

# **PUNAKAIKI FUND LIMITED**

## **Financial Statements**

**For the 6 months ended 30 September 2019**

*13 December 2019*

# **Punakaiki Fund Limited**

## **Contents of financial statements**

For the 6 months ended 30 September 2019

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# Punakaiki Fund Limited

## Directors

For the 6 months ended 30 September 2019

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|                            | <b>Appointed</b>  |
|----------------------------|-------------------|
| Bennetts, Michael John     | 30 September 2015 |
| Berry, John Charles        | 30 September 2015 |
| Richardson, Blake Thomson  | 13 March 2019     |
| Simpson, Amanda Rhean      | 22 September 2016 |
| Wiggs, Graeme Lance Turner | 10 April 2013     |

# Punakaiki Fund Limited

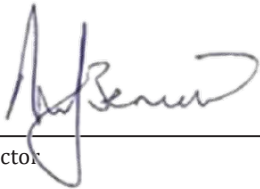
## Directors' responsibility statement

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The directors are pleased to present the interim financial statements of Punakaiki Fund Limited for the 6 months ended 30 September 2019.

The Board of Directors of Punakaiki Fund Limited authorised the financial statements set out on pages 5 to 15 for issue on 13 December 2019.

For and on behalf of the Board



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Director



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Director

**Punakaiki Fund Limited**  
**Statement of comprehensive income**

for the 6 months ended 30 September 2019

|  |       | <b>6 months ended</b><br><b>30/09/2019</b><br><b>(Unaudited)</b><br><b>\$'000</b> | <b>6 months ended</b><br><b>30/09/2018</b><br><b>(Unaudited)</b><br><b>\$'000</b> |
|--|-------|---|---|
|  | Notes |   |   |
| Interest Income                              |       | -   | 1   |
| Dividend Income                              |       | -   | 110   |
| Change in fair value of investments          | 3.5   | 1,045   | 4,675   |
| Other operating income                       |       | -   | -   |
| Accrued performance income/(fees)            | 5.4   | 279   | (927)   |
| Management Fees                              | 5.1   | (479)   | (367)   |
| Administration Fees                          | 5.2   | (180)   | -   |
| Insurance                                    |       | (21)  | (21)  |
| Consulting and Accounting Expenses           |       | (3)   | (56)  |
| Other  |       | (35)  | (10)  |
| Profit before tax                            |       | <u>606</u>  | <u>3,405</u>  |
| Income tax expense                           |       | -   | -   |
| <b>Profit and total comprehensive income</b> |       | <u><b>606</b></u>   | <u><b>3,405</b></u>   |

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

**Punakaiki Fund Limited**  
**Statement of financial position**

at 30 September 2019

|                                      |       | 30/09/2019<br>(Unaudited)<br>\$'000 | 31/03/2019<br>(Audited)<br>\$'000 |
|--------------------------------------|-------|-------------------------------------|-----------------------------------|
|                                      | Notes |                                     |                                   |
| <b>ASSETS</b>                        |       |                                     |                                   |
| <b>Current assets</b>                |       |                                     |                                   |
| Cash and cash equivalents            |       | 508                                 | 1,032                             |
| Resident Withholding Tax receivable  |       | 14                                  | 39                                |
| Prepayments                          |       | 4                                   | 23                                |
| Trade and other receivables          |       | 14                                  | 8                                 |
| <b>Total current assets</b>          |       | <b>540</b>                          | <b>1,102</b>                      |
| <b>Non-current assets</b>            |       |                                     |                                   |
| Investments                          | 3.1   | 48,780                              | 46,170                            |
| <b>Total non-current assets</b>      |       | <b>48,780</b>                       | <b>46,170</b>                     |
| <b>Total assets</b>                  |       | <b>49,320</b>                       | <b>47,272</b>                     |
| <b>EQUITY AND LIABILITIES</b>        |       |                                     |                                   |
| <b>Current liabilities</b>           |       |                                     |                                   |
| Accounts payable                     |       | 34                                  | 106                               |
| <b>Total current liabilities</b>     |       | <b>34</b>                           | <b>106</b>                        |
| <b>Non-current liabilities</b>       |       |                                     |                                   |
| Performance fee payable              | 5.4   | 788                                 | 866                               |
| <b>Total non-current liabilities</b> |       | <b>788</b>                          | <b>866</b>                        |
| <b>Total liabilities</b>             |       | <b>822</b>                          | <b>972</b>                        |
| <b>Capital and reserves</b>          |       |                                     |                                   |
| Issued capital                       | 4     | 32,530                              | 30,736                            |
| Share based payment reserve          | 4.1   | 2,027                               | 2,227                             |
| Retained earnings                    | 4.2   | 13,943                              | 13,337                            |
| <b>Total equity</b>                  |       | <b>48,500</b>                       | <b>46,300</b>                     |
| <b>Total equity and liabilities</b>  |       | <b>49,322</b>                       | <b>47,272</b>                     |

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 2019

|   | Share capital<br>\$'000 | Share based<br>payment<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|---|-------------------------|---|--------------------------------|-----------------|
| <b>Balance at 1 April 2018 (Audited)</b>            | 24,770                  | 1,295                                       | 8,332                          | 34,397          |
| Profit for the period                               |                         |   | 3,405                          | 3,405           |
| <b>Total comprehensive income for the period</b>    | -                       | -   | 3,405                          | 3,405           |
| Contributed capital                                 | 3,222                   | -   | -                              | 3,222           |
| Transaction costs                                   | (51)                    | -   | -                              | (51)            |
| Share based payments in relation to performance fee | -                       | 668   | -                              | 668             |
| <b>Balance at 30 September 2018 (Unaudited)</b>     | 27,941                  | 1,963                                       | 11,737                         | 41,641          |
| <b>Balance at 1 April 2019 (Audited)</b>            | 30,736                  | 2,227                                       | 13,337                         | 46,300          |
| <b>Total comprehensive income for the period</b>    | -                       | -   | 606                            | 606             |
| Contributed capital                                 | 1,850                   | -   | -                              | 1,850           |
| Transaction costs                                   | (56)                    | -   | -                              | (56)            |
| Share based payments in relation to performance fee | -                       | (200)                                       | -                              | (200)           |
| <b>Balance at 30 September 2019 (Unaudited)</b>     | 32,530                  | 2,027                                       | 13,943                         | 48,500          |

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 2019

|   | Notes | 6 months ended<br>30/09/2019<br>(Unaudited)<br>\$'000 | 6 months ended<br>30/09/2018<br>(Unaudited)<br>\$'000 |
|---|-------|---|---|
| <b>Cash flows from operating activities</b>                 |       |   |   |
| Interest received   |       | -   | 1   |
| Dividend received   |       | -   | 102   |
| Payments to suppliers                                       |       | (300)   | (91)  |
| Management Fees   |       | (479)   | (367)   |
| Resident Withholding Tax refunded/(paid)                    |       | 25  | 6   |
| <b>Net cash (used in)/generated by operating activities</b> |       | <u>(754)</u>  | <u>(349)</u>  |
| <b>Cash flows from investing activities</b>                 |       |   |   |
| Proceeds from sale of Investments                           |       | 282   | 1,109   |
| Payments to acquire Investments                             |       | (1,846)   | (1,464)   |
| <b>Net cash (used in)/generated by investing activities</b> |       | <u>(1,564)</u>  | <u>(355)</u>  |
| <b>Cash flows from financing activities</b>                 |       |   |   |
| Proceeds from issue of equity instruments of the Company    |       | 1,850   | 1,712   |
| Payment of transaction costs on issue of equity instruments |       | (56)  | (51)  |
| <b>Net cash used in financing activities</b>                |       | <u>1,794</u>  | <u>1,661</u>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |       | (524)   | 957   |
| Cash and cash equivalents at the beginning of the period    |       | 1,032   | 734   |
| <b>Cash and cash equivalents at the end of the period</b>   |       | <u>508</u>  | <u>1,691</u>  |

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 2019

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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 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 2019.

### 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 2019.

Consistent accounting policies with the full financial statements for the year ended 31 March 2019 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 2019.

### 3 Fair values of financial instruments

#### 3.1 Investments in Equity Instruments

The Company has equity investments in a portfolio of early stage companies recognised at \$48.780 million (As at 31 March 2019: \$46.170 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of \$1.045 million (6 months ended 30 September 2018: net gain \$4.675 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 2019

### 3.1 Investments in Equity Instruments (continued)

| Ownership Summary                               | 2019 September |              |        | 2019 March  |              |        |
|---|----------------|--------------|--------|-------------|--------------|--------|
|   | Shares Held    | Total Shares | Fund % | Shares Held | Total Shares | Fund % |
| Boardingware International Limited <sup>1</sup> | 446,000        | 1,479,890    | 30.1%  | 446,000     | 1,479,890    | 30.1%  |
| Coherent Solutions <sup>1,3</sup>               | 49,439         | 279,677      | 17.7%  | 49,439      | 279,677      | 17.7%  |
| Devoli Limited <sup>2,3</sup>                   | 2,681,340      | 5,499,000    | 48.8%  | 2,467,801   | 5,499,000    | 44.9%  |
| EverEdgeIP Global Limited <sup>1,3</sup>        | 3,937,915      | 13,967,167   | 28.2%  | 3,937,915   | 13,367,167   | 29.5%  |
| Family Zone Cyber Safety Limited <sup>3,4</sup> | -              | 205,127,835  | 0.0%   | 400,000     | 191,956,293  | 0.2%   |
| Hayload Limited                                 | 4,338          | 18,618       | 23.3%  | 4,338       | 18,618       | 23.3%  |
| InfluxHQ Limited                                | -              | 724,881      | 0.0%   | 182,491     | 724,881      | 25.2%  |
| Melon Health Limited <sup>1,3</sup>             | 931,711        | 2,888,415    | 32.3%  | 818,143     | 2,699,979    | 30.3%  |
| Mindfull Group Limited <sup>1</sup>             | 327            | 1,670        | 19.6%  | 327         | 1,670        | 19.6%  |
| Mobi2Go Limited                                 | 305,850        | 1,900,583    | 16.1%  | 305,850     | 1,900,583    | 16.1%  |
| New Zealand Artesian Water Limited <sup>5</sup> | 7,213          | 30,545       | 23.6%  | 6,657       | 27,877       | 23.9%  |
| Onceit Limited <sup>1</sup>                     | 25,625         | 100,000      | 25.6%  | 25,625      | 100,000      | 25.6%  |
| Populate Limited                                | 1,908,860      | 13,102,267   | 14.6%  | 1,908,860   | 13,102,267   | 14.6%  |
| QA Tech Limited (Conqa) <sup>1</sup>            | 28,647         | 143,567      | 20.0%  | 26,250      | 137,222      | 19.1%  |
| Raygun Limited                                  | 501,445        | 7,969,855    | 6.3%   | 501,445     | 7,945,197    | 6.3%   |
| RedSeed Limited <sup>1</sup>                    | 37,174         | 113,336      | 32.8%  | 37,174      | 113,336      | 32.8%  |
| TD Limited                                      | 302,669        | 2,744,330    | 11.0%  | 302,669     | 2,744,330    | 11.0%  |
| Timely Limited <sup>3</sup>                     | 63,647         | 1,662,417    | 3.8%   | 63,647      | 1,662,417    | 3.8%   |
| Vend Limited <sup>3</sup>                       | 700,000        | 36,355,722   | 1.9%   | 672,178     | 36,355,722   | 1.8%   |
| Weirdly Limited <sup>1,3</sup>                  | 128,649        | 437,208      | 29.4%  | 128,649     | 423,672      | 30.4%  |

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

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

<sup>3</sup> Excludes the dilutionary impact of employee and other options.

<sup>4</sup> The Company holds 600,000 Family Zone Cyber Safety Limited performance shares which convert into ordinary shares if certain performance thresholds are met.

<sup>5</sup> Lance Wiggs resigned as a director of New Zealand Artesian Water Limited on 21 October 2019.

**Punakaiki Fund Limited**  
**Notes to the financial statements**

For the 6 months ended 30 September 2019

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

**Fair value as at 30 September 2019 (unaudited)**

| Investment Type   | Valuation technique(s) and unobservable input(s) used  | Fair value (\$)         |
|---|--|-------------------------|
| <b>1) Substantial &amp; fast growing</b><br>- Devoli<br>- OnceIT<br>- Vend<br>- Mindfull  | Earnings Multiple / Revenue Multiple   | \$22.010 million        |
| <b>2) Well-established businesses</b><br>- Raygun<br>- Timely<br>- Melon Health<br>- RedSeed<br>- Mobi2Go<br>- Everedge IP<br>- Coherent Solutions<br>- Conqa | Market Value on Acquisition / Transactional Evidence / Revenue Multiple  | \$22.430 million        |
| <b>3) Early Stage</b><br>- Boardingware<br>- Weirdly<br>- ThisData<br>- Populate<br>- New Zealand Artesian Water<br>- Hayload                                 | Market Value on Acquisition / Transactional Evidence / Revenue Multiples (including weighted methods) / Impaired | \$4.330 million         |
| <b>4) Listed</b><br>- Family Zone   | Forecasting Vesting Data (including weighted multiples)  | \$0.010 million         |
| <b>Total Investment at fair value</b>   |  | <b>\$48.780 million</b> |

**Fair value as at 31 March 2019 (audited)**

| Investment Type  | Valuation technique(s) and unobservable input(s) used   | Fair value (\$)         |
|--|---|-------------------------|
| <b>1) Substantial &amp; fast growing</b><br>- Devoli<br>- OnceIT<br>- Vend<br>- Mindfull   | Market value on acquisition, or revenue multiple, or EBITDA Multiple                              | \$18.630 million        |
| <b>2) Well-established businesses</b><br>- Raygun<br>- Timely<br>- Melon Health<br>- RedSeed<br>- Mobi2Go<br>- Everedge IP<br>- Coherent Solutions     | Market value on acquisition, or Transaction Evidence, or Revenue Multiple                         | \$23.040 million        |
| <b>3) Early Stage</b><br>- Boardingware<br>- Weirdly<br>- InfluxHQ<br>- ThisData<br>- Populate<br>- New Zealand Artesian Water<br>- Hayload<br>- Conqa | Market value on acquisition, or Revenue Multiples (including weighted methods), or fully impaired | \$4.240 million         |
| <b>4) Listed</b><br>- Family Zone  | Forecasting vesting data (including weighted multiples)   | \$0.260 million         |
| <b>Total Investment at fair value</b>  |   | <b>\$46.170 million</b> |

# Punakaiki Fund Limited

## Notes to the financial statements

For the 6 months ended 30 September 2019

### 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     | 10.4 - 10.4 (10.4)<br>(March 2019: 10.4 - 10.4 (10.4)) | 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    | 0.5 - 6.7 (3.2)<br>(March 2019: 0.5 - 4.6 (2.0))       | The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples 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. Discounts relating to illiquidity and size are then applied to the observed multiples to derive the adjusted multiples that are applied to the valuation of the Company's unlisted investments.
- *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. In line with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines, from 1 April 2019 the Company no longer revalues its investments using market value on acquisition or transaction evidence methods. Instead it utilises transaction valuation evidence to calibrate multiples-based valuations.
- *Impaired* : represents where an investment has been written down in value due to poor performance.
- *Forecast vesting data* : represents the probability of the final performance tranche class (tranche 5) vesting into ordinary shares. The probability of vesting is dependent on the recurring service revenue of the Linewize Companies or their services globally.

### 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 | (Unfavourable) |
|----------------|------------|----------------|
|                | \$'000     | \$'000         |
| 2019 September |            |                |
| Investments    | 55,560     | 41,980         |
| 2019 March     |            |                |
| Investments    | 51,370     | 40,970         |

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.

| Revenue multiples used in valuations at: | Reasonable possible alternatives |             |                |
|--|----------------------------------|-------------|----------------|
|  | Actual                           | Favourable  | (Unfavourable) |
| 30 September 2019                        | 0.5 - 6.7                        | 0.7 - 8.1   | 0.4 - 5.4      |
| 31 March 2019                            | 0.5 - 4.6                        | 0.7 - 5.5   | 0.4 - 3.7      |
| EBITDA multiples used in valuations at:  | Actual                           | Favourable  | (Unfavourable) |
|  |                                  |             |                |
| 30 September 2019                        | 10.4 - 10.4                      | 12.4 - 12.4 | 8.3 - 8.3      |
| 31 March 2019                            | 10.4 - 10.4                      | 12.4 - 12.4 | 8.3 - 8.3      |

Ranges of Revenue and EBITDA multiples may vary from period to period depending on which investments are valued in this manner and the frequency of the valuation of those investments (compared to being valued using the market value on acquisition or transaction evidence-based valuation approaches).

# Punakaiki Fund Limited

## Notes to the financial statements

For the 6 months ended 30 September 2019

### 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 30/09/2019<br>(Unaudited)<br>\$'000 | As at 31/03/2019<br>(Audited)<br>\$'000 |
|---------------------------------------|---|---|
| <i>Equity investments</i>             |   |   |
| <b>Balance at beginning of period</b> | 46,170                                    | 34,160                                  |
| Purchases - cash                      | 1,846                                     | 4,495                                   |
| Disposals - cash                      | (282)                                     | (1,110)                                 |
| Purchases - issue of shares           | -   | 1,510                                   |
| Change in fair value of investments   | 1,045                                     | 7,115                                   |
| <b>Balance at end of period</b>       | <b>48,780</b>                             | <b>46,170</b>                           |

Included within the change in the fair value of investments in the table above is \$1.043 million (Year ended 31 March 2019: \$7.005 million) of unrealised gains in relation to investments still held at balance date.

### 4 Issued capital

|   | As at 30/09/2019<br>(Unaudited)<br>\$'000 | As at 31/03/2019<br>(Audited)<br>\$'000 |
|---|---|---|
| <b>Issued capital comprises:</b>                                |   |   |
| 2,026,409 fully paid ordinary shares (31 March 2019: 1,943,651) | 32,530                                    | 30,736                                  |
|   | <b>32,530</b>                             | <b>30,736</b>                           |

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 2019 were \$0.056 million (6 months ended 30 September 2018: \$0.051 million).

At 30 September 2019, there are no unpaid shares on issue (As at 31 March 2019: None) and no options on issue (As at 31 March 2019: None).

#### 4.1 Share based payment reserve

|   | As at 30/09/2019<br>(Unaudited)<br>\$'000 | As at 31/03/2019<br>(Audited)<br>\$'000 |
|---|---|---|
| <b>Balance at beginning of period</b>             | 2,227                                     | 1,295                                   |
| Arising on share-based payments (performance fee) | (200)                                     | 932                                     |
| <b>Balance at end of period</b>                   | <b>2,027</b>                              | <b>2,227</b>                            |

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 30/09/2019<br>(Unaudited)<br>\$'000 | As at 31/03/2019<br>(Audited)<br>\$'000 |
|--|---|---|
| <b>Balance at beginning of period</b>        | 13,337                                    | 8,332                                   |
| Profit attributable to owners of the Company | 606                                       | 5,005                                   |
| <b>Balance at end of period</b>              | <b>13,943</b>                             | <b>13,337</b>                           |

# Punakaiki Fund Limited

## Notes to the financial statements

For the 6 months ended 30 September 2019

### 5 Related Party Transactions - Remuneration of the Manager

LWCM 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 2019 the management fee paid was \$0.479 million (6 months ended 30 September 2018: \$0.367 million).

#### 5.2 Administration Fees

During the 6 months ended 30 September 2019, the Company agreed to pay the Manager an administration fee for services provided by the Manager but which had previously not been charged. The administration fee is fixed annually by the Board and paid quarterly in advance. In addition, the Company agreed to pay a lump sum amount to the Manager for administration services previously provided at no charge for the years to 31 March 2019. Total administration fees expensed during the 6 month period ended 30 September 2019, were \$0.180 million with \$0.090 million being in relation to the lump sum payment and \$0.090 million in relation to services in the 6 month period ended 30 September 2019.

#### 5.3 Equity Raising Fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the 6 months ended 30 September 2019, \$1.850 million equity was raised and therefore \$0.056 million equity raising fee was charged (6 months ended 30 September 2018: \$0.051 million). No amounts were outstanding at 30 September 2019 (6 months ended 30 September 2018: None).

#### 5.4 Performance Fee

On or after the occurrence of a Liquidity Event (as defined in the management agreement, but principally after an agreed period of time has elapsed following an Initial Public Offering (IPO) of the Company's shares 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 proposed payment of the performance fee. Based on the current New Zealand corporate tax rate, the performance fee would be settled 72% through the issue of ordinary shares and 28% in cash.

During the 6 months ended 30 September 2019, total income of \$0.279 million (6 months ended 30 September 2018: expense of \$0.927 million) has been recognised. Of this income, \$0.078 million (28% of total income) was recognised as a reduction in the performance fee payable liability in relation to the cash settled portion of the performance fee and \$0.200 million (72% of total income) 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 2019, therefore the liability has been recorded as non-current.

#### 5.5 Directors beneficial interests in the Company

At 30 September 2019, directors of the Company or LWCM holding a beneficial interest in shares are as follows:

|                                | <u>As at 30/09/2019</u> | <u>As at 31/03/2019</u> |
|--------------------------------|-------------------------|-------------------------|
| Lance Wiggs <sup>1,2</sup>     | 63,500                  | 63,500                  |
| Michael Bennetts               | 49,500                  | 49,500                  |
| John Berry                     | 9,658                   | 9,658                   |
| Blake Richardson               | 55,924                  | 37,000                  |
| Amanda Simpson                 | 6,600                   | 6,600                   |
| Chris Humphreys <sup>1,3</sup> | 286                     | 286                     |
| LWCM Limited                   | 114                     | 114                     |

<sup>1</sup> Lance Wiggs and Chris Humphreys both have a beneficial interest in 114 Punakaiki Fund Limited Shares held in the legal name of LWCM Limited, which are not included in their totals in the table above.

<sup>2</sup> A close family member of Lance Wiggs holds a beneficial interest in 100 Punakaiki Fund Limited Shares, which is not included in his total in the table above.

<sup>3</sup> Chris Humphreys is a manager, but not a director of the Company.

# Punakaiki Fund Limited

## Notes to the financial statements

For the 6 months ended 30 September 2019

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### 6 Financial risks

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

#### 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 and other policies set by the Board of Directors of the Company.

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

The investments in Melon Health and Onceit Limited are individually equal to or more than 10%, but less than 20% of total investments at balance date. The investment in Devoli Limited is equal to more 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

On 2 December 2019, Punakaiki Fund Limited completed a retail capital raising offer and non-renounceable rights issue in New Zealand which resulted in the receipt of \$5,429,628 by Punakaiki Fund Limited and the issue of 325,413 new ordinary shares. Following these transactions, Punakaiki Fund Limited has 2,351,822 ordinary shares on issue and no options or other equity-type securities on issue. Following these transactions the directors of the Company or LWCM holding a beneficial interest in shares of the Company were Lance Wiggs (69,000 shares), Michael Bennetts (56,571 shares), John Berry (11,037 shares), Amanda Rhean Simpson (7,850 shares), Blake Richardson (63,924 shares), Chris Humphreys (366 shares) and LWCM Limited (214 shares). A close family member of Lance Wiggs held 200 shares following these transactions.

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in Weirdly, Conqa and Devoli. These investments total \$1.133 million in cash and were in the form of ordinary shares and convertible notes in those companies.

Subsequent to the balance date (on 21 October 2019), Lance Wiggs resigned as a director of New Zealand Artesian Water Limited.

Subsequent to the balance date, the carrying value of 3 of 19 of Punakaiki Fund Limited's investments has changed in value. All have been revalued upwards and the sole driver for these revaluations is the Company investing further funds into these investments. None of those investments have experienced revaluation gains as the result of increases in those investments' share prices.

