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Powerhouse Ventures Limited  
ASX Code: PVL  
Annual Report  
**2016**

powerHouse



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



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



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**Kerry McDonald**  
Chairman  
Powerhouse Ventures Limited



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**Stephen Hampson**  
Managing Director  
Powerhouse Ventures Limited

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**We invest in  
intellectual  
property  
generated  
through  
scientific and  
technological  
research.**

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**We take a systematic approach to developing outstanding businesses that compete on a national and international scale. Our investment team works closely with our portfolio companies to shape them from the inside out. Through our close relationships with universities we are able to access and understand the research presented to us.**

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

**“Powerhouse is unique in Australasia but follows a number of successful examples in the UK.”**



# Chairman's Report

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**The highest priority for Powerhouse Ventures Limited (PVL) in 2015-16 was capital raising, but other critical activities included developing the portfolio of some 20 IP commercialisation companies and growing their value; developing relations with universities and new IP deals; and, ensuring that its organisation, people, systems, processes and policies were the best they could be for the challenges ahead.**

The capital-raising was successful, with heartfelt thanks to our many supporters – who were rewarded by our 34.6% asset value annual growth rate. It was however, apparent that the Company will have an ongoing education task regarding the 'patient capital' approach to investment and commercialisation.

Subsequently and memorably in October 2016, PVL was listed on the ASX. My sincere thanks to the many people who worked so hard to achieve this major milestone.

But becoming a listed company is simply the start of a new, more challenging - and potentially more rewarding era for PVL.

Many of us are familiar with the listed environment but the capital-raise, of some \$10 million, was just above our minimum requirement. So, in addition to pushing hard on IP deals and growth in value, efficiency and effectiveness are also critical.

We are making good progress and are very focused on the implications of being a New Zealand company listed in Australia - with its much larger capital market and appetite of investing in IP commercialisation.

Innovation has had a vital role forever, but is now increasingly seen as the dominant new frontier, particularly in reshaping or replacing traditional goods and services and their industries. So, it is vital for the future of nations and their economies. PVL's role positions it at the leading edge of these processes. Importantly, the PVL model is very different to what most IP and VC investors are used to. It is unique in Australasia but follows a number of very successful examples in the UK.

It's a challenging place to be but the challenge is rewarding, in many respects – and the better we are, the greater the rewards – for all of our stakeholders.



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**Kerry McDonald**

Chairman  
Powerhouse Ventures Limited

# Managing Director's Report

## In summary

- 2016 was a year of significant progress for Powerhouse
- net assets, excluding intangibles, increased to \$19.7 million
- total investment in portfolio companies was \$11.4 million for the year by Powerhouse and co-investors
- co-investment attracted by portfolio companies was \$8.2 million for the year
- portfolio company HydroWorks achieved sales of over \$10 million and announced their intention to list

Over the past year, Powerhouse has continued to execute its core strategy of building high-quality businesses based on intellectual property generated through academic research. We have developed a business model specifically for the purpose of commercialising intellectual property in a systematic and capital-efficient way.

## The business model to achieve this relies on three core components:

- access to potentially disruptive, commercialisable intellectual property;
- a rigorous and systematic approach to opportunity selection, shaping and business building; and
- access to sources of capital to finance businesses as they develop and mature into profitable companies.

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

## Unrivalled access to intellectual property

Following the acquisition of Kerasi in the 2015 year, the Powerhouse presence in Wellington has strengthened further this year with the joint announcement of an intention to work more closely with Victoria University of Wellington. Powerhouse has now invested in three spinouts from Victoria.

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

A key objective in recent years has been to develop robust connections to biotechnology opportunities, particularly those involving the life sciences. Through our expansion activities we have seen this objective met.

## A systematic approach to business building

Over many years Powerhouse has shaped, refined and polished its methodology for the systematic commercialisation of intellectual property. As well as requiring the provision of patient capital, our approach involves identifying talented people that have the capability and motivation to transform world-class research into globally competitive businesses.

In the early stages, it is often our own team that provide operational support to develop ventures helping companies develop validation of the commercial opportunity and developing low-risk, high-return business plans. In this past year, six of our portfolio companies benefited from the direct operational involvement of the Powerhouse team.

Powerhouse works closely with universities in Australasia to form, or assist in the formation of, spin-out companies based on fundamental innovation. The strength of Powerhouse lies within the successful management of the process of identifying intellectual property with commercial potential, the establishment of commercialisation vehicles and subsequent generation of shareholder value.

## Sources of Capital

Powerhouse has long recognised the importance of access to capital from a wide variety of sources for developing businesses alongside investment, from our own balance sheet. This past year has seen a strengthening of our access to third party capital, particularly with venture capital firms and angel networks in Australia. Co-investment into the portfolio totalled \$8.2 million in the year to 30 June 2016.

Our own capital for the development of the portfolio was significantly increased during the year as a result of the successful capital-raising activities, including the Initial Public Offering, which raised in excess of \$AUD10m (before expenses). As discussed with investors at the time of the offering, a significant proportion of the funds raised will be employed in our most promising portfolio companies.

## Outlook

The successful listing of Powerhouse has provided access to capital that will support the formation of new companies and allow our most promising companies the capital required to continue their strong growth trajectories. The listing has also informed and refined our approach to guiding our portfolio companies towards their own successful listings.

Uncertainty in the international economic and political climate presents challenges and none more so than in the funding and trading environment for early-stage developing businesses such as many of those in the Powerhouse portfolio. However, against this background, a number of these companies are launching products, generating revenues and taking advantage of the opportunities presented by the commercialisation of technology through disruptive business models.

At the end of FY16, Powerhouse had a portfolio of equity stakes in 19 companies. During the year ahead, our Company will focus on driving value within the portfolio and its approach of forming and maintaining pro-active relationships with spin out companies will continue.

The pipeline of new opportunities arising from our university engagement is extremely robust and Powerhouse will carefully monitor the rate at which new spin out companies are added to the portfolio in order to balance the resources of the Company against the pool of prospects.

The Directors believe that, as a result of its diverse and developing portfolio, strong cash position and strong access to a significant proportion of Australasia's leading scientific innovation, Powerhouse has a number of competitive advantages and is accordingly well-placed to deliver significant value for shareholders over the medium to long term.



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**Stephen Hampson**

Managing Director  
Powerhouse Ventures Limited

**Our purpose is to produce attractive returns for our shareholders through the successful commercialisation of intellectual property-based opportunities on scientific research.**

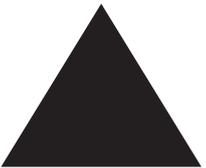


# PORTI

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# FOLIO

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# Portfolio Overview

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

**Powerhouse invests in and supports companies that are seeking to commercialise technology in one of four sectors:**

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

## **Cleantech and Engineering**

Powerhouse focuses on advanced materials and clean energy solutions for general engineering and cleantech customers.

Recent activity has been dominated by HydroWorks' acquisition of Mace Engineering, its expansion into Australia with multimillion dollar contracts in Queensland and Victoria and early preparations for its own ASX listing. SolarBright also received significant capital support as it escalated its entry into the 'Internet of Things' space through partnering with Vodafone Xone and certification work with the New Zealand Transport Agency for its intelligent road studs.

## **Digital and ICT**

Powerhouse invests in ICT companies that are aimed at revolutionising their industries, from language learning, mobile consumer marketing, to building design specification.

The last year saw a mixture of international expansion, as Motim and Modlar both strengthened their US presence to drive growth and young business Fluent Scientific began the process of validating its technology.

## **Agritech and Environmental**

Powerhouse invests in technologies that contribute to overcoming global agritech and environmental challenges, such as providing a rapidly growing population with safe, high-quality food in a sustainable way.

CropLogic, Veritide and Invert Robotics have made significant progress in deepening customer engagement through trials and in validating their business models. These businesses are well set for expansion in the coming year and Powerhouse is positioned to support CropLogic in preparing for an ASX listing in 2017.

## **Medical and Healthcare**

Powerhouse has been investing in medical and healthcare technologies more actively since 2014, with an emphasis on products that are improving diagnosis and treatments of many medical conditions to change patient outcomes without compromising quality.

Over the past year, Powerhouse's Medical and Healthcare sector portfolio has increased significantly with four new Pre-seed stage investments in the areas of vaccines, diagnostics and medical materials.

### A growing portfolio

Powerhouse's portfolio grew in Fair Value from \$11.8 million at 30 June 2015 to \$20.7 million at 30 June 2016.

The total amount invested in the portfolio companies during the year was \$11.4 million, of which Powerhouse invested \$3.4 million. About \$0.5 million was invested in the portfolio companies by co-investment partner NZVIF Investments Ltd, with the remainder coming from private sources.

The portfolio appreciated in value by an aggregate \$5.5 million in the year to 30 June 2016, primarily due to increased valuations of Powerhouse's shareholdings in Invert, HydroWorks, CropLogic and Motim. These increased valuations were underpinned by significant externally validated capital investment.

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\$ **20.7**  
m

**Fair Value of portfolio at year end 30 June 2016 (2015: \$11.8m)**

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\$ **3.4**  
m

**New investment by Powerhouse in year to 30 June 2016**

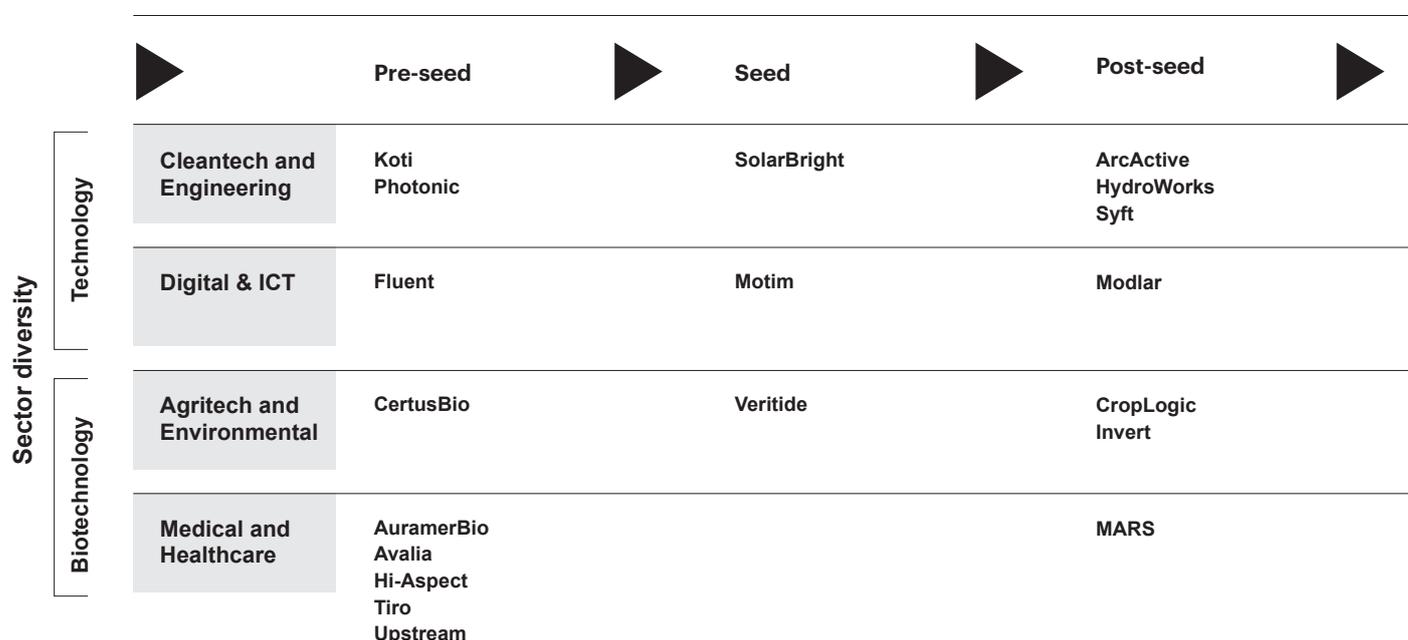
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\$ **5.5**  
m

**Value appreciation of portfolio in year to 30 June 2016**

# Portfolio Analysis

## Stage diversity



The Powerhouse portfolio grew to **19 active companies by 30 June 2016**, up from **15 active companies in 2015**.

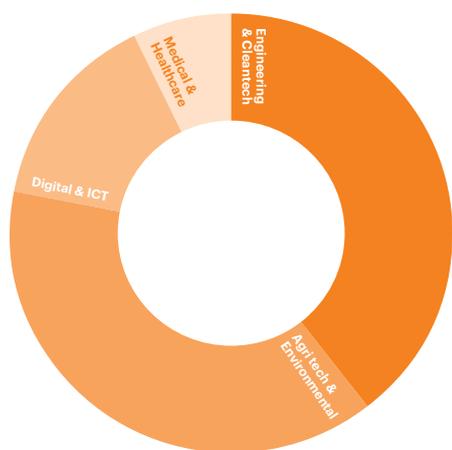
Powerhouse increased its number of companies in the Medical and Healthcare sector with the addition of four new Pre-seed stage companies: AuramerBio, Avalia Immunotherapies, Hi-Aspect and Upstream Medical Technologies.

During the year several portfolio companies have raised external capital, some via crowdfunding platforms. CropLogic and Invert Robotics are two such examples. As a result of their progress against technical and market related milestones and successful capital-raising at increased company valuations, these two companies moved from Seed stage to Post-seed stage.

In addition, Invert Robotics and Veritide have been reclassified as Agritech and Environmental sector companies.

# 19

The Powerhouse portfolio has grown to **19 companies from 15 in 2015**.



**Engineering & Cleantech**  
**\$8.1m, 39.4%**

HydroWorks	20.9%
ArcActive	7.2%
SolarBright	5.1%
Syft	2.9%
Photonic	2.1%
Koti	1.2%

**Digital & ICT**  
**\$3.0m, 14.6%**

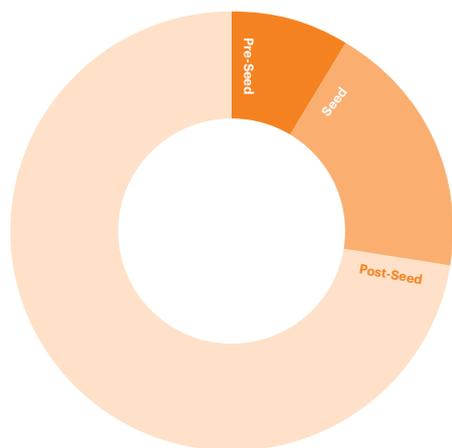
Motim	10.7%
Modlar	3.1%
Fluent	0.8%

**Agritech and Environmental**  
**\$8.0m, 38.5%**

Invert	19.0%
CropLogic	15.6%
Veritide	3.1%
CertusBio	0.7%

**Medical and Healthcare**  
**\$1.5m, 7.5%**

MARS	3.5%
Tiro	1.5%
Avalia	1.0%
Upstream	0.7%
AuramerBio	0.5%
Hi-Aspect	0.2%



**Pre-seed**  
**\$1.8m, 8.8%**

Photonic	2.1%
Tiro	1.5%
Koti	1.2%
Avalia	1.0%
Fluent	0.8%
CertusBio	0.7%
Upstream	0.7%
AuramerBio	0.5%
Hi-Aspect	0.2%

**Seed**  
**\$3.9m, 18.9%**

Motim	10.7%
SolarBright	5.1%
Veritide	3.1%

**Post-seed**  
**\$14.9m, 72.3%**

HydroWorks	20.9%
Invert	19.0%
CropLogic	15.6%
ArcActive	7.2%
MARS	3.5%
Modlar	3.1%
Syft	2.9%

# Pre-seed Stage



**A patient's fight against cancer and infectious disease is being aided by new vaccines under development by Avalia Immunotherapies.**

Avalia is a pre-clinical stage company developing vaccines to treat patients with premalignant and advanced cancers. Its unique approach to activating the immune system is showing promise in a pre-clinical setting as a stand alone therapy and also when combined with other immunotherapies to harness a more potent response — to increase the number of patients responding to existing treatments.

Powerhouse started working alongside the Malaghan Institute of Medical Research, Victoria University's Ferrier Research Institute and the University of Otago in 2014, to secure investment and help position the company for significant growth. Since incorporation in 2015, Avalia has demonstrated its lead vaccine platform in a number of commercially relevant disease settings with its international collaborators, providing the necessary momentum to progress formal safety studies and gain regulatory approvals to initiate first-in-human studies.

# 4 in 5

**Four out of five people are infected with the human papillomavirus (HPV). Developing a vaccine that harnesses an effective immune response against this virus could reduce the onset of and treat advanced cancers associated with HPV.**



**AuramerBio is an aptamer development company founded on technology from Victoria University of Wellington (VUW). It specialises in the translation of DNA aptamer sensing technologies into analytical tools and diagnostic assays, specifically in the monitoring of small molecules relevant to human health.**

Currently, the mature in-vitro diagnostics market, valued at US\$30b, is experiencing slow growth due to a trend away from laboratory testing towards point of care analysis. This decentralisation of testing services is a prime opportunity for new technologies to position for market share and AuramerBio intends to lead the way.

Powerhouse and VUW's Technology Transfer Office, Victoria Link Limited, began assessing the market opportunity for the aptamer technology in 2014 before establishing AuramerBio in the latter half of 2015. The company's innovative design methods give it a strong competitive advantage in this new field of sensing technology.

**Hi-Aspect is developing a range of new specialty ingredients for topical application in the skincare and medical industries, based on its protein fibril technology.**

These industries have an increasing need to use natural materials with sophisticated functional properties instead of synthetic nano-materials and polymers, which can be costly, toxic and persist in the environment. Applications range from general consumer skin care formulations to more sophisticated medical devices for the wound care market.

Powerhouse has worked with Professor Juliet Gerrard and her team at the University of Canterbury and Callaghan Innovation over the last four years to identify a robust path to market for her world leading structural protein technology and will continue to support her work at the University of Auckland to provide a strong product pipeline for Hi-Aspect.

**Upstream Medical Technologies will be a provider of definitive front line testing in hospital emergency departments. A suite of novel biomarkers developed in the Christchurch Heart Institute provides the basis for offering early and specific diagnosis of heart disease and associated medical complications.**

The first test promises to identify patients at risk of, but not already experiencing, a heart attack. Using current medical practice, these patients can take days to diagnose. Upstream's test could identify these patients within an hour of a blood sample being taken, enabling rapid intervention prior to heart damage occurring. The test will be performed alongside the standard test for heart attack damage, Troponin. The predicted global market size is projected to be \$US 3 billion, using Troponin as a comparator.

Powerhouse supported the formation of Upstream, providing the initial investment in December 2015 to make it possible for the company to begin commercial development of its product pipeline.

**70%**

**AuramerBio is primed to take its share of the aptamer technologies market, which is growing at a compound annual growth rate of 70% per annum and set to reach US\$5.4b by 2019.**

**\$3.9<sub>b</sub>**

**Hi-Aspect is aiming to disrupt the US\$3.9b specialty skin care ingredient sector with its natural protein based gels, the Fibrolein™ product range.**

**1 in 6**

**Of patients presenting to hospital emergency departments with chest pain, approximately 1 in 6 have, or are at risk of, a heart attack. What if we could tell who was at risk of a heart attack before it occurred?**

# Seed Stage

## Veritide

**The food industry is driven by food-safety. Detection of harmful micro-organisms through improved process control leads to higher quality food, with better shelf-life and fewer product-recalls. Annually in the US, one in six people become ill and there are 200,000 hospitalisations and 4,000 deaths — all attributable to food poisoning.**

Veritide is the creator of disruptive technology for real-time detection of faecal contamination on meat within meat processing plants. Providing both portable hand-held devices and fixed full carcass scanner technology, Veritide scanners can be integrated throughout each stage of the food processing line.

Working closely with major meat processors in Australasia, Veritide's platform technology has many other applications in food, health and bio-safety areas.

Veritide has validated its scanning technology and the demand for it, with a major New Zealand meat processing company. Customer trials using Veritide's portable scanners revealed that 55-92% of previously inspected carcasses should have failed the standard Colony Forming Units test.

Veritide is now positioned to exploit its leading-edge technology in production environments.

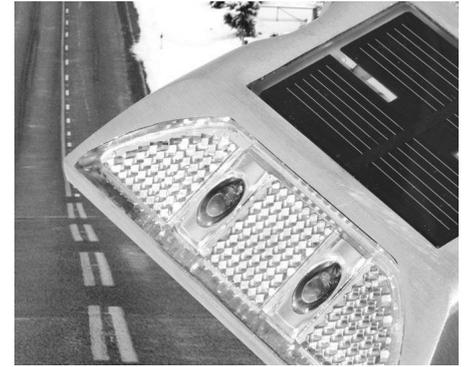


# \$10<sub>m</sub>

**A food processor will experience a product recall on average every 2.5 years and the average cost of each recall is \$10m—a damaging total of -1% of the entire industry's revenue.**

Veritide's patented BluLine portable faecal detector for meat processors.

**At the Seed stage, the primary investment objective is growth hypothesis testing. Powerhouse assesses the merits of further investment into Seed stage Portfolio Companies using its well-established and in-depth understanding. Co-investment is generally from angel groups or strategic investors.**



### Motim

**Connected mobile devices such as smart phones are increasingly integral to our everyday lives and so it is no surprise that major brands seek to interact with their consumers on these platforms. However, consumers are becoming ever more sophisticated in their reluctance to engage with conventional advertising on mobile platforms.**

Motim Technologies' combination of advanced mobile interaction technologies and creative execution skills makes it uniquely placed to offer brand owners entertaining engagement experiences that don't feel like advertising. Motim has secured direct relationships with major global brands and this is validation that the company has a special proposition and the ability to execute and deliver on a global stage. Motim has eight years' experience in creating original mobile-first, consumer-centric experiences for global brands. With an Atlanta office, the company is deepening its relationship with global brands such as Coca-Cola as it develops a SaaS business model.

### SolarBright

**SolarBright is positioned to capitalise on the LED and Solar LED lighting phenomena that are changing the way the world is illuminated.**

SolarBright is taking its innovation and manufacturing excellence to the international market with customers in over 20 countries. These include the World Bank, government agencies, local authorities and blue-chip companies.

Successful entry into the inaugural Vodafone Xone program has accelerated commercialisation of SolarBright's PatEye range—enabling real-time big data to be captured from solar-powered road studs for applications such as traffic counts, CO2 and environmental emissions monitoring, light and noise levels and road surface wear.

**\$100b**

**Mobile ad spend to top \$100 billion worldwide in 2016 – 51% of the digital market. Meanwhile the global cost of ad blocking is expected to be \$41.4 billion in 2016.**

**1000x**

**The use of sensors has increased 1,000x in 7 years. SolarBright is adding to the application of IOT sensors to their product range and opening up new markets.**



# Post-Seed Stage

## HydroWorks

**Environmental pressures are driving the increase in hydro-generation of electricity.**

HydroWorks is the only Tier 1 hydro engineering company based in Australasia, offering a full “water-to-wire” service suite – from analysis to design and then manufacture to installation.

With the ability to design, manufacture and supply hydro-turbines with world-class efficiencies and tolerances, HydroWorks provides customers with an increase in generated electricity and lower lifetime operating costs, resulting in increased profits.

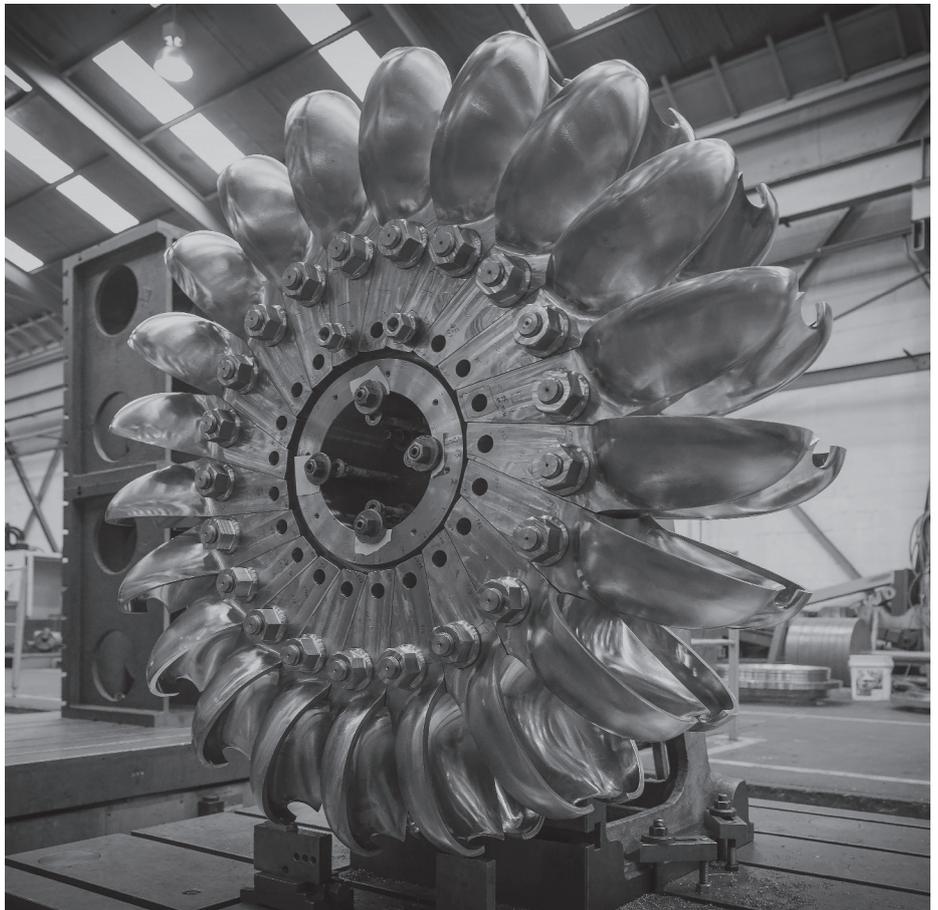
HydroWorks’ world-leading turbine design methodology can increase electricity generation efficiencies by more than 3%.

HydroWorks’ revenues grew from \$2.4m in 2015 to \$9.4m in 2016. Hydroworks has secured and is now working on \$13m in new Australian contracts in Victoria and Queensland. The company is planning an ASX listing.

# 16%

**Hydropower accounts for about 16% of all electricity generation worldwide and about 85% of power generated from renewable energy sources.**

A HydroWorks Pelton runner built for Fraser Dam in Central Otago, New Zealand.



**At the Post-seed stage, the primary investment objective is accelerating expansion. Co-investment capital is attracted to the venture via private equity or initial public offering. Powerhouse looks to maintain its investment holding position when it believes the continuing investment is justified.**



### CropLogic

**High-volume crop growers and processors have significant challenges ahead in order to meet rising food-demand. Growers need to optimise resources and processors need to plan to ensure efficient processing.**

CropLogic delivers specialist agronomy services to growers using technology developed over 30 years at The New Zealand Institute for Plant & Food Research. CropLogic brings together crop science, environmental data and agronomic expertise to offer input for daily decision making that improves on typical “rule of thumb” recommendations. In addition to its expert system, CropLogic provides the telemetry required to gather field data.

Following more than 65,000 acres of field trials in the USA, NZ, Australia and China, CropLogic is embarking on strategic acquisitions of agronomy services companies in target countries to position itself as the key player in the value chain that provides growers with better information or decision making.

Following these acquisitions, the company is planning for an ASX IPO.

### Invert Robotics

**Within the food-processing industry, food-safety is driven by eliminating bacterial contamination which can be harboured by cracks in industrial vessels such as tanks, dryers or silos. Historically these vessels have been serviced by scaffold or rope-based inspections — a hazardous process which is prone to errors.**

Invert Robotics provides remote inspection services to global blue chip customers using its proprietary robotics technology. The mobile climbing robot system allows identification, recording and reporting of cracks in mission-critical infrastructure.

Following success with inspection of milk silos and dryers in Australasia, Invert is now expanding geographically into Europe, targeting a relationship with a major European food and beverage process technology provider. Demand is coming from new sectors, including aviation where Air New Zealand has partnered with Invert Robotics to trial robotic inspections of its planes. Using remote-controlled cameras, the robots can detect fuselage damage from lightning strikes and other in-service activity.

**70%**

**World food production needs to increase 70% by 2050 to feed a population of 9.5 billion.**

**\$50<sub>k</sub>**

**Globally, dairy and food processing industries require 50,000 tanks and powder dryers to be inspected annually.**



# Financial Snapshot

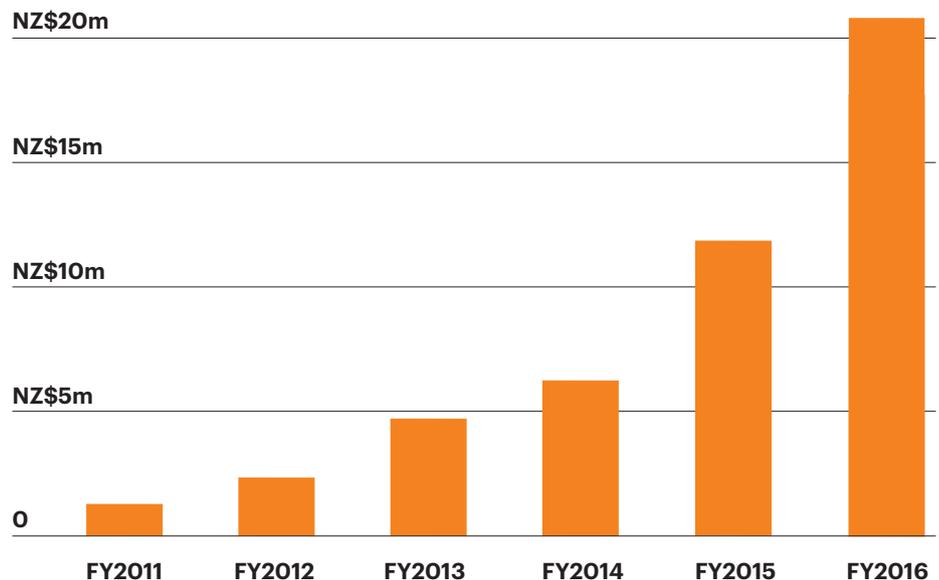
\$20.7m

Fair Value of portfolio at year end 30 June 2016

The 2016 financial year was the first full year of Powerhouse operating as an investment entity – investing from its own balance sheet. This period saw the value of the portfolio increase substantially, ending the year at \$20.7 million.

**A strong year: the value of Powerhouse’s portfolio holdings increased to \$20.7 million**

Portfolio annual Fair Value growth



**Fair Value uplift in the year ended  
30 June 2016**

Net portfolio gains consist primarily of realised and unrealised fair value gains and losses from the Company's equity and debt holdings in spin-out businesses. A detailed analysis of fair value gains and losses is contained in the financial statements, with further details in the Portfolio Overview section of this Annual Report.

\$5.5  
m

**Revenues**

In addition to fair value net income, Powerhouse recorded significant other income in the period under review, including \$1.9 million from government grant funding (2015 \$2.3 million) and \$0.5 million from other services provided to investee companies and business partners (2015 \$0.5 million).

It should be noted that 2015 revenues were significantly positively impacted through the finalisation of carried interest arrangements from the lengthy period when Powerhouse managed limited partnership and other investment vehicle interests. This form of revenue is not currently ongoing, although Powerhouse will consider creating investor funding vehicles and taking on the role of management entity.

\$8  
m

**Total Equity**

Powerhouse ended the period under review with total equity attributable to shareholders of \$19.7 million (2015 \$13.9 million). As mentioned above, the most significant contributing factor to the increase in total equity and also net assets was from the substantial increase in value of the portfolio company holdings.

\$19.7  
m

**Profit after Tax**

Overall Powerhouse recorded a profit for the year of \$0.8 million (2015 loss of (\$0.8) million). This 2016 result was after booking a tax expense of \$1.4 million. The Company has unused tax losses amounting to \$1.9 million for which no tax asset was recorded. Overall, the Directors are of the strong view that investments are held on capital account for taxation purposes under New Zealand law and that the tax expense will be either partially or fully reversed in the foreseeable future.

\$0.8  
m

Whilst statutory profit after tax was \$0.8 million, this result was impacted by \$0.6 million of IPO related costs expensed in the period under review. The underlying net profit after tax for the year ended 30 June 2016 was therefore \$1.321 million (2015 – a loss of (\$1.1) million).

**2016 Underlying  
Profit after Tax  
\$1.3 million**

### Shareholders post IPO

The financial year was heavily impacted by the workloads and costs associated with the ASX IPO, completed on 12 October 2016. Whilst Powerhouse had around 300 shareholders prior to the IPO (as a result of successful capital-raising efforts during 2015 and earlier), it was pleasing to see a substantial share register develop. At listing, Powerhouse had approximately 570 shareholders. Further details regarding substantial holders and the top 20 are to be found in the Statutory Information section of this Annual Report.

570+  
Share-  
holders

### Market Capitalisation at IPO

Whilst Powerhouse fell short of its maximum IPO capital-raising target of A\$20 million, at A\$10.2 million raised the Company will be well positioned to move forward with its strategies. At the ASX listing, Powerhouse had a market capitalisation of A\$31 million. Powerhouse is categorised as a diversified industrial company by the ASX and operates under the ASX 'ticker code' – PVL.

Powerhouse shares listed at the Prospectus entry price of NZ\$1.14 (A\$1.07) per share. Whilst PVL has seen a reduction in this share price since the float, it has been on thin trading – typical of a 'microcap'. Powerhouse is confident that the strong positive news-flow coming from its exciting portfolio companies will support the share price going forward. In addition, Powerhouse's investment activity in both New Zealand and now Australia should see substantial increase in investor interest which is expected to positively impact the Company's net tangible assets and also the share price.

\$31.5  
m



# Our Business

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

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

## Overview

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

Following opportunity identification, Powerhouse establishes (or assists to establish) and incubates start-up companies around the opportunity and provides investment and support, with the objective of enabling those companies to reach their full commercial potential.

Powerhouse has developed a Portfolio of companies based on a diverse range of technologies. Investing directly in each of its incubated companies, the Powerhouse Portfolio comprised 19 active businesses in the technology and bio-technology sectors at 30 June 2016. Powerhouse takes an active role in assisting to build these new companies.

As companies reach commercial validation stage and are able to attract third-party capital, the value of these investments generally increases.

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

## Corporate History

Powerhouse Ventures Limited was incorporated on 16 August 2006 in New Zealand with New Zealand Company Number 1854396 and registered as a foreign company in Australia under Part 5B.2 of the Corporations Act on 27 April 2016 with ARBN 612 076 169.

Powerhouse was formed to develop and invest in science and technology developed at universities in the Canterbury region of New Zealand. Subsequently, Powerhouse has expanded its model throughout New Zealand and is in the process of expanding into Australia.

## University and Research Organisation Network

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

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

## Pivotal New Zealand Universities

Auckland University of Technology

Lincoln University

Massey University

University of Auckland

University of Canterbury

University of Otago

University of Waikato

Victoria University of Wellington

## Pivotal Australian Universities

Griffith University of Technology

Monash University

University of Melbourne

University of New South Wales

University of South Australia

University of

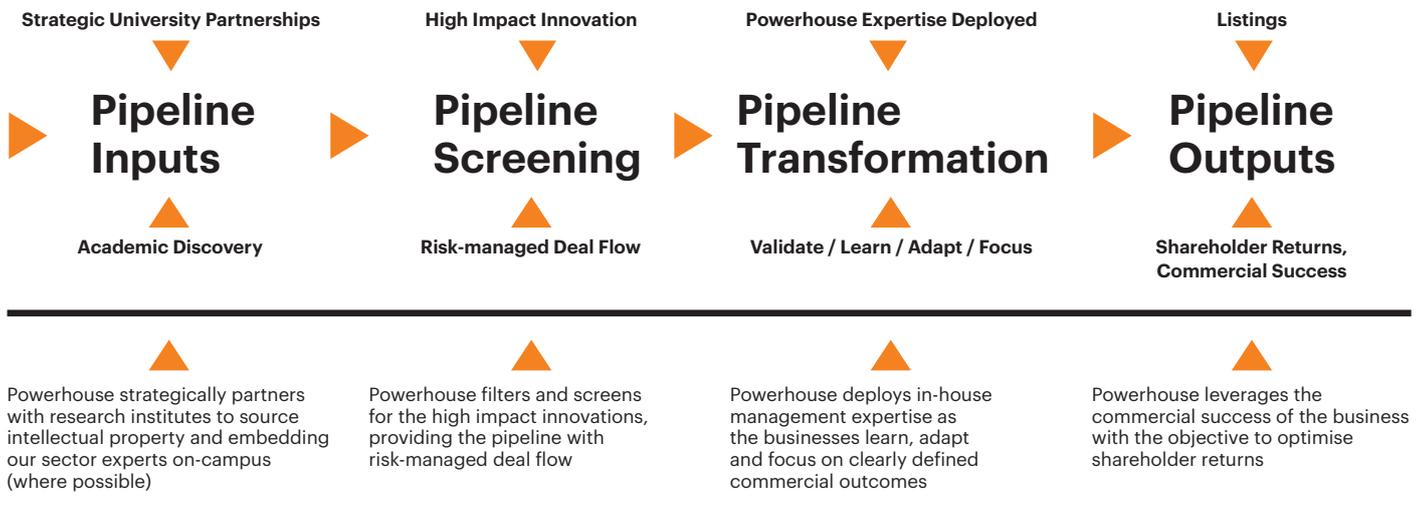
Sydney

encourage the development of new technologies that support the on-going competitive advantage of the company.

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

Members of the Powerhouse Board and management also currently maintain formal appointments on university-based committees and boards focused on commercialising university research. These and other measures help to create and maintain a strong working relationship with university and research partners.

**The Powerhouse Innovation Pipeline**



**Our Business Model**

The Company’s business model is to form (or assist to form) companies based on intellectual property developed at universities, other research intensive organisations and publicly funded research institutes in New Zealand and Australia. Powerhouse aims to add value to its investment by taking an active role (through the provision of support services) to build these opportunities into globally competitive businesses.

As Powerhouse expands the number of Portfolio Companies, the Company intends to adapt and develop its investment processes in response to learnings and experience from its previous investment activities.

The Powerhouse investment methodology consists of three core components:

1. the identification of research with significant commercial potential;
2. incubation and business building expertise provided to the companies created; and
3. investment to facilitate their development.

The Company’s business model is similar to those used by IP commercialisation companies based in Europe and the United States of America. Working closely with universities and research institutes in New Zealand, Powerhouse (and its co-investors) usually lead first investments in a pre-seed company, which means it can both mitigate risk by investing relatively small amounts and ensure that it drives the proof-of-concept stage.

**Identification of Investments**

Powerhouse’s business model aims to obtain access to deal flow. To this end, Powerhouse has developed mutually beneficial relationships with New Zealand universities to ensure a long-term source of investment opportunity. In this regard, the Powerhouse investment team works with the university or research organisation’s technology transfer office to identify promising research with commercial potential.

Powerhouse is pro-active in sourcing ideas and carries out regular meetings with academics and conducts commercialisation seminars in selected departments or divisions of the universities and research organisations within which it operates. In collaboration with the technology transfer office of the university, if an invention appears to have commercial potential, Powerhouse may decide to advance it to the next stage in the commercialisation process. Investment opportunities are screened to ensure a strong intellectual property position and to confirm freedom to operate.

Powerhouse’s in-house investment managers screen and shape opportunities to ensure that the opportunity meets specific investment criteria including assessing whether it has:

- robust and protectable intellectual property;
- the ability to address a problem, that is both important and unsatisfied by current technologies;
- the potential to become a significant business producing attractive profits;

- path to market that is low technology risk including the potential for early revenues; and
- capital requirements in-line with the risk-return profile.

After an opportunity has been identified and Powerhouse believes it has demonstrated sufficient prospects for commercialisation, Powerhouse works with the university or research organisation’s technology transfer office to ensure that intellectual property protection is appropriate and to begin detailed due diligence on the opportunity.

The process of reaching a decision to commercialise a technology is iterative. Usually a view is formed following market research, feedback from potential end-users and customers, along with details on the technical merit and patent potential of the invention. Sector experts and independent advisors perform an assessment of the scientific breakthrough and commercial opportunity. A small proportion of the opportunities that are screened progress through to an investment.

If the opportunity to commercialise is suited to a start-up strategy and Powerhouse considers that there is sufficient prospect that a globally competitive business can be developed, Powerhouse’s investment team seeks a suitably experienced management team and board to lead the venture.

## Powerhouse selects Pre-Seed Investments – high level

**Strategic university partnerships****Powerhouse sector experts on campus****Significant research and development spend throughout New Zealand and Australia****Opportunities screened for high impact innovation**

- Powerhouse enjoys access to University generated intellectual property in New Zealand
- Working in partnership with University technology transfer offices

- On-campus locations (where possible) provide early identification of research with a commercial opportunity

- Significant research and development activity with billions per annum invested in academic discovery in New Zealand and Australia

- Our sector experts search for high impact innovations

Following approval from Powerhouse and the university or research organisation, a company is created with seed capital provided by Powerhouse to begin technical and market validation.

Investments are typically tranchised based upon hurdles where the areas of highest technical uncertainty are examined first. The Portfolio Company sometimes enters into a licence agreement with the university for rights to the underlying intellectual property, usually on an exclusive basis. Often the company will secure any background intellectual property in exchange for a small equity position for the university or research organisation.

**Incubation and Business Building of Pre Seed Investments**

During the early stages of a new venture development, members of the Powerhouse investment team work closely with the management team of the venture to influence strategic direction. Members of the Powerhouse investment team frequently take an interim management role with a new venture until the business reaches a sufficient stage of maturity and has the resources in place to enable it to widen its leadership team.

Powerhouse also offers operational, legal, governance and business support to its Portfolio Companies with a view to minimising the most common administrative risks that can contribute to early-stage company failure. As part of the incubation programme, Powerhouse works with a network of professional advisers who are experienced in advising early stage ventures.

In forming (or assisting to form), incubating and managing its relationship with Portfolio Companies, Powerhouse makes use of its network of commercial and academic relationships. Generally, Powerhouse retains the right under the terms of its shareholders' agreement with the Portfolio Company, to appoint a director to the board of the Portfolio Company and will generally also hold other rights such as approval of the Portfolio Company's business plan and for key executive appointments.

The Directors believe that the incubation support provided by Powerhouse, together with seed funding, is instrumental in enabling a Portfolio Company to reach the next stage of its development. An incubation period for a Portfolio Company generally lasts for between one and three years from formation.

Once a Portfolio Company has progressed from its incubation stage of development and is capable of operating independently, capital-raising activities pass from the Powerhouse investment team to the Powerhouse capital team. The investment team remains involved in the Portfolio Company's business development activities while the capital team aims to assist the company in identifying and raising third-party capital (where permitted by Powerhouse's investment agreements).

A number of formal internal reporting procedures exist for monitoring investments. These include monthly updates to the Powerhouse Board on the key issues affecting its Portfolio Companies and detailing any key decisions which may be required and formal quarterly

reviews of the Portfolio Companies, including a review of the performance of the management team, summary of its financial position and details of the progress made by each Portfolio Company.

**Further Investment and Growth of Post-Seed Investments**

Powerhouse's investment model is designed to build a robust and valuable portfolio of successful companies. Deployment of capital at the earlier high-risk stages of business development is deliberately minimised.

When considering whether to invest into a Portfolio Company following the incubation phase, Powerhouse will generally require that the following be in place:

- a Board skilled in venture development, including an experienced Chairman and comprising at least one non-executive director who is appointed by Powerhouse;
- effective financial controls and responsible financial management;
- customer validation of the value the technology provides;
- confirmation on the strength of the company's intellectual property protection;
- the development of a clear and credible commercial business plan for growth; and suitable premises have been secured for the company and the company can operate independently.

The Powerhouse investment process requires that investment proposals be reviewed by members of the Executive Team, before submission to

Powerhouse selects Pre-Seed investments – detail



the Powerhouse Board for approval. Powerhouse continues to invest in subsequent rounds when the Portfolio Company is making significant progress in line with its business plan. Powerhouse has a deliberate strategy of seeking early revenues for the Portfolio Companies as a means of assessing the value of the innovation, obtaining confirmation of the business case and validating growth prospects. This strategy also means that Portfolio Companies reach commercial validation stage quickly, with the objective of enabling them to attract third party capital.

When Powerhouse considers it justified, the Company provides capital to its Portfolio Companies to support their growth towards becoming globally competitive businesses, maintaining a 25% – 40% stake where possible. In addition to investment from Powerhouse, the capital team works with a wide network of co-investors that can provide co-investment alongside Powerhouse.

Callaghan Innovation, a New Zealand Government agency, provides some operational funding to Powerhouse by way of a funding grant under the terms of a multi-year funding agreement.

CRIS Limited (a wholly owned subsidiary of Canterbury Development Corporation and the Christchurch based member of the New Zealand Commercialisation Partner Network that is funded by the New Zealand Ministry of Business, Innovation & Employment) pays Powerhouse a fee for screening, shaping and analysis services provided to Canterbury-based universities and research institutes.

Powerhouse generates fee for service revenue from Portfolio Companies to which it provides a variety of services including accounting, payroll, business strategy development and capital-raising support.

How Powerhouse refines and shapes investments

Powerhouse Expertise Deployed:

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

Structure / Management / Governance / Expertise

- Management is actively involved with Portfolio Companies through regular secondment of key staff into selected Portfolio Companies
- It takes high-quality, motivated management teams to build a successful business. We support our Portfolio Companies with recruitment through access to our networks of executive talent

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

- Powerhouse is actively involved in the appointment of skilled Portfolio Company Board members
- Powerhouse's expertise is deployed across all operational disciplines to keep capital requirements low
- A disruptive go-to-market strategy for innovations with a well-defined road map developed for expansion into international markets
- Where justified, further capital investment is deployed to enable the business to compete internationally
- Powerhouse integrated business model provides Powerhouse with insight into leveraging early-stage research and turning it into substantial, high-quality businesses. This end-to-end capability is not replicated in the NZ or Australian listed market

Patient Capital

## Powerhouse grows Post-Seed Investments

### What does the Innovation Pipeline aim to deliver?

#### Superior shareholder returns

- The Powerhouse Innovation Pipeline aims to deliver commercial enterprises
- Portfolio Companies that transition through the Powerhouse Innovation Pipeline are aiming for international expansion and growth
- Powerhouse aims to deliver embedded optionality for future deals through research relationships

#### Listing opportunities

- Powerhouse provides investors with an opportunity to gain exposure to research opportunities from a wide range of technology sectors
- The Powerhouse process seeks to mitigate the uncertainty involved in early stage investment
- Portfolio diversification reduces overall investment risk

#### Attractive and profitable commercial enterprises

- The Powerhouse Innovation Pipeline aims to produce high growth companies that progress towards liquidity events
- Listings are sought as they will provide a clear pathway to market-led valuations

#### Global growth opportunities

As a long-term holder of shares in its Portfolio Companies, Powerhouse expects, over time, it will receive revenue from mature Portfolio Companies through dividends.

#### Staging of Powerhouse's investment in Portfolio Companies

Value is added to Powerhouse's investment portfolio by:

- capturing high-value deal-flow based on science and engineering, originating from universities and research institutes;
- building value further by influencing Portfolio Company strategy, appointing management, developing governance and business plans, including target market direction;
- raising sufficient capital into Powerhouse to increase the size of the Portfolio and to continue to hold equity ownership positions in Portfolio Companies that meet investment return criteria; and
- helping to raise sufficient third party co-investment capital into the Portfolio Companies to sustain and help to drive increases in Fair Value.

Initial investments are often in preference shares and through these, Powerhouse aims to hold approximately 40% of the new company. Subsequent investments are typically tranching based upon hurdles where the areas of highest technical uncertainty are examined first.

Powerhouse's investment in Portfolio Companies will typically (but not in all instances) be made with capital structure and/or contractual protections that provide for a reduction in the risk of loss of capital, whilst allowing full participation in equity upside, including:

- investing in preference shares or convertible loans, usually converting at the price of the most recent equity raising by the Portfolio Company;
- minority protections in investment documentation, including:
  - requiring Powerhouse approval for a range of business decisions such as changes in capital structure, changes in business focus or activities and senior management appointments;
  - drag-along rights (allowing Powerhouse and co-investors to participate in stock exchange listings of other liquidity events);
  - tag-along rights (ensuring Powerhouse does not get 'left behind' on an exit by other investors or co-investors); and
- maintaining the ability to appoint a director.

Powerhouse is committed to assisting post-seed companies move towards liquidity events. In this regard, one Portfolio Company – Hydroworks, has recently appointed advisers in connection with a planned listing on the ASX. In addition, Powerhouse advises that two other Portfolio Companies are also assessing ASX listing strategies.

#### Investment Criteria

Powerhouse has a preference for technology related opportunities (especially those which originate from research organisations). Powerhouse seeks investments that have:

- a sufficiently large market opportunity;
- a compelling, well-articulated strategy for capturing a significant market share;
- proprietary technology or other strong barriers to entry;
- a liquidity strategy for the co-investors;
- a company valuation that fits with an Internal Rate of Return and Fair Value gain targets over the life of the investment;
- capability to provide a significant Internal Rate of Return throughout its development;
- fit with the investment Portfolio mix by stage and sector at time of investment; and
- domicile in Australia or New Zealand at the time of investment.

Powerhouse will invest only if it believes the Portfolio Company will be able to reach sustainability without requiring additional funding that is beyond the means of Powerhouse investment (and co-investment) and if it believes the Portfolio Company can contribute to the investment Portfolio's year-on-year growth target through its projected growth timeline.



**Powerhouse  
is now working  
with Australia's  
world-class  
universities to  
support the  
commercialisation  
of new  
technologies**

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### Commercialisation landscape

The opportunity for Powerhouse relates to the intellectual property created by universities resulting from the research funding in Australia and New Zealand that is estimated to be in excess of A\$10 billion per annum. Universities and research institutes generally have the rights to commercialise the intellectual property developed by their researchers and traditionally funding has been primarily sourced from central government.

The New Zealand Government has been strongly supportive of innovation for some years, directed at advancing the commercialisation of university and other intellectual property. Callaghan Innovation was established in 2013 as a government agency to support hi-tech businesses in New Zealand. Powerhouse is one of three technology incubators to which Callaghan Innovation provides funding.

### Research Environment

Typically, universities and research institutes have their own commercialisation office (or technology transfer office), charged with the role of acting on behalf of the university or research organisation to identify new inventions, implement appropriate intellectual property protection, often through a patent and seek opportunities to transfer the technology out of the research environment, into a commercial environment.

The commercialisation office within each university or research organisation may investigate a number of possible strategies to commercialise the invention. These include licensing to an established company active in the market where the technology has value or seeking investment to form a new company to take the technology to market.

Commercialisation through the creation of a new start-up company is particularly suited to breakthrough technologies with disruptive market strategies.

Although this approach to commercialisation typically has the longest time period before a university benefits from any economic return, it can potentially produce early returns for the university or research organisation through realising opportunities for further research funding and the creation of internship possibilities for undergraduate students and employment prospects for graduates.

Universities or research organisations themselves often do not have the resources or capability necessary to support the commercialisation of intellectual property generated by their researchers. The commercialisation process requires the identification and validation of a market opportunity, sourcing of capital and recruiting of entrepreneurs to form companies that will commercialise the intellectual property.

Investors typically prefer to see technology that is mature in its development cycle and following the validation of the commercial opportunity through customer sales. Entrepreneurs can struggle to see the market opportunity for newly formed companies with esoteric technologies developed at universities or research organisations. Consequently, a limited number of opportunities are successfully transferred from research to the commercial market

Australia and New Zealand have world-class universities. According to the QS World University Rankings for 2015, Australia has five universities in the top 50. Of 54 universities in Australia, 21 are ranked in the top 500 universities worldwide. All eight universities in New Zealand are ranked in the top 500 universities worldwide. In 2014, Government investment in university research in Australia and New Zealand was over A\$10 billion.

**This investment in research, at world-class universities, creates an opportunity for inventions with considerable commercial potential.**



# Existing

## World Ranking

82	University of Auckland
338	University of Waikato
481-490	Auckland University of Technology
229	Victoria University of Wellington
337	Massey University
211	University of Canterbury
373	Lincoln University
173	University of Otago

NZ\$800m



# Potential

Annual spend on research and development in Australia's universities

A\$10,000m



Australia has 40 university commercialisation/technology transfer offices. Target examples include:

## World Ranking

45	University of Sydney	46	University of New South Wales	42	University of Melbourne	67	Monash University
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Source: QS World University Rankings (2015), Australian Bureau of Statistics and Statistics New Zealand.

**Building upon strong university and research institute relationships in New Zealand, Powerhouse staff have been engaging with Australian universities over the past 12 months.**

# The Board





**Kerry McDonald**

B Com, M Com (Hons) (Economics),  
D Com (hc) FAICD, CFIOD

**Chairman, Non-Executive  
Independent Director**

Kerry is a professional company director, chairman and board advisor with extensive experience in private and public sector entities in New Zealand, Australia and elsewhere.

He is Chairman of a multi-national NZX listed company, Deputy Chairman of the NZ Institute of Economic Research and a director of numerous other entities.

He was previously Chief Executive of the NZ Institute of Economic Research and a Managing Director of an International top 10 ASX listed entity. Kerry has held Director positions with major ASX and NZX listed financial services, mining and industrial companies.

He has been a member of many Australian and New Zealand business advisory councils and committees, as well as National think-tanks. This includes work in University and research funding fields. He is a life member of the Australia-NZ Business Council and was the NZ Chairman of the Australia-NZ Leadership Forum.

Kerry has also been a director of a number of corporations listed on international stock exchanges.

Kerry is Chairman of the Powerhouse Corporate Governance and Nomination Committee and a member of the Human Resources and Remuneration Committee and the Audit and Risk Committee.

Appointed to the Board on  
1 October 2014.



**Rick Christie**

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

**Non-Executive  
Independent Director**

Rick is a professional director and chairman with appointments in both the private and public sectors. He has had extensive experience as a senior and chief executive, including with multi-national energy and chemical companies. He has lived and worked in Australia and the UK, with executive responsibilities in the Middle East and Asia. He has also been Managing Director of a large NZX listed industrial conglomerate.

His most recent executive role was as CEO of a diversified New Zealand investment company. He has also had extensive involvement in the export sector. Until recently Rick was Chairman of a top 300 dual ASX and NZX listed health services provider. Rick is also a Chairman of the New Zealand supercomputer network. Rick is past Chairman of New Zealand Crown Research Institute AgResearch Ltd and also the Science Media Centre.

Rick has had a close involvement in science and innovation for much of his career. He was a member of the New Zealand Prime Minister's Enterprise Council and was Chairman of the Technological Innovation Working Group, the Science and Innovation Advisory Council and the New Zealand Growth and Innovation Advisory Board. In 2010 he was made a Companion of the Royal Society of NZ.

Rick is a member of the Powerhouse Corporate Governance and Nomination Committee.

Appointed to the Board on  
10 December 2014.



**Stephen Hampson**

BE (Hons), PhD

**Managing Director,  
Executive, Non-independent**

Stephen's career has been dedicated to transforming new knowledge into commercial success. Stephen's 10 years at universities in New Zealand and the United Kingdom as student, lecturer and researcher; and the ultimate completion of his PhD in Control Theory make him well placed to develop relationships with and work alongside developers of IP in pursuit of commercial outcomes.

His commercialisation work in Europe included fast-growth execution and business-improvement in several acquired companies he was appointed to lead, including the trade sale of one of these companies and the domination of a global niche in another. Returning to New Zealand, Stephen was inaugural CEO of the award-winning Canterbury Innovation Incubator (Cii) before establishing Powerhouse in 2006 and becoming Chief Executive.

Stephen is a Director of a number of Powerhouse's more mature Portfolio Companies, including Hydroworks Limited, Invert Robotics, Veritide Limited and CropLogic Limited.

Appointed to the Board on  
10 December 2014.

**John Hunter**

BCom, post grad Dip CSDP,  
CA, MInstD (NZ)

**Non-Executive  
Independent Director**

John has held various directorship positions over the past 25 years on both private and NZX listed companies, together with board membership on educational and health sector institutions.

John's executive career encompassed extensive chief financial officer level experience as well as chief operating officer and general manager positions in New Zealand and Australia. His expertise includes HR, IT and legal responsibilities. He has extensive experience across the manufacturing, finance, retail, wholesale, information technology and primary sectors.

John has specialised in managing fast-growing, post-seed companies to sector dominance or national significance, whereafter he has often managed their listing on the NZX.

John is a Director of Powerhouse Portfolio Company Hydroworks Limited and is Chairman of the Powerhouse Audit and Risk Committee and a member of the Portfolio Committee.

Appointed to the Board on 27 June 2014.

**Dianne McCarthy**

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

**Non-Executive  
Independent Director**

Di is the former Chief Executive of the Royal Society of New Zealand. Over the past 20 years, Di has had extensive experience in a number of management and governance roles in the tertiary education, science and health sectors. This includes at Pro Vice-Chancellor, Trustee, Councillor and member level at various New Zealand and Australian Universities and Crown Research Institutes. She was a professor of behavioural neuroscience at the University of Auckland and has had extensive involvement with Australian universities and academies.

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

Di is the Chairman of the Powerhouse Human Resources and Remuneration Committee and a member of the Portfolio Committee.

Appointed to the Board on  
10 December 2014.

**Paul Viney**

B. Bus (Business Admin. and Acc.), FCPA, FGIA, FCIS,  
CFTP (Snr), MAICD, MInstD (NZ)

**Executive Director,  
Non-Independent, Chief Financial  
Officer and Company Secretary**

Paul is a career finance and governance professional, being a Fellow of both CPA Australia and the Governance Institute of Australia. He has worked in Australian industrial and financial services organisations for over 30 years and has specialised in financial and management accounting, value creation, mergers and acquisitions and corporate governance. He has worked in packaging, regulatory, cement, coal and masonry, printing and publishing and financial services industries. Prior to joining Powerhouse, Paul was Chief Financial Officer and Company Secretary at an ASX top 300 listed banking group which operated two retail banking licences and a wealth and fund management Company.

Paul has also served on a number of Boards in the professional services, media and health services industries.

Appointed to the Board on  
11 April 2016.



**John Walley**

BSc (hons), FIPENZ,  
FNZIMS, MIET, C. Eng.,  
NZMEA Life Member

**Non-Executive,  
Non-Independent Director**

John's background is in research and development, manufacturing and distribution companies operating in the marine, vehicle, electronics and software sectors in New Zealand, Australia (including ASX listed), USA, and Europe. John has held technical, general management and executive roles in New Zealand and the UK and was a founding shareholder in a substantial entity that recently listed on the ASX.

He has recently retired as Chief Executive of the New Zealand Manufacturers and Exporters Association. John is a director or chair of several companies and has a number of investments in early-stage technology firms. He is a Chartered Engineer, a Fellow of the Institute of Professional Engineers NZ (IPENZ), a Member of The Institution of Engineering and Technology (IET) and a Fellow of the New Zealand Institute of Management.

John is a founding Director and shareholder of Powerhouse Ventures Limited and a Director of CRIS Ltd. He is also Vice-Chairman of Powerhouse Portfolio Company Hydroworks Limited and is a member of the Powerhouse Portfolio Committee.

Appointed to the Board on 16 August 2006.



**Steve Wilson**

B.E. Hons (1st Class), MNZM

**Non-Executive  
Independent Director**

Steve has over 30 years' experience as CEO of both public and private companies and over 20 years' experience in governance across a number of Industry and Academic formal and advisory boards.

He is a founding Director and shareholder of Powerhouse and is currently Executive Director of a successful technical plastics manufacturer and exporter in New Zealand.

Steve is also a Fellow of the New Zealand Institute of Management, a Life Member of Plastics New Zealand and is a director and shareholder of a number of technology companies. He is also a Member of University advisory boards for Mechanical Engineering. Steve is a past Director of a number of Australian unlisted companies.

In 2009 he was awarded Member of the New Zealand Order of Merit (MNZM) for services to manufacturing.

Steve is a member of Powerhouse's Corporate Governance and Nomination and Human Resources and Remuneration Committees and is Chairman of the Portfolio Committee.

Appointed to the Board on 16 August 2006.





# Financial Report

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## Company Directory

### Postal Address

PO Box 29519  
Riccarton  
Christchurch, 8440  
New Zealand

### Registered Office

Level 3  
2 Hazeldean Road  
Addington  
Christchurch, 8024  
New Zealand

### Business Locations

Level 3, 2 Hazeldean Road  
Addington  
Christchurch, 8024

Unit DG07, Dovedale Village  
Waimairi Road  
Christchurch, 8041

Gracefield Innovation Precinct  
69 Gracefield Road  
Lower Hutt, 5012  
Wellington

87 Saint David Street  
PO Box 56  
Dunedin, 9054

PO Box 32-442  
Devonport  
Auckland, 0744

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

### New Zealand Company Number

1854396

### Australian Foreign Company Registration

ARBN 612076169

### Solicitors

Chapman Tripp  
Christchurch  
New Zealand

HWL Ebsworth  
Sydney  
Australia

### Auditors

Ernst & Young, Christchurch

### Date of Formation

17 August 2006

# Directors' Responsibility Statement

**The Directors of Powerhouse Ventures Limited (“the Company”) are pleased to present to the shareholders the financial statements of the Company for the year ended 30 June 2016.**

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Company as at 30 June 2016 and the results of its operations and cash flows for the year ended on that date.

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

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

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

#### Future Outlook

The Company lodged a prospectus with the Australian Stock Exchange (ASX) on 2 August 2016. The Company has exceeded the minimum capital raise of A\$10m at a share price of A\$1.07/NZ\$1.14. The Company expects to be listed on the ASX by early October 2016.

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



**Chairman**  
6 October 2016



**Director**  
6 October 2016

## Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Income</b>			
Net changes in fair value of investments at fair value through profit or loss	3	5,491,752	117,399
Revenue from services and other income	2	2,481,920	3,831,893
Finance income	-	40,584	16,242
<b>Total income</b>	-	<b>8,014,256</b>	<b>3,965,534</b>
<b>Expenses</b>			
Employee benefits expense	4	3,840,307	4,110,003
Promotion and events	-	292,792	37,029
Legal & professional costs	-	251,052	145,971
Travel	-	287,056	179,552
IPO costs expensed through profit and loss	-	556,568	-
Other expenses	-	662,933	256,184
<b>Total expenses</b>	-	<b>5,890,708</b>	<b>4,728,739</b>
<b>Profit/(loss) before income tax</b>	-	<b>2,123,548</b>	<b>(763,205)</b>
Income tax expense	5 (a)	1,358,345	-
<b>Profit/(loss) after tax for the year</b>	-	<b>765,203</b>	<b>(763,205)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income/(loss) for the year attributable to equity holders of the Company</b>	-	<b>765,203</b>	<b>(763,205)</b>
<b>Earnings per share:</b>			
Basic (cents per share)	6	5	(26)
Diluted (cents per share)	6	5	(26)

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

## Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Share capital \$	Equity-settled share based payment reserve \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2015</b>		<b>14,276,855</b>	-	<b>(420,245)</b>	<b>13,856,610</b>
Increase in share capital	7	4,907,244	-	-	4,907,244
Equity-settled share-based payments	8	-	126,666	-	126,666
Total comprehensive income/(loss) for the year	-	-	-	765,203	765,203
<b>Balance at 30 June 2016</b>	-	<b>19,184,099</b>	<b>126,666</b>	<b>344,958</b>	<b>19,655,723</b>
<b>Balance at 1 July 2014</b>		<b>1,000</b>	-	<b>342,960</b>	<b>343,960</b>
Increase in share capital	7	15,249,385	-	-	15,249,385
Total comprehensive income/(loss) for the year	-	-	-	(763,205)	(763,205)
Treasury stock movement	7	(973,530)	-	-	(973,530)
<b>Balance at 30 June 2015</b>		<b>14,276,855</b>	-	<b>(420,245)</b>	<b>13,856,610</b>

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

## Statement of Financial Position

As at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
Cash and cash equivalents	9	465,177	1,773,976
Trade and other receivables and prepayments	10	840,711	308,273
Short-term loans receivable	11	826,050	522,050
Current tax receivable	5(b)	22,329	18,973
Convertible loans to portfolio companies	-	-	198,728
Investments in portfolio companies	22, 23, 24, 25	20,662,510	11,798,376
Property, plant and equipment	-	12,213	19,315
Intangible assets	12	186,031	166,380
Deferred tax assets	5(c)	212,217	-
<b>Total assets</b>		<b>23,227,238</b>	<b>14,806,071</b>
<b>Liabilities</b>			
Trade and other payables	13	2,000,953	937,461
Deferred revenue	-	-	12,000
Deferred tax liabilities	5(d)	1,570,562	-
<b>Total liabilities</b>		<b>3,571,515</b>	<b>949,461</b>
<b>Net assets</b>		<b>19,655,723</b>	<b>13,856,610</b>
<b>Equity</b>			
Share capital	7	19,184,099	14,276,855
Equity-settled share-based payments reserve	8	126,666	-
Retained earnings	-	344,958	(420,245)
<b>Total equity</b>	-	<b>19,655,723</b>	<b>13,856,610</b>

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



**Kerry McDonald, Chairman**

For and on behalf of the Board

Date: 6 October 2016



**Paul Viney, Director**

For and on behalf of the Board

Date: 6 October 2016

## Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers	-	2,246,622	2,937,510
Payments to suppliers and employees	-	(5,165,902)	(2,999,239)
Finance income	-	40,584	16,242
<b>Net cash inflow/(outflow) from operating activities</b>	<b>14</b>	<b>(2,878,696)</b>	<b>(45,487)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	-	(2,863,742)	(2,096,716)
Purchase of intangible assets	-	(38,696)	(25,000)
Purchase of property plant and equipment	-	(4,609)	(2,459)
Short term loans to investee companies	-	(601,050)	(522,050)
Cash acquired on restructuring	-	-	1,036,230
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(3,508,097)</b>	<b>(1,609,995)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	-	5,364,837	3,552,210
Issuance costs	-	(457,593)	(363,586)
Proceeds from borrowings	-	170,750	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>5,077,994</b>	<b>3,188,624</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	<b>(1,308,799)</b>	<b>1,533,142</b>
Cash and cash equivalents at the beginning of the financial year	-	1,773,976	240,834
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>465,177</b>	<b>1,773,976</b>

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

# Notes to the 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 not a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Markets Conduct Act 2013 at the reporting date. However, its financial statements have been prepared to comply with this Act.

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. The Company has elected to be a Tier 1 for-profit entity as defined by XRB A1.

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

### Basis of preparation

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

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 in the preparation of these financial statements are the assessment of investment fair values (note 25), the investment entity designation (note 1 (a)), impairment assessment of trademarks (note 12) and recognition of deferred tax assets (note 5).

### Summary of significant accounting policies

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

## (a) Basis of consolidation

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

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

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

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

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

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

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

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

## (b) Revenue recognition

### Government grant funding:

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

### Revenue from services:

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

### Interest income:

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

### Dividend income:

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

## (c) Goods and service tax

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

## (d) Cash and cash equivalents

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

## (e) Investments

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

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

### The fair value hierarchy has the following levels:

Level 1 — Quoted prices in active markets.

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

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

The Company seeks to value its assets in a way that uses a method highest in the fair value hierarchy, thereby maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Accordingly, the Company assesses fair value of unlisted securities using International Private Equity and Venture Capital Valuation Guidelines (IPEVCG).

The valuation methodology used most commonly by the Company is the 'price of recent investment' or a 'milestone analysis' approach. Given the nature of the Company's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows,

it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. The Company considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation.

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

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

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

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

**(f) Financial instruments**

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

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

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

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

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

**Trade and other receivables**

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

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

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

### Trade and other payables

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

### (g) Share capital

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

NZ IAS 32 paragraph 37 requires costs incurred in issuing own equity instruments to be accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs incurred by the Company for the intended issue of equity instruments have been capitalised and recorded as prepayments in the statement of financial position until such time as the equity is raised and they can be accounted for as a deduction from equity.

### (h) Employee benefits

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

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

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

### (i) Share-based payments

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

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

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

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

### (j) Leases

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

### (k) Taxation

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

#### Current tax

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

#### Deferred tax

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

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

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

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

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

**Current and deferred tax for the year**

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

**(l) Property, plant and equipment and intangible assets**

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

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

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

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

Intangible assets include a trademark carried at cost less accumulated impairment losses.

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

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

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

**(n) 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:**

- "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.
- "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.

**(o) Foreign currency translation****Functional and presentation currency**

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

**Transactions and balances**

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

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

**(p) Segment reporting**

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

**(q) 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 the prior year. 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 revised 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, to be finalised in the forthcoming year. 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.

**(r) Standards and interpretations in issue not yet effective**

The Company has adopted all standards, interpretations and amendments which became effective in the current year with no material changes to the Company's accounting policies with regards to measurement and disclosure in the financial statements, with the exception of the changes detailed in note 1 (s).

The Company has reviewed all Standards and Interpretations in issue but not yet adopted, with the exception of NZ IFRS 9: Financial Instruments which is effective for the financial year ended 30 June 2019, NZ IFRS 15: Revenue from Contracts with Customers which is effective for the financial year ended 30 June 2019 and NZ IFRS 16: Leasing which is effective for the financial year ended 30 June 2020. The Directors do not expect NZ IFRS 9, NZ IFRS 15 or NZ IFRS 16 to have any material impact on the financial statements of the Company. It is likely that changes arising from NZ IFRS 9, NZ IFRS 15 and NZ IFRS 16 will affect the recognition, measurement and classification of amounts recognised in the financial statements. However, it is not practical to provide a realistic assessment of this effect until a detailed review of the standards has been completed.

**(s) Adoption of new and revised standards and interpretations**

No new standards or interpretations were implemented in the year to 30 June 2016..

## 2 Revenue from services and other income

	2016 \$	2015 \$
Government grant funding	1,940,000	2,299,361
Revenue from services	541,920	531,162
Carried interest income	-	1,001,370
<b>Total Revenue from services and other income</b>	<b>2,481,920</b>	<b>3,831,893</b>

Revenue from services in both the current and prior year are derived from services provided to investee companies and third parties such as accounting, consultancy and transaction fees for capital raisings.

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

	2016 \$	2015 \$
Un-realised gain on investments at fair value through profit or loss	5,491,752	117,399
<b>Net gain/(loss) on investments at fair value through profit or loss</b>	<b>5,491,752</b>	<b>117,399</b>

## 4 Employee benefits expense

	2016 \$	2015 \$
Salaries	2,961,033	2,853,117
Other payments to employees	-	701,220
Share-based payments	126,666	-
Bonuses	477,278	326,250
Kiwisaver defined contribution plans	70,330	71,585
Directors' fees	187,500	111,081
Investment Committee fees	17,500	46,750
<b>Total employee benefits expense</b>	<b>3,840,307</b>	<b>4,110,003</b>

In the previous financial year certain employees of the Company received bonuses paid by way of shares in the Company.

Bonuses in the current financial year represent cash awards to employees and amounts recognised for share-based payments to Executives. Refer to note 8 for further details on share-based payments.

Other payments to employees in the prior year represent the distribution of shares as described in Note 1(q).

## 5 Income taxes

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

	2016 \$	2015 \$
<b>Tax expense/(credit comprises)</b>		
Current tax expense/(credit)		
Current year	-	-
Adjustment for prior years	-	-
	-	-
<b>Deferred tax expense/ (Credit):</b>		
(Increase)/decrease in deferred tax assets (Note 5(c))	(212,217)	-
Increase/(decrease) in deferred tax liabilities (Note 5(d))	1,570,562	-
<b>Deferred tax - origination and reversal of temporary differences</b>	<b>1,358,345</b>	-
<b>Total tax expense</b>	<b>1,358,345</b>	-

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

	2016 \$	2015 \$
Profit/(loss) before tax expense	2,123,548	(763,205)
Expected tax charge using tax rate applicable for the year (28%)	<b>594,593</b>	<b>(213,697)</b>
(Non-assessable income)/non-deductible expenses	232,297	(27,636)
Other adjustments	-	(6,636)
Temporary differences previously not recognised	(12,426)	-
Unrecognised current year tax losses	543,881	247,969
<b>Total tax expense</b>	<b>1,358,345</b>	-

### (b) Current tax assets and liabilities

	2016 \$	2015 \$
Current tax assets:	-	-
<b>Current tax refundable</b>	<b>22,329</b>	<b>18,973</b>
Current tax liabilities:	-	-
<b>Current tax payable</b>	-	-

**(c) Deferred tax assets**

	2016 \$	2015 \$
<b>Deferred tax assets comprise temporary differences attributable to:</b>		
Employee benefits	212,217	-
<b>Deferred tax assets</b>	<b>212,217</b>	-
<b>Movements in the deferred tax asset account</b>		
Opening balance	-	-
Charged/(credited) to profit or loss (Note 5a)	(212,217)	-
<b>Closing balance</b>	<b>(212,217)</b>	-

The Company has unused tax losses and credits amounting to \$1,942,431 (2015: \$996,340) for which no deferred tax asset has been recognised in the statement of financial position. The tax asset has not been recognised due to the likelihood that losses will not be available as shareholder continuity is likely to be broken due to movements on the share register arising from the IPO planned for October 2016. It is expected that a deferred tax asset will be recognised in future periods arising out of taxable losses generated after the IPO, or losses that survive the IPO period.

**(d) Deferred tax liabilities**

	2016 \$	2015 \$
<b>Deferred tax liabilities comprise temporary differences attributable to:</b>		
Net value of Investments at fair value through profit or loss	1,570,562	-
<b>Deferred tax liabilities</b>	<b>1,570,562</b>	-
<b>Movements in the deferred tax liability account</b>		
Opening balance	-	-
Charged/(credited) to profit or loss (Note 5a)	1,570,562	-
<b>Closing balance</b>	<b>1,570,562</b>	-

A deferred tax liability of \$1,570,562 has been recognised as at 30 June 2016 in respect of unrealised fair value gains on the Company's investment portfolio.

The Company intends to retain its holdings in portfolio investee companies in the long term in order to maximise growth potential for Powerhouse shareholders.

It is intended that the sale of investee companies will occur only in unusual or abnormal circumstances where a particular investee company no longer fits the Powerhouse strategic asset allocation model for portfolio construction, or when extenuating circumstances arise that were not foreseen at the time of the initial investment.

On this basis, the Directors are of the strong view that investments are held on capital account for taxation purposes. Therefore the booking of this deferred tax liability represents a conservative position which does not reflect the anticipated tax outcome that will occur on any future and as yet unforeseen disposal of investments.

**(e) Imputation credits**

	2016 \$	2015 \$
Imputation credits available for use	-	-

Imputation credits available for use as at 30 June 2015 were foregone as a result of changes in shareholder continuity during the year.

## 6 Earnings per share calculation

	2016	2015
<b>Basic earnings per share (refer to Statement of Comprehensive Income and note 7)</b>		
Basic earnings/(loss) per share (cents)	5	(26)
Earnings used in the calculation of total basic earnings per share	\$765,203	\$(763,205)
Weighted average number of ordinary shares for the purposes of basic earnings per share	15,976,654	2,934,075
<b>Diluted earnings per share (refer to Statement of Comprehensive Income and note 7)</b>		
Diluted earnings/(loss) per share (cents)	5	(26)
Earnings used in the calculation of total diluted earnings per share	\$765,203	\$(763,205)
Weighted average number of ordinary shares for the purposes of diluted earnings per share	15,976,654	2,934,075

Earnings per share for the year ended 30 June 2015 have been restated to take into account the share split which occurred in November 2015.

## 7 Share capital

At 30 June 2016, share capital comprised 17,824,296 authorised and issued ordinary shares (2015: 18,853). All issued shares are fully paid and have no par value.

	2016	2015
	\$	\$
<b>Share capital comprises</b>		
Authorised, issued and fully paid in capital	20,897,948	15,533,111
Treasury stock	(973,530)	(973,530)
Issuance costs	(740,319)	(282,726)
<b>Total share capital</b>	<b>19,184,099</b>	<b>14,276,855</b>
<b>Movements in share capital</b>	<b>2016</b>	<b>2015</b>
	\$	\$
Opening balance	14,276,855	1,000
Shares issued during the period for cash	5,364,837	3,552,210
Shares issued during the period in respect of non-cash transactions	-	11,979,901
Issuance costs incurred	(457,593)	(282,726)
Treasury stock movement	-	(973,530)
<b>Closing balance</b>	<b>19,184,099</b>	<b>14,276,855</b>

The Company raised \$5.36m through the issuance of new shares in the year to 30 June 2016.

Issuance costs incurred of \$458k, which have been offset against equity, relate to the legal and professional costs incurred in the undertaking of the equity raisings carried out during the year.

	2016	2015
	shares	shares
<b>Number of ordinary shares authorised, issued and fully paid</b>		
Opening balance	18,853	1,000
Shares issued during the period for cash	1,815,179	17,853
Shares issued during the period as a result of the share split	15,990,264	-
<b>Closing balance</b>	<b>17,824,296</b>	<b>18,853</b>

### Share Split

The Board of Directors authorised a 725 for 1 share split on 24 November 2015, to take effect on 26 November 2015. Each shareholder on record as at 26 November 2015 received 724 additional ordinary shares for each share held on that date. All new shares are ranked pari passu with existing ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

## Treasury stock

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

	2016		2015	
	Number of shares	Value of shares (\$)	Number of shares	Value of shares (\$)
Opening balance	1,119	973,530	-	-
Issued as a result of the share split	810,156	-	-	-
Acquired during the year as a result of restructuring	-	-	1,151	1,001,370
Acquired for the employee LTIP to be implemented in the next financial year	-	-	774	673,380
Distributed into trust for employees under the legacy remuneration scheme	-	-	(806)	(701,220)
<b>Closing balance</b>	<b>811,275</b>	<b>973,530</b>	<b>1,119</b>	<b>973,530</b>

## Components of treasury stock as at reporting date:

	2016		2015	
	Number of shares	Value of shares (\$)	Number of shares	Value of shares (\$)
Acquired for the employee LTIP to be implemented in the next financial year	561,150	673,380	774	673,380
Balance of shares acquired during restructuring	250,125	300,150	345	300,150
	<b>811,275</b>	<b>973,530</b>	<b>1,119</b>	<b>973,530</b>

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

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

The Company owns 108,750 shares directly with the balance of 702,525 shares held in trust for the Company by Powerhouse Venture Managers Limited.

## 8 Share-based payments

### (i) Executive Performance Rights Scheme

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

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

### (ii) Executive IPO Retention Scheme

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

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

### 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 recognised during the period as part of employee benefit expense were as below:

	2016	2015
	\$	\$
Expense for equity settled share based payment transactions	126,666	-

No performance rights were granted, forfeited or exercised during the period, were outstanding at the beginning or end of the period, or were exercisable at the end of the period.

Subsequent to 30 June 2016 the Company granted a total of 964,911 Performance Rights to Senior Executives under the above schemes subject to the satisfactory achievement of the Performance Conditions. Up to 789,473 of these Performance Rights will vest on 30 June 2018 and up to 175,438 of these Performance Rights will vest on 31 December 2016.

## 9 Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank available on demand	465,177	1,773,976
<b>Total cash and cash equivalents</b>	<b>465,177</b>	<b>1,773,976</b>

## 10 Trade and other receivables and prepayments

	2016 \$	2015 \$
Trade debtors	314,227	130,041
Prepayments	500,234	178,232
Accrued income	26,250	-
<b>Total trade and other receivables and prepayments</b>	<b>840,711</b>	<b>308,273</b>

Prepayments include \$401,068 (2015: \$146,559) of costs incurred in relation to the planned IPO which are expected to be netted against equity following the issue of new shares in the IPO.

The provision for doubtful debts is based on estimated non-recoverable amounts determined by reference to customer circumstances and past default experience. In the current year, the Company has recognised an expense of \$nil in respect of bad and doubtful debts (2015: \$nil).

The average credit period of trade and other receivables is 30 days. No interest is charged and the Company does not hold collateral over the trade and other receivables balances.

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

	2016 \$	2015 \$
30-60 days	7,255	4,347
60-90 days	8,003	4,323
90 days +	136,267	51,491
<b>Total</b>	<b>151,525</b>	<b>60,161</b>

## 11 Short-term loans receivable

	2016 \$	2015 \$
Short-term loans receivable	826,050	522,050
<b>Total short-term loan receivable</b>	<b>826,050</b>	<b>522,050</b>

These short term loans are un-secured and are normally for a duration of four to six weeks. Interest is charged on these receivables at rates of 0%-25% p.a. Short-term loans are provided to assist investee companies with immediate cash flow needs. These loans have been issued to the following entities:

	2016 \$	2015 \$
SolarBright Limited	476,050	522,050
HydroWorks Limited	200,000	-
Fluent Scientific Limited	50,000	-
Photonic Innovations Limited	50,000	-
Tiro Medical Limited	50,000	-
	<b>826,050</b>	<b>522,050</b>

## 12 Intangible assets

Year ended 30 June 2016	Trademark \$	Website costs \$	Total \$
<b>Cost</b>			
Opening cost	151,380	32,320	183,700
Additions	-	38,696	38,696
<b>Closing cost</b>	<b>151,380</b>	<b>71,016</b>	<b>222,396</b>
<b>Amortisation</b>			
Opening amortisation	-	(17,320)	(17,320)
Amortisation charge	-	(19,045)	(19,045)
<b>Accumulated amortisation</b>	<b>-</b>	<b>(36,365)</b>	<b>(36,365)</b>
<b>Year ended 30 June 2015</b>			
<b>Cost</b>			
Opening cost	-	7,320	7,320
Additions	151,380	25,000	176,380
Disposals	-	-	-
<b>Closing cost</b>	<b>151,380</b>	<b>32,320</b>	<b>183,700</b>
<b>Amortisation</b>			
Opening accumulated amortisation	-	(7,320)	(7,320)
Amortisation charge	-	(10,000)	(10,000)
<b>Accumulated amortisation</b>	<b>-</b>	<b>(17,320)</b>	<b>(17,320)</b>
<b>Opening net book value</b>	<b>151,380</b>	<b>15,000</b>	<b>166,380</b>
<b>Closing net book value</b>	<b>151,380</b>	<b>34,651</b>	<b>186,031</b>

In the prior year the Company entered into an agreement to issue shares to former employees of Kerasi Limited in consideration of Kerasi transferring all of its assets including its right, title and interest in the trade mark KERASI and the Kerasi logo to the Company.

The transaction resulted in an asset being acquired and recognised as an intangible asset. The asset has been assessed for impairment at the reporting date with no provision for impairment deemed necessary.

## 13 Trade and other payables

	2016 \$	2015 \$
Trade payables	569,176	307,449
Employee entitlements	274,095	152,268
Other accruals	559,844	63,250
Short term loans	570,750	400,000
GST payable	27,088	14,494
<b>Total trade and other payables</b>	<b>2,000,953</b>	<b>937,461</b>

**The short term loans balance consists of three types of short term loans, which have the following repayment terms:**

- 1) Loan from CRIS Limited for \$300,000. This is an unsecured interest free loan which is repayable on 30 June 2017.
- 2) Three loans from CRIS Limited for \$50,000 each. These are unsecured interest free loans, with repayment expected to be made within three months of the reporting date.
- 3) Short term loan for \$120,750 from an external finance provider for the payment of insurance premiums. Interest of 10% per annum is payable on the loan with monthly repayments due to complete by 30 June 2017.

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

	2016 \$	2015 \$
Profit/(loss) for the year	765,203	(763,205)
<b>(Less)/plus non cash items</b>		
Depreciation	11,710	11,445
Amortisation	19,045	10,000
Net changes in fair value of investments at fair value through profit or loss	(5,491,732)	(117,399)
Interest converted to equity investments	(12,881)	-
Deferred tax movement	1,358,345	-
Non-cash remuneration	126,666	326,250
Restructuring costs	-	90,552
Non-cash gain on restructuring	-	(300,150)
<b>(Less)/plus changes in working capital</b>		
Decrease/(increase) in trade and other receivables	(506,187)	(3,113)
Decrease/(increase) in accrued income	(26,250)	119,617
Decrease/(increase) in current tax receivable	(3,357)	(14,687)
(Decrease)/increase in trade and other payables	892,742	595,203
(Decrease)/increase in deferred revenue	(12,000)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(2,878,696)</b>	<b>(45,487)</b>

## 15 Remuneration of Auditors

	2016 \$	2015 \$
Audit of the financial statements	40,000	21,000
Review of interim financial statements	43,575	-
Other assurance services	10,040	-
<b>Total remuneration paid to auditors</b>	<b>93,615</b>	<b>21,000</b>

## 16 Segment information

### Reportable segments

Under NZ IFRS 8, as at 30 June 2016, the Company operates in one geographical segment, New Zealand. This segment is reported on internally for the chief operating decision maker. Operations in Australia had not commenced as at 30 June 2016.

## 17 Related party transactions

### The Company had transactions with the following entities, which are shareholders of the Company (other than Directors):

- CRIS Limited and its parent Canterbury Development Corporation
- University of Canterbury

Refer to note 13 for details of short term loans provided by CRIS Limited to the Company. John Walley, a Director of the Company, was also a Director of CRIS Limited during the reporting period.

**Transactions with related parties:**

**For the year ended 30 June 2016:**

<b>Name</b>	<b>Revenues \$</b>	<b>Expenses \$</b>	<b>Trade and other receivables \$</b>	<b>Trade and other payables \$</b>
Canterbury Development Corporation	47,494	519	-	-
CRIS Limited	221,200	-	51,750	-
University of Canterbury	-	27,000	-	-

**For the year ended 30 June 2015:**

<b>Name</b>	<b>Revenues \$</b>	<b>Expenses \$</b>	<b>Trade and other receivables \$</b>	<b>Trade and other payables \$</b>
Canterbury Development Corporation	21,250	9,900	7,083	-
CRIS Limited	322,851	-	-	-
University of Canterbury	-	50,977	-	-
Powerhouse No.1 Limited Partnership	2,924	-	-	-
Powerhouse No.2 Limited Partnership	800	-	-	-
Powerhouse No.3 Limited Partnership	277	-	-	-
Powerhouse No.4 Limited Partnership	12,542	-	-	-

There are no bad debt provisions relating to related party transactions (2015: nil).

**Key management personnel compensation**

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

	<b>2016 \$</b>	<b>2015 \$</b>
Short-term employee benefits	1,041,949	645,731
Bonus paid in shares	-	216,164
Equity-settled share-based payments	126,666	-
<b>Total key management personnel compensation</b>	<b>1,168,615</b>	<b>861,895</b>

## 18 Commitments

### Investments

The Company was committed to investing a total of \$750,000 into existing investee companies as at 30 June 2016 (2015: \$nil) as a result of contractual agreements with the following companies:

	<b>2016 \$</b>
AuramerBio Limited	200,000
Avalia Immunotherapies Limited	200,000
Hi-Aspect Limited	100,000
Upstream Medical Technologies Limited	250,000
	<b>750,000</b>

The cashflows associated with the above commitments are uncertain in timing and are dependant on the above named companies achieving certain milestones.

### Operating lease commitments

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

**Non-cancellable operating lease payments**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Less than one year	106,000	133,609
Between one and five years	21,000	62,600
More than five years	-	-
<b>Total non-cancellable operating lease payments</b>	<b>127,000</b>	<b>196,209</b>

**19 Contingencies****Contingent assets**

There were no contingent assets as at 30 June 2016 (2015: nil).

**Contingent liabilities**

There were no contingent liabilities as at 30 June 2016 (2015: nil).

**20 Subsequent events**

The Company lodged a prospectus with the Australian Securities Exchange (ASX) on 2 August 2016. The Company has exceeded the minimum capital raise of A\$10m at a share price of A\$1.07/NZ\$1.14. Of total IPO proceeds, A\$493k has been raised from employees and directors of the Company.

On completion of the Initial Public Offering, the Company will issue 414,302 bonus shares at NZD\$1.14 per share in relation to the previous capital-raising round with the effect that subscribers to that previous capital-raising round will have paid the same price per share as the Offer price.

Prior to the lodgement of the prospectus the Company raised \$1.25m from the issue of convertible notes to new and existing shareholders on 8 July 2016. The notes are expected to convert to ordinary share capital on or soon after the completion of the Initial Public Offering.

**21 Going concern**

The Directors consider it appropriate that the financial statements continue to be prepared on a going concern basis given the recent capital-raise as outlined in note 20.

## 22 (a) Investments in operating subsidiaries held at fair value through profit or loss

Name of subsidiary held at fair value	Principal place of business	Ownership interest	Valuation methodology applied	Nature of operations
Powerhouse Ventures Australia Pty Limited	Australia	100.0%	N/A - fair value deemed to be zero	Incorporated solely to carry out administrative function in Australia. The company has been operationally dormant from incorporation to reporting date.
Powerhouse Venture Managers Limited	New Zealand	100.0%	N/A - fair value deemed to be zero	The entity is used to hold shares in Powerhouse Ventures Limited as a bare trustee, with the beneficial owners currently being employees and the Company.
Powerhouse No.1 Nominee Limited	New Zealand	100.0%	N/A - fair value deemed to be zero	The entity is used as a bare trustee for co- investors who have invested alongside Powerhouse No.1 Limited Partnership.
Powerhouse No.2 Nominee Limited	New Zealand	100.0%	N/A - fair value deemed to be zero	The entity is used as a bare trustee for co- investors who have invested alongside Powerhouse No.2 Limited Partnership.
Powerhouse No.3 Nominee Limited	New Zealand	100.0%	N/A - fair value deemed to be zero	The entity is used as a bare trustee for co- investors who have invested alongside Powerhouse No.3 Limited Partnership.
Powerhouse No.4 Nominee Limited	New Zealand	100.0%	N/A - fair value deemed to be zero	The entity is used as a bare trustee for co- investors who have invested alongside Powerhouse No.4 Limited Partnership.

The subsidiaries listed above are non-trading entities.

## 22 (b) Investments in portfolio subsidiaries held at fair value through profit or loss

Koti Technologies Limited	New Zealand	56.7%	Last capital raise	Koti uses ceramic thin-film coating technology to coat complex shapes and surfaces.
Hi-Aspect Limited	New Zealand	50.0%	Last capital raise	Hi-Aspect specialises in the development of protein based materials and products for the medical and lifesciences markets.

The above portfolio subsidiaries are pre-seed entities 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).

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 ownership percentages represent the total interest in the entities, including the rights being exercised on convertible notes and convertible loans.

Powerhouse Venture Managers Limited, Powerhouse No.1 Nominee Limited, Powerhouse No.2 Nominee Limited, Powerhouse No.3 Nominee Limited and Powerhouse No.4 Nominee Limited are dormant, apart from assets held on trust on behalf of third parties and therefore have no material transactions or balances for the years ended 30 June 2015 and 30 June 2016. As such the fair value of these entities is deemed to be nil.

## 23 Investments in associates held at fair value through profit or loss

Name of associate	Principal place of business	Ownership interest	Valuation methodology applied	Nature of operations
Motim Technologies Limited	New Zealand	41.8%	Last capital raise	Motim delivers innovative mobile marketing capability to global brands through its interactive mobile phone applications.
Photonic Innovations Limited	New Zealand	41.1%	Last capital raise	Develops a laser spectroscopy-based gas detection system to alert workers in hazardous environments of the occurrence of gas leaks.
SolarBright Limited	New Zealand	38.4%	Last capital raise	Manufacturer/supplier of a range of road lighting, bollards and road sign products including a LED solar 'cats-eye' product for road surfaces that indicates freezing road temperatures.
Tiro Medical Limited	New Zealand	38.3%	Last capital raise	Develops physiological modelling systems using digital sensor technologies.
Invert Robotics Limited	New Zealand	37.4%	Last capital raise	Designs and manufactures mobile robotic systems and delivers inspection services using proprietary mobile robot technologies.
CropLogic Limited	New Zealand	31.3%	Last capital raise	Provider of yield-predicting decision-support software and related telemetry for the agriculture sector.
Lasadex Limited	New Zealand	26.9%	N/A - fair value deemed to be zero	Works in soil health with technology for enabling the extraction of DNA from large samples of soil.
CertusBio Limited	New Zealand	25.3%	Last capital raise	Development of biosensor solutions for dairy and other industries
HydroWorks Limited	New Zealand	22.7%	Last capital raise	Designer and manufacturer of high efficiency hydroelectric turbines and systems.
Fluent Scientific Limited	New Zealand	21.3%	Last capital raise	Uses facial and verbal micro-expression analysis, combined with "big data", to enhance verbal and visual communication and analysis of psychometric information.

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 total interest in the entities including the rights being exercised on convertible notes and convertible loans.

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

Name of other entity	Principal place of business	Ownership interest	Valuation methodology applied	Nature of operations
Veritide Limited	New Zealand	18.3%	Last capital raise	Uses optical fluorescent techniques for non-invasive detection and identification of hazardous biological organisms.
AuramerBio Limited	New Zealand	14.3%	Last capital raise	Provides novel chemical sensing technologies for small molecule and protein detection.
Modlar Limited	New Zealand	13.5%	Last capital raise	Creator and distributor of Building Information Models (BIM) for use by architects and designers when specifying construction/real estate development plans.
Avalia Immunotherapies Limited	New Zealand	13.1%	Last capital raise	Develops vaccine and adjuvant technologies for the treatment of cancer, allergy and infectious disease.
Upstream Medical Technologies Limited	New Zealand	11.1%	Last capital raise	Front line biomarker testing for heart disease and associated clinical complications.
MARS Bioimaging Limited	New Zealand	8.5%	Last capital raise	MARS Bioimaging provides in-vivo colour x-ray imaging to drug research companies, using spectral computed tomography (CT) technology.
ArcActive Limited	New Zealand	6.4%	Last capital raise	Designer and manufacturer of Lead Acid Battery electrodes using Carbon Nanotube-based technology.
Thinking Cactus Limited	New Zealand	5.8%	N/A - fair value deemed to be zero	Thinking Cactus is the originator and developer of software that enables quick and easy animation of characters.
Syft Technologies Limited	New Zealand	1.6%	Quoted prices in non-active market	Syft develops gas-analysis technology that identifies Volatile Organic Compounds (VOCs) that are present in gases at trace level concentrations.

The Company is required to hold these investments at fair value through profit and loss in accordance with NZ IAS 39. The ownership percentages represent the total interest in the entities including the rights being exercised on convertible notes and convertible loans.

## 25 Financial Instruments

### (a) Financial risk management objectives

**In anticipation of its planned growth, including listing on the ASX, the Company has approved detailed capital and liquidity management policies. In accordance with the policies, when capital and liquidity balances dictate, the orderly and efficient management of working capital, cash and near cash assets will enable the Company to:**

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

The Company's working capital management includes equity capital management, as this is the primary means for funding the Company's operations during the investment cycle of balance sheet utilisation. The Company is unlikely to generate regular operational cash flows to fund its operational and investment activities and as such, is likely to be reliant on capital raising activities.

**As the Company is unlikely to be able to fund its operations to a significant degree through borrowings, access to equity capital markets is at the heart of 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 are as follows:

Asset pool type	Financial asset type	Percentage holding
A1	Cash	At least 30%
A2	Term deposits <= 180 days	At least 30% until financial assets fall to below \$5 million
B1	Bank listed hybrids (<= 2 years to maturity)	Maximum of 20% but reducing to nil when financial assets fall to below \$5 million
B2	Investments in (non-investee company designated) NZA corporations listed debt securities (<= 2 years to maturity)	Maximum of 20% but reducing to nil when financial assets fall to below \$5 million

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

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

To minimise counterparty risk, no more than 30% of any category of the liquid asset pool can be invested with any one institution.

### (b) Market liquidity risk

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

### (c) Interest rate risk

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

#### (d) Equity price risk

Equity price risk is the risk that the Company's investments in equities are exposed to movements that are not correlated to the general or targeted market. The objective of equity price risk management (other than for its investee companies) 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 B1 and B2 portfolio (details of this is provided in note 25 (a) above).

#### Ratings

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

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

The Company is still in a transitional period prior to the listing of its shares on the ASX. Therefore, as at reporting date, the Company is transitioning to compliance with all of the financial risk management aspects of the Capital and Liquidity Management Policy.

#### (e) Foreign currency risk management

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

#### (f) Credit risk

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

#### (g) Liquidity risk

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

	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 2016</b>						
<b>Financial assets</b>						
Cash and cash equivalents	465,177	-	-	-	-	465,177
Trade and other receivables	-	340,477	-	-	-	340,477
Short-term loan receivable	-	300,000	526,050	-	-	826,050
Investments	-	-	-	-	20,662,510	20,662,510
<b>Total financial assets</b>	<b>465,177</b>	<b>640,477</b>	<b>526,050</b>	<b>-</b>	<b>20,662,510</b>	<b>22,294,214</b>
<b>Financial Liabilities</b>						
Trade and other payables	-	596,263	709,844	694,845	-	2,000,952
<b>Total financial liabilities</b>	<b>-</b>	<b>596,263</b>	<b>709,844</b>	<b>694,845</b>	<b>-</b>	<b>2,000,952</b>

	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 2015</b>						
<b>Financial assets</b>						
Cash and cash equivalents	1,773,976	-	-	-	-	1,773,976
Trade and other receivables	-	130,041	-	-	-	130,041
Short-term loan receivable	-	472,050	50,000	-	-	522,050
Loans to investee companies	-	-	198,728	-	-	198,728
Investments	-	-	-	-	11,798,376	11,798,376
<b>Total financial assets</b>	<b>1,773,976</b>	<b>602,091</b>	<b>248,728</b>	<b>-</b>	<b>11,798,376</b>	<b>14,423,171</b>
<b>Financial Liabilities</b>						
Trade and other payables	-	470,699	-	300,000	-	770,699
<b>Total financial liabilities</b>	<b>-</b>	<b>470,699</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>770,699</b>

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

	Loans and receivables \$	Amortised cost \$	Fair value through profit or loss \$	Total \$
<b>As at 30 June 2016</b>				
<b>Financial assets</b>				
Cash and cash equivalents	465,177	-	-	465,177
Trade and other receivables	439,643	-	-	439,643
Short-term loan receivable	826,050	-	-	826,050
Loans to investee companies	-	-	-	-
Investments	-	-	20,662,510	20,662,510
<b>Total financial assets</b>	<b>1,730,870</b>	<b>-</b>	<b>20,662,510</b>	<b>22,393,380</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	2,000,953	-	2,000,953
<b>Total financial liabilities</b>	<b>-</b>	<b>2,000,953</b>	<b>-</b>	<b>2,000,953</b>
<b>As at 30 June 2015</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,773,976	-	-	1,773,976
Trade and other receivables	308,273	-	-	308,273
Short-term loan receivable	522,050	-	-	522,050
Loans to investee companies	198,728	-	-	198,728
Investments	-	-	11,798,376	11,798,376
<b>Total financial assets</b>	<b>2,803,027</b>	<b>-</b>	<b>11,798,376</b>	<b>14,601,403</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	937,461	-	937,461
<b>Total financial liabilities</b>	<b>-</b>	<b>937,461</b>	<b>-</b>	<b>937,461</b>

The fair value of the short-term loan receivables and short-term loans have been determined to be their carrying value. This is due to these items being short term in nature.

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

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

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

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

As at 30 June 2016

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Available for sale investments	-	-	-	-
Held-to-maturity investments	-	-	-	-
Investments at fair value through profit or loss valued at last capital raise or liquidity event	-	-	20,063,110	20,063,110
Investments at fair value through profit or loss valued using observable quoted prices	-	599,400	-	599,400
<b>Total financial assets measured at fair value through profit or loss</b>	<b>-</b>	<b>599,400</b>	<b>20,063,110</b>	<b>20,662,510</b>

As at 30 June 2015

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Available for sale investments	-	-	-	-
Held-to-maturity investments	-	-	-	-
Investments at fair value through profit or loss valued at last capital raise or liquidity event	-	-	11,198,976	11,198,976
Investments at fair value through profit or loss valued using observable quoted prices	-	599,400	-	599,400
<b>Total financial assets measured at fair value through profit or loss</b>	<b>-</b>	<b>599,400</b>	<b>11,198,976</b>	<b>11,798,376</b>

Fair values of financial assets valued using level two inputs are determined by reference to quoted prices in a non-active market. These comprised offer prices provided by an independent third party.

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

Financial asset	Fair value hierarchy	Valuation techniques and key inputs used in fair value calculation	Significant unobservable inputs/assumptions	Relationship of unobservable inputs/assumptions to the determined fair value
Investments at fair value through profit or loss valued at last capital raise or liquidity event	Level 3	This approach assumes that the cost of a recent investment in the investee provides a good indication of the fair value for that company (i.e. 'price of last round') or the cost if a liquidity event is expected to take place, or be in the final stages of negotiation, at the end of the reporting period.	These valuation methodologies use cost as a proxy for the fair value of the investments given that the entities are in the infancy stages of operations.	Given the stage of these entities in their life cycle, the actual value of these entities could be higher or lower than the cost of the last capital raised/ liquidity event depending on the future performance of the entity if the entity was valued under an internal valuation approach.

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

**Investments at fair value through profit and loss**

	2016 \$	2015 \$
Opening balance	11,198,976	20
Total unrealised fair value gains/ (losses) recognised in profit or loss	5,491,732	117,399
Total fair value of investments purchased	2,454,466	1,907,987
Total fair value of convertible notes converted to equity	198,728	-
Total fair value of short term loans converted to equity	719,208	-
Total fair value of investments acquired on restructuring	-	9,173,570
<b>Closing value</b>	<b>20,063,110</b>	<b>11,198,976</b>



Chartered Accountants

**Independent Auditor's Report  
To the Shareholders of Powerhouse Ventures Limited  
Report on the Financial Statements**

We have audited the financial statements of Powerhouse Ventures Limited on pages 42 to 67, which comprise the statement of financial position of Powerhouse Ventures Limited as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

**Directors' Responsibility 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 and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

**Opinion**

In our opinion, the financial statements on pages 42 to 67 present fairly, in all material respects, the financial position of Powerhouse Ventures Limited as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The signature 'Ernst &amp; Young' is written in a cursive, handwritten style.

6 October 2016  
Christchurch

# Corporate Governance

## Management



**Stephen Hampson**  
**Managing Director, Executive**

Refer to Board profiles on page 35



**Paul Viney**  
**Executive Director, Chief Financial Officer and Company Secretary**

Refer to Board profiles on page 36



**Colin Dawson**  
**Chief Operating Officer**

A veterinarian by training, Colin's career focus has been on the human and animal health sectors. He has held senior executive roles in the primary, secondary and tertiary healthcare sectors in New Zealand and spent 11 years as Chief Executive Officer at a major New Zealand University innovation and commercialisation arm.

Colin has been involved at Executive or Director level with many other technology and start-up businesses in New Zealand. This includes with an entity that became a significant NZX listed Company.

Colin is currently a Director of The NZ Institute for Plant and Food Research Ltd and also Powerhouse Portfolio Companies Tiro Medical Ltd, CertusBio Limited, Avalia Immunotherapies Limited, Upstream Medical Technologies Limited and MARS Bioimaging Ltd.



**Andy Matheson**  
**Chief Investment Officer**

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

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

At Powerhouse, Andy is responsible for supporting the capital raising activities for many Powerhouse Portfolio Companies as well as liquidity strategies for some of Powerhouse's more mature companies.

## Corporate governance

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.

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

<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

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

The following is a summary of policies and procedures that have been adopted by the Company in accordance with the ASX Corporate Governance Principles.

The Company has set up its governance practices to comply with the ASX Corporate Governance Principles and therefore has no departures to report.

#### Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee Human Resources and Remuneration Committee, Corporate Governance and Nomination Committee and Portfolio 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.

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 ([www.Powerhouse-ventures.co.nz](http://www.Powerhouse-ventures.co.nz)).

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

Committee	Overview	Members
<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>	John Hunter (Chairman) Kerry McDonald John Walley
<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>	Dianne McCarthy (Chairman) Kerry McDonald Steve Wilson
<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>	Kerry McDonald (Chairman) Rick Christie Steve Wilson
<b>Portfolio Committee</b>	Provides assistance to the Board in relation to investment portfolio construction, monitoring and performance in the four technology sectors in which Powerhouse invests. <p>The Committee also ensures portfolio construction and performance monitoring includes analysis and decisions regarding the three venture stages in which Powerhouse invests. The Portfolio Committee, upon advice from the Investment Advisory Committees:</p> <ul style="list-style-type: none"> <li>- reviews financial growth metrics for the portfolio as a whole, as well as for the relevant technology investment sectors;</li> <li>- reviews the Powerhouse investment strategy; and</li> <li>- provides advice to the Powerhouse Board and management regarding the longer-term investment strategy for the Portfolio as a whole.</li> </ul>	Steve Wilson (Chairman) John Hunter Dianne McCarthy John Walley

## Board Charters

The functions and responsibilities of the Board are set down in the Company's Board charter. Further details regarding the role and responsibilities of the Board and the Managing Director are contained in the *Role of the Board* Policy and the *Role of the Managing Director/Chief Executive Officer*, located on the Company's website at [www.Powerhouse-ventures.co.nz](http://www.Powerhouse-ventures.co.nz).

## Board of directors charter and its committees

The charter addresses the following matters and responsibilities of the Board:

- enhancing Shareholder value;
- oversight of the Company, including its control and accountability systems;
- appointing and removing the Managing Director (or equivalent) and the Chief Financial Officer;
- ratifying the appointment, and where appropriate, the removal of the senior Executives;
- input into and approval of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation strategy and seeking to ensure appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving budgets; and
- approving and monitoring financial and other reporting.

## Board composition

At present, there are 8 Directors on the Board. 6 out of the 8 Directors are non-Executive Directors. Stephen Hampson (Managing Director) and Paul Viney (Chief Financial Officer and Company Secretary) are the Executive Directors on the Board. The Chairman of the Board is Kerry McDonald. The biography of each Board member, including each Director's skills, experience, expertise and the term of office held by each Director at the date of this Annual Report is set out in the "Board and Management" section of this Annual Report.

## Board performance

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

## Investment processes

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

The responsibilities for investment processes are as follows:

<b>Powerhouse Board</b>	<ul style="list-style-type: none"> <li>- approving the investment strategy and capital allocation plan;</li> <li>- approving non-standard investments;</li> <li>- monitoring investment policy;</li> <li>- responsibility for portfolio construction and performance; and</li> <li>- targets and compliance.</li> </ul>
<b>Portfolio Committee</b>	<ul style="list-style-type: none"> <li>- reviewing financial growth performance of investments in each technology sector;</li> <li>- reviewing the Powerhouse investment strategy; and</li> <li>- providing advice to the Board and management of Powerhouse about the longer-term strategy for the development of the Portfolio as a whole.</li> </ul>
<b>Executive Team</b>	<ul style="list-style-type: none"> <li>- reporting portfolio performance to the Board and Portfolio Committee;</li> <li>- preparing the investment strategy and capital allocation plan;</li> <li>- approving standard investments; and</li> <li>- preparing recommendations to the Board for non-standard investments.</li> </ul>
<b>Investment Team</b>	<ul style="list-style-type: none"> <li>- identifying investment opportunities that fit with the Powerhouse investment criteria;</li> <li>- shaping investment opportunities for investment; and</li> <li>- processing investment transactions in accordance with the 'How we invest' procedure.</li> </ul>

Sector-based Investment Advisory Committees have been established and are responsible for reviewing investment themes, directions and opportunities in their technology sector which include Digital and ICT, Agritech and Environmental, Medical Devices & Health Care and Cleantech and Engineering.

Each Investment Advisory Committee is composed of:

- a Powerhouse Board member appointed as Chair;
- up to four members; and
- additional experts as deemed necessary.

The Advisory Committees' role is to respond to Powerhouse investment strategy, reporting back to the Board through the Portfolio Committee. They combine their own technology and market knowledge with appropriate network contacts to recommend potential new start-up ventures and to assist in shaping the commercial direction of Portfolio Companies.

Members of the Investment Advisory Committees who are not Directors of Powerhouse are selected based upon their sector-relevant industry expertise and knowledge. The Advisory Committees are, as their name suggests, advisory only and serve two purposes summarised below:

- to review the financial growth performance of investments in their specific sector by recommending potential areas of focus and flag specific watch points and potential variations to strategy based on market knowledge; and
- they combine their own technology and market knowledge with that of any appropriate network contacts to recommend potential new start-up visions based on the commercialisation of emerging technologies.

The following table presents the composition of the sector-based Investment Advisory Committees.

Digital and ICT	Engineering and Cleantech	Healthcare and Medical Devices	Environmental and Agritech
John Walley <sup>1</sup> (Chair)	Steve Wilson <sup>1</sup> (Chair)	Dianne McCarthy <sup>1</sup> (Chair)	John Hunter <sup>1</sup> (Chair)
Phil Holliday	Keith McConnell	Robin Olds	Anna Campbell
Terrence Rohan			Colin Harvey
Richard Mander			

1. Non-executive Director of Powerhouse

# Diversity Report

## Our Stance on Diversity

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

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

Powerhouse aims to:

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

## Promoting and Valuing Diversity

Powerhouse employees are expected to demonstrate:

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

## Board Diversity

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

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

## Gender Diversity as at 30 June 2016

The proportion of females employed by Powerhouse was as follows:

- Board: 12.5% being 1 female of 8 Directors
- Executive: Total 4 - 4 males (100%), 0 females (0%)
- Senior Management: Total 11 - 6 males (55%), 5 females (45%)
- Total employees (1) Total 19 - 12 males (63%), 7 females (37%)

1. Excludes Directors

### Diversity Objectives and Monitoring

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

Each year the Powerhouse Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior executive level and that performance against these objectives. The objectives for the 2016/17 financial year are detailed in the table below:

#### Measurable Diversity Objectives—Achievement Goal

Objective 1:	Flexible Work Practices Procedure to be approved by the Managing Director and Human Resources and Remuneration Committee.	By June 2017
Objective 2:	Establish partnership / sponsorship / membership with an external body promoting a women's leadership initiative.	By June 2017
Objective 3:	PVL to expand the scope of the Succession Planning programme to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles. The Managing Director will report annually to the Human Resources and Remuneration Committee on the success of this initiative.	Annually from June 2017
Objective 4:	PVL to implement an internal mentoring programme which aims to increase opportunities for PVL female employees in management or professional positions.	By June 2017
Objective 5:	Aim to increase the percentage of women in senior management positions (those positions either in the Executive or reporting directly to the PVL Executive) as vacancies arise, subject to identification of candidates with appropriate skills.	By June 2017
Objective 6:	The Board to develop a succession plan with an aim of increasing the representation of women on the Board.	By June 2017

### Company Policies

#### Share Trading Policy

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

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

#### Code of Conduct

The Board expects that Directors will at all times conduct themselves in a manner appropriate to their roles as Directors and maintain the highest of ethical standards. A similar requirement is placed on management and staff, as is respect for the privacy of customers and observance of the law.

A Code of Conduct is in place for the Company and clarifies the standard of behaviour that is expected of anyone who is employed by or works within the Company, including Directors and employees (both permanent and temporary), contractors and consultants, and suppliers and the community. The Code of Conduct is available on the Company's Website.

#### Risk management policy

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

#### Continuous disclosure policy

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

#### Communications with shareholders

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

**Economic, environmental and social sustainability**

The Company intends to prepare a separate sustainability report in accordance with the international reporting frameworks. It will be available online on the Company's website and will consider company activities as well as the activities of portfolio companies.

**Additional Company Policies**

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

**Attendance by Directors**

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

	Board	Investment Committee <sup>(1)</sup>	Portfolio Committee <sup>(2)</sup>	Audit & Risk Committee	Human Resources & Remuneration Committee	Corporate Governance & Nomination Committee <sup>(3)</sup>	IPO Due Diligence Committee
<b>Total meetings held</b>	<b>17</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>4</b>	<b>-</b>	<b>10</b>
Rick Christie	15	-	-	-	1	-	3
Stephen Hampson	17	-	-	-	-	-	9
John Hunter	16	1	1	8	2	-	10
Di McCarthy	16	1	1	-	4	-	-
Kerry McDonald	17	-	-	8	4	-	7
Paul Viney	17	-	-	-	-	-	10
John Walley	14	1	1	8	1	-	7
Steve Wilson	17	1	-	-	3	-	-

1. Investment Committee ceased operation on 17/12/15 and was replaced with the Portfolio Committee from that date.

2. Portfolio Committee commenced operation on 17/12/15 following cessation of the Investment Committee

3. During the year ended 30 June 2016, Corporate Governance and Nomination matters were dealt with by the full Board.

4. All Directors were in office for the full year, other than Paul Viney, who was appointed to the Board on 11 April 2016.

**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.

**Share dealings by Directors**

Director	Nature of Interest	Shares Acquired (after 725:1 share split on 25.11.2015)	Consideration	Date
Stephen Hampson	Beneficial	58 (42,050)	NZD \$1.20	03.08.2015
	Beneficial	69 (50,025)	NZD \$1.20	03.08.2015
	Beneficial	172 (124,700)	NZD \$1.20	31.08.2015
Paul Viney	Beneficial (Kensington Investments Superannuation Pty Ltd)	230 (166,750)	NZD \$1.20	03.08.2015
	Beneficial (Three Valleys A/c)	137 (99,325)	NZD \$1.20	03.08.2015
John Walley	Beneficial (Three Valleys A/c)	230 (166,750)	NZD \$1.20	12.11.2015
	Beneficial (Penruddock A/c)	13 (9,425)	NZD \$1.20	03.08.2015
Steve Wilson	Beneficial	124 (89,900)	NZD \$1.20	03.08.2015

Shares acquired by Directors on 26 November 2015 were issued as part of the share split as detailed in note 7 in the financial statements.

**Directors Shareholdings**

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

Director	30 June 2016	30 June 2015
Stephen Peter Hampson	272,600	204
Paul Viney	205,900	284
John Leonard Walley	382,075	297
Stephen Ernest Wilson	215,325	284

# Remuneration Report

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

**The detailed information that follows is set out in the following sections of this Remuneration Report:**

- A – Principles Used To Determine The Nature And Amount Of Remuneration
- B – Remuneration Structure
- C – Key Management Personnel And Remuneration Details
- D – Service Agreements
- E – Details Of Share-Based Compensation
- F – Additional Information, Performance Rights Vesting

## A – 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 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; and
- an appropriate balance between short and long-term performance focus and outcomes;
- a mix of cash and equity based remuneration.

### **The Managing Director 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 Review 30 June 2016**

The Board, on the advice of the Human Resources and Remuneration Committee has accountability to set all Executive remuneration. Recognising the principles above, the current prevailing market conditions and the reported performance of the Company, the Committee determined the following in relation to the 30 June 2016 review of base remuneration:

- Directors, 0% increase;
- Managing Director, a substantial increase in base salary as a result of the expanded scale of the business as it approached its ASX listing; and
- Generally Executives and staff received no increase.

Following a review by the Board on the advice of the Committee, the quantum and structure of incentive based earnings available for Executives apart from the Managing Director remain unchanged. Their remuneration structure is outlined below.

## B - Remuneration Structure

The Company's objective is to provide a remuneration framework whereby every incentive payment over and above an Executive'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.

### The Executive remuneration structure (currently applying to 4 Executives including the Managing Director) has three components:

1. Base salary and benefits;
2. Short term incentives determined on the basis of achievement of specific targets and outcomes relating to annual financial performance and individual value adding performance objectives. The available incentive reward is paid in cash.
3. Long term incentives via participation in the Company's Long Term Incentive plan.

The combination of these comprises the Executives' total remuneration. Other staff have a remuneration framework incorporating the same components.

#### 1. Base salary and benefits

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

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

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

#### 2. Short term incentives

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

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

#### 3. Long term incentive plan

The amount of any short term incentive paid in a year is dependent upon:

- a) the level of performance achieved against the Company's performance target for the year; and
- b) the outcome of individual value adding performance, measured by achievement of individual KPI's.

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

For rights granted in 2015/16, vesting of the rights is dependent upon the Company achieving a number of Board approved measures.

#### Non-Executive Directors' fees

The current aggregate limit for non-Executive Directors' fees is \$NZ250,000 per annum. (\$A\$237,800). The remuneration of Non-executive Directors is structured separately from that of Executive Directors and Senior Executives. The Chairman of the Board receives a fee of \$50,000 per annum. Remaining Non-executive Directors receive a fee of \$25,000 per annum. Directors do not currently receive additional fees for their involvement with Board Committees. Directors receive reimbursement of reasonable expenses. Any fees paid to the Company's Non-executive Directors will reflect the demands on and responsibilities of those Directors. The advice of independent remuneration consultants is taken to establish that the Directors' fees are in line with market standards. Non-executive Directors do not receive any shares, options or other securities in addition to their remuneration and are not eligible to participate in the Company's Employee Share Plan or any other incentive plan. They do not receive any retirement benefits. The aggregate remuneration paid to all the Non-executive Directors, may not exceed an amount set by Shareholders in a general meeting. This 'fee pool' will only be available to Non-executive Directors, as Board membership is taken into account in determining the remuneration paid to any Executive Directors as part of their normal employment conditions.

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

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

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

**The following fees apply per annum:**

**Base Fees**

	<b>A\$</b>
Chairman	<b>50,000</b>
Other non-Executive Directors	<b>25,000</b>
<hr/>	
Actual fees paid in year ended 30 June 2016 (in reporting currency)	<b>NZ\$</b> 187,500
Chairman	50,000
Other non-Executive Directors (total)	137,500

**Directors Remuneration and other benefits**

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

	<b>2016 \$</b>	<b>2015 \$</b>
Thomas (Kerry) McDonald	50,000	37,500
Richard Christie	25,000	13,978
Stephen Peter Hampson	471,333	365,801
John Hunter	37,500	15,208
Dianne McCarthy	25,000	13,978
Paul Viney	337,500	325,000
John Leonard Walley	25,000	21,083
Stephen Ernest Wilson	25,000	15,208
Philip Andrew Holliday	-	20,000
<b>Total Directors remuneration and other benefits</b>	<b>996,333</b>	<b>827,756</b>

Stephen Hampson was appointed Managing Director in December 2014, having previously been Chief Executive Officer. All of his remuneration disclosed above was earned under the terms of his employment contract and not for his services as a Director.

Paul Viney was appointed as Executive Director in April 2016, having previously been Chief Financial Officer and Company Secretary. All of his remuneration disclosed above was earned under the terms of his employment contract and not for his services as a Director.

**Subsidiary company directors**

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors and particulars of entries in the interests registers made during the year ended 30 June 2016.

No subsidiary has Directors who are not Directors of the Company.

The remuneration and other benefits of such employees (received as employees) totaling NZ\$100,000 or more during the year ended 30 June 2016, are included in the relevant bandings for remuneration disclosed at the beginning of the "Statutory Information" section of this annual report.

No employee of the Group appointed as a Director of Powerhouse Ventures Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a Director.

The persons who held office as Directors of subsidiary companies at 30 June 2016, and those who ceased to hold office during the year ended 30 June 2016, are as follows:

<b>Director</b>	<b>Subsidiary</b>
Stephen Hampson	Powerhouse No. 1 Nominee Limited
	Powerhouse No. 2 Nominee Limited
	Powerhouse No. 3 Nominee Limited
	Powerhouse No. 4 Nominee Limited
	Powerhouse Ventures Australia Pty Limited
Paul Viney	Powerhouse Ventures Australia Pty Limited
John Walley	Powerhouse Venture Managers Limited
Steve Wilson	Powerhouse Venture Managers Limited

## C – Key Management Personnel And Remuneration Details

The fundamental objective of the Company's Remuneration Policy is to foster and maintain behaviour that supports the sustained financial performance and security of the Company and to reward Executive and Management efforts which increase shareholder and customer value. The Remuneration Policy is premised on delivering long-term sustainable financial security through:

- appropriately-balanced measures of performance weighted towards long-term Shareholder interests;
- variable performance-based pay for Executives involving an Employee Share Plan subject to an extended period of performance-assessment;
- recognition and reward for strong performance;
- a considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- the exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the Shareholders; and
- structuring short-term and long-term incentive performance criteria within the overall risk-management framework of the Company.

Based on the above guiding principles, the Managing Director/Chief Executive Officer and Senior Executives of the Company are remunerated on the basis of a reward structure that reflects their contribution to Company performance. Each receives a fixed component of remuneration, together with a variable component which depends upon the achievement of short-term incentive goals set annually for each Executive. A long-term incentive component has been established by way of approval of an Employee Share Plan, based on the concept of reward for sustained superior performance over rolling periods through the allocation of performance rights to fully-paid shares in the Company.

### Key Management Personnel:

The following Executives are identified as key management personnel with the authority and responsibility, along with the Directors for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

#### Stephen Hampson

Managing Director

#### Paul Viney

Executive Director/Chief Financial Officer/Company Secretary

#### Colin Dawson

Chief Operating Officer

#### Andy Matheson

Chief Investment Officer (appointed 1 February 2016)

All of the above Executives were employed by the Company for the full year ended 30 June 2016, unless otherwise stated.

As described above, the Company has also implemented a long term incentive scheme for eligible employees of the Company. This plan is a performance rights scheme. As at the date of this Report.

- a) the only employees who have been granted performance rights under this performance rights scheme are members of the Executive Team; and
- b) the number of performance rights that have been granted under this performance rights scheme is 789,473 which (if they vest), will result in the relevant employees being issued or transferred 789,473 Shares.

The current short term incentive and long term incentive for each member of the Executive Team of the Company is as follows. The long term incentives apply for the period from 1 July 2015 to 30 June 2018.

Executive	Short Term Incentive (STI – cash) <sup>1</sup>	Long Term Incentive (LTI – share based pursuant to the Company's performance rights scheme) <sup>1</sup>
Managing Director and Chief Executive Officer	30% of FAR (NZ\$105,000) per annum	50% of FAR (NZ\$175,000) per annum
Executive Director, Chief Financial Officer/Company Secretary	30% of FAR (NZ\$75,000) per annum	35% of FAR (NZ\$87,500) per annum
Chief Operating Officer	30% of FAR (NZ\$75,000) per annum	35% of FAR (NZ\$87,500) per annum
Chief Investment Officer	Up to NZ\$20,000	Nil

1. Subject to achievement of individual KPIs (see below).

### Key elements of the Company's performance rights scheme

Under the performance rights scheme the Board may offer to grant performance rights to any employee of the Company who the Board, in its discretion, considers to be eligible. Each performance right granted represents a right to receive one Share in the Company once a performance right "vests".

The key terms of the Company's performance rights scheme are as follows:

Term	Description
<b>Offers under the Scheme</b>	The Board determines, in its discretion, the key terms of an offer of performance rights including: <ul style="list-style-type: none"> <li>a) which individuals will be made an offer of performance rights;</li> <li>b) the number of performance rights to be granted to each employee; and</li> <li>c) the terms on which the performance rights will vest, including any performance conditions or KPIs that must be met and the time period over which such KPIs must be met in respect of some or all of the performance rights.</li> </ul> Offers must be accepted by the employee.
<b>No payment for performance rights</b>	No cash consideration is payable by an employee for the grant of a performance right or for being allocated shares on the vesting of any performance right.
<b>Vesting</b>	The performance rights vest once any performance conditions or KPIs determined by the Board have been met (or earlier at the Board's discretion). <p>Subject to the scheme terms and the terms of the specific offer made to any employee, any unvested performance rights will either lapse or be forfeited if the relevant performance conditions or KPIs are not satisfied by the end of the relevant performance period.</p> <p>On any performance right vesting, the Company must issue or transfer to the relevant holder, the number of shares to which the holder is entitled under the offer.</p>
<b>Cessation of employment</b>	If the employee ceases to be an employee prior to the vesting of any performance rights, the performance rights will lapse (unless the Board in its discretion determines otherwise).
<b>Rights associated with performance rights</b>	Performance rights do not give the holder a legal or beneficial interest in a Share. A holder only has an entitlement to a Share on the vesting of a performance right. As a result, the performance rights do not carry dividends or voting rights.
<b>Restrictions on dealing</b>	The employee must not sell, assign, transfer, encumber or otherwise deal with unvested performance rights prior to vesting. If an employee does so, the relevant performance rights will lapse immediately. <p>The employee will be free to deal with the Shares allocated on vesting of the performance rights. All dealings are subject to the requirements of the Company's Share Trading Policy.</p>
<b>Treatment on a capital event</b>	If a change in control occurs, a full or partial takeover offer is made for the Shares in the Company, a compromise or arrangement under the Companies Act is made or undertaken in respect of the Shares or if the Company is put into liquidation, the vesting of any unvested performance rights and allocation of shares is at the Board's discretion.
<b>Adjustment on re-organisation of capital</b>	If the Company alters its share capital, the Board may, at its discretion, make adjustments to the number of performance rights to which employees are eligible.

The performance rights scheme will operate subject to the ASX Listing Rules, the Company's Constitution and all other applicable laws.

### Terms applicable to performance rights granted to executives

The performance rights granted to the three members of the Company's Executive Team noted in this Report relate to the period from 1 July 2015 to 30 June 2018 and are subject to the following performance conditions or KPIs:

- a) performance targets have been set by the Board for the financial year ending 30 June 2016 based on the amount of capital raised, portfolio growth and individual elements; and
- b) the applicable performance targets for the financial years ending 30 June 2017 and 30 June 2018 have not yet been set and will be determined by the Board at its discretion.

In addition, each Executive is required to remain employed with the Company for the three year performance period to 30 June 2018 as a pre-condition to any performance rights vesting. However, the Board has a discretion to waive this or any condition.

The Board has constructed the KPIs to ensure they do not encourage unwanted behaviours or risk-taking outside of the Company's risk appetite. In particular, highly strategic KPIs have been set as annual targets for Executives during the 2015/16 financial year.

The assessment of the overall level of attainment of the KPIs is carried out by the Board. Where the Board assesses the overall level of attainment of the KPIs to be 75% or more, a proportional amount of the performance rights will vest, as specified in each Executive's letter of offer.

**Additional IPO related executive performance rights scheme (1/1/16 – 31/12/16 period only)**

In addition to the above performance rights scheme, a one-off and separate performance rights scheme based on the same scheme terms has been implemented by the Company to incentivise Executive performance to achieve the IPO targeted outcomes. This scheme is also designed to ensure Executive retention during the IPO and the following performance rights have been granted to the Executive Team under this scheme. The performance rights will "vest" if the KPI specified below is satisfied and if the relevant executive remains an employee of the Company at 31 December 2016 (and has not given notice of his resignation as at that date).

KPI	MD/CEO	CFO	COO
Successful IPO >A\$10 million raised and the Shares are listed on the ASX on or prior to 31 December 2016	NZ\$100,000 (being 87,719 performance rights)	NZ\$75,000 (being 65,789 performance rights)	NZ\$25,000 (being 21,930 performance rights)

**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:

Employee remuneration (\$NZD)	30 June 2016 Number of employees	30 June 2015 Number of employees
100,000-110,000	4	3
150,000-160,000	3	1
160,000-170,000	2	1
170,000-180,000	1	4
190,000-200,000	-	1
220,000-230,000	1	1
320,000-330,000	1	-
330,000-340,000	-	1
340,000-350,000	1	-
360,000-370,000	-	1
470,000-480,000	1	-

## Executive remuneration and services agreements (as of 30 June 2016)

Name & Title	Key Term	Explanation
<b>Stephen Hampson,</b> <i>Managing Director and Chief Executive</i>	<b>Commencement Date</b>	28 April 2016
	<b>Contract Term</b>	The contract continues indefinitely until terminated by either party.
	<b>Fixed Annual Remuneration</b>	\$NZ350,000 per year, reviewed annually. Increases are not guaranteed.
	<b>Short Term Incentive</b>	Entitled to participate in a short term incentive scheme with a maximum incentive payment of 30% of his base salary on achievement of key performance indicators.
	<b>Performance Rights Scheme</b>	Granted 328,947 performance rights under Powerhouse's Performance Rights Scheme for the period from 1 July 2015 to 30 June 2018. The Managing Director will also be granted 131,579 additional performance rights under this scheme, or an equivalent scheme, if the Offer is successful (see the 'Other' section below in this table).
	<b>IPO Retention Scheme</b>	Granted 87,719 performance rights under Powerhouse's IPO Retention Scheme.
	<b>Termination Provisions</b>	The contract may be terminated by Powerhouse (with legally justifiable cause) or the Managing Director with three (3) months' notice. The contract also includes a no-fault termination provision that states that Powerhouse may terminate the Managing Director's employment by giving him three (3) months' notice and an additional six (6) months' salary as a severance payment in return for the Managing Director signing a full and final release.
	<b>Redundancy</b>	In the event of redundancy, the Executive is entitled to three (3) months' notice and no redundancy compensation.
	<b>Other</b>	In the event of a successful completion of the IPO (or other substantial financing event) in calendar 2016, an effective start date of 1 July 2015 will be applied to the annual salary, short term incentive and long term incentive arrangements. This will result in the following: <ul style="list-style-type: none"> <li>- Powerhouse making a payment to the Managing Director for the shortfall in the annual salary that would have been payable by Powerhouse if the current salary of \$NZ350,000 had applied from 1 July 2015;</li> <li>- the Short Term Incentive referred to above being calculated from 1 July 2015 based on the annual salary being \$NZ350,000; and</li> <li>- additional performance rights being granted to the Managing Director under the Performance Rights Scheme (or an equivalent scheme implemented by the Board) to reflect the number of performance rights that would have been granted to the Managing Director if his annual salary had been \$NZ350,000 (rather than \$NZ250,000) at the time the performance right allocations were determined by the Board.</li> </ul>
	<b>Paul Viney,</b> <i>Executive Director/ Chief Financial Officer/ Company Secretary</i>	<b>Commencement Date</b>
<b>Contract Term</b>		No Fixed Term. Agreement continues for an indefinite term until terminated by either party.
<b>Fixed Annual Remuneration</b>		\$NZ250,000 per year reviewed annually. Increases are not guaranteed.
<b>Short Term Incentive</b>		Entitled to participate in a short term incentive scheme where he may receive up to 30% of his salary once a year on the achievement of performance targets.
<b>Performance Rights Scheme</b>		Granted 230,263 performance rights under Powerhouse's Performance Rights Scheme for the period from 1 July 2015 to 30 June 2018.
<b>IPO Retention Scheme</b>		Granted 65,789 performance rights under Powerhouse's IPO Retention Scheme.
<b>Termination Provisions</b>		The agreement may be terminated by either party giving one (1) month's notice in writing (subject to the requirement that any termination by Powerhouse is legally justifiable). Powerhouse may terminate without notice in the event of serious misconduct.
<b>Redundancy</b>		In the event of redundancy, the Executive is entitled to one (1) month's notice and no redundancy compensation.

Name & Title	Key Term	Explanation
<b>Colin Dawson</b> <i>Chief Operating Officer</i>	<b>Commencement Date</b>	5 January 2015
	<b>Contract Term</b>	No Fixed Term. Agreement continues for an indefinite term until terminated by either party.
	<b>Fixed Annual Remuneration</b>	\$NZ250,000 per year, reviewed annually. Increases are not guaranteed.
	<b>Short Term Incentive</b>	Entitled to participate in a short term incentive scheme.
	<b>Performance Rights Scheme</b>	Granted 230,263 performance rights under Powerhouse's Performance Rights Scheme for the period from 1 July 2015 to 30 June 2018.
	<b>IPO Retention Scheme</b>	Granted 21,930 performance rights under Powerhouse's IPO Retention Scheme.
	<b>Termination Provisions</b>	The agreement may be terminated by either party giving one (1) month's notice in writing (subject to the requirement that any termination by Powerhouse is legally justifiable). Powerhouse may terminate without notice in the event of serious misconduct.
	<b>Redundancy</b>	In the event of redundancy, the Executive is entitled to one (1) month's notice and no redundancy compensation.

Name & Title	Key Term	Explanation
<b>Andy Matheson</b> <i>Chief Investment Officer</i>	<b>Commencement Date</b>	1 February 2016
	<b>Contract Term</b>	Indefinite
	<b>Service Fee</b>	\$NZ20,834 +GST per month
	<b>Expenses</b>	Powerhouse has no obligation to reimburse expenses unless previously agreed in writing.
	<b>Termination Provisions</b>	The services are provided under a statement of work attached to a master agreement. The statement of work can be terminated on 3 months' notice by either party. The agreement can also be terminated on 3 months' notice by either party (but will not take effect until the end of any statement of work in effect at the relevant time) or 6 months after expiry of the last statement of work. Powerhouse may terminate a statement of work immediately if: <ul style="list-style-type: none"> <li>- the contractor breaches any obligation under the agreement;</li> <li>- the contractor fails to provide the services that satisfy the warranties in the agreement (set out below); or</li> <li>- the consulting agreement or other contract between Powerhouse and its clients for which services under the statement of work are being performed is terminated or the need for such services is otherwise eliminated.</li> </ul>
	<b>Warranties</b>	The contractor warrants that: <ul style="list-style-type: none"> <li>- the services will be complete and conform to the requirements of the Powerhouse contact in the statement of work (the Managing Director);</li> <li>- the services will be performed in a professional and workmanlike manner and make all necessary corrections, alterations or additions to satisfy its warranty obligations at no additional cost to Powerhouse; and</li> <li>- the contractor will not make unauthorised disclosure or unauthorised use of proprietary information of any third party in the performance of the services under the Agreement.</li> </ul>

## Remuneration of Auditors

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

# Statutory Information

## Twenty Largest Shareholders As at 31 October 2016

Shareholders	Fully paid shares held	Percentage of capital
CRIS Limited	6,532,975	22.54%
HSBC Custody Nominees (Australia) Limited	5,194,330	17.92%
Powerhouse Venture Managers Limited	1,145,718	3.95%
J P Morgan Nominees Australia Limited	966,117	3.33%
Parmelia Pty Ltd <Reilly Family Super Fund A/C>	467,290	1.61%
Mr John Leonard Walley + Mr Selwyn Lyall Pellett <Three Valleys A/C>	425,935	1.47%
Mr David Georges Andre Dromer	308,750	1.07%
Mr Stephen Peter Hampson	272,600	0.94%
Mrs Victoria Margaret Wilder Rockefeller	254,949	0.88%
Kensington Investment Superannuation Pty Ltd <Paul K M Viney S/F A/C>	254,633	0.88%
Powerhouse Ventures Limited	249,907	0.86%
Mr Jeffrey Gerard Kerkhofs + Mrs Celine Mary Bernadette Kerkhofs	221,844	0.77%
BT Portfolio Services Limited <The Vaben S/F A/C>	220,091	0.76%
New Zealand Methodist Trust Association	217,500	0.75%
Mr Stephen Ernest Wilson	205,900	0.71%
Mr Murray David Spackman	194,932	0.67%
Citicorp Nominees Pty Limited	193,199	0.67%
Kapesana Limited	181,250	0.63%
Cazna (2904) Limited <Douglas Goodfellow Char A/C>	180,841	0.62%
Mr David Bruce Irvine + C T Irvine	180,841	0.62%
	<b>17,869,602</b>	<b>61.65%</b>

Powerhouse Venture Managers Limited holds shares in trust under the terms of the custodian deeds executed on 23 December 2014 and 20 April 2015. 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:

- 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.
- The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition of a shareholder holds 90% or more of the shares of the Company.
- 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.
- 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 31 October 2016**

As at 31 October 2016, Powerhouse had received notice that the following were substantial product holders in accordance with s671B of the Corporations Act (Australia).

Date of last disclosure notice before 31 Oct 2016	Name of substantial holder	Relevant interest in number of shares	% held as at the date of notice
26 October 2016	Financial Clarity Pty Limited	2,781,375	9.60
26 October 2016	Julliard Advisory Group Pty Limited	1,560,424	5.38
26 October 2016	Managed Accounts Holdings Limited	4,343,669	14.99

As at 31 October 2016, Powerhouse confirms that CRIS Limited was also a substantial product holder, holding a total of 6,532,975 shares, which constituted 22.54% of the total shares on issue.

**Distribution of ordinary shares and shareholders**

As at 31 October 2016

Range	Number of holders	Number of ordinary shares	% of Issued Capital
1 - 1,999	59	92,180	0.32
2,000 - 4,999	168	654,762	2.26
5,000 - 9,999	110	819,543	2.83
10,000 - 49,999	167	4,027,384	13.89
50,000 - 99,999	39	2,866,188	9.89
100,000 - 499,999	35	6,687,166	23.07
500,000 and over	4	13,839,140	47.74
<b>Total</b>	<b>582</b>	<b>28,986,363</b>	<b>100%</b>

As at 31 October 2016, the total number of shares on issue was 28,986,363.

A total of 9,787,840 ordinary shares were held by 190 shareholders resident in Australia. One shareholder who held 87,739 shares is a resident of 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 5 shareholders holding less than a marketable parcel of shares as defined in the ASX Listing Rules, based on the closing price of \$0.77 per share on 31 October 2016. The ASX Listing Rules define a marketable parcel of shares as "a parcel of not less than AU\$500".

**Interests Register**

Pursuant to section 140(2) of the Companies Act 1993, the Directors named below have disclosed the following current entries in the interest register during the accounting period as at 30 June 2016. Where changes in the interests register were notified during the year, or subsequently to 31 October 2016, they have been indicated below.

Kerry McDonald	National Army Museum	Trustee and Director
	NZ Institute of Economic Research	Deputy Chair
	Opus International Consultants Limited	Chairman
	Opus Partners' Trust Limited	Director / shareholder
	Ruapehu Alpine Lifts Limited	Director – Resigned October 2015
	Strategic Value Limited	Director / shareholder
Rick Christie	Awarua Holdings Limited	Director
	Clinelect NZ Pty Limited	Director - Resigned October 2015
	EBOS Group Limited	Director - Resigned October 2015
	ikeGPS Group Limited	Chairman
	ikeGPS Limited	Director
	Masterpet Corporation Limited	Director - Resigned October 2015
	NeSI	Chair
	Pharmacy Retailing (NZ) Limited	Director - Resigned October 2015
	PRNZ Limited	Director - Resigned October 2015
	Service IQ International Limited	Chairman
	Solnet Group Ltd	Director / shareholder
	South Port New Zealand Ltd	Director
	Victoria University Foundation	Trustee

Stephen Hampson	ArcActive Limited	Shareholder
	Canterbury Innovation Incubator Limited	Director
	CertusBio Limited	Director - Resigned March 2016
	CropLogic Limited	Director / shareholder
	Fluent Scientific Limited	Director
	HydroWorks Limited	Director / shareholder
	Invert Robotics Limited	Director
	Koti Holdings Limited	Director
	Koti Technologies Limited	Director
	SolarBright Limited	Director
	Thinking Cactus Limited	Director
Veritide Limited	Director	
John Hunter	HydroWorks Limited	Director
	WWL Trustees Services 105 Limited	Director
	Ara Institute of Canterbury	Director
	Nelson Bays Primary Health	Chair
Dianne McCarthy	Advisory Board for Centre for Brain Research, University of Auckland	Member
	Ageing Well National Science Challenge	Chair
	Business Trust Marlborough	Trustee
	Cawthron Institute	Director
	DCM Solutions Limited	Director / shareholder
	Deafness Research Foundation (Inc)	Trustee
	Governance Group for Dodd-Walls Centre for Photonic and Quantum Technologies, University of Otago	Member
Governance Group for two National Science Challenge - 'Healthier Lives' and 'Ageing Well'	Member	
Paul Viney	Kensington Investments Superannuation Pty Ltd	Director / shareholder
	Department of Health and Human Services Tasmania	Director - Resigned October 2016
John Walley	Bits for Farms Limited	Director
	Lendit Limited	Director
	Coretex Limited	Director / shareholder
	Coretex NZ Limited	Director
	CRIS Limited	Director
	Horotane Investments Limited	Director / shareholder
	HydroWorks Limited	Director
	LJL Consultants Limited	Director
	LJL Property Limited	Director / shareholder
	ProActive Software Limited	Director / shareholder
Synapse Distribution Limited	Director / shareholder	
Steve Wilson	Design Energy Limited	Advisor to the Board
	Holmes GP Products Limited	Director
	Mechanical Engineering - University of Canterbury	Advisor to the Board
	New Zealand Forest Research Institute Limited - "SCION"	Director
	Product Accelerator - University of Auckland	Advisor to the Board
	SolarBright Limited	Director - Resigned September 2015
	Tuatara Covers Limited	Director / shareholder
Talbot Technologies Limited	Director / shareholder	

# Our portfolio of holdings

## Cleantech and engineering

### ArcActive Ltd

**Stage** Post-seed

**Powerhouse Holding** 6.4%

**Significant other shareholders**

(>10%) Gallagher Group Ltd; Bruce Craig Munro; Demi Holdings Ltd; Michael Chisholm, Sheryl Chisholm, David Ott

### HydroWorks Ltd

**Stage** Post-seed

**Powerhouse Holding** 22.7%

**Significant other shareholders**

(>10%) Richard John Hothersall; Powerhouse No.1 Nominee Ltd; NZVIF Investments Ltd

### Koti Technologies Ltd

**Stage** Pre-seed

**Powerhouse Holding** 56.7%

**Significant other shareholders**

(>10%) NZVIF Investments Ltd; Koti Holdings Ltd

### Photonic Innovations Ltd

**Stage** Pre-seed

**Powerhouse Holding** 41.1%

**Significant other shareholders**

(>10%) NZVIF Investments Ltd; Otago Innovation Ltd

### SolarBright Ltd

**Stage** Seed

**Powerhouse Holding** 38.4%

**Significant other shareholders**

(>10%) Patrick John Martin & Nicola Jane Martin; NZVIF Investments Ltd

### Syft Technologies Ltd

**Stage** Post-seed

**Powerhouse Holding** 1.6%

**Significant other shareholders**

(>10%) Douglas Hastie; Accident Compensation Corporation; Douglas Ziffel & Smoot (New York) Ltd; Whale Watch Kaikoura Ltd

## Digital and ICT

### Fluent Scientific Ltd

**Stage** Pre-seed

**Powerhouse Holding** 21.3%

**Significant other shareholders**

(>10%) Alan Cox; Jessica Lin; Thor Russell

### Modlar Ltd

**Stage** Post-seed

**Powerhouse Holding** 13.5%

**Significant other shareholders**

(>10%) Movac Fund 3 LP; Scott Douglas Barrington, Scott Barrington Trustees Ltd; NZVIF Investments Ltd

### Motim Technologies Ltd

**Stage** Seed

**Powerhouse Holding** 41.8%

**Significant other shareholders**

(>10%) NZVIF Investments Ltd



## Agritech and environmental

### CertusBio Ltd

**Stage** Pre-seed

**Powerhouse Holding** 25.3%

**Significant other shareholders (>10%)** Harvey Investment Fund Ltd; Lincoln Agritech Ltd

### CropLogic Ltd

**Stage** Post-seed

**Powerhouse Holding** 31.3%

**Significant other shareholders (>10%)** Powerhouse No.2 Nominee Ltd; NZVIF Investments Ltd; Innovative Software Ltd

### Invert Robotics Ltd

**Stage** Post-seed

**Powerhouse Holding** 37.4%

**Significant other shareholders (>10%)** NZVIF Investments Ltd

### Veritide Ltd

**Stage** Seed

**Powerhouse Holding** 18.3%

**Significant other shareholders (>10%)** Powerhouse No.3 Nominee Ltd; EIP Nominees Ltd; NZVIF Investments Ltd

## Medical and healthcare

### AuramerBio Ltd

**Stage** Pre-seed

**Powerhouse Holding** 14.3%

**Significant other shareholders (>10%)** Victoria Link Ltd

### Avalia Immunotherapies Ltd

**Stage** Pre-seed

**Powerhouse Holding** 13.1%

**Significant other shareholders (>10%)** Malcorp Biodiscoveries Ltd; Victoria Link Ltd

### Hi-Aspect Ltd

**Stage** Pre-seed

**Powerhouse Holding** 50%

**Significant other shareholders (>10%)** Juliet Ann Gerrard

### MARS Bioimaging Ltd

**Stage** Post-seed

**Powerhouse Holding** 8.5%

**Significant other shareholders (>10%)** Anthony Philip Howard Butler; Jennifer Maree Aitken Butler; Canterprise Ltd; Philip Howard Butler; IMH Holdings Pty Ltd

### Tiro Medical Ltd

**Stage** Pre-seed

**Powerhouse Holding** 38.3%

**Significant other shareholders (>10%)** James Geoffrey Chase; Geoffrey Mark Shaw

### Upstream Medical Technologies Ltd

**Stage** Pre-seed

**Powerhouse Holding** 11.1%

**Significant other shareholders (>10%)** Otago Innovation Ltd

CertusBio

CROPLAGIC

INVERT  
ROBOTICS

VERITIDE

AuramerBio

avalia  
immunotherapies

hi  
aspect

mars

Tiromedical

# Directory

## Registered Office of the Company:

### Address:

Level 3, 2 Hazeldean Road  
Addington  
Christchurch 8024  
New Zealand

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

## Christchurch Office Corporate Office

### Address:

Grant Thornton Office  
Level 3, 2 Hazeldean Road  
Addington  
Christchurch 8024  
New Zealand

## Capital Team

### Address:

C/o Greenhouse  
Lichfield Street  
Christchurch 8024  
New Zealand

### Postal:

PO Box 29519  
Fendalton  
Christchurch 8540  
New Zealand

**Phone:** +64 21 0847 2029

## Dovedale Office

### Address:

Building DG7  
Dovedale Village  
Dovedale Ave, Ilam  
Christchurch 8041  
New Zealand

**Phone:** +64 3 9 282 282

## Wellington

### Address:

Gracefield Innovation Quarter  
C Block, 69 Gracefield Road  
Lower Hutt 5010  
New Zealand

**Phone:** +64 4 566 2376

## Dunedin

### Address:

Centre for Innovation  
87 Saint David St  
Dunedin  
New Zealand

### Postal:

PO Box 56  
Dunedin 9054  
New Zealand

**Phone:** +64 27 487 7827

## Auckland

### Address:

Level 10  
2 Kitchener Street  
Auckland Central, 1010

### Postal:

Powerhouse Ventures  
PO Box 105193  
Auckland 1143

**Phone:** +64 21 999 319

## Melbourne

### Address:

C/o MPR, Level 19,  
HWT Tower, Southbank  
Melbourne  
Australia

**Phone:** +64 21 999 319

## External Auditor

Ernst & Young  
20 Twigger Street  
Addington  
Christchurch

## Internal Auditor

PricewaterhouseCoopers  
5 Sir Gil Simpson Drive  
Canterbury Technology Park  
Christchurch

## 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

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

## Solicitors

### New Zealand

Chapman Tripp  
245 Blenheim Road  
Riccarton  
Christchurch 8011

### Australia

HWL Ebsworth Lawyers  
Australia Square  
Level 14  
264-278 George Street  
Sydney, NSW 2000



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