



**ASX Release**

**Powerhouse Ventures Limited**

**Level 4, Scottish House, 90 William Street, Melbourne VIC 3000, Australia**

**(ASX Code: "PVL")**

**NZ Company No. 1854396 / ARBN 612 076 169**

**DISPATCH OF ANNUAL REPORT**

**Melbourne, Australia: 27 October 2021**

Powerhouse Ventures Limited (**PVL or the Company**) advises that the 2021 Annual Report has now been printed and dispatched to shareholders.

A copy of the final version of the 2021 Annual Report is attached for future reference.

Sincerely,

**Russell Yardley**  
**Non-Executive Chairman**

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**Authorised by the Board of Powerhouse Ventures Limited**

**About Powerhouse Ventures Limited:**

Powerhouse is a leading intellectual property commercialisation company which focuses on developing brilliant research from New Zealand and Australian universities into world changing businesses. It has developed a unique approach to develop these innovations and businesses by providing access to business building expertise, capital, networks, recruitment and ongoing business support.

Powerhouse has a successful track record with an existing active portfolio of early stage to mature businesses across four main sectors: engineering and clean-tech, medical and healthcare, agtech and environmental, and digital and ICT.

# Annual Report

# 2021



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



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**Russell Yardley**

Non-Executive Chairman  
Powerhouse Ventures Limited

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**Geoff Gander**

Non-Executive Director  
Powerhouse Ventures Limited

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# Chairman's Report

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The 2020/2021 Financial Year dramatically impacted the research sector with the massive reduction of university revenue from international students that had for the past decade funded university research. This has caused all universities to make urgent changes to their strategies to accelerate science commercialisation that is now providing Powerhouse Ventures Limited (PVL) with significant further investment opportunities.

With the restructuring of PVL over the past 5 years it is exciting to see that our Australian and global commercial network will now be extended further by the incoming highly skilled board, led by a talented and respected chairman. The new board members bring valuable connections with other leading research universities continuing our efforts to be well networked across a range of research and investments sectors. The new board will apply deep technology experience with significant corporate finance, governance, and regulatory expertise to high impact, transformational companies with a core focus on shareholder value accretion.

This corporate and strategic reset has taken longer than planned and cost more than anticipated but I and your exiting board are confident that PVL is now very well placed to build a strong origination pipeline in the crucial and rapidly emerging sector of science commercialisation, whilst also participating in nearer term investment opportunities.

PVL and its investee companies have continued to develop their strategies based on an evolving commercial landscape. During the past year PVL has begun building our Australian operation working on our partnership with the University of Melbourne as well as establishing our relationships with the University of Newcastle and CSIRO to identify world class science in AgTech, CleanTech and Medical Devices. Our work at the University of Melbourne, Australia's largest research university, leverages our past investments in agriculture in New Zealand and is focused on the NorVicFoods initiative at Dookie College in North-western Victoria. Similarly with the smaller regional University of Newcastle where we are identifying agriculture and mining related opportunities in the Hunter Valley.

The specifics of our operations are covered in more detail in the Business Update below but in summary this past year has been corporately challenging and at times has distracted the company from our strategy outlined to you in the July 2020 Rights Issue. Despite this, the company was able to divest 2

companies - Hot Lime Labs and Orbis Diagnostics with healthy internal rates of return from both sales. The 5 remaining assets of value in our portfolio continue to implement their commercialisation strategies, albeit with challenges imposed by Covid.

Ferronova, Inhibit, CertusBio and Cirrus are all making progress, have exciting prospects and are well placed to attract further capital in the coming year. Objective Acuity as reported in our accounts has had its carry value impaired and the risks surrounding regulatory approval remain high and thus the major shareholders are considering their future options.

In this my fifth (and last) Chairman's letter after taking on the position in June 2017 I reflect on how far PVL has come from the write off of the 5 major investments that featured prominently in the 2016 Prospectus. Capital has been raised to rebuild the balance sheet, new research partnerships have been established in Australia, new and exciting investment opportunities have both been made and realised and gradually we are beginning to rebuild shareholder value.

I am pleased that with the support of our major shareholders and the work that all your board has done to reposition the company that we have set the foundation to attract new highly experienced and skilled board members who we believe have the capabilities and extended commercial networks to leverage our existing assets and opportunities and maximise returns for shareholders.



A handwritten signature in black ink, appearing to read 'Russell Yardley', written over a white background.

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**Russell Yardley**

Executive Chairman  
Powerhouse Ventures Limited

# Sustainability Policy

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

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.
- implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

# Business Update

## FINANCIAL REVIEW

### Operating Results

The consolidated loss for the year after income tax was \$NZ1.574m (2020: \$NZ47,000), a decrease of \$NZ1.527m.

### Review of Financial Condition

At the end of the 2021 financial year, cash resources were \$NZ4,813,464 (2020: \$NZ1,369,715). A further \$NZ0.36m was received after the settlement of the disposal of shares in Orbis Diagnostics in July 2021. These accounts have been prepared on a going concern basis.

Assets increased to \$NZ8,409,495 (2020: \$NZ5,897,739) and equity increased to \$NZ8,309,899 (2020: \$NZ5,808,273).

### Funding and Capital Management

As at 30 June 2020, the Group had 92,743,176 listed shares trading under the ASX ticker "PVL". The Company also had 14,227,631 listed options, trading under the ASX ticker "PVLO".

As of the date of this Report, the Company now has 94,743,176 PVL on issue and 12,227,631 PVLO, with 2m PVLO having been exercised in early August 2021.

The enlarged capital structure reflected the fact that a large proportion of PVLO options were exercised during the year and this resulted in the Company finishing the year with cash reserves above \$NZ4m. The remaining listed options have an exercise price of \$A0.07 and expire on 31 December 2023.

The exercising of options and the resulting cash inflows were a result of what was a year of some distraction. The Company had to respond to two separate requisitions lodged by shareholders, requesting general meetings to consider Board changes and a review of the strategic direction of the Company.

Regrettably because of these requisitions, PVL's legal costs grew year on year, however, other operating costs remained within a reduced operational budget.

Staffing costs continued to be prudently/conservatively managed and for much of the year, Directors Yardley, Patel and Gander shared many of the day to day responsibilities needed to operate the business and manage the investment portfolio.

## OPERATING REVIEW

### Successful Rights Issue

On 17 July 2020, the Company announced a proposed non-renounceable entitlement offer of 1 fully paid ordinary share in

the capital of the Company for every 1 Share held by eligible Shareholders registered at the record date, together with 1 free-attaching listed option to acquire a Share for each Share subscribed for and issued. Each new share was issued at \$A0.05 (\$NZ0.053 for New Zealand shareholders) and the attaching option had a strike price of \$A0.07 and an expiry date of 31 December 2023.

The offer closed fully subscribed on 06 October 2020, with the Company having raised \$A1,615,587 (before costs). This resulted in PVL being debt free and with the strongest Balance Sheet that it had had for some time.

The Board believed the Company was well positioned to implement its new strategy. The Company was developing a range of early stage and latter stage Intellectual Property based investment opportunities, via its growing network of collaborations with some of Australia's leading research institutions and universities.

### Shareholder Instability

As the year progressed, a group of the new shareholders felt that the focus on early stage investment would not prove to be viable. This resulted in a requisition being lodged in March 2021, seeking to remove the existing Board and elect a new group of Directors.

During this period a large number of 'PVLO' listed options were exercised as shareholders built their respective representative bases. This was positive from the perspective of strengthening PVL's balance sheet.

In addition, shareholders were able to have their say via the voting process and whilst the 19 May 2021 General Meeting was ultimately cancelled, it was clear from the voting that there was a substantial group of shareholders that wanted to see change to the areas in which the Company would be investing its funds.

A new Board was formed on 19 May 2021, with new Directors Lachlan Armstrong, Peter McGrath and Tim Hannon joining Russell Yardley and Geoff Gander from the existing Board.

This new Board looked at various new strategic approaches over the May to August 2021 period and whilst Messrs Armstrong, McGrath and Hannon ultimately resigned on 23 August 2021, a commitment had been made at that time to look for a fresh approach to the company going forward.

### A New Board and a New Focus

From late August, the Company set about looking for appropriate board candidates that would provide the Company with the platform to drive shareholder value and a revitalized approach. On 19 October 2021, the Company announced plans for a new Board of Directors, effective from the 24 November Annual General Meeting (AGM).

The AGM's Notice of Meeting, lodged on 22 October 2021, confirmed that James Kruger, Joseph Demase and Joshua Baker had agreed to stand for election at the AGM, with the existing Board, made up of Russell Yardley, Nitesh Patel and Geoff Gander, retiring at the conclusion of the meeting.

The Company believes that Messrs Kruger, Demase and Baker bring an excellent blend of skills to PVL, and shareholders are encouraged to review the Notice of Meeting for more details on their backgrounds and experience.

The existing Board has agreed to provide ongoing advice to the Company, as required by the incoming Board, and it is hoped that PVL will be set for a strong performance in 2022.

As an indicator of their confidence in PVL's future performance, all three incoming Directors have agreed to take no cash compensation and shareholders will be asked at the November 2021 AGM to approve an allocation of 4.0m options to each of them as part their compensation package. These options will have a strike price of \$A0.11, expire on 31 December 2023 and will only vest if the PVL share price trades above \$A0.20 over a 20-day VWAP and each of the individuals are still Directors of the Company at the time of vesting.

#### **Sale of Selected Portfolio Investments**

The PVL Board continues to manage the existing investment portfolio and will look to maximise shareholder value as and when opportunities arise. During the 2020/2021 financial year, the sale of stakes in Hot Lime Labs and Orbis Diagnostics were completed, with a healthy Internal Rate of Return recorded from both sales.

The Company continued to work with a number of its other portfolio companies and made a follow-on investment in Ferronova during the financial year.

#### **Review of the Remaining Investment Portfolio**

The Board continues to take a pragmatic view on the holding value of its various investee companies and the uncertainty created by the COVID-19 pandemic. Over the course of the 12 months, the Board decided to write down the carrying value of one of its portfolio companies by a significant amount. Unfortunately these concerns proved to be well founded and on 21 October 2021, the Board announced that it written the value of its stake in this company to \$ NIL. The write off decision is reflective of the challenges being faced by early stage companies in some market verticals.

Despite the challenges of the COVID-19 pandemic, several portfolio companies managed to operate in the restrictive environment by adapting their business models, although this ultimately delayed their international expansion plans. It is envisioned that the opening of international borders during 2022 will help them get back on track.

Portfolio companies such as Ferronova, Certus Bio and Inhibit Coatings are all planning to take significant steps during 2022 in building their foundations to become global leaders.

Overall, the 30 June 2021 audited valuation of the portfolio stood at ~\$NZ3.18m. With the 21 October 2021 announcement, writing off the investment in Objective Acuity to \$ NIL, the portfolio

valuation at the time of this report has been reduced to ~\$NZ2.73m.

#### **Widening Network**

The Company has expanded its network with academic institutions, the wider business and the venture capital community. This has enabled PVL to investigate investment opportunities with greater rigor and confidence. As new technologies and services develop into early and latter stage businesses, PVL can use this network to validate the investment merits of these opportunities.

PVL continues to seek expanding its network across its key areas of expertise and during the course of FY20/21 this network has enabled PVL to make informed decisions regarding potential investments.

#### **Impact of COVID-19**

The COVID-19 pandemic continued to create a range of challenges for the Company during the financial year, with many businesses having to adjust in some way and PVL was no different.

It is hoped that the worse is behind us all and that 2022 will see a return to a more stabilized business environment and easier travel, both within Australia and to New Zealand and other countries.

The pandemic has created a range of new business opportunities and PVL has expanded its network to help identify investment propositions that may come out of this post pandemic world.

#### **Migration of Tax Residency from New Zealand to Australia**

On 18 October 2021, PVL announced that during the 1H calendar year 2021, the Company transitioned its finance and administration functions from New Zealand to Australia and that all members of the Board are now resident in Australia.

This has led to facilitating a migration of residency from New Zealand to Australia. The relevant documentation will be lodged with the Australian Securities & Investment Commission (ASIC) with an effective registration date of 1 July 2021.

The Company advises that shareholders should seek independent advice as to any taxation impact that this may have on them in relation to any securities they hold in PVL.

#### **2021 Annual General Meeting**

The COVID 19 pandemic has continued to see the ability to hold normal General Meetings suspended and the 2021 AGM will be held virtually on 24 November 2021. A Notice of Meeting outlining business to be covered at the 2021 AGM will be mailed to shareholders during October 2021, including details on how to attend online.

The Company also notes that Ian Lothian has advised the Board of his intention to retire at the conclusion of the AGM. Ian served as a Director of PVL from April 2019 to December 2020 and remained as NZ Country Manager after stepping down from the Board. PVL thanks Ian for is valuable contribution to the business and wish him well in his future endeavours.



## **Summary**

Despite the challenges in the 2020/21 Financial Year the Company is now well positioned with a strong Balance Sheet. The appointment of a new Board will provide a positive catalyst in delivering shareholder value, with a renewed focus and strategic direction.. There remains a commitment by the existing Board to work with the incoming Directors and all parties look forward to 2022 with enthusiasm and confidence and a belief that the turnaround is well underway.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the consolidated entity that occurred during the financial year.

## **SUBSEQUENT EVENTS**

There have been several events that have occurred post 30 June 2021 and these have all been discussed in the Operations Review.

A summary of the key announcements made is as follows:

23 August 2021: Changes to the Board of Directors – resignation of Non-Executive Directors Lachlan Armstrong, Peter McGrath and Tim Hannon and the reappointment of Nitesh Patel as Non-Executive Director.

18 October 2021: Migration of Tax Residency from New Zealand to Australia

21 October 2021: Write off of the investment in Objective Acuity.

# Corporate Governance

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## Corporate Governance Statement

Powerhouse's Corporate Governance Statement can be found on its website at:

<https://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 (4th edition), which came into effect on 1 July 2020 (**ASX Corporate Governance Principles**), which are as follows:

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

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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.

Powerhouse's Company policies were updated 30<sup>th</sup> June 2020 in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition), which came into effect on 1 July 2020. These policies can be found on Powerhouse's website at:

<https://www.powerhouse-ventures.co.nz/csr/company-policies>

# The Board

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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 three Directors on the Board, all Non-Executive Directors. The Non-executive Chairman of the Board is Russell Yardley.



**Russell Yardley**  
FAICD, FAIM  
**Non-Executive Chairman**

Appointed to the Board on  
28 February 2017.

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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 a board member of Ferronova Pty Ltd, the Australian Research Data Commons supported by the Australian Government through the National Collaborative Research Infrastructure Strategy program 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 Limited from 2012 until it was sold to Telstra in 2016, Chairman of Tesserent Limited through its listing on ASX in 2015 until 2018, Chairman of Alcidion Group Limited from 2012 until its reverse listing on ASX in 2015. Russell was the Victorian State Chair 2010-2011 and on the National Board as the National Treasurer 2011-2014 of the Australian Information Industry Association, was made an Honorary Member of the Australian Computer Society in 2010 and made a Fellow of the Australian Institute of Company Directors in 2012.



**Geoff Gander**  
BComm (UWA)  
**Non-Executive Director**

Appointed to the Board on  
15 September 2018.

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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.



**Nitesh Patel**  
BSc (Hons), MSc (Econ),  
ASIP UK CFA  
**Non-Executive Director**

Appointed to the Board on  
24 August 2021

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Nitesh has spent over 20 years as an investment professional. He has worked in Europe and Asia managing a variety of investment funds. During this time Nitesh worked for 3i Group Plc, one of Europe's oldest and largest private equity funds managing a listed investment fund and assisting the venture capital team. He has worked across a series of sectors however spent most of his career investing in growth companies in Technology, Healthcare and Industrial

### 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.

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<b>Committee</b>	<b>Overview</b>	<b>Members (at 30 Sept 2021)</b>
<b>Audit and Risk Committee</b>	Responsible for monitoring and advising the Board on: <ul style="list-style-type: none"><li>– the Company's audit;</li><li>– risk management; and</li><li>– regulatory compliance policies and procedures.</li></ul>	Russell Yardley Geoff Gander Ian Lothian (Chair)
<b>Human Resources and Remuneration</b>	Provides assistance to the Board in relation to: <ul style="list-style-type: none"><li>– Board and Executive Remuneration Policy; and</li><li>– key human resources policies.</li></ul>	Geoff Gander (Chair) Nitesh Patel Russell Yardley
<b>Corporate Governance and Nomination</b>	Provides assistance to the Board in relation to: <ul style="list-style-type: none"><li>– nomination processes;</li><li>– selected application of human resources policies as they relate to the Board; and</li><li>– the corporate governance framework.</li></ul>	Geoff Gander (Chair) Nitesh Patel Russell Yardley

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## 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](http://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 meetings during the year to 30 June 2021:

Board of Directors		Number Attended	Number Eligible
Russell Yardley	(appointed 28 February 2017)	8	8
Geoff Gander	(appointed 15 September 2018)	8	8
Ian Lothian	(appointed 2 April 2019, Resigned November 2020)	5	5
Richard Symon	(appointed 8 October 2019, Resigned November 2020)	5	5
Nick Young	(appointed 8 October 2019, Resigned November 2020)	5	5
Nitesh Patel	(appointed 23 November 2020, Resigned 19 May 2021)	5	5
Lachlan Armstrong	(appointed 19 May 2020)	2	2
Timothy Hannon	(appointed 19 May 2020)	2	2
Peter McGrath	(appointed 19 May 2020)	2	2

## 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 2020 and 30 June 2021, 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 S/F A/C)	249,971	A\$12,499	13 Aug 2020
Russell Yardley	Beneficial (The Yardley Family Trust A/C)	59,298	A\$2,645	13 Aug 2020
Russell Yardley	Beneficial (The Yardley Family S/F A/C)	2,000,000	A\$100,000	28 Aug 2020
Geoff Gander	Beneficial (The Gander Super A/C)	2,000,000	A\$100,000	28 Aug 2020
Russell Yardley	Beneficial (The Yardley Family Trust A/C)	141,563	A\$6,568	19 Mar 2021
Geoff Gander	Beneficial (The Gander Super A/C)	141,563	A\$6,568	19 Mar 2021
Nitesh Patel	Beneficial (Wenlock Capital)	52,003	A\$2,813	19 Mar 2021
Geoff Gander	Beneficial (Geoffrey Anthony Gander)	2,500,000	A\$175,000	11 May 2021
Geoff Gander	Beneficial (Geoffrey Anthony Gander)	38,548	A\$3,554	11 May 2021
Russell Yardley	Beneficial (The Yardley Family S/F A/C)	2,249,971	A\$139,429	11 May 2021
Russell Yardley	Beneficial (The Yardley Family Trust A/C)	574,004	A\$35,571	11 May 2021
Russell Yardley	Beneficial (The Yardley Family Trust A/C)	38,548	A\$3,554	11 May 2021
Nitesh Patel	Beneficial (Gana Family A/C)	14,160	A\$1,523	18 May 2021

## 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 2021	30 June 2020
Russell Yardley (The Yardley Family A/C)	872,711	59,298
Russell Yardley (Yardley Family S/F A/C)	4,749,913	249,971
Geoffrey Gander	2,680,111	n/a
Geoffrey Gander (The Gander Super A/C)	2,000,000	n/a
Nitesh Patel (Gana Family A/C)	66,163	n/a

# Remuneration Report

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**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.

## 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:

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	30 June 2021	30 June 2020
	Number of employees	Number of
<b>employees</b>		
<b>Employee remuneration (\$NZD)</b>		
100,000-110,000	-	1
120,000-130,000	1	1
130,000-140,000	-	-
150,000-160,000	-	-
170,000-180,000	-	1
200,000-210,000	-	-
240,000-250,000	-	-
270,000-280,000	-	-

## Executive Remuneration

The Executive remuneration during the year ended 30 June 2021 comprised of base salary and benefits.

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.

**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. 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 2021. 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.

	<b>AUD\$</b>	<b>NZD\$</b>
Chairman	46,760	50,000
Other non-Executive Directors	22,445	24,000
Chair of Audit and Risk Committee	46,760	50,000
Chair of Human Resources and Remuneration Committee	-	-
Chair of Corporate Governance and Nomination Committee	46,760	50,000
		<b>NZD\$</b>
Actual fees paid during the year ended 30 June 2021 (in reporting currency)		268,243
Chairman		80,599
Other Directors (total)		187,644

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

	<b>2021</b>	<b>2020</b>
	<b>NZD\$</b>	<b>NZD\$</b>
Russell Yardley	102,440	91,829
Geoff Gander	102,370	73,500
Ian Lothian	47,535	75,000
Richard Symon	11,044	18,000
Shuyu Yang	5,700	9,000
Nitesh Patel	40,455	-
Lachlan Armstrong	6,425	-
Peter McGrath	6,425	-
Tim Hannon	6,425	-
<b>Total Directors remuneration and other benefits</b>	<b>328,820</b>	<b>267,329</b>

## 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 2021.

<b>Director</b>	<b>Subsidiary</b>	<b>Appointed</b>
Russell Yardley	Powerhouse No. 1 Nominee Limited	21 Sept 2018
	Powerhouse No. 2 Nominee Limited	21 Sept 2018
	Powerhouse No. 3 Nominee Limited	21 Sept 2018
	Powerhouse No. 4 Nominee Limited	21 Sept 2018
	Powerhouse Ventures Managers Limited	1 Oct 2019
	Powerhouse Ventures Australia Pty Limited	1 Oct 2018

# **Powerhouse Ventures Limited**

## **Financial Statements**

**For the year ended 30 June 2021**

**Powerhouse Ventures Limited**  
**Financial Statements**  
**For the year ended 30 June 2021**

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**Powerhouse Ventures Limited  
Company Directory  
As at 30 June 2021**

<b>Postal Address</b>	Level 1, Awly Building 287-293 Durham Street North, Christchurch Central Christchurch 8013 New Zealand
<b>Registered Office</b>	Level 1, Awly Building 287-293 Durham Street North, Christchurch Central Christchurch 8013 New Zealand
<b>Business Locations</b>	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
<b>Company Number</b>	CH1854396
<b>Australian Foreign Company Registration</b>	ARBN 612076169
<b>Solicitors</b>	Tompkins Wake, Hamilton, New Zealand Logie-Smith Lanyon Lawyers, Melbourne, Australia Steinepreis Paganin, Melbourne, Australia
<b>Independent Auditor</b>	Grant Thornton New Zealand Audit Limited, Christchurch

**Powerhouse Ventures Limited**  
**Financial Statements**  
**For the year ended 30 June 2021**

**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 2021.

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 2021 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:



Chairman  
Date: 29 September 2021



Director  
Date: 29 September 2021

**Powerhouse Ventures Limited**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2021**

	Notes	2021 \$	2020 \$
<b>Income</b>			
Net changes in fair value of investments at fair value through profit or loss	4	(938,030)	456,246
Realised gain/(loss) on investments at fair value through profit or loss		664,710	218,766
Government grant funding		-	375,000
Revenue from contracts with customers	3	17,800	38,775
Finance income		1,646	3,615
Gain on sale of assets		504	80
		<u>(253,370)</u>	<u>1,092,482</u>
<b>Expenses</b>			
Employee benefits expense	6	399,469	543,533
Marketing and events		182	115
Legal and professional costs		241,492	105,667
Travel		1,146	20,029
Interest expense		505	98,084
Other expenses	7	697,035	372,120
Impairment of financial assets	5	(19,356)	-
Fair value movement in convertible note assets		-	-
		<u>1,320,473</u>	<u>1,139,548</u>
<b>Loss before income tax</b>		<u>(1,573,843)</u>	<u>(47,066)</u>
<b>Loss after tax for the year</b>		<u>(1,573,843)</u>	<u>(47,066)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>		<u>(1,573,843)</u>	<u>(47,066)</u>
<b>Loss per share:</b>			
Basic (cents per share)	9	(2.3)	(0.1)
Diluted (cents per share)	9	(2.3)	(0.1)

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



**Powerhouse Ventures Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2021**

	Notes	Share capital	Equity-settled share-based payment reserve	Accumulated losses	Total equity
		\$	\$	\$	\$
<b>Balance at 1 July 2020</b>		<b>31,136,388</b>	-	<b>(25,328,115)</b>	<b>5,808,273</b>
Increase/(decrease) in share capital	10	4,045,181	-	-	4,045,181
Equity-settled share-based payments	11	30,288	-	-	30,288
Total comprehensive loss for the year		-	-	(1,573,843)	(1,573,843)
<b>Balance at 30 June 2021</b>		<b>35,211,857</b>	-	<b>(26,901,958)</b>	<b>8,309,899</b>
<b>Balance at 1 July 2019</b>		<b>30,825,373</b>	-	<b>(25,278,371)</b>	<b>5,547,002</b>
Increase in share capital	10	311,015	-	-	311,015
Equity-settled share-based payments	11	-	-	-	-
Total comprehensive loss for the year		-	-	(47,066)	(47,066)
Adjustment from adoption of NZ IFRS 16		-	-	(2,678)	(2,678)
Treasury stock movement		-	-	-	-
Dividends paid to shareholders		-	-	-	-
<b>Balance at 30 June 2020</b>		<b>31,136,388</b>	-	<b>(25,328,115)</b>	<b>5,808,273</b>

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





**Powerhouse Ventures Limited**  
**Statement of Financial Position**  
**As at 30 June 2021**

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
Cash and cash equivalents	12	4,813,464	1,369,715
Trade and other receivables and prepayments	13	414,679	45,957
Investments in portfolio companies	23, 24	3,181,352	4,467,899
Right-of-use-asset	25	-	14,168
<b>Total assets</b>		<u><b>8,409,495</b></u>	<u><b>5,897,739</b></u>
<b>LIABILITIES</b>			
Trade and other payables	14	99,596	73,473
Lease Liability	25	-	15,993
<b>Net assets</b>		<u><b>8,309,899</b></u>	<u><b>5,808,273</b></u>
<b>EQUITY</b>			
Share capital	10	35,211,857	31,136,388
Accumulated losses		<u>(26,901,958)</u>	<u>(25,328,115)</u>
<b>Total equity</b>		<u><b>8,309,899</b></u>	<u><b>5,808,273</b></u>




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**Russell Yardley, Chairman**  
For and on behalf of the Board  
Date: 29 September 2021




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**Geoff Gander**  
For and on behalf of the Board  
Date: 29 September 2021

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

**Powerhouse Ventures Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		317,938	816,999
Payments to suppliers and employees		(1,274,390)	(1,089,974)
Finance income		1,646	-
Income taxes paid		-	-
Interest paid		-	(96,510)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>15</b>	<b>(954,807)</b>	<b>(369,485)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments and convertible notes		(131,056)	(277,507)
Sale of investments		483,927	3,672,337
Proceeds from sale of property plant and equipment		504	160
Receipts from/(payments for) short term loans to investee companies		-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>353,376</b>	<b>3,394,990</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		4,169,270	314,337
Repayments of convertible notes		-	(2,089,400)
Equity issuance costs		(124,089)	(3,322)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>4,045,181</b>	<b>(1,778,385)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,443,750</b>	<b>1,247,120</b>
Cash and cash equivalents at the beginning of the year		1,369,714	122,594
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>4,813,464</b>	<b>1,369,714</b>

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



## **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") and the Financial Markets Conduct Act (FMCA). The financial statements were authorised for issue by the company on 30 August 2021.

### **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 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020.

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 1 (e) and notes 20-21), 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).

### **Summary of significant accounting policies**

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



**(a) Basis of 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).



**(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 current portfolio includes a limited number of investments and the Company does not exercise significant influence over all individual investment portfolio Companies.

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.



**(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 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) 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 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. One investment in the current period was recorded in this manner, using a valuation model developed by management which was based solely on level 3 inputs.
- 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.

**(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.



**(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.

**(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'. 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 and third 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.

*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.



**Powerhouse Ventures Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**(f) Financial instruments (continued)**

**Classification and measurement of financial liabilities:**

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.

Shares and options granted under the Employee Stock Ownership scheme were accounted for by applying IFRS2.

Options to PAC Partners were accounted for under IFRS2, and was calculated by applying the "Black & Scholes" option model.



**(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. Those benefits which are expected to settle greater than 12 months are held at present value.

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) Leases**

The Company's accounting for leases is explained in Note 25.

**(j) 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.

**(j) 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.



**(k) 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). 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.

**(l) 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.

**(m) 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.

**(n) 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.

**(o) 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 executive directors in order to allocate resources to the segment and to assess its performance. The Company's executive directors are the chief operating decision makers.

**(p) 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.

**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 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. The Covid-19 pandemic and its adverse affect on the economy has created a greater level of uncertainty around the ability to exit existing Investments.

Cashflow forecasts are uncertain by their very nature. However, the Directors consider plans in place are adequate to enable the Company to meet its financial obligations and continue as a going concern. This is demonstrated through the Rights Issue capital raises of AUD \$1.59m and NZD \$23k; as well as issuing options worth AUD \$1.9m and NZD \$366k throughout the year. Therefore, the Directors consider these financial statements are appropriately prepared on a going concern basis.

**3 Revenue from contracts with customers**

	2021	2020
	\$	\$
Services provided within New Zealand	17,800	38,775
<b>Total Revenue from contracts with customers</b>	<b>17,800</b>	<b>38,775</b>

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.

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

	2021	2020
	\$	\$
Revaluation gains on investments at fair value through profit or loss	226,490	1,997,229
Revaluation losses on investments at fair value through profit or loss	(1,164,520)	(1,540,983)
<b>Net gain/(loss) on investments at fair value through profit or loss</b>	<b>(938,030)</b>	<b>456,246</b>

Revaluation gains in the current year include CertusBio \$0.21m, Ferronova \$0.004m, Deliveon \$0.018m (2020: Cirrus \$0.45m, Inhibit \$0.57m, Ferronova \$0.06m, Objective Acuity \$0.82m, \$0.07m Tiro)

Revaluation losses in the current year include Objective Acuity \$1.16m (2020: Croplogic \$0.5m, Avalia \$0.5m, Auramer \$0.4m, 2.2 Gforce \$0.11m).

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

	2021	2020
	\$	\$
Provision for/(reversal of) expected credit losses of cash held as a guarantee (Note 12)	-	-
Provision for expected credit losses (Note 13)	-	-
Other	(19,356)	-
<b>Total impairment of financial assets expense</b>	<b>(19,356)</b>	<b>-</b>

The current year impairment charge is \$0.02m. (2020: Motim \$0.05m and Solarbright \$0.03m).

**6 Employee benefits expense**

	2021	2020
	\$	\$
Salaries	127,626	272,716
Kiwisaver defined contribution plans	3,600	6,613
Directors' fees	268,243	264,204
<b>Total employee benefits expense</b>	<b>399,469</b>	<b>543,533</b>

Directors remuneration and fees during the year amounting to \$60,577 have been paid via the equity for fees plan, please refer to note 11(i) for more information.



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**7 Other Expenses**

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Audit Fees	76,217	93,719
Accounting and Tax Advisory	5,670	-
Insurance	48,284	45,886
Office costs and rent	27,503	119,102
Miscellaneous expenses	19,353	5,729
Foreign exchange movements	32,241	35,977
Contractors	487,766	56,251
<b>Total Other Expenses</b>	<b>697,034</b>	<b>356,663</b>

Contractor fees amounting to \$290,107 were paid via the Options issued to PAC partners, as per note 11(ii)

**8 Income taxes**

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

	<b>2021</b>	<b>2020</b>
<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>
<b>Total tax expense/(credit)</b>	<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:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) before tax expense	(1,573,843)	(47,066)
Expected tax charge using tax rate applicable for the year (28%)	<b>(440,676)</b>	<b>(13,178)</b>
Realised (gain)/loss on investments	(186,119)	(61,254)
Other Non-Assessable Income	(53,507)	(5,059)
Unrealised (gain)/loss on investments	262,648	(127,749)
Non-Deductible Feasibility Expenditure	185,013	85,727
Other Non-Deductible Expenditure	21,950	(553)
Unrecognised current year tax losses	210,691	117,326
<b>Total tax expense/(credit)</b>	<u>-</u>	<u>(4,740)</u>

**(b) Current tax assets and liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Current tax assets:		
Current tax refundable	<u>-</u>	<u>-</u>
Current tax liabilities:		
Current tax payable	<u>-</u>	<u>-</u>



**8 Income taxes (continued)**

**(c) Deferred tax assets**

Deferred tax assets comprise temporary differences attributable to:	<b>2021</b>	<b>2020</b>
	\$	\$
Employee benefits	-	-
<b>Deferred tax assets</b>	<u>-</u>	<u>-</u>

Movements in the deferred tax asset account:	<b>2021</b>	<b>2020</b>
	\$	\$
Opening balance	-	-
(Charged)/credited to profit or loss	-	-
Closing balance	<u>-</u>	<u>-</u>

The Company has unused tax losses and credits amounting to \$7,088,783 (2020: \$5,981,014) 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:	<b>2021</b>	<b>2020</b>
	\$	\$
Net value of investments at fair value through profit or loss	-	-
<b>Deferred tax liabilities</b>	<u>-</u>	<u>-</u>

Movements in the deferred tax liability account	<b>2021</b>	<b>2020</b>
	\$	\$
Opening balance	-	-
Charged/(credited) to profit or loss	-	-
Closing balance	<u>-</u>	<u>-</u>

**(e) Imputation credits**

	<b>2021</b>	<b>2020</b>
	\$	\$
Imputation credits available for use	2,079	-





## 9 Earnings per share calculation

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

	2021	2020
<b>Basic loss per share (cents)</b>	(2.3)	(0.1)
Losses used in the calculation of total basic loss per share	\$(1,573,843)	\$(47,066)
Weighted average number of ordinary shares for the purposes of basic loss per share	68,466,301	31,941,870

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

	2021	2020
<b>Diluted loss per share (cents)</b>	(2.3)	(0.1)
Losses used in the calculation of total diluted loss per share	\$(1,573,843)	\$(47,066)
Weighted average number of ordinary shares for the purposes of diluted loss per share	68,466,301	31,941,870

## 10 Share capital

At 30 June 2021, share capital comprised 92,743,176 authorised and issued ordinary shares (2020: 32,311,733). All issued shares are fully paid and have no par value.

### Share capital comprises:

	2021	2020
	\$	\$
Authorised, issued and fully paid in capital	36,857,120	32,657,563
Treasury stock	(2,136)	(2,136)
Issuance costs	(1,643,127)	(1,519,039)
<b>Total share capital</b>	<b>35,211,857</b>	<b>31,136,388</b>

### Movements in share capital

	2021	2020
	\$	\$
Opening balance	31,136,388	30,825,373
Shares issued during the period for cash	1,766,207	314,337
Shares issued during the period in respect of non-cash transactions	30,288	-
Issuance costs incurred	(124,089)	(3,322)
Options converted to shares for cash	2,403,063	-
Other movements	-	-
<b>Closing balance</b>	<b>35,211,857</b>	<b>31,136,388</b>

Shares issued during the period for cash relate to a capital rights issue of 32,311,733 shares. 28,119,710 shares were issued throughout the year by a combination of a conversion of options and fee for equity arrangements.

### Number of ordinary shares authorised, issued and fully paid

	2021	2020
	shares	shares
Opening balance	32,311,733	29,311,733
Shares issued during the period for cash	32,311,733	3,000,000
Shares issued to directors during in current year	479,316	-
Options converted to shares for cash	27,640,394	-
<b>Closing balance</b>	<b>92,743,176</b>	<b>32,311,733</b>

10 Share capital (continued)

Treasury stock

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

	2021		2020	
	Number of shares	Value of shares (\$)	Number of shares	Value of shares (\$)
Opening balance	9,832	2,136	9,832	2,136
Distributed to Executives as ESOP	-	-	-	-
Distributed to Executives in lieu of salaries	-	-	0	0
Distributed to Directors for Director fees	-	-	0	0
Distributed to employees as STI	-	-	0	0
<b>Closing balance</b>	<b>9,832</b>	<b>2,136</b>	<b>9,832</b>	<b>2,136</b>

Components of treasury stock as at reporting date:

	2021		2020	
	Number of shares	Value of shares (\$)	Number of shares	Value of shares (\$)
Acquired for the employee ESOP	9,832	2,136	9,832	2,136
Balance of shares acquired during restructuring	-	-	-	-
	<b>9,832</b>	<b>2,136</b>	<b>9,832</b>	<b>2,136</b>

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 (2020: nil) shares directly with the balance of 9,832 ( 2020: 9,832) shares held in trust for the Company by Powerhouse Ventures Managers Limited.



**11 Share-based payments**

(i) Equity for Fees

During 2021 the Company entered into an equity for fees payment structure for the directors and a contractor.

Under the plan, the individuals were granted shares and options, in lieu of fees received on a quarterly basis. The options granted under this scheme are exercisable at A\$0.07 each on or before 31 December 2023. The value of the fees granted in the 2021 financial year was \$60,577 and is included in the Directors' fees expense line (Note 6).

The Equity for fees plan has been discontinued on 19th May 2021.

*Reconciliation of Equity for Fees*

	<b>2021</b>	<b>2020</b>
	<b>number</b>	<b>number</b>
Opening balance	-	-
Shares granted during the reporting period	479,316	-
Options granted during the reporting period	1,566,294	-
<b>Closing balance</b>	<b>2,045,610</b>	<b>-</b>

(ii) Options issued to PAC Partners

During 2021, the Company engaged PAC Partners Securities Pty Ltd (PAC Partners) as a contractor.

As part of the engagement, PVL Agreed to pay PAC Partners a fee of 8,000,000 options (Broker Options) for this role.

The Broker Options have the same terms as the shortfall options issued under the Offer and, like the shortfall options, have since been listed on ASX and now trade under the ASX ticker "PVLO". PVLO have an exercise price of A\$0.07 and expire on 31 December 2023.

PVL have valued these broker options using the Black & Scholes option model. The value of these options as at 30 June 2021 are \$A0.03. The value of the options granted in the 2021 financial year was \$290,107 and is included in Contractors expenses (Note 7).

*Reconciliation of options granted to PAC Partners*

	<b>2021</b>	<b>2020</b>
	<b>number</b>	<b>number</b>
Opening balance	-	-
Options granted during the reporting period	8,000,000	-
<b>Closing balance</b>	<b>8,000,000</b>	<b>-</b>

**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.



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**12 Cash and cash equivalents**

	2021	2020
	\$	\$
Cash at bank available on demand	4,813,464	1,369,715
<b>Total cash and cash equivalents</b>	<b>4,813,464</b>	<b>1,369,715</b>

**13 Trade and other receivables and prepayments**

	2021	2020
	\$	\$
Trade debtors	516,835	326,062
Provision for expected credit losses	(153,787)	(322,389)
Prepayments	49,314	39,242
GST receivable	2,317	3,042
<b>Total trade and other receivables and prepayments</b>	<b>414,679</b>	<b>45,957</b>

The provision for expected credit losses is based on estimated non-recoverable amounts determined by reference to circumstances and past default experience.

**2021 Trade Debtors**

	0 days	1 - 30 days	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	-	362,473	-	575	153,787	516,835
Expected credit loss	-	-	-	-	153,787	153,787

**2020 Trade Debtors**

	0 days	1 - 30 days	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	-	3,608	(222)	288	322,389	326,062
Expected credit loss	-	-	-	-	322,389	322,389

**14 Trade and other payables**

	2021	2020
	\$	\$
Trade payables	39,420	21,308
Employee entitlements	7,176	290
Other accruals	53,000	51,875
<b>Total trade and other payables</b>	<b>99,596</b>	<b>73,473</b>

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(1,573,843)	(47,066)
<b>(Less)/plus non cash items</b>		
Depreciation	14,168	17,349
Lease Liability	(15,993)	-
FX translation	(4,354)	1,228
Net changes in fair value of investments at fair value through profit or loss	938,030	(270,789)
Expense converted to investments	-	-
Deferred tax movement	-	-
Trademark impairment	-	-
Share-based payment expense/(credit)	-	-
Unpaid interest receivable	-	-
Director fees paid in shares	30,288	-
Issue of shares to employees	-	-
Impairment of financial assets	-	-
Provisions	-	-
Fair value movement on convertible note asset	-	-
Gain/Loss on sale of Fixed Asset	(504)	(80)
Suspense	(5,197)	(2,174)
<b>(Less)/plus changes in working capital</b>		
Decrease/(increase) in trade and other receivables	(364,249)	(3,557)
Decrease/(increase) in accrued income	-	-
Decrease/(increase) in current tax receivable	-	-
(Decrease)/increase in trade and other payables	26,848	(48,086)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(954,806)</b>	<b>(353,175)</b>

**16 Reconciliation of liabilities arising from financing activities**

No liabilities from financing activities for 2020 and 2021. Changes in the Company's liabilities arising from financing activities can be classified as follows for the 2020 financial year:

	<b>Convertible loan notes</b>	<b>Short term loans</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>1 July 2019</b>	<b>2,089,400</b>	<b>-</b>	<b>2,089,400</b>
<b>Cash flows</b>			
Repayments	(2,089,400)	-	(2,089,400)
<b>Non-cash</b>			
Fair value	-	-	-
<b>30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>

**17 Remuneration of Auditors**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Audit of the financial statements	54,217	52,329
Review of interim financial statements	22,000	41,391
<b>Total remuneration paid to auditors</b>	<b>76,217</b>	<b>93,720</b>

## 18 Segment Information

### Reportable segments

Under NZ IFRS 8 operating segments, as at 30 June 2021, the Company operates in one geographical segment, Australasia. The Company has operated one operating segment: investment in and incubation of start-up companies using IP developed in tertiary institutions. This segment encompasses start-ups in both New Zealand and Australia, with the board of directors across both countries. The Chief operating decision maker is Russell Yardley.

## 19 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.

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 2021

Name	Revenues	Expenses	Trade and other receivables	Trade and other payables
	\$	\$	\$	\$
Subsidiary and associate portfolio companies	17,800	-	363,048	-

#### For the year ended 30 June 2020

Name	Revenues	Expenses	Trade and other receivables	Trade and other payables
	\$	\$	\$	\$
Subsidiary and associate portfolio companies	38,775	-	3,673	-
Directors Fees	-	264,204	-	-
Convertible note assets	-	-	-	-
Short term loans (per Note 14)	-	-	-	-

At the reporting date \$nil (2020: \$nil) 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 and non executive management team.

	2021	2020
	\$	\$
Short-term employee benefits	180,405	266,529
Treasury shares issued	-	-
Equity-settled share-based payments	30,288	-
<b>Total key management personnel compensation</b>	<b>210,693</b>	<b>266,529</b>

### (c) Disclosure of Directors' Interests

On the 28th August 2020, executive directors Russell Yardley & Geoff Gander each acquired 2,000,000 shares for a cash consideration of AUD\$100,000 with 2,000,000 free attaching options. The options have a strike price of AUD\$0.07 expiring on the 31 December 2023. As at 31 December 2020 PVLs directors' had the following shareholdings in the company:

As at 30 June 2021 PVL's directors had the following shareholdings in the company:

KMP	Ordinary Shares	Options
Russell Yardley	5,622,624	70,097
Geoff Gander	4,680,111	84,803
Lachlan Armstrong	400,000	0
Tim Hannon	1,160,000	0
Peter McGrath	111,600	0

**20 Commitments**

***Investments***

The Company had no commitments to investing into new and existing investee companies as at 30 June 2021 based on uncertain events. (2020: nil)

**21 Contingencies**

There were no contingent assets as at 30 June 2021 (2020: nil).

**Contingent liabilities**

There were no contingent liabilities as at 30 June 2021 (2020: nil).

The Directors have entered into legal correspondence with a previous investee company claiming reimbursement by the company. The directors do not consider it probable that an outflow of resources will be required to settle the matter, however at the time of signing the financial statements the outcome of this matter was not known. As such no provision is raised in relation to this matter noted.

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

Name of subsidiary or associate	2021 ownership interest	2020 ownership interest	Nature of operations
2.2 GForce Limited	0.0%	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	0.0%	44.1%	Developed a range of low force lift and transfer devices to improve the mobility of frail patients.
Veritide Limited	30.4%	30.4%	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	16.7%	21.9%	Develops personalised nutritional solutions based on high quality nutritional science and technology.
CertusBio Limited	23.0%	23.5%	Development of biosensor solutions for dairy and other industries.
Photonic Innovations Limited	30.6%	30.6%	Develops a laser spectroscopy-based gas detection system to identify gas leaks.

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.

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.





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

Name of other entity	2021 ownership interest	2020 ownership interest	Nature of operations
Inhibit Coatings Limited	17.5%	17.5%	Uses nanotechnology for environmentally friendly marine antifouling and antimicrobial coatings.
Ferronova Pty Limited	12.6%	17.1%	Develops a medical device that helps in easier detection of cancers using magnetic tracers.
EdPotential Limited	11.8%	11.8%	Provides software for schools to inquire into assessment data and improve achievement.
Fluent Scientific Limited	15.4%	15.4%	Uses facial and verbal micro-expression analysis to enhance verbal and visual communication.
Auramer Bio Limited	12.7%	12.7%	Provides novel chemical sensing technologies for small molecule and protein detection.
Objective Acuity Limited	10.1%	11.9%	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	8.9%	8.9%	Develops protein-based materials and products for the medical and lifesciences markets.
Avalia Immunotherapies Limited	9.5%	9.7%	Develops vaccine and adjuvant technologies for the treatment of cancer, allergy and disease.
Invert Robotics Limited	0.0%	0.0%	Designs and manufactures mobile robotic systems and delivers inspection services.
MARS Bioimaging Limited	0.0%	0.0%	Provides in-vivo colour x-ray imaging to drug research companies.
Hot Lime Labs Limited	0.0%	11.2%	Developing CO2 capture systems for biomass boilers in order to supply commercial greenhouse growers with low-cost, renewable CO2.
Cirrus Materials Science Limited	5.9%	5.9%	Develops and licenses chemistry technologies and IP for novel coatings and surface finishing solutions.
Orbis Diagnostics Limited	0.0%	4.9%	Developing in-line milking measurement for protein, fat, somatic cell and progesterone.
CropLogic Limited	1.2%	1.3%	Provider of yield-predicting decision-support software for the agriculture sector.
Tiro Medical Limited	0.0%	0.0%	Develops physiological modelling systems using digital sensor technologies.

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.

**24 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:

<b>Asset pool type</b>	<b>Financial asset type</b>	<b>Percentage holding</b>
<b>A1</b>	Cash	At least 30%
<b>A2</b>	Term deposits <= 180 days	At least 30% until financial assets fall to below \$5 million
<b>B1</b>	Term deposits > 180 days	Maximum of 20% but reducing to nil when financial assets fall to below \$5 million
<b>B2</b>	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.



**24 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.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>100 basis points increase in interest rates</b>		
Impact on profit for the year	68	(8,174)
Impact on equity for the year	49	(5,885)
<b>100 basis points decrease in interest rates</b>		
Impact on profit for the year	(68)	7,933
Impact on equity for the year	(49)	5,712

**(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.



24 Financial Instruments (continued)

(g) Classification of financial assets and liabilities

	Amortised cost	Fair value through profit or loss	Total
	\$	\$	\$
<b>As at 30 June 2021</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4,813,464	-	4,813,464
Trade and other receivables	365,365	-	365,365
Convertible notes in portfolio companies	-	-	-
Investments	-	3,181,352	3,181,352
<b>Total financial assets</b>	<b>5,178,829</b>	<b>3,181,352</b>	<b>8,360,181</b>
<b>Financial liabilities</b>			
Trade and other payables	99,596	-	99,596
Convertible notes	-	-	-
<b>Total financial liabilities</b>	<b>99,596</b>	<b>-</b>	<b>99,596</b>
<b>As at 30 June 2020</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,369,715	-	1,369,715
Convertible notes in portfolio companies	-	-	-
Investments	-	4,467,899	4,467,899
<b>Total financial assets</b>	<b>1,376,430</b>	<b>4,467,899</b>	<b>5,844,329</b>
<b>Financial liabilities</b>			
Trade and other payables	73,473	-	73,473
Convertible notes	-	-	-
<b>Total financial liabilities</b>	<b>73,473</b>	<b>-</b>	<b>73,473</b>

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 where one or more significant inputs are not observable (unobservable inputs).

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

**As at 30 June 2021**

*Financial assets designated at fair value through profit or loss*

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investments at fair value through profit and loss valued at last capital raise, supplemented by milestone analysis	-	-	2,736,352	2,736,352
Investments at fair value through profit or loss valued using significant non-observable inputs	-	-	445,000	445,000
<b>Total financial assets measured at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>3,181,352</b>	<b>3,181,352</b>



24 Financial Instruments (continued)

As at 30 June 2020

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 supplemented by milestone analysis	-	-	4,467,899	4,467,899
<b>Total financial assets measured at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>4,467,899</b>	<b>4,467,899</b>

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 and other valuation techniques	3,181,352	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.	Any interrelationships between unobservable inputs will be analysed to the extent that they may effect the fair value measurement. Fair value is highly influenced by price of recent investment, with portfolio companies completing capital raises during 2019-2021. There is a risk that if a more up-to-date capital raise was completed, this may result in a material change to 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

	2021 \$	2020 \$
Opening balance	4,467,900	7,045,110
Total unrealised fair value gains recognised in profit or loss	230,843	1,996,001
Total unrealised fair value losses recognised in profit or loss	(1,164,520)	(1,028,381)
Transfers to investments classified as level one in the fair value hierarchy	-	-
Total fair value of investments purchased	131,056	277,507
Total fair value of convertible notes converted to equity	-	40,000
Total fair value of short term loans converted to equity	-	-
Total fair value of trade debtors converted to equity	-	-
Total fair value of investments acquired on restructuring	-	12,000
Total fair value of investments disposed	(483,927)	(3,874,337)
Closing value	<b>3,181,352</b>	<b>4,467,900</b>

24 Financial Instruments (continued)

(h) 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
	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2021</b>						
<b>Financial assets</b>						
Cash and cash equivalents	4,813,464	-	-	-	-	4,813,464
Trade and other receivables	-	365,365	-	-	-	365,365
Convertible notes in portfolio companies	-	-	-	-	-	-
Investments	-	-	-	-	3,181,352	3,181,352
<b>Total financial assets</b>	<b>4,813,464</b>	<b>365,365</b>	<b>-</b>	<b>-</b>	<b>3,181,352</b>	<b>8,360,181</b>
<b>Financial liabilities</b>						
Trade and other payables	-	39,420	53,000	7,176	-	99,596
Convertible notes	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>39,420</b>	<b>53,000</b>	<b>7,176</b>	<b>-</b>	<b>99,596</b>
	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	1,369,715	-	-	-	-	1,369,715
Trade and other receivables	-	6,715	-	-	-	6,715
Convertible notes in portfolio companies	-	-	-	-	-	-
Investments	-	-	-	-	4,467,899	4,467,899
<b>Total financial assets</b>	<b>1,369,715</b>	<b>6,715</b>	<b>-</b>	<b>-</b>	<b>4,467,899</b>	<b>5,844,329</b>
<b>Financial liabilities</b>						
Trade and other payables	-	21,308	51,875	290	-	73,473
Convertible notes	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>21,308</b>	<b>51,875</b>	<b>290</b>	<b>-</b>	<b>73,473</b>

**25 Leases**

This Note provides information for leases where the Company is a lessee.

(i) The Company's leasing activities as a lessee

The new standard allows for an exemption for payments associated with short term leases, those with a term of 12 months or less, and leases of low-value assets, which can be recognised on a straight line basis as an expense in the profit or loss.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset or similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Given the Company has no external debt, an incremental borrowing rate of 6.00% has been applied.

The Company is exposed to potential future increases in lease payments based on market rates, which are not included in the lease liability until they take effect. When adjustments to the lease payments take effect, the lease liability will be reassessed and adjusted against the right of use asset.

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application.

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. The finance costs is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

(a) Amounts recognised in the Statement of Financial Position.

The Statement of Financial Position shows the following amounts relating to leases:

	2021	2020
	\$	\$
Right of use assets		
Office space	-	14,168
	<u>-</u>	<u>14,168</u>
	2021	2020
	\$	\$
Lease liabilities		
Office space	-	15,993
	<u>-</u>	<u>15,993</u>

(b) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021	2020
	\$	\$
Depreciation charge of right of use assets	14,168	15,457
Interest expense	505	1,574
	<u>14,673</u>	<u>17,031</u>



**26 Covid-19**

Initially declared as a pandemic on March 11, 2020 by the World Health Organisation; COVID-19 has resulted in economic uncertainty and significantly increased volatility in capital markets in the 2021 financial year. The Company has successfully completed rights issues in the 2021 financial year, indicating that COVID-19 has had little impact on their ability to raise capital.

**27 Subsequent Events**

As noted in the recent announcements to the ASX:

On 21 July 2021, Pac Partners has exercised 2 million options at \$0.07 per option, resulting in \$140,000 worth of capital raised by the Company.

On 24 August 2021, Lachlan Armstrong, Peter McGrath and Tim Hannon resigned as Non-Executive Directors. On this date, Nitesh Patel was re-appointed as Non-Executive Director.



## Independent Auditor's Report

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### To the Shareholders of Powerhouse Ventures Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Powerhouse Ventures Limited (the "Company") on pages 5 to 38 which comprise the statement of financial position as at 30 June 2021, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Powerhouse Ventures Limited as at 30 June 2021 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 Qualified Opinion

Included within Investments in Portfolio Companies is an investment with a carrying value of \$445,000. As disclosed in Note 24, for this particular investment the Company considers that the price of recent investment is no longer an appropriate indicator of fair value. As such the Company has prepared a valuation model developed by management which is based solely on level 3 inputs. Due to the sensitivity of unobservable inputs we have been unable to obtain sufficient appropriate audit evidence regarding the appropriateness of the model's key inputs and judgments in order to determine whether the carrying value is materially misstated. Consequently, we were unable to determine whether any adjustment to the carrying value for this particular investment is required.

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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

### 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 qualified opinion thereon, and we do not provide a separate opinion on these matters.

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 qualified 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 22, 23 and 24 to the financial statements.</p> <p>The Company's investments in portfolio companies represent approximately 38% of the Company's total assets as at 30 June 2021.</p> <p>The investments are carried at fair value, established using the International Private Equity and Venture Capital Valuation Guidelines or other valuation techniques as deemed appropriate.</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 to reach our qualified opinion we performed the following procedures in respect of this matter:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• We obtained management's valuation model and assessed the reasonableness of the model and inputs used.</li> <li>• 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.</li> <li>• We considered whether there were any other indicators for impairment for individual portfolio companies, relevant to the nature and stage of the investment.</li> <li>• We assessed the adequacy of the disclosures made by the directors in the financial statements regarding the valuation of investments and how best to bring the uncertainty that surrounds these investments to the attention of users of these financial statements.</li> </ul>

### 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 qualified 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 there is a material misstatement therein, we will be 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 qualified 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/>.

#### Grant Thornton New Zealand Audit Limited



**M Stewart**  
Partner  
Christchurch

**29 September 2021**

# Statutory Information

## Twenty Largest Shareholders As at 19 October 2021

Shareholder	Fully paid shares held	Percentage of capital
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	30,819,802	32.53
PARMELIA PTY LTD <REILLY FAMILY SUPER FUND A/C>	6,636,484	7.00
UNITED WORLD GROUP PTY LTD <UNITED WORLD GROUP PTY LTD>	5,858,576	6.18
YARDLEY FAMILY SUPER FUND P/L <YARDLEY FAMILY S/F A/C>	4,749,913	5.01
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	3,981,408	4.20
SAMADA STREET NOMINEES PTY LTD <GILES FAMILY NO 2 A/C>	3,000,000	3.17
MR GEOFFREY ANTHONY GANDER	2,680,111	2.83
GEOFFREY ANTHONY GANDER <THE GANDER SUPER A/C>	2,000,000	2.11
MICHLANGE PTY LTD <WARBURTON SELF ADMIN S/F A/C>	2,000,000	2.11
PAC PARTNERS SECURITIES PTY LTD	2,000,000	2.11
MAXLEK PTY LTD <JIMS AND JOELS SUPER FUND>	1,200,000	1.27
MR PAUL COHN	1,190,000	1.26
SHAH NOMINEES PTY LTD	1,052,680	1.11
MAGENTACITY PTY LTD <EMERY SUPER FUND A/C>	1,000,000	1.06
PINDARI ROAD PTY LTD <CUNNINGHAM SNOOKS SUPER A/C>	1,000,000	1.06
ALGONQUIN INVESTMENTS PTY LTD <THE YARDLEY FAMILY A/C>	872,711	0.92
MR STEPHEN PETER HAMPSON	751,980	0.79
MS JI WANG	736,612	0.78
SABA NOMINEES PTY LTD <SABA A/C>	690,076	0.73
MX NOMINEES PTY LTD	600,000	0.63
<b>Top 20 holders of Ordinary Fully Paid (TOTAL)</b>	<b>73,420,353</b>	<b>77.49</b>

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 19 October 2021

As at 19 October 2021, 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 19 October 2021	Name of substantial holder	Relevant interest in number of shares	% held as at the date of notice
5 August 2021	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	30,819,802	32.53%
12 May 2021	PARMELIA PTY LTD	6,636,484	7.00%
19 August 2019	UNITED WORLD GROUP PTY LTD	5,858,576	6.18%
12 May 2021	YARDLEY FAMILY SUPER FUND	4,749,913	5.01%

#### Distribution of ordinary shares and shareholders as at 19 October 2021

Range	Number of holders	Number of ordinary shares	% of issued capital
1 – 1,000	21	8,449	0.01
1,001 – 5,000	147	506,776	0.53
5,001 – 10,000	103	821,610	0.87
10,001 – 100,000	219	8,628,787	9.11
100,001 and over	73	84,777,554	89.49
Total	563	94,743,176	100.00

As at 19 October 2021, the total number of shares on issue was 94,743,176.

A total of 84,688,422 ordinary shares were held by 264 shareholders resident in Australia. Two shareholders who hold a total of 114,056 shares are 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 403 shareholders holding less than a marketable parcel of shares as defined in the ASX Listing Rules (based on the closing price of A\$0.12 per share on 19 October 2021). The ASX Listing Rules define a marketable parcel of shares as a “parcel of not less than AU\$500”.

As at 19 October 2021 the Company had two classes of securities being fully paid ordinary shares and listed options as outlined below.

Equity Class	Number of Holders	Total on issue
Fully paid ordinary shares	563	94,743,176
Listed options	84	12,227,631

All ordinary shares carry one vote per share. Each Shareholder is entitled to receive notice of and attend and vote at general meetings of the Group. At a general meeting, every Shareholder present in person or by proxy, will have one vote on a show of hands and on a poll, one vote for each share held.

### 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 2021. 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
- appointed 28 February 2017	Ferronova Pty Ltd	Board Member
	Australian Research Data Commons	Board Member
Geoff Gander	Jupiter Energy Limited	Chair / CEO
(Geoffrey Anthony Gander)		
- appointed 15 September 2018		
Nitesh Patel	Gana Capital Pty Ltd	Director
- appointed 24 August 2021		

# Powerhouse Directory

As at 30 June 2021

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## Registered Office of the Company

### Address:

Level 1, North Lobby  
Awly Building  
293 Durham Street  
Christchurch 8013  
New Zealand

**Website:** [www.powerhouse-ventures.co.nz](http://www.powerhouse-ventures.co.nz)

**Email:** [info@powerhouse-ventures.co.nz](mailto:info@powerhouse-ventures.co.nz)

## Wellington

### Address:

Gracefield Innovation Quarter  
C Block, 69 Gracefield Road  
Lower Hutt 5010  
New Zealand  
+64 3 372 3321

## Christchurch Corporate Office

### Address:

Level 1, North Lobby  
Awly Building  
293 Durham Street  
Christchurch 8013  
New Zealand  
+64 3 372 3321

### Postal:

PO Box 29519  
Riccarton  
Christchurch 8440  
New Zealand

## Registered Office in Australia

### Address:

c/o Scottish House  
Level 4  
90 William Street  
Melbourne  
VIC 3000  
Australia

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## External Auditor

Grant Thornton New Zealand Audit  
Limited, Christchurch  
L3, Grant Thornton House  
134 Oxford Terrace  
  
Christchurch 8140

## Share Registry

Computershare Investor Services Pty Limited  
  
GPO Box 2975  
Melbourne  
  
VIC 3001  
Australia  
  
(New Zealand) +61 3 9415 4062  
(Australia) 1300 555 159  
(Overseas) +61 3 9415 4062  
  
<https://www-au.computershare.com/Investor/>

## Solicitors

### New Zealand

Lowndes Law  
Level 5, Lowndes  
House  
18 Shortland Street  
Auckland 1141

### Australia

Steinepreis Paganin  
Level 4  
50 Market Street  
Melbourne  
VIC 3000

