

PUNAKAIKI FUND LIMITED

Financial Statements

For the 6 months ended 30 September 2017

8 February 2017

Punakaiki Fund Limited

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For the 6 months ended 30 September 2017

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Punakaiki Fund Limited

Directors

For the 6 months ended 30 September 2017

	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

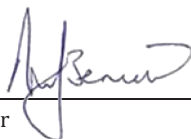
Punakaiki Fund Limited

Directors' responsibility statement

The directors are pleased to present the interim financial statements of Punakaiki Fund Limited for the 6 months ended 30 September 2017.

The Board of Directors of Punakaiki Fund Limited authorised the interim financial statements set out on pages 4 to 16 by resolution for issue on 8 February 2018.

For and on behalf of the Board



Director



Director

Punakaiki Fund Limited
Statement of comprehensive income
for the 6 months ended 30 September 2017

		6 months ended 30/09/2017 (Unaudited) \$'000	6 months ended 30/09/2016 (Unaudited) \$'000
	Notes		
Interest Income		2	2
Dividend Income		138	69
Change in fair value of investments	3.5	1,628	1,888
Accrued Performance Fees	5.3	(273)	(340)
Management Fees	5.1	(292)	(198)
Insurance		(15)	-
Consulting and Accounting Expenses		(11)	(27)
Audit Fees		(19)	(14)
Other		(13)	-
Profit before tax		1,145	1,380
Income tax expense		-	-
Profit and total comprehensive income		1,145	1,380

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

Punakaiki Fund Limited

Statement of financial position

at 30 September 2017

	Notes	30/09/2017 (Unaudited) \$'000	31/03/2017 (Audited) \$'000
ASSETS			
Current assets			
Cash and bank balances		2,294	2,843
Prepayments		1	16
Resident Withholding Tax receivable		17	6
Trade and other receivables		-	19
Total current assets		2,312	2,884
Non-current assets			
Investments	3.1	29,250	25,540
Total non-current assets		29,250	25,540
Total assets		31,562	28,424
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		31	57
Total current liabilities		31	57
Non-current liabilities			
Performance fee payable	5.3	640	564
Total non-current liabilities		640	564
Total liabilities		671	621
Capital and reserves			
Issued capital (net of transaction costs)	4	19,519	17,773
Share based payment reserve	4.1	1,646	1,449
Retained earnings	4.2	9,726	8,581
Total equity		30,891	27,803
Total equity and liabilities		31,562	28,424

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 2017

	Share capital \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total \$'000
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
Balance at 1 April 2017 (Audited)	17,773	1,449	8,581	27,803
Profit for the period	-	-	1,145	1,145
Total comprehensive income for the period	-	-	1,145	1,145
Contributed capital	1,800	-	-	1,800
Transaction costs	(54)	-	-	(54)
Share based payments in relation to performance fee	-	197	-	197
Balance at 30 September 2017 (Unaudited)	19,519	1,646	9,726	30,891

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 2017

	Notes	6 months ended 30/09/2017 (Unaudited) \$'000	6 months ended 30/09/2016 (Unaudited) \$'000
Cash flows from operating activities			
Interest received		2	2
Dividend received		138	69
Payments to suppliers		(51)	(62)
Management Fees		(292)	(207)
Resident Withholding Tax paid		(10)	(5)
Net cash used in operating activities		(213)	(203)
Cash flows from investing activities			
Payments to acquire Investments		(2,082)	(1,170)
Net cash used in investing activities		(2,082)	(1,170)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		1,800	-
Payment of transaction costs on issue of equity instruments		(54)	-
Net cash generated by financing activities		1,746	-
Net decrease in cash and cash equivalents		(549)	(1,373)
Cash and cash equivalents at the beginning of the period		2,843	1,437
Cash and cash equivalents at the end of the period		2,294	64

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 2017

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 is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. 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 2017.

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 2017.

Consistent accounting policies with the full financial statements for the year ended 31 March 2017 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 2017.

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 \$29.250 million (As at 31 March 2017: \$25.540 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of \$1.628 million (6 months ended 30 September 2016: \$1.888 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).

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2017

3.1 Investments in Unlisted Equity Instruments (continued)

Ownership Summary	2017 September			2017 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	13,131,072	4.6%	600,000	13,063,072	4.6%
Hayload Limited ³	4,338	18,618	23.3%	3,810	18,090	21.1%
InfluxHQ Limited ¹	182,491	724,881	25.2%	182,491	724,881	25.2%
Linewize Limited ^{1,2}	2,500	12,500	20.0%	2,500	12,500	20.0%
Linewize Services Limited ^{1,2}	2,500	12,500	20.0%	2,500	12,500	20.0%
Melon Health Limited ¹	505,972	2,160,294	23.4%	347,822	1,893,875	18.4%
Mindfull Group Limited ¹	327	1,705	19.2%	327	1,705	19.2%
Mobi2Go Limited	22,293	140,482	15.9%	16,660	133,642	12.5%
New Zealand Artesian Water Limited ¹	4,500	20,400	22.1%	30	190	15.8%
Onceit Limited ¹	25,625	100,000	25.6%	25,625	100,000	25.6%
Populate Limited	1,908,860	13,102,267	14.6%	1,667,566	12,860,973	13.0%
QA Tech Limited (Conqa) ¹	6,250	115,000	5.4%	6,250	115,000	5.4%
Raygun Limited	501,445	7,945,197	6.3%	501,445	7,943,309	6.3%
RedSeed Limited ¹	14,400	114,150	12.6%	144	1,124	12.8%
ThisData Limited	302,669	2,744,330	11.0%	280,804	2,571,915	10.9%
Timely Limited	63,647	1,365,670	4.7%	63,647	1,365,670	4.7%
Vend Limited	672,178	34,356,616	2.0%	672,178	34,356,616	2.0%
Vibe Communications Limited ³	1,532	5,499	27.9%	1,418	5,499	25.8%
Weirdly Limited ¹	94,345	310,395	30.4%	94,345	310,395	30.4%

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

² Subsequent to balance date (30 September 2017) Lance Wiggs resigned from Linewize Limited and Linewize Services Limited as a director following the companies being acquired by Family Zone Limited, a listed company on ASX (refer to note 7).

³ Chris Humphreys, a director of LWCM and manager of the Company is also a director of this company.

Punakaiki Fund Limited
Notes to the financial statements
For the 6 months ended 30 September 2017

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

Fair value as at 30 September 2017 (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	\$11.700 million
2) Well-established businesses - Raygun - Timely - Melon Health - RedSeed - Mobi2Go - Everedge IP	Market Value on Acquisition or Revenue Multiple	\$7.720 million
3) Early Stage - Boardingware - Weirdly - InfluxHQ - ThisData - Hayload - Linewize - Linewize Services - New Zealand Artesian Water - Populate - QA Tech (Conqa)	Market Value on Acquisition, Revenue Multiple or Transaction Evidence	\$9.830 million
Total Investment at fair value		\$29.250 million

Fair value as at 31 March 2017 (audited)

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value (\$)
1) Substantial & fast growing - Vibe Communications - OnceIT - Vend - Mindfull	Market value on acquisition, or Transaction Evidence, or EBITDA Multiple	\$11.380 million
2) Well-established businesses - Raygun - Timely - Melon Health - RedSeed - Mobi2Go - Everedge IP	Market value on acquisition, or Transaction Evidence, or Revenue Multiple	\$7.690 million
3) Early Stage - Boardingware - Weirdly - InfluxHQ - ThisData - Linewize - Populate - New Zealand Artesian Water - Hayload - Conqa	Market value on acquisition, or Revenue Multiple, or Net Assets (modified)	\$6.470 million
Total Investment at fair value		\$25.540 million

Punakaiki Fund Limited
Notes to the financial statements
For the 6 months ended 30 September 2017

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	11.5 - 15.2 (13.4) (March 2017: 11.5 - 15.2 (13.5))	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	4.7 - 20.0 (9.1) (March 2017: 5.3 - 16.9 (9.7))	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.

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
2017 September		
Investments	33,820	25,855
2017 March		
Investments	29,440	22,040

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 2017 were 4.7 - 20.0 (with reasonably possible alternative assumptions of 6.2 - 26.0 (favourable) and 3.3 - 14.0 (unfavourable)) (March 2017: 5.3; 16.9; 7.0; 22.0; 3.5 and 12.0 respectively).

The EBITDA multiples used in our valuations at 30 September 2017 were 11.5 - 15.2 (with reasonably possible alternative assumptions of 15.0 - 20.0 (favourable) and 8.0 - 12.0 (unfavourable)) (March 2017: 11.5; 15.2; 15.0; 20.0; 8.0 and 12.0 respectively).

Punakaiki Fund Limited
Notes to the financial statements
For the 6 months ended 30 September 2017

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 30/09/2017 (Unaudited) \$'000	As at 31/03/2017 (Audited) \$'000
<i>Unlisted equity investments</i>		
Balance at beginning of period	25,540	16,570
Purchases - cash	2,082	3,407
Purchases - issue of shares	-	-
Change in fair value of investments	1,628	5,563
Balance at end of period	29,250	25,540

There have been no disposals of investments (Year ended 31 March 2017: Nil) therefore the full unrealised gain for the 6 months ended 30 September in fair value of investments of \$1.628 million (Year ended 31 March 2017: \$5.563 million) is included in the carrying value of investments at balance date.

4 Issued capital

	As at 30/09/2017 (Unaudited) \$'000	As at 31/03/2017 (Audited) \$'000
Issued capital comprises:		
1,401,441 fully paid ordinary shares (31 March 2017: 1,311,441)	19,519	17,773
	19,519	17,773

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the 6 months ended 30 September 2017 were \$0.054 million (6 months ended 30 September 2016: Nil).

At 30 September 2017, there are no unpaid shares on issue (As at 31 March 2017: None) and no options on issue (As at 31 March 2017: None).

4.1 Share based payment reserve

	As at 30/09/2017 (Unaudited) \$'000	As at 31/03/2017 (Audited) \$'000
Balance at beginning of period	1,449	745
Arising on share-based payments (performance fee)	197	704
Balance at end of period	1,646	1,449

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 30/09/2017 (Unaudited) \$'000	As at 31/03/2017 (Audited) \$'000
Balance at beginning of period	8,581	4,475
Profit attributable to owners of the Company	1,145	4,106
Balance at end of period	9,726	8,581

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2017

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 2017 the management fee paid was \$0.292 million (6 months ended 30 September 2016: \$0.198 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 2017, \$1.800 million equity was raised and therefore \$0.054 million equity raising fee was charged (6 months ended 30 September 2016: \$0.016 million). No amounts were outstanding at 30 September 2017 (6 months ended 30 September 2016: \$0.016 million).

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 2017, a total expense of \$0.273 million (6 months ended 30 September 2016: \$0.340 million) has been recognised. Of this expense, \$0.076 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 \$0.197 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 2017, therefore the liability has been recorded as non-current.

5.4 Directors beneficial interests in the Company

At 30 September 2017, directors of the Company or LWCM holding a beneficial interest in shares of the Company were Lance Wiggs (63,614 shares), Michael Bennetts (49,500 shares), John Berry (9,658 shares), Bryan Hutchins (70,178 shares), Amanda Rhean Simpson (6,600 shares) and Chris Humphreys (400 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 2017

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 and Onceit 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.

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2017

7 Subsequent Events

Subsequent to the balance date (30 September 2017), Linewize Limited was acquired by Family Zone Limited for \$200,000 in cash and 19.014 million shares, of which 9.5 million shares are released if certain milestones are met. Family Zone Limited is a listed company on the ASX. Punakaiki Fund Limited was issued 1.914 million shares, 1.900 million performance shares and \$40,000 in cash.

On 21 December 2017, Punakaiki Fund Limited completed a retail capital raising offer in New Zealand which resulted in the receipt of \$3,438,750 by Punakaiki Fund Limited and the issue of 163,750 new ordinary shares.

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in Coherent Solutions Limited, Weirdly Limited, Linewize Limited, Linewize Services Limited, New Zealand Artesian Water Limited, QA Tech Limited and Vibe Communication Limited. These investments total \$2.816 million in cash and were all in the form of ordinary shares in those companies.

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in existing EverEdgeIP Global Limited and New Zealand Artesian Water Limited shares purchased from the other shareholders of those companies. These investments total \$1.895 million and, in conjunction with a subscription for new Punakaiki Fund shares for \$0.017 million forming part of these transactions, were settled by the issue of 91,045 Punakaiki Fund Limited shares. Following these transactions, Punakaiki Fund Limited has 1,656,236 ordinary shares on issue and no options or other equity-type securities on issue.

Subsequent to the balance date (30 September 2017), the carrying value of 5 of Punakaiki Fund Limited's 20 investments have changed in value. Two have been revalued downwards and three have been revalued upwards. The drivers for these revaluations include changes in the trading price of the shares of one investment (Family Zone), the operating performance of the investments and/or changes in the valuation multiples of traded comparable companies used to value the investments.

