to eliminate these problems. The HT Systems development team has worked with a wide range of health professionals, carers and patients in real situations to ensure Kera™ is a comfortable, safe and easy-to-use solution.



The Kera™ transfer aid is a compact, non-powered device which assists a single caregiver to easily and safely transfer a patient in under two minutes. These advantages have been successfully demonstrated in real-world trials involving hundreds of patient transfers where it has radically improved patient transfers and reduced carer injuries.

The initial prototype was tested in the market in May 2018 and in December 2018 Kera™ was being successfully trialled in elderly and disabled care facilities. In June 2019, HT Systems

began a long-term trial with New Zealand's second largest multi-site care group, gaining strong positive feedback and a sale. HT Systems has since made further sales of the Kera™ lifter.

The company is currently establishing sales in New Zealand and the plan is to quickly grow by launching into the global \$20 billion patient handling market.

Powerhouse Impact

Powerhouse identified Keith's patient transfer aid as a commercial opportunity and set up the company in January 2019.

Powerhouse has provided the support and investment throughout the development of the product and now into market development.

Powerhouse's equity investments have enabled HT Systems to leverage Callaghan Innovation's repayable loan funding to achieve initial market validation for its technology.

Powerhouse has retained an Investor Director on the board since incorporation and continues to support the company through access to networks and investors.

Hot Lime Labs: Green CO₂ for Horticulture

Specialising in world-leading CO₂ capture technology, Hot Lime Labs was formed to respond to demand for high tech greenhouse growers to have cost effective and renewable sources of CO₂, a key nutrient for plant growth. The Hot Lime technology not only produces sustainable CO₂ from waste biomass, but it is also available to growers everywhere, regardless of location.

Hot Lime Labs was founded in 2014 from technology spun out from Callaghan Innovation and is based in Lower Hutt, Wellington. The company's goal is to decarbonise the greenhouse industry and aid in making growing practices more sustainable. This system provides a green alternative from traditional fossil fuel CO₂ sources.

CO₂ enrichment needs little introduction to greenhouse growers; it is well known for increasing crop growth and production in most greenhouse crops, with increases from 10-30% achievable depending on the level of CO₂ enrichment.

Dr Vlatko Materic is the founder and CEO of Hot Lime Labs. Vlatko had been researching and developing CO₂ capture systems for power plants for over 10 years at Industrial Research Limited (now Callaghan Innovation) before founding Hot Lime Labs.

A pilot system is capable of producing 300kg of CO₂ per day and the first commercial unit will produce around three tonnes per day. The pilot plant is about to be trialled in a commercial greenhouse, with the first commercial unit to be produced in 2020.





Powerhouse Impact

Powerhouse's incubator status with Callaghan Innovation and investment meant Hot Lime Labs could leverage \$0.45 million non-dilutive loan funding in addition to the seed funding Powerhouse invested. This facilitated investment from ten other investors throughout New Zealand.

Powerhouse has since placed additional optional funds into Hot Lime Labs.



Ferronova: magnetic probe and tracer systems for improved lymph node identification

More than 40% of people will be diagnosed with cancer during their lifetime. Successful cancer treatment relies on accurate staging of how far, and where cancer has spread from a primary tumour. The lymphatic system is the primary pathway for the spread of most cancers.

Ferronova's system, consisting of a magnetic probe and injectable magnetic tracers, is able to less invasively, more quickly, and more accurately stage the spread of cancer resulting in:

- **better treatment**
- **lower patient morbidity**
- **reduced costs to the healthcare system.**

Ferronova was formed in 2016 from a collaboration between Professor Richard Tilley, formally of Victoria University, and Professor Benjamin Thierry, of the Future Industries Institute at the University of South Australia, with Powerhouse Ventures providing the seed investment.

The company is developing magnetic nanoparticles to improve the accuracy of staging and treating solid tumour cancers, with a mission to improve patient outcomes and to reduce side effects in solid tumour cancer patients.

Magnetic nanoparticles, or super-paramagnetic iron-oxide nanoparticles (SPIONs) have been researched and developed for decades, but they have not been successfully translated to standard clinical use due to several issues, including in-vivo stability and clearance.

Ferronova's first generation product is functionalised with a molecule for improved sentinel lymph node biopsy, a method enabling very accurate assessment of lymph node involvement.

Ferronova has resolved the issues with prior magnetic nanoparticles by licensing complementary intellectual property from the University of Sydney and validated the technology in pre-clinical testing. The product will soon be entering human trials.

The technology can be adapted for other uses, including for targeting specific solid tumour cancers or other conditions. Ferronova is also progressing a novel product for prostate cancer.



Ferronova's vision is to produce the world's best and most sensitive medical magnetic nano-particles and detectors.

Powerhouse Impact

Ferronova was set up by Viclink, the commercialisation office of Victoria University (Wellington, New Zealand), and UniSA Ventures, the commercialisation office of the University of South Australia, with investment and support from Powerhouse.

Powerhouse's initial equity investment and a follow-on investment enabled Ferronova to successfully apply for two grant programs contributing A\$760,000 of non-dilutive funding, achieve pre-clinical validation of the technology, and receive ethics approval for a first-in-human trial.

Powerhouse have continued to actively participate in the company, providing board members, assistance in follow-on capital raising activities, and introductions to medical and industry colleagues.

Our Business

Powerhouse Ventures was formed in 2006 to develop and invest in science and technology created at universities in Christchurch, New Zealand. Subsequently, Powerhouse has expanded its model throughout New Zealand and invested more than \$13 million in 31 companies since 2010. Unfortunately, some of these investments, notably Hydroworks, Motim and SolarBright, did not succeed and the then Board and Management over invested in trying to turn these companies around.

In 2018 a new Board was put in place and over the past twelve months has set about restructuring the company and resetting its mission, vision and values. Following careful and detailed analysis of the failures and successes of the Company, the new Board believes it has produced a well-crafted strategy to contribute to Australia and New Zealand becoming leading intellectual property commercialisation economies by:

- Identifying highly cited world class science that is recognised globally around which high growth companies can be built.
- Using this world class science to provide these companies with a real competitive barrier against competition.
- Engaging capable entrepreneurs who can take the patented, highly cited research, to build successful companies that can scale to win the targeted global category.
- Collaborating with leading universities and research institutions to translate their inventions and science into globally successful companies whilst providing the researchers with real world challenges that improves the quality of their research.
- Being disciplined in applying our proven model that is based on harsh evidence of what has worked and what has not from our 31 investments to date.
- Applying government support and financial assistance to reduce risk and engage investors to reach our science commercialisation targets.

- Incubating and accelerating companies along their pathway to success by selecting the right talent and mentoring that talent to scale each investment to win its global category.
- Applying good governance and business standards of accountability, transparency and trust that evidence shows to be essential to building globally successful businesses.
- Our mission has been formed based on the approach initially developed in Israel for the systematic commercialisation of intellectual property. This involves four main elements:

1. Finding existing, protected science in universities and research institutions;
2. Using non-dilutive government funds to de-risk the establishment of companies in the first year;
3. Applying proven tools, sourcing capital and selecting talented people to accelerate each company along its pathway to achieving global leadership, and;
4. Investing wisely, governing investments with discipline and selling when right to recycle capital into new opportunities.

Organisational strategy, objectives and outcomes

The capital markets in Australia and New Zealand, compared to the USA and Europe, under invest in science commercialisation. Albeit, New Zealand does better than Australia, however both countries rank poorly against the 30 developed nations in collaboration between researchers and business. Our strategy is to identify those areas of research where we have a competitive advantage from our quality institutions, regulatory and legal systems and sophisticated economy to correct this imbalance. Our objectives are to:

- Create companies in four broad sectors:
 1. Engineering and Cleantech
 2. Digital and ICT
 3. Agritech and Environmental
 4. Medical and Healthcare
- Build capability through:

- ▶ Improved education programs, mentoring and better access to global networks and capital.
- ▶ Fostering a more collaborative and linked network of co-working spaces, incubators and accelerators.
- ▶ Enhancing diversity by improving access to, or participation in, the start-up ecosystem for currently under-represented groupings.

- Leverage existing partnerships - some examples of which are:

- ▶ The University of Canterbury has provided the outstanding IP for Invert Robotics and HT Systems and has been our most prolific source of opportunities for commercialisation.
- ▶ Over the past year as Powerhouse has restructured, we have continued to work with Otago Innovation Limited and the university to commercialise their IP and see Otago as a major partner in 2020.
- ▶ During 2019 Powerhouse has invested considerable effort in developing Ferronova with Victoria University and the University of South Australia and we see this as an excellent model for working with Victoria University and to building cross Tasman relationships with universities in Australia.

It is Powerhouse's objective by 2024 to build a business that achieves a 25% plus return to its investors. Over the last four years, Powerhouse has processed an average of 200 opportunities each year with the aim of creating five businesses each year.

Powerhouse anticipates that at least half our investments will fail over the next 5 years but that the successful businesses will be able to be sold down or fully exited within 7 to 10 years from foundation. It will be our aim to identify potential unicorns and to hold those investments if our portfolio structure and return supports that position.

**It is Powerhouse's
objective by
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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 five Directors on the Board, two Non-Executive Directors and three Executive Directors. The Executive 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

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 information 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 Alcideon 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)
Executive 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.



Ian Lothian
MA, CA, MBA, CMInstD

Executive Director

Appointed to the Board on
2 April 2019.

Ian is an experienced CA (CAANZ) with a background in business advisory and audit services, and strong commercial experience in horticultural exporting and development finance.

As an Audit Director at Audit New Zealand he held a variety of senior audit roles in the NZ public sector, with clients in local government, health, tertiary education and offshore Governments (Samoa and Tokelau).

He holds an MBA with Distinction from the Edinburgh Business School at Heriot Watt University, and as a Chartered Member of the NZ Institute of Directors, he now acts as a professional independent director.



Richard Symon
FFinsia, MSAFAA

**Non-Executive
Director**

Appointed to the Board on
8 October 2019.

Australian Securities Exchange (ASX) and a Certified Financial Planner (FPA). He remains a Master Stockbroker (SAFAA), Fellow FINSIA and ASIC RG146 accredited.

In 2015, Richard founded Fiscus Capital Pty Ltd, a boutique corporate advisory company, to assist companies (both SME's and ASX listed companies) who are seeking to raise debt and equity capital.

Richard has served as Chief Barker (Chair) Variety Victoria the Children's Charity, director Variety Australia and remains as director on the East and West Asia Variety Boards. Richard is also a member of the Life Saving Victoria Grievance Committee.

Over 30 years, Richard has been appointed as the trusted adviser for stockbroking businesses and various companies.

In 1997, Richard co-founded, and was appointed as the Executive Chairman and CEO of ShareTrade Australian Stockbroking Ltd which was sold to PBL (Packer) listed subsidiary eCorp in 1999, it was then merged to become Charles Schwab Australia in 2000. Prior to that Richard was the Executive Director of Prudential-Bache Securities (Australia) for 7 years, one of Australia's largest full-service stockbrokers of its day.

Richard has held a number of executive appointments for ASX listed companies over the years. He was appointed CEO of National Stock exchange of Australia Ltd (ASX:NSX) the operator of the National Stock Exchange, in 2006. He was appointed as the Chairman of Sequoia Financial Group (SEQ:ASX) following a successful (reverse) takeover by MDS Financial Group Ltd (ex ASX:MDS), which he joined as Executive Director in late 2008.

Richard was executive director of the Securities and Derivatives Industry Association (now Stockbrokers & Financial Advisers Association of Australia - SAFAA) and developed the industries accreditation, CPD regime and other requirements of ASIC's financial services reforms. He was a Member of the



Nick Young
CFA, MPA, BComm

**Non-Executive
Director**

Appointed to the Board on
8 October 2019

Nick Young (Shuyu Yang) has been a search engine marketing analyst and a senior product manager at Alibaba Group in China for 4 years and is General Manager and Director of United World Group Pty Limited. He holds a master's degree from the University of Sydney and has been working in primary capital markets since 2016. Nick has a deep understanding of both Australian and Chinese markets in the TMT (technology, media and telecommunication) industry. He is working as a corporate advisor at multiple Australian companies and provides consulting services related to IPO, M&A and business strategy.

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 Directors appointed by the Board.

Committee	Overview	Members (at 30 September 2019)
Audit and Risk Committee	Responsible for monitoring and advising the Board on: – the Company's audit; – risk management; and – regulatory compliance policies and procedures.	Ian Lothian (Chair) Russell Yardley Geoff Gander
Human Resources and Remuneration	Provides assistance to the Board in relation to: – Board and Executive Remuneration Policy; and – key human resources policies.	Russell Yardley (Chair) Geoff Gander Ian Lothian
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.	Geoff Gander (Chair) Ian Lothian Russell Yardley

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/Chief Executive Officer can be found in Powerhouse's corporate governance documents located on the Company's website at www.powerhouse-ventures.co.nz/investor-relations/corporate-governance

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, sets forth the goals and objectives of the Board for the upcoming year, and effects any amendments to this Charter considered necessary or desirable by 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 to 30 June 2019:

	Board	Audit & Risk Committee	Human Resources & Remuneration Committee	Corporate Governance & Nomination Committee
Total meetings held	11	2	2	1
Russell Yardley	11	2	2	1
Geoff Gander (appointed 15 September 2018)	6	1	1	n/a
Ian Lothian (appointed 2 April 2019)	1	n/a	n/a	n/a
Mark Licciardo (appointed 1 March 2019; resigned 5 April 2019)	n/a	n/a	n/a	n/a
Richard Symon (appointed 8 October 2019)	n/a	n/a	n/a	n/a
Nick Young (appointed 8 October 2019)	n/a	n/a	n/a	n/a
Rick Christie (resigned 1 March 2019)	10	2	2	1
Di McCarthy (resigned 29 November 2018)	6	n/a	1	1
John Hunter (resigned 12 September 2018)	3	1	1	1

Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Directors are required to disclose to the Board acquisitions or disposals of relevant interests in the Company between 1 July 2018 and 30 June 2019, the details of those dealings to be entered in the Company's interests register. The particulars of such disclosures are:

Director	Nature of Interest	Shares Acquired	Consideration	Date
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
Rick Christie	Direct	29,649	Remuneration (NED) for 01.04.18 to 30.06.18 worth NZ\$6,250	3 July 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
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

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 2019	30 June 2018
Russell Yardley (The Yardley Family A/C)	59,298	59,298
Russell Yardley (Yardley Family S/F A/C)	149,971	149,971
Rick Christie ¹	53,296	53,296
Di McCarthy ²	109,947	109,947
John Hunter ³	70,351	70,351

1. Resigned as Non-Executive Director on 1 March 2019

2. Resigned as Non-Executive Director on 29 November 2018

3. Resigned as Non-Executive Director on 12 September 2018

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 is utilised for reviewing investment themes, directions and opportunities in the following technology sectors - Engineering and Cleantech, Medical and Health Care, Agritech and Environmental, and Digital and ICT.

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; and
- 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.

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 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 policy and statement in accordance with the international reporting frameworks. These are available 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

The gender diversity of Powerhouse was as follows:

- Board: five males
- Senior Executives: one female (Chief Financial Officer)
- Total other Powerhouse employees: one female

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 diversity at a Board and senior executive level. Performance against objectives are detailed in the table below:

Measurable Diversity Objectives - Performance for the year ended 30 June 2019

Objective 1:	Establish partnership/sponsorship/membership with an external body promoting a women's leadership initiative.	The Chairman of the Human Resources and remuneration Committee will work with the CEO during 2019/20 to progress this initiative.
Objective 2:	PVL to provide opportunities for female employees in management or professional positions through its internal mentoring programme.	Company Secretarial duties identified as a potential development opportunity.
Objective 3:	Aim to increase the diversity of the PVL Board and personnel.	The Company maintained its policy in not discriminating on the basis 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.

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 2019 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 2019 Number of employees	30 June 2018 Number of employees
Employee remuneration (\$NZD)		
100,000-110,000	-	1
120,000-130,000	1	-
130,000-140,000	1	1
150,000-160,000	-	1
170,000-180,000	-	1
200,000-210,000	-	1
240,000-250,000	1	1
270,000-280,000	-	1

Executive Remuneration

The Executive remuneration structure (which applied to Executives including the Managing Director / Chief Executive Officer during the year ended 30 June 2019) 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.

Directors' fees

The remuneration of Executive Directors and non-Executive Directors is structured separately from that of Senior Executives.

Directors receive reimbursement of reasonable expenses.

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' fees

The current aggregate limit for non-Executive Directors' fees is NZ\$250,000 per annum (AUD\$239,300). Any fees paid to the Company's non-Executive Directors reflects the demands on and responsibilities of those Directors. The advice of independent remuneration consultants is taken as required 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.

Executive Directors' fees

Any fees paid to the Company's Executive Directors will reflect the demands on and responsibilities of those Directors. The advice of independent remuneration consultants is taken as required to establish that the Directors' fees are in line with market standards.

The following base Directors fees apply per annum as at 30 June 2019. Amounts reported in the tables within this report are specified in NZD, being the reporting currency of the Company, except where explicitly expressed in AUD as required for remuneration reporting applying to ASX listed companies.

	AUD\$	NZD\$
Chairman	47,860	50,000
Other non-Executive Directors	47,860	50,000
Chair of Audit and Risk Committee	-	-
Chair of Human Resources and Remuneration Committee	-	-
Chair of Corporate Governance and Nomination Committee	-	-
		NZD\$
Actual fees paid during the year ended 30 June 2019 (in reporting currency)		77,580
Chairman		20,830
Other non-Executive Directors (total)		56,750

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

	2019 NZD\$	2018 NZD\$
Russell Yardley	145,830	75,000
Geoff Gander	44,800	-
Ian Lothian	12,500	-
Mark Licciardo	2,083	-
Rick Christie	16,700	25,000
Stephen Hampson	-	206,477
John Hunter	6,700	36,000
Dianne McCarthy	12,800	34,000
Paul Viney	248,253	274,207
John Walley	-	14,417
Total Directors remuneration and other benefits	487,583	665,101

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 was paid \$125,000 as an Independent Contractor (2018: \$25,000). Geoff Gander was paid \$19,800 as an Independent Contractor (2018: \$nil).

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 register made during the year ended 30 June 2019.

Director	Subsidiary	
Russell Yardley	Powerhouse No. 1 Nominee Limited	Appointed 02.10.18
	Powerhouse No. 2 Nominee Limited	
	Powerhouse No. 3 Nominee Limited	
	Powerhouse No. 4 Nominee Limited	
	Powerhouse Venture Managers Limited	Appointed 01.10.19
	Powerhouse Ventures Australia Pty Limited	Appointed 01.10.18
Paul Viney	Powerhouse No. 1 Nominee Limited	Resigned 02.10.18
	Powerhouse No. 2 Nominee Limited	
	Powerhouse No. 3 Nominee Limited	
	Powerhouse No. 4 Nominee Limited	
	Powerhouse Ventures Australia Pty Limited	Resigned 01.10.18
John Walley	Powerhouse Venture Managers Limited	Resigned 01.10.19

Financial Report

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Company Directory

Postal Address	PO Box 29519 Riccarton Christchurch 8440 New Zealand
Registered Office	Level 1, Awly Building 287-293 Durham Street North Christchurch 8013 New Zealand
Business Locations	Level 1, Awly Building, 287-293 Durham Street North, Christchurch Central, Christchurch 8013 Gracefield Innovation Precinct, 69 Gracefield Road, Lower Hutt 5012 Level 19, HWT Tower, 40 City Road, Southbank, VIC 3006, Australia
Company Number	CH1854396
Australian Foreign Company Registration	ARBN 612076169
Solicitors	Lowndes Law K&L Gates, Sydney, Australia Andrew Lewis Law, Auckland, New Zealand
Independent Auditor	Grant Thornton New Zealand Audit Partnership, 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 2019.

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 2019 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 Part 7 of the Financial Markets Conduct 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
Date: 4 September 2019



Ian Lothian
Director
Date: 4 September 2019

**Statement of Comprehensive Income
For the year ended 30 June 2019**

	Notes	2019 \$	2018 \$
Income			
Net changes in fair value of investments at fair value through profit or loss	4	(2,687,939)	(6,713,659)
Realised gain/(loss) on investments at fair value through profit or loss		135,088	407,429
Government grant funding		605,000	430,000
Revenue from contracts with customers	3	77,419	372,095
Finance income		39,031	68,897
Gain on sale of assets		5,479	-
		(1,825,923)	(5,435,238)
Expenses			
Employee benefits expense	6	903,614	2,439,282
Marketing and events		(112,490)	528,604
Legal and professional costs		191,907	768,761
Travel		42,620	185,128
Interest expense		272,516	87,269
Other expenses	7	590,541	692,147
Impairment of financial assets	5	83,830	298,065
Fair value movement in convertible note assets		170,603	-
		2,143,142	4,999,256
Loss before income tax		(3,969,065)	(10,434,494)
Income tax expense/(credit)	8 (a)	-	-
Loss after tax for the year		(3,969,065)	(10,434,494)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to equity holders of the Company		(3,969,065)	(10,434,494)
Loss per share:			
Basic (cents per share)	9	(14)	(36)
Diluted (cents per share)	9	(14)	(36)

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 2019**

	Notes	Share capital	Equity-settled share-based payment reserve	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2018		30,656,138	68,216	(21,309,306)	9,415,048
Increase/(decrease) in share capital	10,11	169,235	-	-	169,235
Equity-settled share-based payments	11	-	(68,216)	-	(68,216)
Total comprehensive loss for the year		-	-	(3,969,065)	(3,969,065)
Balance at 30 June 2019		30,825,373	-	(25,278,371)	5,547,002
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 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

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 2019**

	Notes	2019 \$	2018 \$
ASSETS			
Cash and cash equivalents	12	122,594	1,052,690
Trade and other receivables and prepayments	13	56,455	395,486
Unsecured short-term loans receivable	14	-	-
Convertible notes in portfolio companies		40,000	437,263
Investments in portfolio companies	25, 26, 27	7,541,168	11,549,973
Property, plant and equipment		1,972	20,334
Total assets		7,762,189	13,455,746
LIABILITIES			
Trade and other payables	15	125,787	1,787,882
Convertible notes	16	2,089,400	2,252,816
Total liabilities		2,215,187	4,040,698
Net assets		5,547,002	9,415,048
EQUITY			
Share capital	10	30,825,373	30,656,138
Equity-settled share-based payments reserve	11	-	68,216
Accumulated losses		(25,278,371)	(21,309,306)
Total equity		5,547,002	9,415,048



Russell Yardley, Chairman
For and on behalf of the Board
Date: 4 September 2019



Ian Lothian, Director
For and on behalf of the Board
Date: 4 September 2019

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 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,029,926	1,106,229
Payments to suppliers and employees		(3,025,312)	(4,727,467)
Finance income		-	37,214
Income taxes paid		-	-
Interest paid		(274,048)	(84,886)
Net cash inflow/(outflow) from operating activities	17	(2,269,434)	(3,668,910)
Cash flows from investing activities			
Purchase of investments and convertible notes		(541,969)	(1,156,431)
Sale of investments		2,261,374	1,904,094
Recovery of/(Transfer to) restricted cash		-	180,036
Purchase of property plant and equipment		-	(4,496)
Proceeds from sale of property plant and equipment		9,143	2,250
Receipts from/(payments for) short term loans to investee companies		-	105,025
Net cash inflow/(outflow) from investing activities		1,728,548	1,030,478
Cash flows from financing activities			
Proceeds from issuance of convertible notes		-	2,252,816
Repayments of convertible notes		(104,249)	-
Proceeds from borrowings		-	315,033
Repayments of borrowings		(134,961)	(197,143)
Return of guarantee funds		(150,000)	-
Net cash inflow/(outflow) from financing activities		(389,210)	2,370,706
Net increase/(decrease) in cash and cash equivalents		(930,096)	(267,726)
Cash and cash equivalents at the beginning of the year		1,052,690	1,320,416
Cash and cash equivalents at the end of the year	12	122,594	1,052,690

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 2019

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 and under the Financial Markets Conduct Act 2013 is considered to be an FMC Reporting Entity with a higher level of public accountability, hence it reports as a Tier 1 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 2019 and the comparative information presented in these financial statements for the year ended 30 June 2018.

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)), expected credit losses of financial assets (Note 5), recognition of deferred tax assets and liabilities (Note 8) and the going concern assumption (Note 2).

In addition, the Directors have assessed the equity portion of the Convertible notes liability but have concluded that this is not material.

Summary of significant accounting policies

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

Notes to the Financial Statements
For the year ended 30 June 2019

(a) Basis of consolidated financial statements

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 IFRS 9 financial instruments, 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 IFRS 9, or by applying the equity method as per NZ IAS 28 investments in associates and joint ventures. 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 contracts with customers:

Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax. Service revenue is recognised as income when the performance obligations outlined within the contractual terms have been met. All of the Company's revenue is from contracts with customers and is earned over time.

Variable consideration:

The entity considers the effects of variable consideration, the existence of significant financing components, and the consideration payable to the customer (if any) in determining the transaction price.

Interest:

Interest is recognised as it 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).

Notes to the Financial Statements For the year ended 30 June 2019

(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 (IPEV).

The valuation methodology used most commonly by the Company is the 'price of recent investment' supported by other Qualitative and Quantitative factors including 'milestone analysis'. 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 supported by other Qualitative and Quantitative factors including milestone analysis. 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 other Qualitative and Quantitative factors including 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.

Notes to the Financial Statements For the year ended 30 June 2019

(e) Investments (continued)

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 good indication of fair value;
- If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Company considers alternative methodologies in IPEV being:
 - o 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;
 - o 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, or;
- Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the reporting date unless there is evidence that the investment has since been impaired.

(f) Financial instruments

Recognition and derecognition:

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or it expires.

Notes to the Financial Statements
For the year ended 30 June 2019

(f) Financial instruments (continued)

Classification and initial measurement of financial assets:

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15 revenue from contracts with customers, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the financial years presented the Company does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within interest or finance income, except for impairment of trade receivables which is presented within impairment of financial assets.

Subsequent measurement of financial assets:

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, and trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All investment and convertible notes in portfolio companies fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the Financial Statements
For the year ended 30 June 2019

(f) Financial instruments (continued)

Impairment of financial assets:

NZ IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces NZ IAS 39's financial instruments: recognition and measurement 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under NZ IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under NZ IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables

The Company applies the simplified approach in accounting for trade and other receivables and records the expected loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Short term loan receivables

The Company applies the three stage general approach in accounting for short term loan receivables and records the expected credit losses where there is an indicator of an increase in credit risk. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Refer to Note 13 for a detailed analysis of how the impairment requirements of NZ IFRS 9 are applied.

Notes to the Financial Statements
For the year ended 30 June 2019

(f) Financial instruments (continued)

Classification and measurement of financial liabilities:

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include convertible note liabilities and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense or finance income.

(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.

Notes to the Financial Statements For the year ended 30 June 2019

(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 as some income or expense items are taxable or deductible in other years or are not 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.

**Notes to the Financial Statements
For the year ended 30 June 2019**

(k) Taxation (continued)

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 basis 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.

Notes to the Financial Statements For the year ended 30 June 2019

(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 Company has a present obligation (legal or contractual) 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 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 on 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.

**Notes to the Financial Statements
For the year ended 30 June 2019**

(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 new standard or interpretation has been issued or amended but is not yet effective.

NZ 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 by the Company for the reporting period commencing 1 July 2019. 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.

Management is in the process of assessing the full impact of the Standard. So far, Management believes that the most significant impact will be the need to recognise a right of use asset and a lease liability for the IT equipment currently treated as an operating lease. At 30 June 2019, the future minimum lease payments amounted to \$90,480. Under NZ IFRS 16 Leases the nature of the above expense will change from being an operating lease expense to depreciation and interest expense.

The Company is currently assessing the impact of applying transitional reliefs.

(t) Adoption of new and revised standards and interpretations

New standards or interpretations effective for the first time from 1 July 2018 are outlined below. These new standards or interpretations have not had a material impact on the Company's financial statements.

NZ IFRS 9 Financial Instruments replaces NZ IAS 39 'Financial Instruments: Recognition and Measurement'. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. The Company has adopted NZ IFRS 9 retrospectively and has therefore restated prior year results. Differences arising from the adoption of NZ IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

In the prior year, the Company recognised finance income of \$309,574 and a corresponding impairment expense of \$309,574 relating to credit impaired unsecured short-term loan receivables.

In line with NZ IFRS 9, the Company will now recognise finance income on unsecured short-term loan receivables on a net basis, being the gross amount of the receivables less the total expected credit losses, where there is objective evidence of impairment.

A transition adjustment has been recognised to ensure that the Company has recognised finance income on a net basis for those assets categorised into stage 3 of the expected credit loss model.

This has resulted in a decrease to finance income and a decrease to the impairment expense of \$309,574 for the year ended 30 June 2018. Overall, there is no impact on the loss after tax presented within the statement of comprehensive income.

NZ IFRS 15 Revenue from Contracts with Customers and the related 'Clarifications to NZ IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'NZ IFRS 15') replace NZ IAS 18 'Revenue', NZ IAS 11 'Construction Contracts', and several revenue-related Interpretations. The Company has adopted NZ IFRS 15 retrospectively. There were no differences arising from the adoption of NZ IFRS 15.

Notes to the Financial Statements
For the year ended 30 June 2019

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 the date of signing these financial statements, 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 16, the Company is obligated to pay up to \$2.2m of Convertible Notes in December 2019 should those Notes remain unconverted by that date. All Convertible Note holders have confirmed that they do not intend to convert any of the convertible notes into shares and have confirmed deferral of repayment of their convertible notes until a significant realisation event has taken place to allow the convertible notes to be repaid in full and to allow the Company to be able to meet its commitments for the foreseeable future.

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 can 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. The Directors acknowledge that without the realisation of investments or a capital raise there is material uncertainty over going concern. However, the Directors consider contingency plans in place are adequate 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 contracts with customers

	2019	2018
	\$	\$
Services provided within New Zealand	77,419	372,095
Total Revenue from contracts with customers	77,419	372,095

Revenue from contracts with customers in both the current and prior year is earned over time and is 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

	2019	2018
	\$	\$
Revaluation gains on investments at fair value through profit or loss	473,009	1,069,666
Revaluation losses on investments at fair value through profit or loss	(3,160,948)	(7,783,325)
Net gain/(loss) on investments at fair value through profit or loss	(2,687,939)	(6,713,659)

Revaluation gains in the current year include \$0.3m uplift in the value of Invert Robotics (2018: \$0.4m profit on the sale of ArcActive Limited).

Revaluation losses in the current year include Photonic \$0.8m, Veritide \$0.5m, Fluent \$0.4m, Tiro \$0.4m, and Modlar \$0.4m (2018: \$3.0m relating to the fall in market price of listed portfolio company Croplogic Limited).

5 Expected credit loss provision on financial assets classified at amortised cost

	2019	2018
	\$	\$
Provision for/(reversal of) expected credit losses of short term loans to portfolio companies (Note 14)	32,216	375,722
Provision for/(reversal of) expected credit losses of cash held as a guarantee (Note 12)	-	(180,036)
Provision for expected credit losses (Note 13)	51,593	93,192
Other	21	9,187
Total impairment of financial assets expense	83,830	298,065

The current year impairment charge includes \$0.15m relating to Motim and \$0.07m relating to Tiro (2018: Solar Bright \$0.55m and Hydroworks \$0.27m).

6 Employee benefits expense

	2019	2018
	\$	\$
Salaries	692,281	1,836,152
Directors' remuneration	171,539	231,841
Share-based payments (Note 11)	(68,216)	(8,872)
Bonuses	2,774	123,279
Kiwisaver defined contribution plans	19,324	57,770
Directors' fees	85,912	189,529
Investment Committee fees	-	9,583
Total employee benefits expense	903,614	2,439,282

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

Notes to the Financial Statements
For the year ended 30 June 2019

7 Other Expenses

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

	2019	2018
	\$	\$
Accounting, assurance and tax advisory	72,073	128,930
Insurance	155,536	227,046
Office costs and rent	381,599	404,484
Provision expense/(release)	-	(208,253)
Miscellaneous expenses	34,799	130,126
Foreign exchange movements	(53,466)	9,814
Total Other Expenses	590,541	692,147

8 Income taxes

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

	2019	2018
	\$	\$
Tax expense/(credit) comprises:		
<i>Current tax expense/(credit):</i>		
Current year	-	-
Adjustment for prior years	-	-
<i>Total current tax expense/(credit)</i>	<u>-</u>	<u>-</u>
<i>Deferred tax expense/(credit):</i>		
(Increase)/decrease in deferred tax assets (Note 8(c))	-	-
Increase/(decrease) in deferred tax liabilities (Note 8(d))	-	-
Origination and reversal of temporary differences	-	-
Adjustment for prior years	-	-
<i>Total deferred tax expense/(credit)</i>	<u>-</u>	<u>-</u>
Total tax expense/(credit)	<u>-</u>	<u>-</u>

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

	2019	2018
	\$	\$
Profit/(loss) before tax expense	(3,969,065)	(10,434,494)
Expected tax charge using tax rate applicable for the year (28%)	(1,111,338)	(2,921,658)
Non-assessable income	(135,088)	(407,429)
Non-deductible expenses	845,711	2,689,168
Unrecognised current year tax losses	400,715	639,919
Total tax expense/(credit)	<u>-</u>	<u>-</u>

(b) Current tax assets and liabilities

	2019	2018
	\$	\$
Current tax assets:		
Current tax refundable	<u>-</u>	<u>-</u>
Current tax liabilities:		
Current tax payable	<u>-</u>	<u>-</u>

Notes to the Financial Statements
For the year ended 30 June 2019

8 Income taxes (continued)

(c) Deferred tax assets

Deferred tax assets comprise temporary differences attributable to:	2019	2018
	\$	\$
Employee benefits	-	-
Deferred tax assets	<u>-</u>	<u>-</u>

Movements in the deferred tax asset account:	2019	2018
	\$	\$
Opening balance	-	-
(Charged)/credited to profit or loss	-	-
Closing balance	<u>-</u>	<u>-</u>

The Company has unused tax losses and credits amounting to \$4,720,084 (2018: \$4,578,757) 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:	2019	2018
	\$	\$
Net value of investments at fair value through profit or loss	-	-
Deferred tax liabilities	<u>-</u>	<u>-</u>

Movements in the deferred tax liability account	2019	2018
	\$	\$
Opening balance	-	-
Charged/(credited) to profit or loss	-	-
Closing balance	<u>-</u>	<u>-</u>

(e) Imputation credits

	2019	2018
	\$	\$
Imputation credits available for use	-	-

Notes to the Financial Statements
For the year ended 30 June 2019

9 Earnings per share calculation

Basic loss per share (refer to Statement of Comprehensive Income and Note 10)

	2019	2018
Basic loss per share (cents)	(14)	(36)
Losses used in the calculation of total basic loss per share	\$(3,969,065)	\$(10,434,494)
Weighted average number of ordinary shares for the purposes of basic loss per share	29,206,545	28,986,363

Diluted loss per share (refer to Statement of Comprehensive Income and Note 10)

	2019	2018
Diluted loss per share (cents)	(14)	(36)
Losses used in the calculation of total diluted loss per share	\$(3,969,065)	\$(10,434,494)
Weighted average number of ordinary shares for the purposes of diluted loss per share	29,206,545	28,986,363

The diluted loss per share excludes 10,000,000 (2018: 9,093,750) relating to the convertible note issue as these shares are anti-dilutive.

10 Share capital

At 30 June 2019, share capital comprised 29,311,733 authorised and issued ordinary shares (2018: 28,986,363). All issued shares are fully paid and have no par value.

Share capital comprises:	2019	2018
	\$	\$
Authorised, issued and fully paid in capital	32,343,226	32,803,403
Treasury stock	(2,136)	(631,548)
Issuance costs	(1,515,717)	(1,515,717)
Total share capital	30,825,373	30,656,138

Movements in share capital

	2019	2018
	\$	\$
Opening balance	30,656,138	30,446,388
Shares issued during the period for cash	-	-
Issuance costs incurred	-	-
Treasury stock movement	629,412	341,982
Other movements	(460,177)	(132,232)
Closing balance	30,825,373	30,656,138

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 Short Term Incentive (STI) Scheme. Treasury stock and other movements also included the transfer of shares from treasury stock to directors in lieu of director fees payable for the period April to June 2018 (2018: January to March 2018).

Number of ordinary shares authorised, issued and fully paid

	2019	2018
	shares	shares
Opening balance	28,986,363	28,986,363
Shares issued during the period for cash	-	-
Shares issued during the period in respect of non-cash transactions	325,370	-
Closing balance	29,311,733	28,986,363

Notes to the Financial Statements
For the year ended 30 June 2019

10 Share capital (continued)

Treasury stock

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

	2019		2018	
	Number of shares	Value of shares (\$)	Number of shares	Value of shares (\$)
Opening balance	526,290	631,548	811,275	973,530
Distributed to Executives as ESOP	-	-	(153,508)	(184,210)
Distributed to Executives in lieu of salaries	(46,503)	(10,102)	-	-
Distributed to Directors for Director fees	(164,848)	(197,818)	(131,477)	(157,772)
Distributed to employees as STI	(305,107)	(421,492)	-	-
Closing balance	9,832	2,136	526,290	631,548

Components of treasury stock as at reporting date:

	2019		2018	
	Number of shares	Value of shares (\$)	Number of shares	Value of shares (\$)
Acquired for the employee ESOP	9,832	2,136	407,642	489,170
Balance of shares acquired during restructuring	-	-	118,648	142,378
	9,832	2,136	526,290	631,548

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 2019, shares were distributed to Executives under the STI Scheme. See Note 11 below for further details. Shares were also distributed to directors for director fees payable for the period April to June 2018 (2018: January to March 2018).

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

The Company owns nil (2018: 118,430) shares directly with the balance of 9,832 (2018: 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 years to 30 June 2019 and 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.

This plan was cancelled during the year ended 30 June 2019.

Notes to the Financial Statements
For the year ended 30 June 2019

11 Share-based payments (continued)

<i>Reconciliation of performance rights for Executive IPO Retention Scheme</i>		
	2019	2018
	number	number
Opening balance	-	153,508
Granted during the reporting period	-	-
Forfeited due to non-performance of vesting conditions	-	-
Vested as a result of KPI achievement	-	(153,508)
Closing balance	-	-

(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.

Due to the non performance of vesting conditions, these shares have been forfeited.

<i>Reconciliation of performance rights for Staff Performance Rights Scheme</i>		
	2019	2018
	number	number
Opening balance	3,764,691	-
Granted during the reporting period	-	4,003,629
Forfeited due to non-performance of vesting conditions	(3,764,691)	(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.

<i>Reconciliation of performance rights for Executive Retention Performance Rights Scheme</i>		
	2019	2018
	number	number
Opening balance	1,400,000	-
Granted during the reporting period	-	1,400,000
Forfeited due to non-performance of vesting conditions	(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

	2019	2018
	\$	\$
Opening balance	68,216	252,088
Expense for equity settled share based payment transactions	-	68,216
Forfeited due to non-performance of vesting conditions	(68,216)	-
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

Notes to the Financial Statements
For the year ended 30 June 2019

12 Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank available on demand	122,594	1,052,690
Total cash and cash equivalents	122,594	1,052,690

13 Trade and other receivables and prepayments

	2019	2018
	\$	\$
Trade debtors	338,301	523,408
Provision for expected credit losses	(322,389)	(270,795)
Prepayments	33,272	142,873
GST receivable	7,270	-
Total trade and other receivables and prepayments	56,455	395,486

The provision for expected credit losses is based on estimated non-recoverable amounts determined by reference to circumstances and past default experience. In the current year, the Company has recognised an expense of \$254,433 in respect of expected credit losses (2018: \$93,192). Included in this amount is \$170,603 which relates to convertible notes assets fair value movement (2018: nil).

2019 Trade Debtors

	0 - 30 days	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0%	0%	0%	100%	
Gross carrying amount	3,299	12,153	-	322,849	338,301
Expected credit loss	-	-	-	322,849	322,849

2018 Trade Debtors

	0 - 30 days	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	2%	8%	20%	76%	
Gross carrying amount	154,218	10,844	6,888	351,458	523,408
Expected credit loss	3,084	868	1,378	265,466	270,795

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:

	2019	2018
	\$	\$
Hydroworks Limited	2,256,461	2,256,461
Solar Bright Limited	772,174	739,958
	3,028,635	2,996,419
Less provision for expected credit losses	(3,028,635)	(2,996,419)
Total short term loan receivable	-	-

All short term loans as at 30 June 2019 were fully impaired.

In the current year the Company recognised an expense of \$32,216 in respect of expected credit losses.

All short term loans are more than 90 days overdue and therefore 100% of the expected credit loss provision is assigned to this balance.

Notes to the Financial Statements
For the year ended 30 June 2019

15 Trade and other payables

	2019	2018
	\$	\$
Trade payables	72,381	945,171
Employee entitlements	3,179	110,899
Other accruals	50,227	423,054
Short term loans	-	284,961
GST payable	-	23,797
Total trade and other payables	125,787	1,787,882

16 Convertible Notes

2019

Date of issue	Price per note			
	(A\$)	Number of Notes	Total A\$ value	Total NZ\$ value
May-18	0.20	2,000,000	400,000	417,880
Jun-18	0.20	4,250,000	850,000	887,995
Aug-18	0.20	3,750,000	750,000	783,525
		<u>10,000,000</u>	<u>2,000,000</u>	<u>2,089,400</u>

2018

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
Jun-18	0.20	4,750,000	950,000	1,014,508
		<u>9,093,750</u>	<u>2,100,000</u>	<u>2,252,816</u>

During the year, all Convertible Notes issued in December 2017 have been re-issued at a strike price of A\$0.20 per note. The Company issued net additional Convertible Notes of 906,250 during the year (issued 1,406,250 and repaid 500,000), increasing the total number of convertible notes issued at the date of this report to 10,000,000. 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 15 December 2019 and note holder election. If unconverted, the notes are repayable on 15 December 2019.

All Convertible Note holders have confirmed that they do not intend to convert any of the convertible notes into shares and have confirmed deferral of repayment of their convertible notes until a significant realisation event has taken place to allow the convertible notes to be repaid in full and to allow the Company to be able to meet its commitments for the foreseeable future.

Notes to the Financial Statements
For the year ended 30 June 2019

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

	2019	2018
	\$	\$
Loss for the year	(3,969,065)	(10,434,494)
(Less)/plus non cash items		
Depreciation	9,218	10,347
Amortisation	-	12,802
FX translation	(59,167)	-
Net changes in fair value of investments at fair value through profit or loss	2,687,939	6,306,229
Expense converted to investments	(103,090)	(167,732)
Deferred tax movement	-	-
Trademark impairment	-	-
Share-based payment expense/(credit)	(68,216)	(8,871)
Unpaid interest receivable	-	(358,624)
Director fees paid in shares	72,550	72,550
Issue of shares to employees	134,485	-
Impairment of financial assets	-	575,261
Provisions	-	(343,253)
Fair value movement on convertible note asset	170,603	-
(Less)/plus changes in working capital		
Decrease/(increase) in trade and other receivables	277,512	(14,371)
Decrease/(increase) in accrued income	-	245,000
Decrease/(increase) in current tax receivable	-	-
(Decrease)/increase in trade and other payables	(1,422,204)	436,246
Net cash inflow/(outflow) from operating activities	(2,269,435)	(3,668,910)

18 Reconciliation of liabilities arising from financing activities

Changes in the Company's liabilities arising from financing activities can be classified as follows:

	Convertible loan notes	Short term loans	Total
	\$	\$	\$
1 July 2018	2,252,816	284,961	2,537,777
Cash flows			
Repayments	(104,249)	(284,961)	(389,210)
Non-cash			
Fair value	(59,167)	-	(59,167)
30 June 2019	2,089,400	-	2,089,400
	Convertible loan notes	Short term loans	Total
	\$	\$	\$
1 July 2017	-	17,071	17,071
Cash flows			
Repayments	-	(196,873)	(196,873)
Proceeds	2,252,816	314,763	2,567,579
Non-cash			
Acquisition	-	150,000	150,000
30 June 2018	2,252,816	284,961	2,537,777

19 Remuneration of Auditors

	2019	2018
	\$	\$
Audit of the financial statements	51,491	55,000
Review of interim financial statements	22,253	39,000
Total remuneration paid to auditors	73,744	94,000

Notes to the Financial Statements
For the year ended 30 June 2019

20 Segment Information

Reportable segments

Under NZ IFRS 8 operating segments, as at 30 June 2019, the Company operates in one geographical segment, New Zealand. Material operations in Australia had not commenced as at 30 June 2019. In both reporting periods, the Company has operated 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) Transactions with related parties:

For the year ended 30 June 2019

Name	Revenues	Expenses	Trade and other receivables	Trade and other payables
	\$	\$	\$	\$
Subsidiary and associate portfolio companies	77,419	-	15,913	-
Directors fees	-	85,912	-	-
Convertible note assets	-	-	40,000	-
Short term loans (per Note 14)	-	-	-	-

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	-	-
Directors fees	-	189,529	-	-
Convertible note assets	-	-	437,263	-
Short term loans (per Note 14)	-	-	-	-

At the reporting date \$3,521k (2018: \$3,098k) of related party receivables had been provided for in full and are not included in the figures in the table above.

(c) Key management personnel compensation

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

	2019	2018
	\$	\$
Short-term employee benefits	504,584	961,768
Treasury shares issued	10,102	-
Equity-settled share-based payments	(68,216)	(8,870)
Total key management personnel compensation	446,470	952,898

(d) Convertible Notes

During the 2019 financial year, 500,000 Convertible Notes were issued to Mr Russell Yardley, the Company's Board Chair, with a face value of A\$100,000.

Notes to the Financial Statements
For the year ended 30 June 2019

22 Commitments

Investments

The Company was committed to investing a total of \$67,500 into new and existing investee companies as at 30 June 2019 (2018: \$563,500) as a result of contractual agreements with the following companies:

	2019	2018
	\$	\$
2.2 GForce Limited	-	100,000
Deliveon Health Limited	-	137,500
Hapai Transfer Systems Limited	25,000	100,000
Hot Lime Labs Limited	42,500	80,000
Inhibit Coatings Limited	-	50,000
Orbis Diagnostics Limited	-	16,000
Silventum Limited	-	80,000
	67,500	563,500

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 or met later than agreed, the Company is not obligated to invest.

Operating lease commitments

The operating lease commitments relate to IT equipment leases, with lease terms of between one to two years with options to extend.

Non-cancellable operating lease payments

	2019	2018
	\$	\$
Less than one year	54,980	134,321
Between one and five years	35,500	144,208
More than five years	-	-
Total non-cancellable operating lease payments	90,480	278,529

23 Contingencies

Contingent assets

There were no contingent assets as at 30 June 2019 (2018: nil).

Contingent liabilities

There were no contingent liabilities as at 30 June 2019 (2018: nil).

24 Subsequent Events

As noted in the recent announcements to the ASX:

On 17 July 2019, the Company sold a small stake in its portfolio company MARS Bioimaging Limited (MARS), receiving \$0.16m cash proceeds for 2,000 shares reducing its shareholding in MARS to 6.4%.

On 14 August 2019, a placement of 3 million fully paid ordinary shares was completed at an issue price of \$A0.10 per share, raising \$A300,000.

Notes to the Financial Statements
For the year ended 30 June 2019

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

Name of subsidiary or associate	2019 ownership interest	2018 ownership interest	Nature of operations
2.2 GForce Limited	100.0%	100.0%	Delivers certified preventative, predictive and aftershock enduring solutions.
Motim Technologies Limited	74.7%	74.7%	Delivers innovative mobile marketing capability through interactive cell phone applications.
Koti Technologies Limited	65.0%	65.0%	Uses ceramic thin-film coating technology to coat complex shapes and surfaces.
Hapai Transfer Systems Limited	45.5%	25.0%	Developed a range of low force lift and transfer devices to improve the mobility of frail patients.
Veritide Limited	44.0%	22.6%	Uses optical fluorescent techniques for detection and identification of hazardous organisms.
Silventum Limited	41.2%	41.2%	Novel nanochemistry technology conferring dental filling materials with resistance to bacterial infection.
Deliveon Health Limited	31.8%	58.3%	Develops personalised nutritional solutions based on high quality nutritional science and technology.
CertusBio Limited	30.9%	30.9%	Development of biosensor solutions for dairy and other industries.
Photonic Innovations Limited	30.6%	29.9%	Develops a laser spectroscopy-based gas detection system to identify gas leaks.
Tiro Medical Limited	29.6%	30.1%	Develops physiological modelling systems using digital sensor technologies.
Inhibit Coatings Limited	28.8%	21.3%	Uses nanotechnology for environmentally friendly marine antifouling and antimicrobial coatings.
Ferronova Pty Limited	25.2%	27.2%	Develops a medical device that helps in easier detection of cancers using magnetic tracers.

All investments in portfolio subsidiaries and associates have been valued using price of recent investment methodology supported by other Qualitative and Quantitative factors including 'milestone analysis'.

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 price of 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) 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.

Notes to the Financial Statements
For the year ended 30 June 2019

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

Name of other entity	2019 ownership interest	2018 ownership interest	Nature of operations
EdPotential Limited	15.4%	20.7%	Provides software for schools to inquire into assessment data and improve achievement.
Fluent Scientific Limited	15.4%	20.1%	Uses facial and verbal micro-expression analysis to enhance verbal and visual communication.
Auramer Bio Limited	12.7%	18.2%	Provides novel chemical sensing technologies for small molecule and protein detection.
Objective Acuity Limited	12.6%	15.8%	Developed a vision testing system to accurately and reliably detect visual function.
Modlar Limited	9.9%	9.9%	Creator and distributor of Building Information Models (BIM) for use by architects and designers.
Hi-Aspect Limited	9.8%	29.5%	Develops protein-based materials and products for the medical and lifesciences markets.
Avalia Immunotherapies Limited	9.5%	13.2%	Develops vaccine and adjuvant technologies for the treatment of cancer, allergy and disease.
Invert Robotics Limited	8.1%	20.0%	Designs and manufactures mobile robotic systems and delivers inspection services.
MARS Bioimaging Limited	7.7%	8.4%	Provides in-vivo colour x-ray imaging to drug research companies.
Hot Lime Labs Limited	7.3%	5.8%	Developing CO2 capture systems for biomass boilers in order to supply commercial greenhouse growers with low-cost, renewable CO2.
Cirrus Materials Science Limited	7.2%	8.7%	Develops and licenses chemistry technologies and IP for novel coatings and surface finishing solutions.
Orbis Diagnostics Limited	5.0%	3.9%	Developing in-line milking measurement for protein, fat, somatic cell and progesterone.
CropLogic Limited	3.0%	14.9%	Provider of yield-predicting decision-support software for the agriculture sector.
Upstream Medical Technologies Limited	0.0%	13.4%	Front line biomarker testing for heart disease and associated clinical complications.

All investments in other entities have been valued using price of recent investment methodology with the exception of Croplogic which has been valued using mark to market methodology as its shares are actively traded.

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

Notes to the Financial Statements
For the year ended 30 June 2019

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 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 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.

Notes to the Financial Statements
For the year ended 30 June 2019

27 Financial Instruments (continued)

(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.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates and assumes that the financial instruments held at balance date were in place for the entire year. A positive number below represents an increase to profit and equity and a negative number below represents a decrease in profit and equity.

	2019	2018
	\$	\$
100 basis points increase in interest rates		
Impact on profit for the year	(20,108)	(2,351)
Impact on equity for the year	(14,478)	(1,693)
100 basis points decrease in interest rates		
Impact on profit for the year	20,108	2,351
Impact on equity for the year	14,478	1,693

(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.

Notes to the Financial Statements
For the year ended 30 June 2019

27 Financial Instruments (continued)

(g) Liquidity risk

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

	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
	\$	\$	\$	\$	\$	\$
As at 30 June 2019						
Financial assets						
Cash and cash equivalents	122,594	-	-	-	-	122,594
Trade and other receivables	-	23,183	-	-	-	23,183
Convertible notes in portfolio companies	-	-	-	-	40,000	40,000
Investments	-	-	-	-	7,541,168	7,541,168
Total financial assets	122,594	23,183	-	-	7,581,168	7,726,945
Financial liabilities						
Trade and other payables	-	72,381	50,227	3,179	-	125,787
Convertible notes	-	-	-	2,214,764	-	2,214,764
Total financial liabilities	-	72,381	50,227	2,217,943	-	2,340,551

	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
	\$	\$	\$	\$	\$	\$
As at 30 June 2018						
Financial assets						
Cash and cash equivalents	1,052,690	-	-	-	-	1,052,690
Trade and other receivables	-	192,753	59,860	-	-	252,613
Convertible notes in portfolio companies	-	-	-	-	437,263	437,263
Investments	-	-	-	-	11,549,973	11,549,973
Total financial assets	1,052,690	192,753	59,860	-	11,987,236	13,292,539
Financial liabilities						
Trade and other payables	-	1,003,968	463,054	320,860	-	1,787,882
Convertible notes	-	-	-	2,455,569	-	2,455,569
Total financial liabilities	-	1,003,968	463,054	2,776,429	-	4,243,451

Notes to the Financial Statements
For the year ended 30 June 2019

27 Financial Instruments (continued)

(h) Classification of financial assets and liabilities

	Amortised cost	Fair value through profit or loss	Total
	\$	\$	\$
As at 30 June 2019			
Financial assets			
Cash and cash equivalents	122,594	-	122,594
Trade and other receivables	23,183	-	23,183
Convertible notes in portfolio companies	-	40,000	40,000
Investments	-	7,541,168	7,541,168
Total financial assets	145,777	7,581,168	7,726,945
Financial liabilities			
Trade and other payables	125,787	-	125,787
Convertible notes	2,089,400	-	2,089,400
Total financial liabilities	2,215,187	-	2,215,187
As at 30 June 2018			
Financial assets			
Cash and cash equivalents	1,052,690	-	1,052,690
Trade and other receivables	252,613	-	252,613
Convertible notes in portfolio companies	-	437,263	437,263
Investments	-	11,549,973	11,549,973
Total financial assets	1,305,303	11,987,236	13,292,539
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

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 2019

Financial assets designated at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments at fair value through profit or loss valued as at last capital raise or liquidity event	-	-	7,045,110	7,045,110
Investments at fair value through profit or loss valued using observable quoted prices	496,058	-	-	496,058
Total financial assets measured at fair value through profit or loss	496,058	-	7,045,110	7,541,168

Notes to the Financial Statements
For the year ended 30 June 2019

27 Financial Instruments (continued)

(h) Classification of financial assets and liabilities (continued)

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. The Directors consider there are sufficient trading volumes of Croplogic shares to use mark to market valuation methodology.

As at 30 June 2018

Financial assets designated at fair value through profit or loss

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
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

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 supported by other qualitative and quantitative factors including milestone analysis	7,045,110	Price of recent investment, milestone achievement, impairment assessment, qualitative factors	Management's assessment of performance against milestones, impairment assessment where there are indicators of impairment and market and qualitative factors.	The greater the assessment of impairment, the lower the fair value.

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

Investments at fair value through profit and loss

	2019 \$	2018 \$
Opening balance	10,928,677	17,469,782
Total unrealised fair value gains recognised in profit or loss	379,691	1,219,666
Total unrealised fair value losses recognised in profit or loss	(3,160,947)	(4,894,781)
Transfers to investments classified as level one in the fair value hierarchy	-	(3,659,840)
Total fair value of investments purchased	382,931	791,431
Total fair value of convertible notes converted to equity	515,353	799,238
Total fair value of short term loans converted to equity	-	572,555
Total fair value of trade debtors converted to equity	42,223	-
Total fair value of investments acquired on restructuring	-	127,292
Total fair value of investments disposed	(2,042,818)	(1,496,666)
Closing value	7,045,110	10,928,677



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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 on pages 37 to 69 which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Powerhouse Ventures Limited as at 30 June 2019 and of its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. 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 undertaking a potential capital raise. Should the disposals of investments or potential capital raise not occur, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and 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 a key audit matter that should be communicated in



our report. For the matter below, our description of how our audit addressed the matter is provided in that context. We consider the disclosures around the valuation of investments in portfolio companies to be appropriate and the procedures performed provide the basis for our opinion on the accompanying financial statements.

Valuation of unlisted investments in portfolio companies:

Why the audit matter is significant	How our audit addressed the key audit matter
<p>The Company's accounting policy for investments in portfolio companies is outlined at Note 1(e) and details of the various investments at Notes 25 and 26 to the financial statements. The Company's investments in portfolio companies represents approximately 97% of the Company's total assets at 30 June 2019.</p> <p>The investments are carried at fair value, established using the International Private Equity and Venture Capital Valuation Guidelines.</p> <p>While the fair value of the unlisted investments in portfolio companies is based on the best information available, there is a high degree of uncertainty about that value due to the early-stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the Company's statement of comprehensive income and its statement of financial position.</p>	<p>In obtaining sufficient appropriate audit evidence we performed the following procedures in respect of this matter:</p> <ul style="list-style-type: none"> • 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 is supported by other qualitative and quantitative inputs including milestone analysis and therefore representative of fair value. • We reviewed 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 for impairment for individual portfolio companies, relevant to the nature and stage of the investment. • We assessed the adequacy of the disclosures made by the directors in the financial statements regarding the valuation of investments.

Other Matter

The financial statements of Powerhouse Ventures Limited for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on those financial statements on 31 August 2018.

Other information

The Directors are responsible for the Annual Report which will include information other than the financial statements and auditor's report. The other information contained in the Annual Report, except for the Directors' Responsibility Statement, is expected to be made available to us after the date of the issuance of this auditor's report.

Our opinion on the financial statements does not cover any of the other information that has been provided and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is



materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have received, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the other information in the Annual Report, including the Directors' Responsibility Statement, 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 Company for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, 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 on behalf of the Company for assessing 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 to 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 ISAs (NZ) 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 on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body those matters which 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 shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

A handwritten signature in blue ink that reads "Grant Thornton".

M Stewart
Partner
Christchurch
4 September 2019

Statutory Information

Twenty Largest Shareholders As at 30 September 2019

Shareholder	Fully paid shares held	Percentage of capital
UNITED WORLD GROUP PTY LTD <UNITED WORLD GROUP PTY LTD>	5,858,576	18.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,372,307	16.63
JUN HONG SHENG (AUST) LIMITED	3,120,000	9.66
PISTACHIO PTY LTD <THE PECAN SUPERANNUATION A/C>	1,320,003	4.09
MR STEPHEN PETER HAMPSON	751,980	2.33
MS JI WANG	686,612	2.12
DR PHILLIP GEORGE VAN ZANDEN	580,000	1.80
CITICORP NOMINEES PTY LIMITED	521,905	1.62
MS MEI WAH SMITH + MR LAWRENCE JOSEPH SMITH <L & M SMITH FAMILY S/F A/C>	470,000	1.45
PARMELIA PTY LTD <REILLY FAMILY SUPER FUND A/C>	467,290	1.45
MR JOHN LEONARD WALLEY + MRS LYNN WALLEY + WALLEY TRUSTEES LIMITED	425,935	1.32
MR DAVID GEORGES ANDRE DROMER	338,345	1.05
KENSINGTON INVESTMENTS SUPERANNUATION PTY LTD <PAUL K M VINEY S/FA/C>	301,362	0.93
MRS VICTORIA MARGARET WILDER ROCKEFELLER	254,949	0.79
BT PORTFOLIO SERVICES LIMITED <THE VABEN S/F A/C>	253,091	0.78
MR GEOFF GEOFFREY K ANDREWS + MRS ELIZABETH JANE ANDREWS <ANDREWS SUPERANNUATION F A/C>	236,724	0.73
MR STEPHEN ERNEST WILSON	205,900	0.64
MR STEPHEN PETER HAMPSON + MRS ROBYN HAMPSON	205,181	0.64
MR WEIKANG WANG	204,445	0.63
KAUPAPA UKA LIMITED	200,000	0.62
Top 20 holders of Ordinary Fully Paid (TOTAL)	21,774,605	67.39

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 if 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 30 September 2019

As at 30 September 2019, Powerhouse had received notice that the following were substantial shareholders in accordance with s671B of the Corporations Act (Australia).

Date of last disclosure notice before 30 September 2019	Name of substantial holder	Relevant interest in number of shares	% held as at the date of notice
19 August 2019	United World Group Pty Limited	5,858,576	18.10%
19 August 2019	Financial Clarity Pty Limited	5,396,154	16.70%
15 August 2019	Jun Hong Sheng (Aust) Limited	3,120,000	9.65%
7 September 2018	Julliard Advisory Group Pty Limited	1,382,471	4.77%

Distribution of ordinary shares and shareholders as at 30 September 2019

Range	Number of holders	Number of ordinary shares	% of issued capital
1 – 1,000	20	8,957	0.03
1,001 – 5,000	159	547,848	1.70
5,001 – 10,000	84	667,119	2.06
10,001 – 100,000	177	6,535,987	20.23
100,001 and over	38	24,551,822	75.98
Total	478	32,311,733	100.00

As at 30 September 2019, the total number of shares on issue was 32,311,733.

A total of 22,310,543 ordinary shares were held by 168 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 173 shareholders holding less than a marketable parcel of shares as defined in the ASX Listing Rules (based on the closing price of A\$0.10 per share on 30 September 2019). The ASX Listing Rules define a marketable parcel of shares 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 2019. Where changes in the interests register were notified during the year, or subsequently, they have been indicated below.

Russell Yardley	Alannah and Madeline Foundation	Board Member
(Robert McEwan Russell Yardley)	Algonquin Investments Pty Limited	Chair
	Board Resolution Pty Limited	Chair
	Australian Research Data Commons	Board Member
	Victorian Government Purchasing Board	Member
Geoff Gander	Jupiter Energy Limited	Chair / CEO
(Geoffrey Anthony Gander)		
- appointed 15 September 2018		
Ian Lothian	Meeting Point Limited	Director
(Ian James Love Lothian)	Hapai Transfer Systems Limited	Director
- appointed 2 April 2019	Mahaanui Kurataiao Limited	Director
	Presbyterian Church of Aotearoa NZ	Chair Audit and Risk Committee
	Presbyterian Support Services Upper South Island	Board Member and Chair of Audit & Risk Committee
	YHA New Zealand	Board Member
Mark Licciardo	Frontier Digital Ventures Limited	Board Member
(Mark Andrew Licciardo)	Mobilicom Limited	Board Member
- appointed 1 March 2019; resigned 5 April 2019	Ensogo Limited	Board Member
	Iflix Limited	Board Member
Richard Symon	Jun Hong Sheng (Aust) Limited	Director
(Bruce Richard Sydney Symon)	Fiscus Capital Pty Limited	Executive Director
- appointed 8 October 2019	Financial Services Foundation Limited	Chair
	Fiscus Capital Trade Finance Fund Pty Limited	Director
	Symon Financial Services Pty Limited	Director
Nick Young	United World Group Pty Limited	Director
(Shuyu Yang)		
- appointed 8 October 2019		
Rick Christie	Awarua Holdings Limited	Director
(Richard Gordon Maxwell Christie)	ikeGPS Group Limited	Chair
- resigned 1 March 2019	ikeGPS Limited	Director
	NeSI (New Zealand eScience Infrastructure)	Chair
	Service IQ International Limited	Chair
	Solnet Group Limited	Director / Shareholder

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	South Port New Zealand Limited	Director
	Victoria University Foundation	Trustee
Dianne McCarthy	Business Trust Marlborough	Trustee
(Dianne Christine McCarthy)	Cawthron Institute	Director
- resigned 12 September 2018	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

Portfolio Directory

As at 30 June 2019

Engineering and Cleantech

Cirrus Materials Science Ltd

Stage Pre-seed

Powerhouse Holding 7.2%

Significant other shareholders (>10%)

Ice Angels Nominees Limited; Glen Slater;
Christopher Goode; Auckland Uniservices

Inhibit Coatings Ltd

Stage Seed

Powerhouse Holding 28.8%

Significant other shareholders (>10%)

Eldon Tate; James Johnston; Hayden Nicholson;
Antonia Crowley; Andrew Taylor

Photonic Innovations Ltd

Stage Seed

Powerhouse Holding 30.6%

Significant other shareholders (>10%)

NZVIF Investments Ltd; Otago Innovation Ltd

Veritide Ltd

Stage Seed

Powerhouse Holding 44.0%

Significant other shareholders (>10%)

Camtech Investments Limited

Agritech and Environmental

CertusBio Ltd

Stage Seed

Powerhouse Holding 30.9%

Significant other shareholders (>10%)

Lincoln Agritech Ltd; Harvey Investment Fund Ltd

CropLogic Ltd

Stage Post-seed

Powerhouse Holding 3.0%

Significant other shareholders (>10%)

N/A

Hot Lime Labs Ltd

Stage Seed

Powerhouse Holding 7.3%

Significant other shareholders (>10%)

Vlatko Materic

Invert Robotics Ltd

Stage Post-seed

Powerhouse Holding 8.1%

Significant other shareholders (>10%)

Pacific Custodians (NZ) Ltd; Finistere Ventures II LP;
NZVIF Investments Ltd; Yamaha Motor Exploratory Fund
LP

Orbis Diagnostics Ltd

Stage Pre-seed

Powerhouse Holding 5.0%

Significant other shareholders (>10%)

Cather Simpson; David Williams, Auckland Uniservices
Ltd; Charles Crawford



Digital and ICT

EdPotential Ltd

Stage Pre-seed

Powerhouse Holding 15.4%

Significant other shareholders (>10%)

NZ Innovation Booster LP; The Macleans College Development Foundation Trust

Fluent Scientific Ltd

Stage Seed

Powerhouse Holding 15.4%

Significant other shareholders (>10%)

Blenheim Chalcot Management Ltd; Ronald Gillatt; Thor Russell

Medical and Healthcare

Hapai Transfer Systems Ltd

Stage Pre-seed

Powerhouse Holding 45.5%

Significant other shareholders (>10%)

Keith Alexander

MARS Bioimaging Ltd (SOLD Oct-2019)

Stage Post-seed

Powerhouse Holding 7.7%

Significant other shareholders (>10%)

APH & JMA Butler; Canterprise Limited; PH Butler; IMH Holdings Pty Limited

Objective Acuity Ltd

Stage Seed

Powerhouse Holding 12.6%

Significant other shareholders (>10%)

Auckland Uniservices Ltd

Tiro Medical Ltd (SOLD Sep-2019)

Stage Seed

Powerhouse Holding 29.6%

Significant other shareholders (>10%)

James Geoffrey Chase

Ferronova Pty Ltd

Stage Seed

Powerhouse Holding 25.2%

Significant other shareholders (>10%)

Victoria Link Limited; UniSA Ventures

AuramerBio Ltd

Stage Pre-seed

Powerhouse Holding 12.7%

Significant other shareholders (>10%)

NZ Innovation Booster LP; Victoria Link Ltd; Institute of Environmental Science and Research Limited

Avalia Immunotherapies Ltd

Stage Seed

Powerhouse Holding 9.5%

Significant other shareholders (>10%)

Malcorp Biodiscoveries Ltd; NZ Innovation Booster LP



Powerhouse Directory

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