For the year ended 31 March 2016

Punakaiki Fund Limited

Punakaiki Fund Limited
Contents of financial statements

For the year ended 31 March 2016

Punakaiki Fund Limited
Directors
For the year ended 31 March 2016

	Appointed
Bennetts, Michael John	30-Sep-15
Berry, John Charles	30-Sep-15
Hutchins, Bryan Simpson	30-Sep-15
Wiggs, Graeme Lance Turner	10-Apr-13

Punakaiki Fund Limited
Directors' responsibility statement

The directors are pleased to present the financial statements of Punakaiki Fund Limited for the year ended 31 March 2016.

The directors are responsible for ensuring the financial statements present fairly in all material respects the financial position of the Company as at 31 March 2016 and the financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all the 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 do not have the ability to amend these financial statements once issued.

The Board of Directors of Punakaiki Fund Limited authorised the financial statements set out on pages 5 to 20 for issue on 25 October 2016.

For and on behalf of the Board

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

Punakaiki Fund Limited
Statement of comprehensive income
for the year ended 31 March 2016

	Notes	Year ended 31/03/2016 (Audited) $'000	Year ended 31/03/2015 (Unaudited) $'000
Interest Income		19	11
Dividend Income		86	-
Change in fair value of investments	4.5	3,668	2,122
Accrued Performance Fees	8.3	(644)	(391)
Management Fees	8.1	(251)	(50)
Insurance		(24)	-
Consulting and Accounting Expenses		(19)	-
Audit Fees		(28)	-
Legal Expenses		(12)	(2)
Other		(10)	-
Profit before tax		2,785	1,690
Income tax expense	5.1	-	-
Profit for the year and total comprehensive income		2,785	1,690

These financial statements are to be read in conjunction with the accompanying Notes

EY

Punakaiki Fund Limited
Statement of financial position
at 31 March 2016

	Notes	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
ASSETS			
Current assets			
Cash and bank balances	10	1,437	544
Resident Withholding Tax receivable		10	-
Total current assets		1,447	544
Non-current assets			
Investments	4.1	16,570	5,592
Total non-current assets		16,570	5,592
Total assets		18,017	6,136
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		40	-
Total current liabilities		40	-
Non-current liabilities			
Performance fee payable	8.3	290	110
Total non-current liabilities		290	110
Total liabilities		330	110
Capital and reserves			
Issued capital (net of transaction costs)	6	12,467	4,054
Share based payment reserve	6.2	745	282
Retained earnings	6.3	4,475	1,690
Total equity		17,687	6,026
Total equity and liabilities		18,017	6,136

These financial statements are to be read in conjunction with the accompanying Notes

Punakaiki Fund Limited
Statement of changes in equity
for the period ended 31 March 2016

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
(Unaudited)				
Balance at 1 April 2014	-	-	-	-
Profit for the year	-	-	1,690	1,690
Total comprehensive income for the year	-	-	1,690	1,690
Contributed capital	4,179	-	-	4,179
Transaction costs	(125)	-	-	(125)
Share based payments in relation to performance fee	-	282	-	282
Balance at 31 March 2015	4,054	282	1,690	6,026
(Audited)				
Balance at 1 April 2015	4,054	282	1,690	6,026
Profit for the year	-	-	2,785	2,785
Total comprehensive income for the year	-	-	2,785	2,785
Contributed capital	8,651	-	-	8,651
Transaction costs	(238)	-	-	(238)
Share based payments in relation to performance fee	-	463	-	463
Balance at 31 March 2016	12,467	745	4,475	17,687

These financial statements are to be read in conjunction with the accompanying Notes

Punakaiki Fund Limited
Statement of cash flows
for the period ended 31 March 2016

	Notes	Period ended 31/03/2016 (Audited) $'000	Period ended 31/03/2015 (Unaudited) $'000
Cash flows from operating activities			
Interest received		14	11
Dividend received		86	-
Payments to suppliers		(53)	(2)
Management Fees		(251)	(50)
Resident Withholding Tax refunded/(paid)		(5)	-
Net cash (used in)/generated by operating activities		(209)	(41)
Cash flows from investing activities			
Payments to acquire Investments		(6,586)	(3,469)
Net cash (used in)/generated by investing activities		(6,586)	(3,469)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		7,926	4,179
Payment of transaction costs on issue of equity instruments		(238)	(125)
Net cash used in financing activities		7,688	4,054
Net increase in cash and cash equivalents		893	544
Cash and cash equivalents at the beginning of the year		544	-
Cash and cash equivalents at the end of the year	10	1,437	544

These financial statements are to be read in conjunction with the accompanying Notes

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1 General information

Punakaiki Fund Limited ('Fund' or 'Company') is a company incorporated in New Zealand and registered under the Companies Act 1993. The Company was incorporated on 10 April 2013. The Company is an investor in early stage, fast growing businesses. These financial statements are for the year to 31 March 2016. The comparatives presented in the financial statements are unaudited.

2 Significant accounting policies

2.1 Statement of compliance and reporting framework

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalent to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These financial statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. For the purposes of complying with GAAP, the company is a for-profit entity. These financial statements have been prepared in accordance with the requirements of the Companies Act 1993.

2.2 New and revised NZ IFRSs affecting amounts reported and/or disclosures in the financial statements

The company has not applied the following new and revised NZ IFRSs that have been issued but are not yet effective:

NZ IFRS 9	Financial Instruments
NZ IFRS 15	Revenue from Contracts with Customers

NZ IFRS 9 and NZ IFRS 15 are effective for periods beginning on or after 1 January 18 with earlier application permitted. These NZ IFRSs will be adopted for the year ended 31 March 2019. Significant changes are discussed below:

NZ IFRS 9 was issued in September 2014 as a full version of the standard and replaces parts of current standard NZ IAS 39: Financial Instruments Recognition and Measurement that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into three measurement categories: fair value through profit or loss, fair value through other comprehensive income or amortised cost. A comprehensive review of the impact of this standard has not yet been undertaken, however, the Company expects to continue to measure its investments at fair value through profit or loss under NZ IFRS 9 therefore no significant impact from adoption is expected.

NZ IFRS 15 provides a single comprehensive principles based five-step model to be applied to all contracts with customers. The core principle of NZ IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five steps in the model are as follows:

- identify the contract(s) with the customer
- identify the performance obligations in the contract(s)
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract(s)
- recognise the revenue when (or as) the entity satisfies a performance obligation

Under NZ IFRS 15 an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance been added in NZ IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by NZ IFRS 15.

A comprehensive review of the impact of this standard has not yet been undertaken, however, it is not expected to significantly impact the company's financial statements.

2.3 Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

2.4 Basis of preparation

The Company is an investment entity as defined in NZ IFRS 10 - Consolidated Financial Statements. The Company has the key characteristics of an investment entity including:
(a) obtaining funds from investors for the purpose of providing those investors with investment management services;
(b) committing to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
(c) measuring and evaluating the performance of substantially all of its investments on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of NZ IFRS 2, leasing transactions that are within the scope of NZ IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in NZ IAS 2 or value in use in NZ IAS 36.

The Company's estimation of fair value is based on the International Private Equity and Venture Capital (IPEV) Guidelines published by the IPEV Board. The IPEV guidelines set out both valuation principles and methods, along with guidance in respect of the application of the IPEV Guidelines. The three broad valuation approaches in the IPEV Guidelines are:

Market Approaches:
1. Price of Recent Investment (based on most recent Material Investments into the firm);
2. Multiples (either revenue or earnings);
3. Industry Valuation Benchmarks (such as value per subscriber);
4. Quoted Investments (for listed investments where an active market exists);

Income Approaches:
5. Discounted Cash Flows - Underlying Business (the projected future free cash flow to the firm, discounted at that firm's WACC);
6. Discounted Cash Flows - From an Investment (the projected future distributions to shareholders, discounted at firm's cost of equity); and

Replacement Cost Approach:
7. Net Assets (the value of a firm's assets, rather than a firm's business).

The principal accounting policies adopted by the Company are set out below.

2.5 Dividend and interest 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).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.6 Taxation

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

2.6.1 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 consolidated statement of profit or loss and other 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.

2.6.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 and 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.

2.6.3 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.

2.6.4 Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST (The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

2.7 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.7.1 Investments

The Company's Investments are designated as financial assets at Fair Value Through Profit and Loss (FVTPL) upon initial recognition.

The investments are managed and performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the investments is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gains or losses recognised in profit or loss exclude any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 2.4 and note 4.

2.7.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

2.9 Share-based payment arrangements

2.9.1 Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 6.2.

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2016 an equity raising fee of $0.238 million was paid (2015: 0.125 million). No amounts were outstanding at balance date (2015: Nil).

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1.1 Fair value measurements and valuation processes

The Company's investments are measured at fair value for financial reporting purposes. Valuations are undertaken by the Manager of the Company, Lance Wiggs Capital Management Limited (LWCM), reviewed, adjusted and ultimately approved by the Board. Further detail on the valuation approach and techniques adopted is provided in Note 4. The Board acknowledges the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted companies.

4 Fair values of financial instruments

4.1 Investments in Unlisted Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at $16.570 million (2015: $5.592 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of $3.668 million (2015: $2.122 million) was recognised through profit and loss for these assets. The following tables give information about the Company's holdings and how the fair values of these investments are determined (in particular, the valuation technique(s) and inputs used). All of the following investments are Level 3 in the fair value hierarchy. This means the valuation techniques include inputs for which market observable data is not available (unobservable inputs).

Ownership Summary	2016			2015 (unaudited)		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Boardingware International Limited[1]	400,000	1,400,000	28.6%	200,000	1,200,000	16.7%
EverEdgeIP Global Limited[1]	600,000	12,562,702	4.8%	-	-	0.0%
InfluxHQ Limited[1]	182,491	724,881	25.2%	110,001	600,200	18.3%
Melon Health Limited (Social code)[1]	347,822	1,828,527	19.0%	256,150	1,573,131	16.3%
Mindfull Group Limited[1]	327	1,635	20.0%	-	-	0.0%
Mobi2Go Limited	14,198	128,783	11.0%	-	-	0.0%
Onceit Limited[1]	25,625	100,000	25.6%	15,625	100,000	15.6%
Raygun Limited (Mindscape)	501,445	7,939,930	6.3%	400,000	7,608,333	5.3%
RedSeed Limited[1]	144	1,200	12.0%	50	1,250	4.0%
ThisData Limited (Revert.io)	280,804	2,585,165	10.9%	-	-	0.0%
Timely Limited	63,647	1,365,670	4.7%	63,647	1,356,170	4.7%
Vend Limited	672,178	31,360,522	2.1%	-	-	0.0%
Vibe Communications[1,2]	1,264	5,540	22.8%	1,264	5,263	24.0%
Weirdly Limited[1]	85,187	289,187	29.5%	46,629	250,629	18.6%

1 Lance Wiggs, a director of LWCM and the Company is also a director of these companies.

2 Does not reflect the Company's pro-rata interest in 263 Vibe Communications shares held as treasury stock. When this treasury stock is excluded, the Company's shareholding in Vibe Communications is 24.0%.

4.2 Fair value, valuation technique and unobservable inputs used in measuring investments

Fair value as at 31 March 2016

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value ($)
1) Substantial & fast growing - Vibe Communications - OnceIT - Vend - Mindfull	Earnings multiple, or Revenue Multiple, or Transaction Evidence	$7.890 million
2) Well-established businesses - Raygun (Mindscape) - Timely - Melon Health (Social code) - RedSeed - Mobi2Go - Everedge IP	Market value on acquisition, or Transaction Evidence, or Revenue Multiple	$6.460 million
3) Early Stage - Boardingware - Weirdly - InfluxHQ - ThisData (Revert.io)	Revenue Multiple, Net Assets (modified)	$2.220 million
Total Investment at fair value		**$16.570 million**

Fair value as at 31 March 2015 (unaudited)

Investment Type	Valuation technique(s) and key input(s)	Fair value ($)
1) Substantial & fast growing - Vibe Communications - OnceIT	Earnings multiple	$2.360 million
2) Well-established businesses - Raygun (Mindscape) - Timely - Melon Health (Social code) - RedSeed	Market value on acquisition, or Transaction Evidence	$2.662 million
3) Early Stage - Boardingware - Weirdly - InfluxHQ	Market value on acquisition, or Transaction Evidence	$0.570 million
Total Investment at fair value		**$5.592 million**

4.3 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range(weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	11.2 - 17.8 (14.9)	The estimated fair value would increase if the EBITDA multiples were higher. The estimated fair value would decrease if EBITDA multiples were lower.
Revenue Multiple	1.3 - 19.0 (8.8)	The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples were lower.
Net Assets (modified)	N/A	The estimated fair value would increase if net assets were higher. The estimated fair value would decrease if net assets were lower.

Significant unobservable inputs are developed as follows:

- *EBITDA/Revenue multiples:* Represents amounts that market participants would use when pricing the investments. EBITDA/Revenue multiples are selected from comparable public companies based on geographic location, industry size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Company by its EBITDA or revenue.
- *Market value on acquisition or transaction evidence:* represents the price paid by the Company to acquire the investment (market value on acquisition) or the price paid by third parties to acquire equity instruments in the investee (transaction evidence). These approaches are appropriate where the investment by the Company or third party was completed close to balance date and there is no other information available indicating a significant change in the underlying fair value of the investment.
- *Net Assets (modified):* represents the net assets of the investee at balance sheet modified for any factors that the Company believes are pertinent in deriving its fair value.

4.4 Sensitivity of fair value measurement to changes in unobservable inputs

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level three, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on total equity.

	Favourable	(Unfavourable)
2016	$'000	$'000
Investments	19,705	13,520
2015		
Investments	6,344	4,790

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of our investments have been calculated by recalibrating the model values using unobservable inputs based on the Company's estimate of reasonable high (favourable) and low (unfavourable) estimates of EBITDA/revenue multiples. The most significant unobservable inputs are earnings/revenue multiples.

The revenue multiples used in our valuations at 31 March 2016 were 1.3 - 19.0 (with reasonably possible alternative assumptions of 1.6 - 24.0 (favourable) and 1.0 - 14.0 (unfavourable)) (2015: 9.0; 11.0 and 7.0 respectively (only one company was valued using revenue multiples)).

The EBITDA multiples used in our valuations at 31 March 2016 were 11.2 - 17.8 (with reasonably possible alternative assumptions of 15.0 - 20.0 (favourable) and 8.0 - 12.0 (unfavourable)) (2015: 27.1; 20.0 and n/a (only one company was valued using EBITDA multiples in the valuation as at 31 March 2015 and the unfavourable valuation; with prospective transaction multiples used in the favourable valuation).

4.5 Reconciliation of level 3 fair value measurements

The following table shows a reconciliation from opening to closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Year ended 31/03/2016 (Audited) $'000	Year ended 31/03/2015 (Unaudited) $'000
Unlisted equity investments		
Balance at beginning of year	5,592	-
Purchases - cash	6,586	3,470
Purchases - issue of shares	724	-
Change in fair value of investments	3,668	2,122
Balance at end of year	16,570	5,592

There have been no disposals of investments (2015: Nil) therefore the full unrealised gain in fair value of investments of $3.668 million (2015: $2.122 million) is included in the carrying value of investments at balance date.

5 Income taxes

5.1 Income tax recognised in profit or loss

	Year ended 31/03/2016 (Audited) $'000	Year ended 31/03/2015 (Unaudited) $'000
Current tax		
In respect of the current year		
	-	-
Deferred tax		
In respect of the current year	-	-
Total income tax expense recognised in the current year.	-	-

The income tax expense for the year can be reconciled to the accounting profit as follows:	Year ended 31/03/2016 (Audited) $'000	Year ended 31/03/2015 (Unaudited) $'000
Profit before tax from continuing operations	2,785	1,690
Income tax expense calculated at 28%	780	473
Effect of income that is exempt from taxation	(1,027)	(594)
Effect of non-deductible expenses	133	79
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	105	42
Others (imputation credits gross up)	9	-
Income tax expense recognised in profit or loss.	-	-

The tax rate used for the reconciliations above is the corporate tax rate of 28% payable by corporate entities in New Zealand on taxable profits under tax law in that jurisdiction.

5.2 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
- tax losses (including imputation credits converted to losses)	118	11
- deductible temporary differences	81	31
	199	42

EY

6 Issued capital

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Issued capital comprises:		
1,001,466 fully paid ordinary shares (31 March 2015: 395,000)	12,467	4,054
	12,467	4,054

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the period ending 31 March 2016 were $0.238 million (2015: $0.125 million)

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2015	395	4,054
Shares issued during the period	606	8,413
Balance at 31 March 2016	1,001	12,467
Balance at 1 April 2014 (Unaudited)	-	-
Shares issued during the period	395	4,054
Balance at 31 March 2015 (Unaudited)	395	4,054

Fully paid ordinary shares carry one vote per share, carry a right to dividends and a pro rata share of net assets on wind up.

At 31 March 2016, there are no unpaid shares on issue (31 March 2015: None) and 135,580 September 2016 $19 options (31 March 2015: 152,500 June 2015 $12 options and 92,400 September 2015 $14 options) on issue.

6.2 Share based payment reserve

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Balance at beginning of year	282	-
Arising on share-based payments (performance fee)	463	282
Balance at end of year	745	282

The share based payment reserves relates to the portion of the Manager's performance fee that is settled through the issue of shares rather than cash. More detail on performance fees is provided in note 8.3.

6.3 Retained earnings

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Balance at beginning of year	1,690	-
Profit attributable to owners of the Company	2,785	1,690
Balance at end of year	4,475	1,690

7 Financial instruments

7.1 Categories of financial instruments

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Financial assets		
Financial assets at Fair Value Through Profit or Loss		
Investments	16,570	5,592
Loans and Receivables		
Cash and bank balances	1,437	544
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	290	110
Accounts payable	40	-

8 Related Party Transactions - Remuneration of the Manager

Lance Wiggs Capital Management Limited (LWCM) is the Manager of the Fund. Details of the remuneration of the Manager are provided below:

8.1 Management Fees

The Manager is entitled to an annual management fee of 2% of the Net Asset Value (NAV) of the Fund up to $50 million and 1.5% thereafter. The management fee is calculated and paid quarterly in advance. During the year ended 31 March 2016 the management fee paid was $0.25 million (2015: $0.05 million).

8.2 Equity Raising Fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2016 an equity raising fee of $0.238 million was paid (2015: 0.125 million). No amounts were outstanding at balance date (2015: Nil).

8.3 Performance Fee

On the occurrence of a Liquidity Event (as defined in the management agreement, but principally on Initial Public Offering (IPO) on a recognised exchange), the Manager receives a performance fee equal to 20% of the return over the subscription price of each Share Tranche provided the relevant Share Tranche has exceeded an annualised 10% return as at the date of the Liquidity Event (e.g. IPO). The performance fee, if payable at the Liquidity Event, would be settled 72% through the issue of ordinary shares and 28% in cash based on the current corporation tax rate in New Zealand. During the period ended 31 March 2016, a total expense of $0.644 million (2015: $0.391 million) has been recognised in profit or loss. Of this expense, $0.180 million was recognised as an increase in the performance fee payable liability of $0.290 million (2015: $0.110 million)in relation to the cash settled portion of the performance fee and $0.463 million was recognised as part of the share based payment reserve of $0.745 million (2015: $0.282 million) in relation to the equity settled element of the performance fee.

The Company has control over the timing of a Liquidity Event and does not expect one within 12 months of balance date, therefore the liability has been recorded as non-current.

8.4 Issue of shares to a director

In August 2015, 49,970 ordinary shares were issued to Lance Wiggs, a director of the Company, at a notional price of $14.50 per share (total value $724,565) in exchange for acquiring his Shareholding in Vend Limited.

8.5 Directors beneficial interests in the Company

At 31 March 2016, directors of the Company or LWCM holding a beneficial interest in shares of the Company were Lance Wiggs (61,970 shares), Michael Bennetts (42,000 shares and 2,000 September 2016 options), John Berry (8,200 shares and 1,000 September 2016 options), Bryan Hutchins (61,400 shares and 6,000 September 2016 options) and Chris Humphreys (250 shares). At 31 March 2015, the equivalent holdings were Lance Wiggs (8,000 shares and 4,000 June 2015 options) and Chris Humphreys (250 shares). LWCM held 100 shares at 31 March 2016 and 2015.

9 Reconciliation of profit for the year to net cash used in operating activities

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Profit for the year	2,785	1,690
Adjustments for:		
Change in fair value of investments	(3,668)	(2,122)
Accrued Performance Fees	644	391
	(239)	(41)
Movements in working capital:		
Increase in trade and other payables	40	-
(Increase) in withholding tax receivable	(9)	-
Net cash used in operating activities	(208)	(41)

10 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	31/03/2016 (Audited) $'000	31/03/2015 (Unaudited) $'000
Cash on hand and demand deposits	1,437	544
Total cash and cash equivalents	1,437	544

The carrying value of cash and cash equivalents approximates their fair value.

11 Financial risks

This note presents information about the Company's exposure to each financial risk and how those risks are managed.

11.1 Market risk

The Company is exposed to the risk of fluctuations in the fair value of its investments.

All equity investments and particularly those in early stage companies present a risk of loss of capital, often due to factors beyond the Company's control such as competition and changes in general economic climates domestically and internationally. The Manager moderates this risk through careful investment selection and diversification, and regular reporting to the Board.

In addition, all investments made by the Manager must comply with the criteria in the Management Agreement.

The maximum market risk resulting from investments is their fair value as reported in the statement of financial position.

The investments in Vibe Communications, Onceit Limited and Vend Limited are individually more than 10% but less then 20% of total investments at balance date.

The Company has no significant interest or currency risk.

Sensitivity analysis
If equity prices weakened by 30%, holding all other variables constant, profit and equity would be $4.971m lower. If equity prices stregthened by 30%, holding all other variables constant, profit and equity would be $4.971m higher. The Company believes a 30% weakening (or strengthening) in equity prices is reasonably possible given its investment in early stage, fast growing companies.

11.2 Credit risk

Credit risk arises principally from cash and cash equivalents.

The Company's cash and cash equivalents are all held with Bank of New Zealand, which is rated AA- based on rating agency Standard & Poors. The maximum exposure to credit risk is the carrying value at balance date.

EY

11.3 Liquidity risk

At balance date, the Company had no significant liquidity risk.

11.4 Capital Risk Management

The Company's objective when managing capital (share capital and reserves) is to safeguard the Company's ability to continue as a going concern.

The Company is fully equity funded at this time. Our current expectation is additional investments will be funded through existing cash reserves or further equity raising.

The Company was not subject to any externally imposed capital requirements during the year.

12 Subsequent Events

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in Populate Limited, Linewize Limited, Linewize Services Limited, New Zealand Artesian Water Limited, Agtract Limited and Weirdly Limited. These investments total $1,250,000 and were all in the form of ordinary shares, with the exception of Weirdly, which was in the form of a convertible note.

At Punakaiki Fund Limited's annual meeting of shareholders held on 22 September 2016, Amanda Rhean Simpson was appointed and Graeme Lance Turner Wiggs was re-appointed as directors to the Punakaiki Fund Limited Board.

On 5 October 2016, Punakaiki Fund Limited's September 2016 $19 options expired. Of the 135,850 on issue, 27,820 of the options were exercised, resulting in the receipt of $528,580 of exercise proceeds by Punakaiki Fund Limited and the issue of 27,820 new ordinary shares. Following the expiry of these options, Punakaiki Fund has 1,029,286 ordinary shares on issue and no options or other equity-type securities on issue.

Subsequent to the balance date, the carrying value of 11 of 14 of Punakaiki Fund Limited's investments has changed in value. Three have been revalued downwards and eight have been revalued upwards. The drivers for these revaluations include fund raising activities by the investments at changed valuations, the operating performance of the investments and changes in the market valuation metrics of listed comparable companies used to value these investments.

Building a better
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Chartered Accountants

Independent Auditor's Report

To the Shareholders of Punakaiki Fund Limited

Report on the Financial Statements

We have audited the financial statements of Punakaiki Fund Limited on pages 5 to 20, which comprise the statement of financial position of Punakaiki Fund Limited as at 31 March 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.

Other than in our capacity as auditor we have no relationship with, or interest in, Punakaiki Fund Limited.

Partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company.

Opinion

In our opinion, the financial statements on pages 5 to 20 present fairly, in all material respects, the financial position of Punakaiki Fund Limited as at 31 March 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.

Emphasis of Matter

We draw attention to Note 3.1.1 to the financial statements which describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments. Note 4 to the financial statements provides details of the valuation approach and techniques taken to valuing the portfolio of investments. Our opinion is not qualified in respect of this matter.

Other Matter

The financial statements of Punakaiki Fund Limited for the year ended 31 March 2015 were not audited.

Ernst & Young

25 October 2016
Auckland