

PUNAKAIKI FUND LIMITED
Financial Statements

For the 6 months ended 30 September 2016

14 February 2017

Punakaiki Fund Limited

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For the 6 months ended 30 September 2016

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Punakaiki Fund Limited

Directors

For the 6 months ended 30 September 2016

	Appointed
Bennetts, Michael John	30-Sep-15
Berry, John Charles	30-Sep-15
Hutchins, Bryan Simpson	30-Sep-15
Simpson, Amanda Rhean	22-Sep-16
Wiggs, Graeme Lance Turner	10-Apr-13

Punakaiki Fund Limited

Directors' responsibility statement

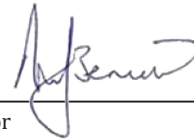
The directors are pleased to present the interim financial statements of Punakaiki Fund Limited for the 6 months ended 30 September 2016.

The Board of Directors of Punakaiki Fund Limited authorised the interim financial statements set out on pages 4 to 13 by resolution for issue on 14 February 2017.

For and on behalf of the Board



Director



Director

Punakaiki Fund Limited
Statement of comprehensive income

for the 6 months ended 30 September 2016

		6 months ended 30/09/2016 (Unaudited) \$'000	6 months ended 30/09/2015 (Unaudited) \$'000
	Notes		
Interest Income		2	13
Dividend Income		69	16
Change in fair value of investments	3.5	1,888	423
Accrued Performance Fees	5.3	(340)	(40)
Management Fees	5.1	(198)	(94)
Consulting and Accounting Expenses		(27)	(1)
Audit Fees		(14)	-
Legal Expenses		-	(7)
Profit before tax		<u>1,380</u>	<u>310</u>
Income tax expense		-	-
Profit and total comprehensive income		<u><u>1,380</u></u>	<u><u>310</u></u>

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

Punakaiki Fund Limited
Statement of financial position

at 30 September 2016

		30/09/2016	31/03/2016
		(Unaudited)	(Audited)
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and bank balances		64	1,437
Prepayments		1	-
Resident Withholding Tax receivable		16	10
GST receivable		12	-
Total current assets		93	1,447
Non-current assets			
Investments	3.1	19,628	16,570
Total non-current assets		19,628	16,570
Total assets		19,721	18,017
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		24	40
Total current liabilities		24	40
Non-current liabilities			
Performance fee payable	5.3	385	290
Total non-current liabilities		385	290
Total liabilities		409	330
Capital and reserves			
Issued capital (net of transaction costs)	4	12,467	12,467
Share based payment reserve	4.1	990	745
Retained earnings	4.2	5,855	4,475
Total equity		19,312	17,687
Total equity and liabilities		19,721	18,017

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

Punakaiki Fund Limited
Statement of changes in equity

for the 6 months ended 30 September 2016

	Share capital \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 April 2015 (Unaudited)	4,054	282	1,690	6,026
Profit for the period	-	-	310	310
Total comprehensive income for the period	4,054	282	2,000	6,336
Contributed capital	6,069	-	-	6,069
Transaction costs	(142)	-	-	(142)
Share based payments in relation to performance fee	-	29	-	29
Balance at 30 September 2015 (Unaudited)	9,981	311	2,000	12,292
Balance at 1 April 2016 (Audited)	12,467	745	4,475	17,687
Profit for the period	-	-	1,380	1,380
Total comprehensive income for the period	-	-	1,380	1,380
Share based payments in relation to performance fee	-	245	-	245
Balance at 30 September 2016 (Unaudited)	12,467	990	5,855	19,312

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

Punakaiki Fund Limited

Statement of cash flows

for the 6 months ended 30 September 2016

	6 months ended 30/09/2016 (Unaudited) \$'000	6 months ended 30/09/2015 (Unaudited) \$'000
Notes		
Cash flows from operating activities		
Interest received	2	7
Dividend received	69	16
Payments to suppliers	(62)	(4)
Management Fees	(207)	(94)
Resident Withholding Tax refunded/(paid)	(5)	(2)
Net cash (used in)/generated by operating activities	(203)	(77)
Cash flows from investing activities		
Payments to acquire Investments	(1,170)	(4,388)
Net cash (used in)/generated by investing activities	(1,170)	(4,388)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	-	5,349
Payment of transaction costs on issue of equity instruments	-	(142)
Net cash used in financing activities	-	5,207
Net increase in cash and cash equivalents	(1,373)	742
Cash and cash equivalents at the beginning of the period	1,437	544
Cash and cash equivalents at the end of the period	64	1,286

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

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2016

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 fast growing businesses. These interim financial statements are for the 6 months ended 30 September 2016.

2 Significant accounting policies

2.1 Statement of compliance and reporting framework

The interim 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 Accounting Standard 34 ("NZ IAS 34") *Interim Financial Reporting*.

The interim financial statements do not include all of the information required for full year financial statements and should be read in conjunction with the company's annual financial report for the year ended 31 March 2016.

Consistent accounting policies with the full financial statements for the year ended 31 March 2016 have been applied in preparation of these interim financial statements.

2.2 Basis of preparation

The Company is an investment entity as defined in NZ IFRS 10 and the method used for determining the fair value of the investments is consistent with the full financial statements for the year ended 31 March 2016.

3 Fair values of financial instruments

3.1 Investments in Unlisted Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at \$19.628 million (As at 31 March 2016: \$16.570 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of \$1.888 million (6 months ended 30 September 2015: \$0.423 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 September			2016 March		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Boardingware International Limited ¹	400,000	1,400,000	28.6%	400,000	1,400,000	28.6%
EverEdgeIP Global Limited ¹	600,000	12,660,702	4.7%	600,000	12,562,702	4.8%
Hayload Limited ²	3,010	17,056	17.6%	-	-	-
InfluxHQ Limited ¹	182,491	724,881	25.2%	182,491	724,881	25.2%
Linewize Limited ¹	875	10,875	8.0%	-	-	-
Linewize Services Limited ¹	875	10,875	8.0%	-	-	-
Melon Health Limited (Social code) ¹	347,822	1,893,875	18.4%	347,822	1,828,527	19.0%
Mindful Group Limited ¹	327	1,635	20.0%	327	1,635	20.0%
Mobi2Go Limited	14,198	128,783	11.0%	14,198	128,783	11.0%
New Zealand Artesian Water Limited ¹	16	136	11.8%	-	-	-
Onceit Limited ¹	25,625	100,000	25.6%	25,625	100,000	25.6%
Populate Limited	1,088,021	11,847,098	9.2%	-	-	-
Raygun Limited (Mindscape)	501,445	7,939,930	6.3%	501,445	7,939,930	6.3%
RedSeed Limited ¹	144	1,200	12.0%	144	1,200	12.0%
ThisData Limited (Revert.io)	280,804	2,585,165	10.9%	280,804	2,585,165	10.9%
Timely Limited	63,647	1,365,670	4.7%	63,647	1,365,670	4.7%
Vend Limited	672,178	31,360,522	2.1%	672,178	31,360,522	2.1%
Vibe Communications ^{1,3}	1,264	5,540	22.8%	1,264	5,540	22.8%
Weirdly Limited ¹	85,187	289,187	29.5%	85,187	289,187	29.5%

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

2 Chris Humphreys, a director of LWCM and manager of the Company is also a director of this company.

3 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%.

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2016

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

Fair value as at 30 September 2016 (unaudited)

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	\$8.888 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	\$6.840 million
3) Early Stage - Boardingware - Weirdly - InfluxHQ - ThisData (Revert.io) - Hayload Limited - Linewize Limited - Linewize Services Limited - New Zealand Artesian Water Limited - Populate Limited	Market Value on Acquisition, Revenue Multiple or Net Assets (modified)	\$3.900 million
Total Investment at fair value		\$19.628 million

Fair value as at 31 March 2016 (audited)

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

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2016

3.3 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range(weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	5.5 - 11.2 (9.6) (March 2016: 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	0.6 - 19.0 (9.9) (March 2016: 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. EBITDA/Revenue multiples are used to calculate each investment's enterprise value, which is subsequently adjusted by each investment's net debt and surplus assets to derive that investment's unadjusted equity value. Illiquidity and small company discounts and control premiums (if any) reflecting the Company's shareholding and degree of control over an investment are applied to derive the adjusted equity value. This is then used to calculate the value of the Company's shareholding in each investment.
- 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.

3.4 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 \$'000	(Unfavourable) \$'000
2016 September		
Investments	22,431	16,533
2016 March		
Investments	19,705	13,520

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of the 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 30 September 2016 were 0.6 - 19.0 (with reasonably possible alternative assumptions of 0.8 - 24.0 (favourable) and 0.4 - 14.0 (unfavourable)) (March 2016: 1.3 - 19.0, 1.6 - 24.0 and 1.0 - 14.0 respectively).

The EBITDA multiples used in our valuations at 31 March 2016 were 5.5 - 11.2 (with reasonably possible alternative assumptions of 7.0 - 14.2 (favourable) and 4.0 - 8.2 (unfavourable)) (March 2016: 11.2 - 17.8, 15.0 - 20.0 and 8.0 - 12.0 respectively).

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2016

3.5 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.

	As at 30/09/2016 (Unaudited) \$'000	As at 31/03/2016 (Audited) \$'000
Unlisted equity investments		
Balance at beginning of period	16,570	5,592
Purchases - cash	1,170	6,586
Purchases - issue of shares	-	724
Change in fair value of investments	1,888	3,668
Balance at end of period	19,628	16,570

There have been no disposals of investments (Year ended 31 March 2016: Nil) therefore the full unrealised gain for the 6 months ended 30 September in fair value of investments of \$1.888 million (Year ended 31 March 2016: \$3.668 million) is included in the carrying value of investments at balance date.

4 Issued capital

During the 6 months ended 30 September 2016, no additional shares were issued.

At 30 September 2016, there are no unpaid shares on issue (As at 31 March 2016: None) and 135,580 September 2016 \$19 options (As at 31 March 2015: 152,500 June 2015 \$12 options and 92,400 September 2015 \$14 options) on issue. Options were partly exercised subsequent to 30 September 2016. More detail on options is provided in note 7.

4.1 Share based payment reserve

	As at 30/09/2016 (Unaudited) \$'000	As at 31/03/2016 (Audited) \$'000
Balance at beginning of period	745	282
Arising on share-based payments (performance fee)	245	463
Balance at end of period	990	745

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 5.3.

4.2 Retained earnings

	As at 30/09/2016 (Unaudited) \$'000	As at 31/03/2016 (Audited) \$'000
Balance at beginning of period	4,475	1,690
Profit attributable to owners of the Company	1,380	2,785
Balance at end of period	5,855	4,475

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2016

5 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:

5.1 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 6 months ended 30 September 2016 the management fee paid was \$0.198 million (6 months ended 30 September 2015: \$0.094 million).

5.2 Equity Raising Fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the 6 months ended 30 September 2016, no equity was raised and therefore no equity raising fee was charged (6 months ended 30 September 2015: 0.142 million). No amounts were outstanding at 30 September 2016 (6 months ended 30 September 2015: Nil).

5.3 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 6 months ended 30 September 2016, a total expense of \$0.340 million (6 months ended 30 September 2015: \$0.040 million) has been recognised. Of this expense, \$0.095 million (28% of total expense) was recognised as an increase in the performance fee payable liability in relation to the cash settled portion of the performance fee and \$0.245 million (72% of total expense) was recognised as part of the share based payment reserve 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 from 30 September 2016, therefore the liability has been recorded as non-current.

5.4 Directors beneficial interests in the Company

At 30 September 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), Amanda Rhean Simpson (6,000 shares) and Chris Humphreys (250 shares).

6 Financial risks

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

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2016

6.1 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 Limited, Onceit Limited and Vend Limited are individually more than 10% but less than 20% of total investments at balance date.

The Company has no significant interest rate or currency risk.

6.2 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.

6.3 Liquidity risk

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

6.4 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 period.

7 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, QA Tech Limited and Mobi2Go Limited. These investments total \$1,678,552 and were all in the form of ordinary shares.

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.

On 20 December 2016, Punakaiki Fund Limited completed a retail capital raising offer in New Zealand and a wholesale capital raising offer to sophisticated investors in Australia. Together these offers resulted in the receipt of \$2,381,638 by Punakaiki Fund Limited and the issue of 125,350 new ordinary shares. Following these offers, Punakaiki Fund Limited has 1,154,636 ordinary shares on issue and no options or other equity-type securities on issue.

Subsequent to the balance date (30 September 2016), the carrying value of 6 of 18 of Punakaiki Fund Limited's investments has changed in value. None have been revalued downwards and six 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 the Company investing further funds into these investments.

