

Powerhouse Ventures Limited

Half-yearly Financial Report

For the six months ended 31 December 2017

Powerhouse Ventures Limited
Half-year Report
For the six months ended 31 December 2017

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**Powerhouse Ventures Limited
Company Directory
As at 31 December 2017**

Postal Address	PO Box 29519 Riccarton Christchurch 8440 New Zealand
Registered Office	Level 7, Press Building 158 Gloucester Street Christchurch 8011 New Zealand
Business Locations	Level 7, Press Building, 158 Gloucester Street, Christchurch 8011 Gracefield Innovation Precinct, 69 Gracefield Road, Lower Hutt 5012 87 Saint David Street, PO Box 56, Dunedin 9054 Level 19, HWT Tower, 40 City Road, Southbank, VIC 3006, Australia
Company Number	CH1854396
Australian Foreign Company Registration	ARBN 612076169
Solicitors	Buddle Findlay, Christchurch, New Zealand HWL Ebsworth, Sydney, Australia
Auditors	Ernst & Young, Christchurch
Date of Formation	17 August 2006

Powerhouse Ventures Limited
Statement of Comprehensive Income
For the six months ended 31 December 2017

	Notes	6 months to 31 Dec 2017 (reviewed) \$	6 months to 31 Dec 2016 (reviewed) \$
Income			
Net changes in fair value of investments at fair value through profit or loss	4	(1,882,485)	2,335,569
Revenue from services and other income	3	448,408	893,364
Finance income		340,872	132,054
Recovery of restricted cash		180,036	-
Total income and fair value changes		(913,169)	3,360,987
Expenses			
Employee benefits expense		1,377,009	2,455,834
Promotion and events		270,599	154,742
Legal & professional costs		516,499	312,396
Travel		100,334	191,091
IPO costs expensed through profit and loss		-	1,026,616
Interest expense		2,158	141,386
Other expenses	5	441,169	771,884
Impairment of financial assets		726,153	-
Total expenses		3,433,921	5,053,949
Profit/(loss) before income tax		(4,347,090)	(1,692,962)
Income tax expense/(credit)		-	(1,358,345)
Profit/(loss) after tax for the period		(4,347,090)	(334,617)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period attributable to equity holders of the Company		(4,347,090)	(334,617)
Earnings per share:			
Basic (cents per share)		(15)	(2)
Diluted (cents per share)		(15)	(2)

The accompanying notes form part of these financial statements.


Powerhouse Ventures Limited
Statement of Changes in Equity
For the six months ended 31 December 2017

	Share capital	Equity- settled share- based payment reserve	Retained earnings	Total equity
Notes	\$	\$	\$	\$
Balance at 1 July 2017 (audited)	30,446,388	252,088	(10,874,812)	19,823,664
Increase in share capital	175,000	(175,000)	-	-
Equity-settled share-based payments reversal	-	(77,088)	-	(77,088)
Total comprehensive income/(loss) for the period	-	-	(4,347,090)	(4,347,090)
Balance at 31 December 2017 (reviewed)	6 <u>30,621,388</u>	<u>-</u>	<u>(15,221,902)</u>	<u>15,399,486</u>
Balance at 1 July 2016 (audited)	19,184,099	126,666	344,958	19,655,723
Increase in share capital	11,262,289	-	-	11,262,289
Equity-settled share-based payments	-	188,005	-	188,005
Total comprehensive income/(loss) for the period	-	-	(334,617)	(334,617)
Balance at 31 December 2016 (reviewed)	6 <u>30,446,388</u>	<u>314,671</u>	<u>10,341</u>	<u>30,771,400</u>

The accompanying notes form part of these financial statements.

Powerhouse Ventures Limited
Statement of Financial Position
As at 31 December 2017

	Notes	31 Dec 2017 (reviewed) \$	30 Jun 2017 (audited) \$
ASSETS			
Cash and cash equivalents		1,614,025	1,320,416
Trade and other receivables and prepayments		799,706	969,686
Unsecured short-term loans receivable	7	367,797	1,004,253
Convertible notes in portfolio companies		385,000	302,000
Investments in portfolio companies	15, 16, 17	14,262,604	17,469,782
Property, plant and equipment		24,621	28,435
Intangible assets		3,128	12,802
Total assets		<u>17,456,881</u>	<u>21,107,374</u>
LIABILITIES			
Trade and other payables		746,024	790,457
Provisions		493,253	493,253
Convertible notes	8	818,118	-
Total liabilities		<u>2,057,395</u>	<u>1,283,710</u>
Net assets		<u>15,399,486</u>	<u>19,823,664</u>
EQUITY			
Share capital	6	30,621,388	30,446,388
Equity-settled share-based payments reserve		-	252,088
Retained earnings		(15,221,902)	(10,874,812)
Total equity		<u>15,399,486</u>	<u>19,823,664</u>



Russell Yardley, Chairman
For and on behalf of the Board
Date: 28 February 2018



John Hunter, Director
For and on behalf of the Board
Date: 28 February 2018

The accompanying notes form part of these financial statements.

Powerhouse Ventures Limited
Statement of Cash Flows
For the six months ended 31 December 2017

	Notes	6 months to 31 Dec 2017 (reviewed) \$	6 months to 31 Dec 2016 (reviewed) \$
Cash flows from operating activities			
Receipts from customers		639,295	801,115
Payments to suppliers and employees		(3,000,939)	(5,197,215)
Finance income		28,324	10,785
Net cash inflow/(outflow) from operating activities	9	(2,333,320)	(4,385,315)
Cash flows from investing activities			
Purchase of investments		(427,402)	(1,565,017)
Sale of investments		1,904,094	-
Recovery of restricted cash		180,036	-
Purchase of property plant and equipment		(3,435)	(1,050)
Short term loans to investee companies		104,050	(1,927,000)
Net cash inflow/(outflow) from investing activities		1,757,343	(3,493,067)
Cash flows from financing activities			
Proceeds from issuance of shares and convertible notes	8	818,118	12,037,687
Issuance costs		-	(504,008)
Proceeds from borrowings		134,309	-
Repayments of borrowings		(82,841)	(452,411)
Net cash inflow/(outflow) from financing activities		869,586	11,081,268
Net increase/(decrease) in cash and cash equivalents		293,609	3,202,886
Cash and cash equivalents at the beginning of the period		1,320,416	465,177
Cash and cash equivalents at the end of the period		1,614,025	3,668,063

The accompanying notes form part of these financial statements.

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

1 General disclosures

Reporting Entity

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

The Company is listed on the Australian Securities Exchange (ASX).

Basis of preparation

These condensed interim financial statements are for the six months ended 31 December 2017.

The interim financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. Consequently they do not include all notes of the type normally included within the annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial position and financial and investing activities of the Company as does the full financial report.

It is recommended that these condensed interim financial statements be read in conjunction with the annual report for the year ended 30 June 2017.

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

Accounting Policies

The accounting policies applied by the Company in these interim financial statements are the same as those adopted by the Company in its audited financial statements for the year ended 30 June 2017. No new standards that have become effective in the period have had a material effect on the Company's financial statements.

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 were the same as those that applied to the financial statements for the year ended 30 June 2017.

Significant events since 30 June 2017

1. Investee company Croplogic fully subscribed its A\$8m Initial Public Offering in August and listed on the Australian Securities Exchange on 17 September 2017.
2. A liquidator was appointed to portfolio company Hydroworks Limited on 5 October 2017. Balances relating to Hydroworks were detailed in Note 2 of the Company's Annual Report for the year ended 30 June 2017. The provision for the lien held by the bankers of Hydroworks over the Company's term deposits of \$1,000,000 as at 30 June 2017 was partially reversed by the release of \$180,036 from this lien on 11 September 2017.
3. The Company issued Convertible Notes on 22 December 2017 resulting in cash receipts of \$818,118.
4. The Company sold its entire holding in off-model portfolio company ArcActive in November 2017.
5. Dr Stephen Hampson resigned as Managing Director of the Company on 29 August 2017. Mr Paul Viney was appointed CEO on 29 August 2017.

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

2 Going Concern

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

As reported in the Statement of Cash Flows, the company has experienced negative operating cashflows and these are forecast to continue. As a listed company Powerhouse has the potential to raise capital at any time and at short notice. Cashflow contingency plans include the possibility of a capital raising, and this is consistent with statements made in the Company's Prospectus and is a normal part of the Company's operating model. Uncertainty exists in the timing and level of funding that investment disposals or a potential capital raising will generate.

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

3 Revenue from services and other income

	Six months to 31 Dec 2017 (reviewed) \$	Six months to 31 Dec 2016 (reviewed) \$
Government grant funding	215,000	480,000
Revenue from services	233,408	413,364
Total Revenue from services and other income	448,408	893,364

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

	Six months to 31 Dec 2017 (reviewed) \$	Six months to 31 Dec 2016 (reviewed) \$
Revaluation gains on investments at fair value through profit or loss	828,956	2,335,569
Revaluation losses on investments at fair value through profit or loss	(2,711,441)	-
Net gain/(loss) on investments at fair value through profit or loss	(1,882,485)	2,335,569

Revaluation losses include \$1.8m relating to the fall in the market price of listed portfolio company Croplogic Limited.

5 Other Expenses

	Six months to 31 Dec 2017 (reviewed) \$	Six months to 31 Dec 2016 (reviewed) \$
Accounting, assurance and tax advisory	76,343	117,128
Broker research costs	-	161,408
Impairment of intangible assets	-	151,380
Insurance	92,383	41,092
Office costs and rent	216,302	194,705
Miscellaneous expenses	56,141	106,171
	441,169	771,884

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

6 Share capital

At 31 December 2017, share capital comprised 28,986,363 authorised and issued ordinary shares (30 June 2017: 28,986,363). All issued shares are fully paid and have no par value.

Share capital comprises:	31 Dec 2017 (reviewed) \$	30 Jun 2017 (audited) \$
Authorised, issued and fully paid in capital	32,926,425	32,935,635
Treasury stock	(789,320)	(973,530)
Issuance costs	(1,515,717)	(1,515,717)
Total share capital	30,621,388	30,446,388

Movements in share capital

	Six months to 31 Dec 2017 (reviewed) \$	Six months to 31 Dec 2016 (reviewed) \$
Opening balance as at 1 July	30,446,388	19,184,099
Shares issued during the period for cash	-	12,037,687
Issuance costs incurred during the period	-	(775,398)
Treasury stock movement	184,210	-
Other movements	(9,210)	-
Closing balance as at 31 December	30,621,388	30,446,388

Treasury stock and other movements relate to the transfer of shares from treasury stock to certain employees who were granted shares as a result of achieving KPIs in relation to the IPO Retention Scheme. Refer to Note 11 of the Company's financial statements for the year ended 30 June 2017 for details of the Scheme.

7 Short-term loans receivable

Short term loans are unsecured and are normally of a duration of four to six weeks. Interest is normally charged on these receivables at rates of 10-15% p.a. Higher rates may apply to loans that are in default. Short-term loans are provided to assist investee companies with immediate cash flow needs. These loans have been issued to the following entities:

	31 Dec 2017 (reviewed) \$	30 Jun 2017 (audited) \$
Croplogic Limited	-	102,564
Hydroworks Limited	2,502,128	2,256,460
Koti Technologies Limited	64,544	57,700
Motim Technologies Limited	303,253	364,237
Solar Bright Limited	772,174	739,958
Veritide Limited	-	104,031
	3,642,099	3,624,950
Less provision for impairment	(3,274,302)	(2,620,697)
Total short-term loan receivable	367,797	1,004,253

The provision for impairment includes all loans and interest owing from Hydroworks Limited (in liquidation) and Solar Bright Limited. Subsequent to the period end, loans due from Motim have been used as consideration for the application of secured convertible notes in Motim. These Notes convert into shares at \$4.83 per share on 30 June 2018 or on a transaction.

8 Convertible Notes

The Company issued 2,343,750 Convertible Notes at A\$0.32 per note on 22 December 2017 resulting in cash proceeds of NZ\$818,118. The Convertible Notes accrue a coupon rate of 12% per annum and may convert into ordinary shares at a ratio of 1:1 at the earlier of 30 June 2018 and note holder election. If unconverted, the notes are repayable on 22 December 2018.

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

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

	Six months to 31 Dec 2017 (reviewed) \$	Six months to 31 Dec 2016 (reviewed) \$
Profit/(loss) for the period	(4,347,090)	(334,617)
(Less)/plus non cash items		
Depreciation	7,249	6,022
Amortisation	9,674	12,175
Net changes in fair value of investments at fair value through profit or loss	1,882,485	(2,335,569)
Deferred tax movement	-	(1,358,345)
Share-based payment expense/(credit)	(77,088)	188,005
Trademark impairment	-	151,380
Unpaid interest receivable	(331,386)	(121,269)
Impairment of financial assets	726,153	-
Write off accrued income	35,000	-
(Less)/plus changes in working capital		
Decrease/(increase) in trade and other receivables	(316,072)	201,611
Decrease/(increase) in accrued income	120,000	26,250
Decrease/(increase) in current tax receivable	-	10,234
(Decrease)/increase in trade and other payables	(42,245)	(831,192)
Net cash inflow/(outflow) from operating activities	(2,333,320)	(4,385,315)

10 Segment information

Under NZ IFRS 8, as at 31 December 2017, the Company operates in one geographical segment, New Zealand. This segment is reported on internally for the chief operating decision maker. Material operations in Australia had not commenced as at 31 December 2017. The Company has one operating segment: investment in and incubation of start-up companies using IP developed in tertiary institutions.

11 Related party transactions

Key management personnel compensation

The key management personnel of the Company consists of the executive team. In the six month period to 31 December 2017, key management personnel received employment benefits totalling \$557,500 (31 December 2016: \$658,805). This includes termination pay for the outgoing Managing Director Dr Stephen Hampson.

12 Commitments

Investments

The Company was committed to investing a total of \$395,500 as at 31 December 2017 (30 June 2017: \$330,300) as a result of contractual agreements with the following companies:

	31 Dec 2017 (reviewed) \$	30 Jun 2017 (audited) \$
2.2 GForce Limited	25,000	25,000
Avalia Immunotherapies Limited	113,000	80,000
Cirrus Materials Science Limited	37,500	37,500
Ferronova Pty Limited	100,000	137,800
Hapai Transfer Systems Limited	25,000	-
Hot Lime Labs Limited	45,000	-
Inhibit Coatings Limited	50,000	50,000
	395,500	330,300

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

13 Contingencies

Contingent assets

There were no contingent assets as at 31 December 2017 (30 June 2017: nil).

Contingent liabilities

There were no contingent liabilities as at 31 December 2017 (30 June 2017: nil).

14 Subsequent Events

Powerhouse and portfolio company Solar Bright Limited were granted a restraining order by the High Court of New Zealand on 15 February 2018 to prevent any further actions by the previous Directors of Solar Bright in respect of Solar Bright's intellectual property. As at the date of this report, a new Board of Directors has been appointed to Solar Bright.

Portfolio company Motim Technologies Limited received a firm offer to purchase all of the assets of Motim on 13 February 2018. Consideration for the sale will largely be shares in a new US-based tech company. The transaction is expected to result in a positive impact on the Company's profit for the year ending 30 June 2018.

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

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

Name of subsidiary or associate	Ownership interest	Valuation methodology applied	Nature of operations
2.2 GForce Limited	100.0%	Price of recent investment	Delivers certified preventative, predictive and aftershock enduring solutions
Hi-Aspect Limited	63.2%	Price of recent investment	Develops protein-based materials and products for the medical and lifesciences markets.
Koti Technologies Limited	56.7%	Price of recent investment	Uses ceramic thin-film coating technology to coat complex shapes and surfaces.
Motim Technologies Limited	41.8%	See below	Delivers innovative mobile marketing capability through interactive cell phone applications.
Silventum Limited	41.2%	Price of recent investment	Novel nanochemistry technology developed at the University of Otago which confers dental filling materials with resistance to bacterial infection.
Tiro Medical Limited	31.6%	Price of recent investment	Develops physiological modelling systems using digital sensor technologies.
CertusBio Limited	30.6%	Price of recent investment	Development of biosensor solutions for dairy and other industries.
Solar Bright Limited	30.3%	See below	Manufacturer/supplier of a range of road lighting, bollards and road sign products
Photonic Innovations Limited	29.9%	Price of recent investment	Develops a laser spectroscopy-based gas detection system to identify gas leaks.
Ferronova Pty Limited	27.0%	Price of recent investment	Develops a medical device that helps in easier detection of cancers using magnetic tracers.
Invert Robotics Limited	22.9%	Price of recent investment	Designs and manufactures mobile robotic systems and delivers inspection services.
Inhibit Coatings Limited	21.3%	Price of recent investment	Uses nanotechnology for environmentally friendly marine antifouling and antimicrobial coatings.
EdPotential Limited	20.7%	Price of recent investment	Provides software for schools to inquire into assessment data and improve achievement.
Fluent Scientific Limited	20.1%	Price of recent investment	Uses facial and verbal micro-expression analysis to enhance verbal and visual communication.

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

The fair values of Motim and Solar Bright have been determined by a variety of factors, primarily informed by price of last round and prospect of sale. Note 28 of the financial statements of the Company for the year ended 30 June 2017 and recent ASX releases contain further updates on these two companies.

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

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

Name of other entity	Ownership interest	Valuation methodology applied	Nature of operations
Veritide Limited	19.7%	Price of recent investment	Uses optical fluorescent techniques for detection and identification of hazardous organisms.
Auramer Bio Limited	18.9%	Price of recent investment	Provides novel chemical sensing technologies for small molecule and protein detection.
Objective Acuity Limited	16.2%	Price of recent investment	Developed a vision testing system to accurately and reliably detect visual function.
CropLogic Limited	14.9%	Mark to market	Provider of yield-predicting decision-support software for the agriculture sector.
Upstream Medical Technologies Limited	13.4%	Price of recent investment	Front line biomarker testing for heart disease and associated clinical complications.
Avalia Immunotherapies Limited	10.2%	Price of recent investment	Develops vaccine and adjuvant technologies for the treatment of cancer, allergy and disease.
Modlar Limited	9.9%	Price of recent investment	Creator and distributor of Building Information Models (BIM) for use by architects and designers.
MARS Bioimaging Limited	8.5%	Price of recent investment	Provides in-vivo colour x-ray imaging to drug research companies.
Cirrus Materials Science Limited	7.1%	Price of recent investment	Develops and licenses chemistry technologies and IP for novel coatings and surface finishing solutions.
Hot Lime Labs Limited	2.6%	Price of recent investment	Developing CO2 capture systems for biomass boilers in order to supply commercial greenhouse growers with low-cost, renewable CO2
Orbis Diagnostics Limited	2.4%	Price of recent investment	Developing in-line milking measurement for protein, fat, somatic cell and progesterone.

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

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

17 Financial Instruments

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 31 December 2017 (reviewed)

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	-	-	12,369,744	12,369,744
Investments at fair value through profit or loss valued using observable quoted prices	1,892,860	-	-	1,892,860
Total financial assets measured at fair value	1,892,860	-	12,369,744	14,262,604

As at 30 June 2017 (audited)

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	-	-	17,469,782	17,469,782
Investments at fair value through profit or loss valued using observable quoted prices	-	-	-	-
Total financial assets measured at fair value	-	-	17,469,782	17,469,782

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

Powerhouse Ventures Limited
Notes to the Financial Statements
For the six months ended 31 December 2017

17 Financial Instruments (continued)

Classification of financial assets and liabilities

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

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

Valuation methodology	Total value	Key inputs	Unobservable inputs	Sensitivity analysis
Price of recent investment	12,369,744	Price of last round, milestone achievement, impairment assessment, qualitative factors	Management's assessment of performance against milestones, impairment assessment where there are indicators of impairment and market and qualitative factors.	The greater the assessment of impairment, the lower the fair value.

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

Investments at fair value through profit and loss

	\$
Opening balance as at 1 July 2017 (audited)	17,469,782
Total unrealised fair value gains recognised in profit or loss	421,527
Total unrealised fair value losses recognised in profit or loss	(944,461)
Transfers to investments classified as level one in the fair value hierarchy	(3,659,840)
Total fair value of investments purchased	277,402
Total fair value of convertible notes converted to equity	302,000
Total fair value of investments disposed	<u>(1,496,666)</u>
Closing balance as at 31 December 2017 (reviewed)	<u>12,369,744</u>
Opening balance as at 1 July 2016 (audited)	20,063,110
Total unrealised fair value gains recognised in profit or loss	1,636,269
Total fair value of investments purchased	1,565,016
Closing balance as at 31 December 2016 (reviewed)	<u>23,264,395</u>

Review Report to the Shareholders of Powerhouse Ventures Limited

We have reviewed the interim financial statements on pages 4 to 16, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, 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 review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review 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 review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of Powerhouse Ventures Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, Powerhouse Ventures Limited.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the interim financial statements, which indicates that the going concern assumption is dependent upon the company disposing of investments or undertaking a potential capital raise. Should the disposals of investments or potential capital raise not occur, material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 4 to 16, do not present fairly, in all material respects, the financial position of the company as at 31 December 2017 and its financial performance and cash flows for the period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 28 February 2018 and our findings are expressed as at that date.



Ernst & Young
Christchurch