Punakaiki Fund

INVESTMENT VALUATION POLICY

3 February 2022

Version 2.3

1. BACKGROUND

1.1. Punakaiki Fund Limited ("PFL") is a private company which invests in growth companies. This document sets out PFL's policies regarding the valuation of PFL's investments.

2. DELEGATIONS AND AUTHORITIES

2.1. Overall responsibility for this Policy rests with the PFL Board.

2.2. The Board of PFL may delegate the work of proposing valuations of its investments to:

a) The manager of PFL's investments, 2040 Ventures Limited ("the Manager"); and/or

b) One or more independent valuers of the Board's selection.

2.3. Independent valuations should be considered periodically when an individual Portfolio Company has a high value at risk, or when a Portfolio Company makes up a significant portfolio of PFL total investment portfolio (i.e. there is concentration risk). However, the Board of PFL are not obligated to undertake a periodically independent valuation.

2.4. The Board may request that the Manager review any independent valuation, or for an independent valuer to review any valuations undertaken by the Manager, depending on the cost and the availability of a suitably qualified and competent valuer

2.5. The Board retains the authority and responsibility to make final decisions on the valuation of any investment.

3. REQUIREMENT FOR VALUATION POLICY

3.1. From time to time the investment assets of PFL need to be revalued primarily in order to:

a) Report on the financial performance and position of PFL to its shareholders and other interested parties; and

b) Fix the value of PFL for the purposes of raising new capital.

3.2. This Valuation Policy is intended to provide:

a) Guidance as to when valuations should be undertaken;

b) The preferred approaches when undertaking valuations; and

c) Guidance in respect of dealing with certain special valuation circumstances and events.

3.3. The goal of this policy is to implement a robust, repeatable valuation process that produces timely and reasonable valuations outputs.

3.4. This Policy document should be read in conjunction with the "Investment Valuation Methodologies" document as updated from time to time.

4. VALUATION TIMING

4.1. The primary valuation of PFL investments will occur at each financial year-end and will be reflected in PFL's annual financial statements. This valuation will be subject to the scrutiny of PFL's auditor.

4.2. Secondary valuations may be undertaken for the additional purposes of:

a) Disclosure in PFL's interim (half year) financial statements;

b) Disclosure in PFL's quarterly reporting to shareholders; or

c) When determining the pricing of new share issues.

5. VALUATION BASIS

5.1. The annual financial statements of PFL are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-oriented entities.

5.2. In accordance with these requirements, the financial statements will be prepared on a 'fair value' basis. NZ IFRS defines fair value as an estimate of the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

6. IPEV GUIDLINES

6.1. In order to provide guidelines for determining fair value, PFL has adopted the International Private Equity and Venture Capital Valuation Guidelines ("IPEV"). PFL will also adopt any supplementary IPEV guidelines published to provide guidance with specific valuation issues, such as the Coronavirus Special Valuations Guidance published in March 2020 and the IPEV Board's views on estimating fair value release on 31 December 2020. All PFL valuations are to be undertaken in accordance with these guidelines and associated guidance.

6.2. The December 2018 edition of the IPEV currently applies to PFL's valuations, however once the 2022 edition of the IPEV is finalised (due in the second quarter of CY2022), the 2022 edition will apply to all PFL valuations from on or before the IPEV states that the policy comes into effect.

7. VALUATION POLICIES

7.1. Any adopted valuation methodology will be applied consistently across all investments with similar characteristics wherever possible. The valuation methodology will also be applied consistently between financial periods. A change in the valuation methodology will only be made if it results in a value measurement that is equally or more representative of fair value.

7.2. The carrying value of each investment will be reviewed at least annually, generally at the end of the end of the financial year. The timing in relation to the valuation of individual Portfolio Companies is set out in the Investment Valuation Methodologies document.

7.3. The fair value of PFL's investment portfolio shall be the sum of the fair values of its individual investments. Techniques that attempt to estimate or make adjustments to the portfolio in aggregate generally do not comply with accounting standards.

7.4. The International Private Equity and Venture Capital Valuation Guidelines (December 2018 edition) sets out the following preferred valuation techniques:

a) Comparable Company Multiples (Market Approach);

b) Industry Valuation Benchmarks (Market Approach);

c) Available Market Prices (Market Approach);

d) Discounted Cash Flows - of the underlying business (Income Approach);

e) Discounted Cash Flows - from an investment (Income Approach); and

f) Net Asset Value (Replacement Cost Approach).

7.5. There is a preference to use Market Approaches as opposed to Income Approaches or Replacement Cost Approaches when valuing PFL's investments. It should be noted that the IPEV guidelines no longer allows the use of the Price of Recent Investment approach. Instead, recent transactions are to be used only to calibrate other valuation methods.

7.6. Preference will be given to the various Market Approaches to valuation as follows:

a) All investments quoted in active markets should be valued based on their observed share price (Available Market Price approach), specifically being the last traded price of the investment on that investment's most liquid market (if applicable) on the valuation date;

b) For investments not quoted in an active market, a Comparable Company Multiples approach should be used where possible, such techniques to be calibrated against any recent transactions in the shares on an individual company-by company basis. If a valuation would change the holding value by more than 1% of the total assets of PFL, then the new valuation should be adopted, otherwise the existing valuation should be retained; and

c) Further discussion and guidance on valuation methodologies is contained within the Investment Valuation Methodology.

7.7. Notwithstanding any valuation frequency guidance provided in the Investment Valuation Methodologies document, any evidence of impairment in the fair value of an investment arising from the poor performance or negative changes to aspects of the Portfolio Company (as opposed to changes in the Comparable Company Multiples used to value that Portfolio Company) should be investigated immediately and, if the assessed impairment is either at least 25% of the value of the underlying asset or 1% of the value of the total assets of PFL, then the fair value of an investment will be impaired as soon as a value can be reasonably determined. This impairment may be assessed by way of an independent valuation.

8. INDEPENDENT THIRD-PARTY VALUERS

8.1. Where an independent valuation is required by the Board, an external valuer will be engaged by the Board. Prior to engagement, the valuer must be assessed for suitability in a number of areas including, but not limited to: relevant qualifications, experience, industry expertise, capacity to undertake the work, reputation, value for money, and independence.

8.2. Independent valuers will be assessed for rotation, at a minimum, every three years.

8.3. PFL may appoint more than one independent valuer, and may request more than one independent valuation of any single investment.

8.4. Independent valuations will be prepared in line with the relevant accounting standards, relevant legislation and these policies, except as is set out in clause 8.5. An independent valuation need not adhere to the Investment Valuation Methodologies as an independent valuer will be expected to be proficient in their own valuation methodologies.

8.5. In the case where an independent third-party valuer prefers the use of discounted cash flows as their primary valuation method, this will be permitted provided that a cross-check using the Comparable Company Multiples approach is also undertaken.

9. REVIEW AND CHANGES

9.1. This Policy:

a) will be reviewed at least every year by the Board; and

b) may be reviewed more frequently as considered appropriate by the Board.

Version	**Date Adopted**
V1.0	2 February 2016
V2.0	27 November 2017
V2.1	10 May 2019
V2.2	23 July 2020
V2.3	3 February 2022