PUNAKAIKI FUND LIMITED

Annual Report

For the year ended 31 March 2017

31 July 2017

Raised $5.5 million

- One tranche of options
- Two retail offers
- One 1:10 rights issue

Invested $3.4 million

Populate (3 tranches)	Linewize (3 tranches)
NZ Artesian Water	Hayload (2 tranches)
Weirdly (2 tranches)	Mobi2Go
Conqa	Vibe Communications (2 tranches)

$28.4 million
in Total Assets

$5.6 million
change in fair value of investments
(19.6% of Total Assets at year-end)

$0.5 million
net cash used in operating activities
(1.73% of Total Assets at year-end)

$4.1 million
Profit After Tax

> “Unless investors identify top-quartile, or even top-decile managers, results almost certainly fail to compensate for the degree of risk incurred”
>
> *Dave Swensen , Yale Investment Office*
> *Pioneering Portfolio Management*

Non-GAAP Highlights

45% IRR

Annualised increase in unrealised investment Value
(Up 80% on initial investment value)

$69.5 million

estimated reported FY2017 revenue from all companies

Revenue Growth

average (arithmetic) growth in company revenue by time after first investment

	Company Size		
	Large	Medium	Small
1 Year	>35%	>160%	>500%
2 Year	>130%	>400%	>600%

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Chair’s Report

Dear Shareholders

Over the last 36 months Punakaiki Fund has grown from just $1.5 million to $28.4 million in assets. Our intention is to continue growing significantly over the next two years as we move towards our goal of listing on a stock exchange.

This year the board approved two regulated public offers, with one of them including a discounted rights issue. We were very pleased to see that investors representing 83% of the rights available took up the rights issue offer, which we see as a strong endorsement of our progress.

We also solicited your feedback, and as a board we read all of your comments and are making appropriate changes. One of those changes was to commence quarterly share trading windows, which will open after each quarterly report is published. We will also commence quarterly calls for shareholders to listen or observe the results directly from Chris and Lance. We’ve heard and discussed some investors’ feedback about our investment in a water company, and we will be creating and enforcing a policy for ethical investing.

The board has set a target for listing Punakaiki Fund in the middle of 2019 – two years from now. We believe that as a listed investment company we should have assets of at least $100 million to ensure that the ongoing costs are reasonable. We will provide a considered opinion on the options for listing (or not) for shareholders to vote on at Punakaiki Fund’s Annual Meeting in 2018.

We continue to be pleased with the relative level of risk associated with the portfolio, and review the progress of each company each quarter. In particular we look for the risk from companies that are not cash flow positive and may be unable to raise sufficient funds before failing. We are encouraged by what we see, with under 2% of investment assets in this category at the end of June 2017.

Your board has rigorously valued the portfolio several times since the last annual report, once for each of the public offers, and again for the 2017 year end and a more recent wholesale offer. With each valuation we gain increasing understanding of the portfolio companies and their value and risks. As we move closer to the prospect of an initial public offering we will seek to use external valuations from reputable providers for our larger holdings, and intend to use an external provider to value at least one company for the compilation of the September 2017 interim accounts.

This year we welcomed the excellent contributions of new director Mandy Simpson to the board, and we continued to work well as a team on your behalf. We maintain our confidence with Chris and Lance as Managers, and expressed our confidence in the future in the recent rights issue, with all directors participating.

I encourage you to look at the governance section of the Punakaiki Fund website where we periodically post our financial and governance documents.

I thank you for your investment in Punakaiki Fund as we look forward to another busy and prosperous year ahead.

Mike Bennetts
Chair

Manager’s Report

Over the last year we extended the number of investments from 14 to 19, and made further commitments to several companies. Thanks to your support we were able to send investment funds to founders 16 times in the 12 months, and have done so another six times since the end of the financial year.

Our biggest commitments over the year were to Linewize, New Zealand Artesian Water, Conqa and Vibe Communications. We are very happy with the progress of each of these companies. Linewize shows that competing against a free service is possible, as they have created a product that allows teachers genuine control of the internet in their classroom. New Zealand Artesian Water are well underway with the installation of their new plant, and seek to deliver to two very large international customers. We think that exporting New Zealand’s water can be positive and sustainable, provided that the water taken is not affecting local rights and use. We also support a move away from plastic bottles, and are encouraged by the bulk water products from New Zealand Artesian Water. Conqa are showing very strong growth, and we are almost certain to exercise our option to invest more. With Vibe Communications we have cemented our commitment, owning 25.8% of the shares at the end of the financial year, and currently having commitments to increase our shareholding to almost 35%. We see that the combination of Vibe’s ongoing revenue growth and profitability, combined with the intriguing prospects for Intellipath and the increasing professionalism of the executive team as providing a solid investment case. I’ve stepped down from the board, as my brother is Acting CEO, and Chris is enjoying his new active directorship role in my place.

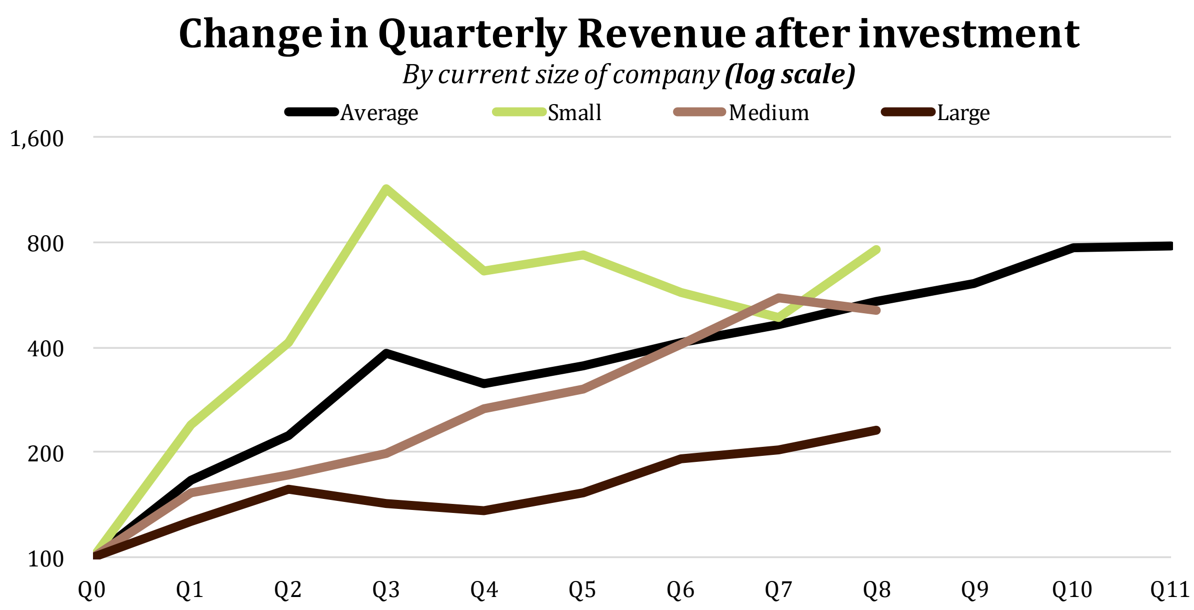
We do get active with many of the companies, and Chris and I share 13 directorships of Punakaiki Fund’s portfolio companies. We tend to focus on being available during times of change, but when companies are growing quickly change is a certainty. As always, we try to focus on helping the founders and executive team get better at what they do, and advise founders to periodically reassess their governance requirements.

It’s been a great year for the portfolio companies. The total revenue from all companies grew by 34% year on year, and by 35% when weighted by our equity holding percentages. Seven companies grew by over 100%, and ten by over 50%. We did see one, non-SaaS, company reduce revenue, but we do expect some wobbles like that, and they are balanced by strong performance elsewhere.

This year the investor net asset value per Share increased by 18%. Chris and I see that as lower than where we would like to be, but we are happy that the underlying long-term growth in value remains. We are constantly focused on very long-term value, and maintain the philosophy that continued growth in portfolio company revenue will eventually deliver the returns to investors.

Last year we showed that quarterly equity weighted revenue grew by almost 69%. This year the same statistic is a paltry 16%. We signalled that we expected the measure to fall, but this was unexpectedly low. We see now that the measure is primarily driven by revenue results from three companies in particular – Vibe Communications, Onceit and Mindfull, which each have large revenues (e.g. over $10 million) and where we have high percentage shareholdings. While Vibe’s revenues are relatively consistent, both Mindfull and Onceit exhibit seasonal and lumpy revenues, and that can mean some rough quarterly results. On a twelve month revenue basis the weighted average growth for the top four largest companies was 31%, but on a year on year quarterly basis it was just 13%. On the annual basis the medium and small companies maintained equity weighted growth rates of over 60%.

We have included a new chart on revenue growth below. It shows the average growth rates (not weighted by anything) for the small, medium and large companies from a revenue baseline of 100 at original investment. We can't show you the growth rates for the individual companies, and that's why the green lines stop early, to avoid identifying individual results.



What this shows is that after four quarters of investment the average of the revenue growth rates was 3.1x (i.e. from 100 to 310), and eight quarters after investment the average was 5.4x. The smaller companies show higher growth rates but sometimes from very low revenue bases, while the larger companies increased revenue by an average of "only" 2.3x in the two years after initial investment.

We do expect growth to fall over time as companies get larger. Growth is hard to maintain, and we have investments in several companies where growth can be held high or accelerated with much higher commitment of funds. We increasingly see demand for funds from high quality existing investments that exceeds our current ability to raise capital, and that is very frustrating. We will continue to focus on helping those companies where we see the best returns, and accept that at times we may not have a meaningful enough investment to join a new investment round. We did not, for example, participate in the December 2016 investment round for Vend, where we felt we could not meaningfully contribute.

Over the last few months there have been a distressing but sadly not surprising to us number of stories about predatory and inappropriate behaviour to women by US venture capitalists, including by one person I previously worked (at McKinsey in Washington DC) with. I am saddened to hear whispers that we are not perfect here in New Zealand either. We will not condone this sort of behaviour, and we will continue to fight to improve the way investors interact with founders in New Zealand.

The US venture capital profession is also rightly getting a lot of press about poor diversity in the founding teams of their investments.

The qualities in founders we look for are things like grit and determination, integrity, the ability to learn, work ethic, demonstrated leadership and so on. These qualities can manifest themselves in different ways, and we work to make sure we avoid conscious and unconscious bias as we assess and work with founders and their companies. As active investors we also have a role to play in promoting and supporting diversity and inclusion in NZ's early stage and high growth companies.

I personally agree with the research that diverse teams will deliver better results, we recognise that we have wide a range of perspectives in our investor and founder communities. In the next year the board will develop policy around diversity and inclusion that sits alongside our other governance policies, all of which enable us to make better investment choices and decisions. In the meantime we believe transparency will help, and have assembled the statistics below.

As far as we can tell of the 19 companies we have invested into there are seven with any woman and three with any Maori or Pacific Islanders on the founding team or as CEO. Astonishingly to us, 10 of the 19 companies have or have had situations where both spouses are in the business.

In an industry that is famously biased we believe these statistics show that we are more likely to invest in companies with diverse teams than other investors. In total just under half of our funds have been placed with companies that have some measure of diversity, which on the one hand is excellent versus other funds and on the other leaves us pondering about the remaining 50%. Across all the companies we have invested into there are currently just 6 women directors out of 61. We don't have control of these directorships, but I do believe that such a lack of diversity in governance is worrying.

Overall we believe that being open and encouraging of diversity is an opportunity - that if other investors have bias, conscious or unconscious, then we will have a real advantage in being able to more clearly see possibilities and give better advice and help.

We continue to have faith in the founders we do business with. They are fighting long and hard to grow the value of their businesses. We were very happy when Rich and Nicole from ThisData sold the business to OneLogin, with Rich choosing to remain in the business while at OneLogin.

We have seen founders and companies struggle over the last year, and we have seen founders and companies soar, often within the same month, week or even day. We are constant in our support for their journey. We invest on the thesis that each company should win, and that the only real unknowns are how long it will take them to do so and how big the result will be. Obviously things will not always work out this way and some companies will fail. But a number of companies have, at any one time, deals at some stage that could be transformational – we commonly see a potentially very large customer, international partnership or acquisition or offer; and many of these are eventually successful. Some companies have fielded approaches for investment or acquisition, but most are ignored as the focus remains on long-term growth. So while our valuation and board conversations are often focused on downside risk, we continue to see great potential across the investments.

We really are very lucky to have the board we do. They are leaders in their own fields, and bring a very strong sense of ethics and professionalism – aligned with our own. We acknowledge the work they do in particular on valuations and reviewing and editing the investment documents.

At Punakaiki Fund (and LWCM) we maintain a very frugal approach to investing, and are proud that our net cash used in operating activities was just 1.7% of the total assets held at year end (and 1.2% in 2016 financial year). Compare this to other investment companies and venture capital opportunities in our sector. The low percentages are assisted by the management fee being tied to the net asset value from the previous quarter, so that the quarterly fees paid at the beginning of a financial year are lower than the fees paid at the end. The management fees are assessed as 2% of net asset value rather than (total) asset value, and we also have very low board and legal costs. Finally the net cash used in operating activities includes dividend income received. If dividend income is excluded then the expense ratio is 1.98%. The performance fee is not included in this calculation but is incorporated in the calculation of investor net asset value.

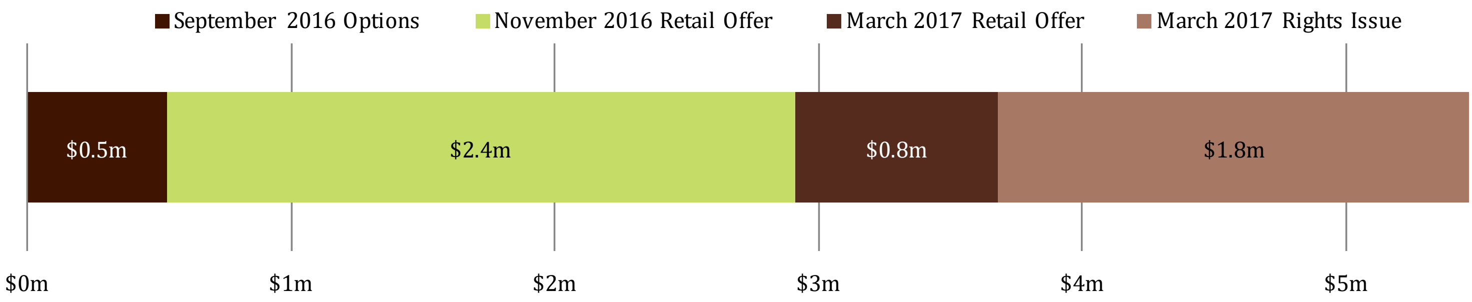
We expect that the costs against the fund will rise again in the current financial year, and in particular in the two years after that leading up to and including a potential initial public offering. For now we see that the size of Punakaiki Fund is too small to list, and want to maintain our frugal approach to help preserve your investment value.

We continue to strive to make wise investment decisions and to help founders and leaders grow their companies. Chris and I make no excuses for having fun as we do this – we each enjoy helping people and companies and watching the progress. Give the credit to the founders and staff at the companies though – we've committed some of your funds and our time, but they have committed everything. We maintain our focus on founders, and on being their fund of choice, as we believe that is the path for the greatest investor returns. We will seek more support later this year, and maintain our target of an IPO in the next 24 months.

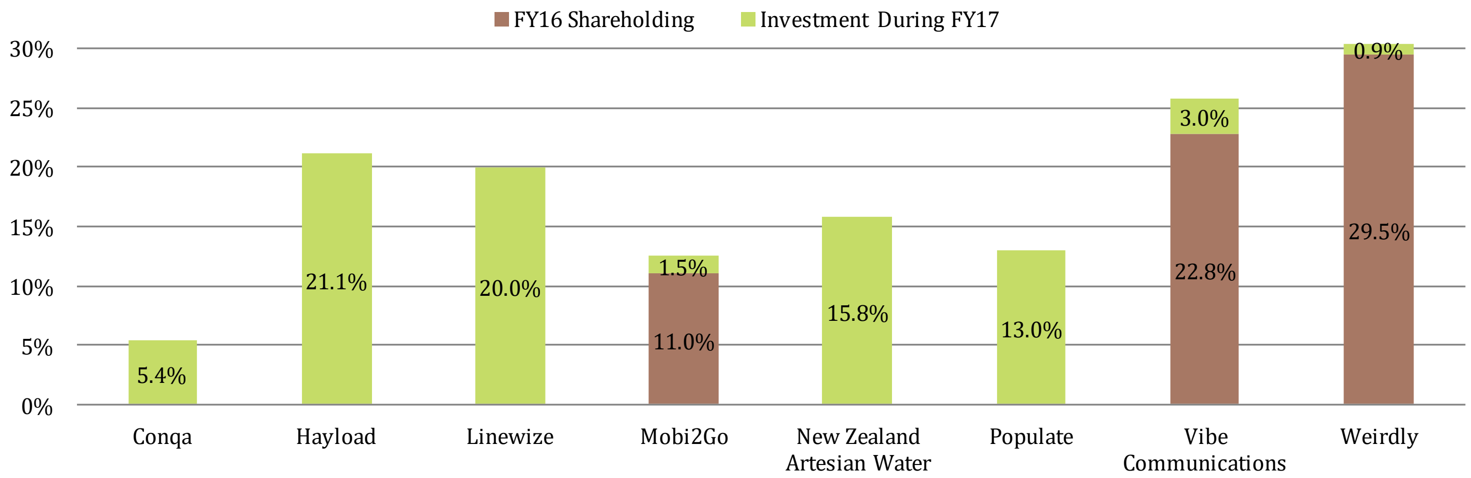
Lance Wiggs
Director and Manager

Highlights - The Year to March 2017

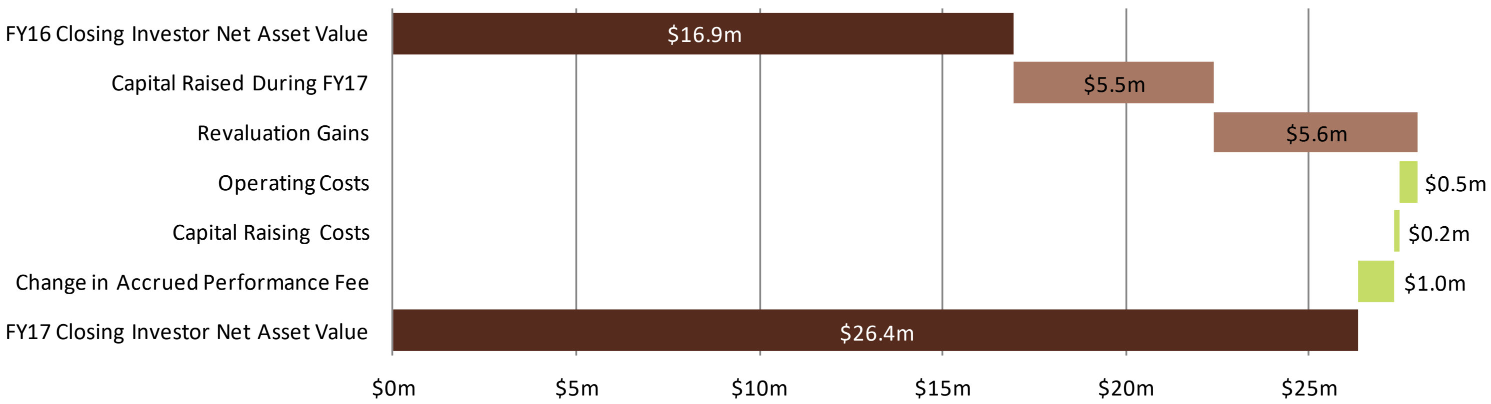
Raised $5.470 million



Invested $3.407 million

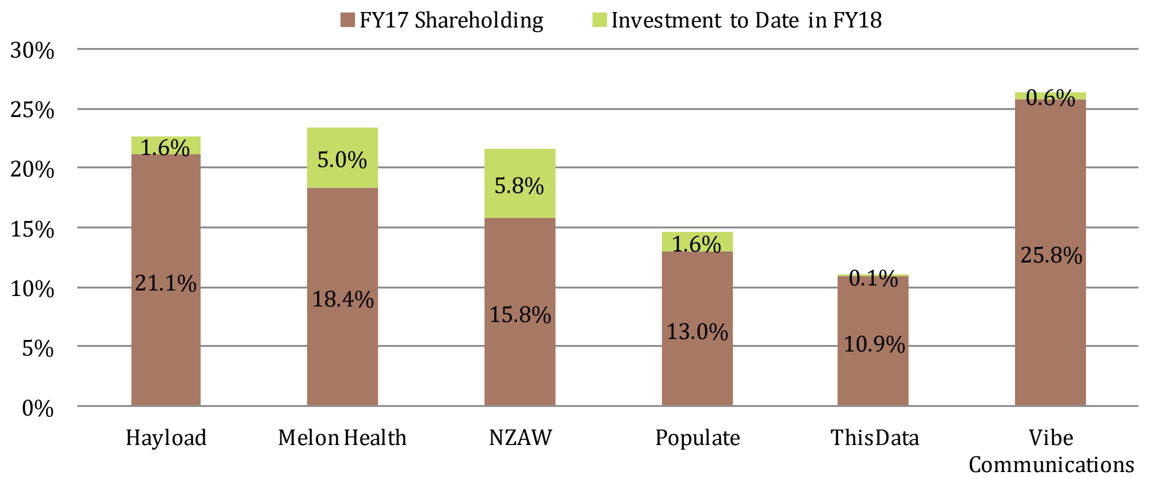


Booked a Revaluation Gain of $5.563 million

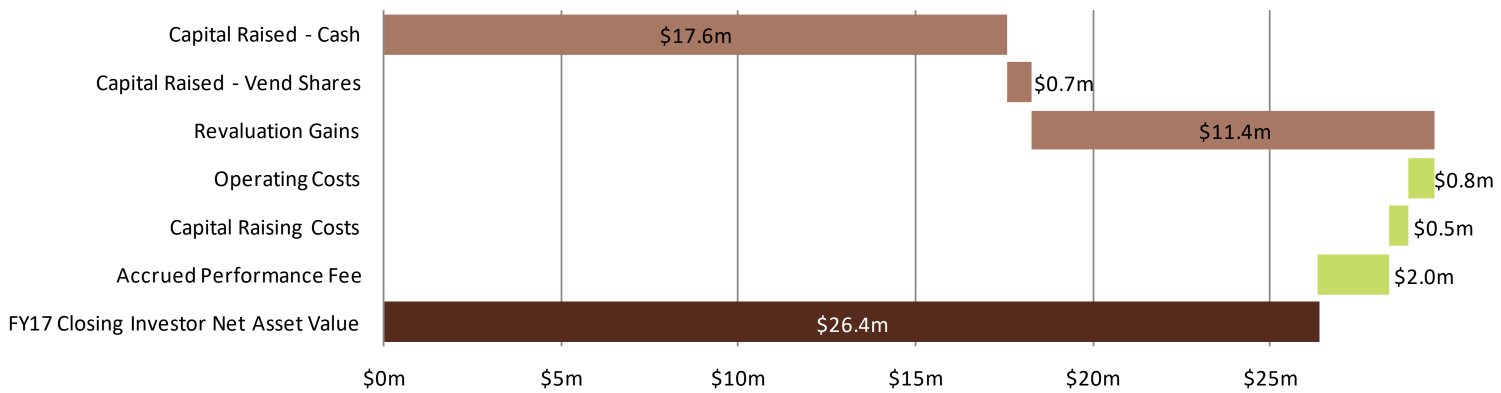


Highlights – Since Starting

Since March 2017 - Invested Another $1.426 million



Between April 2014 and March 2017



Punakaiki Fund now has:

618 Shareholders

and

Investment in 19 Companies

and made over

46 Separate Investment Tranches

and now has an

Average Shareholding Value of Over $1.3 million per Company

FY2017 Timeline

Investments		Corporate
	February 2016	
Mobi2Go (Tranche #2)		
Raygun		
Melon Health	March 2016	
		Anti-money Laundering Audit
	April 2016	
	May 2016	
Populate		Financial Audit
	June2016	
Linewize (Tranche #1)		
New Zealand Artesian Water	July 2016	
Hayload		
	August 2016	
		2016 Annual Report released
	September 2016	
Weirdly		Mandy Simpson Appointed as Director
	October 2016	Annual Meeting of Shareholders
Populate		September Options - Raised $0.529m
Linewize (Tranche #2)		
	November 2016	
Linewize (Tranche #3)	December 2016	
		Share Offer - Raised $2.382m
New Zealand Artesian Water		
Mobi2Go	January 2017	
Populate		
	February 2017	
Conqa		
Weirdly		
Hayload	March 2017	
Vibe Communications		Share Offer - Raised $0.774m
Vibe Communications		Rights Issue - Raised $1.786m
ThisData	April 2017	
	May 2017	
Melon Health		Financial Audit
	June 2017	
Populate		
Vibe Communications		
New Zealand Artesian Water	July 2017	
Hayload		
	August 2017	

Investments

Punakaiki Fund currently holds shareholdings in 19 businesses, which had combined annualised quarterly revenues of over $80 million as of June 2017. Set out below are our annual reviews for each of these portfolio companies.

Shareholding: **2.0*%**

First Investment: **Aug 2015**

Vend provides cloud-based point-of-sale software that includes ecommerce, inventory, customer loyalty and analytics.

Vend has continued to grow sales while focusing on evolving and sharpening their execution in sales and marketing. The company has also launched a number of new software updates focused around inventory, store credits, software navigation, and integrations.

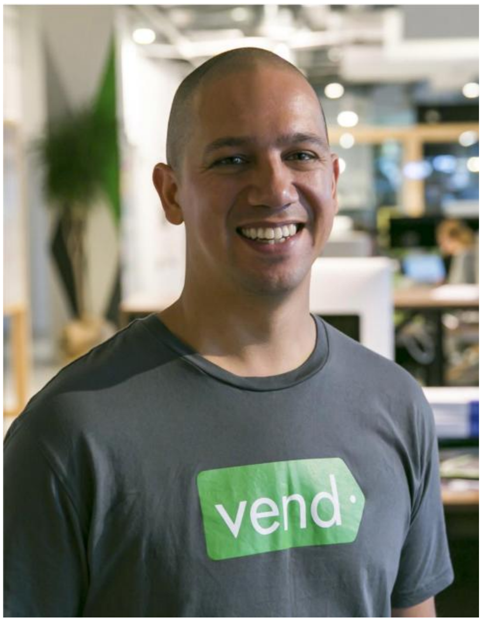
During the year Vend entered into two significant preferred partnerships, with Square and Xero, and a number of additional partnerships are pending. The Square (a US-based payments platform) partnership has been launched into both the Australian (during FY17) and the United Kingdom markets (after year-end).

Other notable Vend events that occurred during the year include being a finalist in the Hi-Tech Company of the Year category at the Hi-Tech Awards and placing 38th in the Deloitte Fast 50.

Punakaiki Fund invested in Vend during its August 2015 capital raising round, with Punakaiki Fund's investment resulting in a then 2.1% shareholding. This investment included both a cash investment and the acquisition of existing Vend shares from Lance Wiggs in exchange for Punakaiki Fund shares. This Vend shareholding has subsequently been diluted to 2.0% (1.8% after dilution from options on issue) following a capital raising round undertaken by Vend during FY17 which raised $13 million to aid product development and business expansion. Punakaiki Fund did not participate in this round.

www.vendhq.com

**Before the dilutionary impact of options that Vend has on issue.*



Vend CEO Alex Fala

vibe COMMUNICATIONS	Shareholding: **25.8%** First Investment: **Jun 2014**	*Vibe Communications is an Internet Service Provider that provides wholesale and corporate telecommunication services.*

FY17 was a year of transformation and growth for Vibe Communications. Material new revenues were added during the year and the business continued to gear itself up for future growth.

Intellipath, a service that allows companies to instantly create network paths between locations, has made good progress in this area, including:

- Overall strong growth in revenues, albeit off a small base;
- Signing an updated agreement with NextGen Australia, giving Intellipath a very competitive position in the Australian market;
- Increasing the size and seniority of the Intellipath team;
- Signing a number of major organisations in Australia as resellers; and
- After year-end, adding Australian circuits to the Vibe and Intellipath product portfolio, including business-grade NBN, giving the IntelliPath brand access to over two million sites.

The balance of the Vibe business is also performing strongly, showing good growth and margins, with one major customer in particular signed but not yet announced. Vibe signed a wholesale agreement to work with Access4 on providing Broadsoft VoIP solutions (cloud-delivered unified communications services) to New Zealand and has received positive feedback from customers since the launch of this product.

During the year there were a series of senior staff additions and changes at the company, including

- John Wiggs (Lance Wiggs' brother) being formally appointed to head Intellipath (based in Australia);
- John Wiggs subsequently being appointed Acting CEO (his current role);
- Lance Wiggs stepping down from the Vibe Communications board, with Chris Humphreys taking his place following the appointment of John Wiggs as Acting CEO;
- Karl Rosnell joining Vibe Communications as General Manager of New Zealand; and
- Grant Wakelin joining the team as Finance Director. Grant was introduced to Vibe Communications by Lance Wiggs, and the two are directors and owners of 200 Square, an online real estate agency.

These changes, including increasing the number of professional managers inside Vibe, are improving Vibe's ability to address larger customers and to participate in larger deals. Under the restructured management Vibe is now pursuing a 'one company' approach to business with staff targeting the sale all of Vibe's offerings, rather than specialising in individual products.

Punakaiki Fund first invested in Vibe in June 2014, taking a 20.0% shareholding by purchasing shares from founders Davey Goode and Barry Murphy. An additional investment was made in December 2014, increasing Punakaiki Fund's shareholding to 24.0%. Between Punakaiki Fund's first investment and February 2017 there were minor variations to the percentage of Vibe held by Punakaiki Fund as the result of the issue of shares and the cancellation of shares between Vibe and several third parties. In March 2017, Punakaiki Fund entered into a tranched agreement with founder Barry Murphy to purchase 520 (9.5%) of Vibe's existing shares over 2017 and 2018, with 154 shares of those shares purchased to date. In June 2017, Punakaiki Fund entered into tranched agreements with shareholders Shaun McGuane and Callum Barr to purchase (collectively) 120 (2.2%) of Vibe's existing shares over 2017 and 2018, with 36 shares of those shares purchased to date. At the end of FY17 Punakaiki Fund held 25.8% of the shares and as at the date of this report, Punakaiki Fund held 26.4% of the shares in Vibe. Once the tranched agreements are concluded Punakaiki Fund will own 34.6% of Vibe Communications.

http://www.vibecommunications.co.nz/

ONCE·IT

Shareholding: **25.6%**

First Investment: **Feb 2015**

Onceit is an on-line daily deal site selling high-end New Zealand designer fashion. Onceit is profitable and pays dividends.

Onceit again enjoyed both a year of solid growth and a year of internal improvement with the management team expanding and demonstrating its capability when founder and CEO Jay Goodey took a well-earned two-month break. Onceit extended their management team during the year, including bringing on board Megan Signal (a business development manager with 6 years buying experience at Pumpkin Patch) and Greig Fitzpatrick (ex Huffer operations manager and ex Federation). Onceit added three new people to the buying team and filled a new position dedicated to product sourcing and manufacturing outside of Australasia.

Onceit continues to grow strongly, continues to be profitable and continues to pay dividends to shareholders. Increasing sales of Onceit's homewares category were a highlight of the year, with stock holdings increased to facilitate more same day dispatch sales. The company has also continued to secure new well-known brands to offer to its customers, including Puma, Reebok and Camelbak. Over the busy Christmas sale period Onceit once again set a new monthly revenue record.

Onceit paid Punakaiki Fund its third dividend during the year, with a fourth dividend paid in April 2017 after the FY17 financial year-end. So far Punakaiki Fund has received net dividends representing almost a third of our total investment in Onceit.

Other notable events for Onceit during the year include:

- Launching a new desktop and mobile site, which has received positive customer feedback, particularly for the mobile site;
- Jay Goodey was a keynote speaker at the Australian Online Retail Logistics Conference;
- Passing 400,000 registered users; and
- Holding the first Onceit offsite overnight conference with nearly all staff in attendance.

Punakaiki Fund purchased its initial 15.6% shareholding in February 2015 in the form of existing shares from the three Onceit founders; Jay Goodey, Keri Henare and Craig Boxell. In September 2015, Punakaiki Fund increased this to 25.6% when it exercised an option it held over additional existing shares. No change to Punakaiki Fund's shareholding or the number of shares Onceit has on issue has occurred since that date.

www.onceit.co.nz

MINDFULL	Shareholding: **19.2%** First Investment: **Dec 2015**	*Mindfull resells, implements and supports IBM's TM1 business intelligence software along with its own supporting software.*

Mindfull has made a number of significant advances during the year including securing new business, reselling an expanded product range and offering new products of its own. Highlights include:

- Closing a number of large, new deals with well known business names;
- Completing its first sale of the Tableau business intelligence software;
- Selling a Qubedocs licence to the largest IBM TM1 customer in the world (Johnson & Johnson), along with Beiersdorf (a very large company in Germany);
- Successfully launching the Qubedocs Now offline SaaS product, resulting in seven new clients in the US including the University of California.
- Launching a council version of the Mi Bi product that allows councils to easily undertake most of their business intelligence requirements and reporting. To date two councils have signed up to the product;
- Launched their new Mindfull Organisational structure product (after year-end);
- Launching of the new Qubedocs product at the IBM Vision 2017 conference with immediate sales made; and
- Signing a joint venture with a party that could have significant impact for government, iwi and New Zealanders.

Mindfull also completed an end-to-end internal process and quality control review and improvement programme during the year, which allows Mindfull to implement projects consistently at a higher standard. The company has also launched a give back program where Mindfull will undertake two IT projects a year for companies or organisations that make a difference in the community.

Punakaiki Fund invested in Mindfull in December 2015. Our original 20% shareholding has been diluted during the FY17 year down to 19.2% as a result of the issue of Mindfull shares to two key Mindfull employees.

www.mindfull.nz

timely	Shareholding: **4.7%** First Investment: **Jun 2014**	*Timely provides a SaaS appointment booking service to beauty salons, hairdressers, spas, consultants and personal trainers.*

Timely has had another outstanding year. Continued strong customer and revenue growth lead to Timely achieving its "double-double" goal of doubling revenue year-on-year, then doubling it again. During the year, Timely reach breakeven and later in the year successfully and materially increased its prices with only minimal churn in customers. Increased cash flowing from growing revenues are been channelled into strengthening Timely's sales efforts and generally growing the team. Timely's management team is also being bolstered, with former Vend CFO Angus Weir appointed as Head of Finance during the year. By the end of FY17 Timely had surpassed 7,000 customers and $5m in annual recurring revenue, and now sees that it has concluded establishing "product market fit" phase and is now entering its "go-to-market" phase.

Timely's software has had a number of improvements, including the ability to make resource booking for rooms or equipment, to add credits in customer accounts added during the year and general improvement in usability and access options. Timely has also launched a native iOS app under the Apple Mobility Partner Program and undertaken Timely / Vend integration for iPad applications.

Other notable events for Timely during the year included:

- Ranking 71st in the Deloitte Asia Pacific Technology Fast 500 after posting revenue growth of 770% over the last three years. Timely's FY14 revenues were too small to qualify it for the 2016 Deloitte Fast 50, but had it done so, it would have placed sixth;
- Being recognised as one of the 'Top Ten Promising Early Stage Companies' at the 2016 TIN100 awards;
- Being named Best Emerging Business at the NZTE International Business Awards;
- Being one of seven apps featured in an Enterpreneur.com article on productivity-boosting apps for busy entrepreneurs; and

- Winning the Hi-Tech Emerging Company of the Year 2017 award (after year-end) at the Hi Tech Awards.

Punakaiki Fund led Timely's second external investment round, investing for an initial 4.7% shareholding. This has subsequently been diluted slightly through the issue of shares for an acquisition and to a director.

www.gettimely.com

RAYGUN

Shareholding: **6.3%**

First Investment: **Apr 2014**

Raygun creates SaaS developer tools including crash and error reporting, and real user monitoring.

Raygun has had another solid year of growth with FY2017 marking a number of significant changes in the business. Early in the year founder and CEO John-Daniel Trask along with partner Zheng Li (also Raygun's Director of Product) relocated to Seattle to spearhead Raygun's US sales push. This involved building a US sales team, which now numbers seven and is lead by the new Raygun Vice President of Sales Josh Lowry. The team has been delivering some good sales wins as it works to shift Raygun's focus from single and small users to higher-value enterprise sales. Successes during the year include signing on a large global pizza chain.

Raygun continued to develop and refine their software offering, including the releases of Pulse for Mobile and Pulse Insights. Both have had good reviews from users. Pulse has been upgraded to be able to monitor billions of events per hour, which is the scale required by larger companies. During the year Raygun provided its customers with the ability to download customisable reports and to customise their monitoring dashboards. After the year-end, Raygun also offered the ability for its software to be installed on-premise for enterprise customers (as opposed to being hosted in the cloud) and is continuing work on its yet-to-be-released third core product offering.

At the start of the year, Raygun offered its software as separate products. While customers can still buy these products separately, it has now moved to a platform offering combining all of its products into a single suite as its default offer to the market. This approach shows the increased power of using Raygun's products together, and helps the business target larger enterprises and increase the average revenue per customer.

Raygun was a finalist in the Cyber Gold category of the Wellington Gold Awards, founder John-Daniel Trask spoke on the SaaS panel at the Siemer Summit in Los Angeles. At the end of the financial year Raygun appointed Serge van Dam, who has hands on experience in high growth companies at this stage, to the Raygun Board.

Of note to Raygun's shareholders was the acquisition of US company AppDynamics for US$3.7 billion by Cisco. AppDynamics is a competitor to Raygun, and offers application performance management and IT operations analytics software. The company was poised to undertake its IPO at a valuation range that topped out at US$1.7 billion, however Cisco announced a successful offer for the company at more than double that price just one day before the IPO. This transaction has focused US investor interest on the sector, which is expected to assist Raygun when it next raises capital.

Punakaiki Fund invested in Raygun's first external investment round in April 2014 for a 5.3% shareholding, becoming Raygun's largest external investor. Raygun raised additional capital in December 2015 and January 2016, when Punakaiki Fund invested to increase its shareholding to 6.3%. Since then, Raygun's has not raised any additional capital and Punakaiki Fund's shareholding has remained unchanged.

www.raygun.com

	Shareholding: **12.5%** First Investment: **Oct 2015**	*Mobi2go helps food service businesses sell more by adding an ordering function to their marketing website.*

Mobi2Go had a solid year, materially increasing revenues, adding a number of new customers and having success targeting larger customers with 50+ restaurant locations. During the year Mobi2Go also successfully increased its prices for monthly plans and encouraged its customers to move to annual payment plans.

The company's software saw a number of improvements, including generally increasing robustness, and adding features like Mobi2Go Payments and advanced delivery mapping functionality. Mobi2Go entered into integration partnerships with Square in Australia that allows Square customers to receive orders directly to their Square Point Of Sale equipment and have customers pay with Square Payments; and with NZ Post's last mile delivery service Bringit. This latter partnership will allow Mobi2Go's clients to seamlessly offer delivery without the need to invest in their own drivers or logistics.

Mobi2Go concentrated on expanding and professionalising its team, with a particular focus on sales and marketing (Mobi2Go had previously done little to no marketing). Key appointments resulting from this strategy include Dave George joining as Chief Product Officer (formerly of BNZ and Serato) and Sarah Knapp as Marketing Manager.

Punakaiki Fund first invested in Mobi2Go in October 2015, taking an 11.0% shareholding across two tranches (the second tranche was paid in February 2016). In December 2016, Punakaiki Fund participated in a rights issue which increased its shareholding to 12.5%. Mobi2Go is presently considering a larger capital raising.
www.mobi2go.com

	Shareholding: **12.8%** First Investment: **Mar 2015**	*RedSeed helps large retailers increase their sales through proprietary and customised modules in a SaaS Learning Management System.*

RedSeed continues to be the dominant supplier of retail associate training systems to large retailers in New Zealand, and experienced good growth over the year. RedSeed secured new large retailers in New Zealand as customers, despite RedSeed's existing large market share, and during the year signed Farmlands as a customer, which will have over 1,000 users of RedSeed's training modules.

The year saw RedSeed push into the Australian market, with a strong Australian sales pipeline established and the first Australian customer signing up just after year-end. The company also saw success in New Zealand for their new health and safety programme.

RedSeed made significant improvements on its product during the year, including:

- Re-filming and updating of RedSeed's three-level, 22 module core sales product programme;
- Working on the translation of their product for a pilot with a team in Romania;
- Releasing a new administration dashboard for clients;
- Developing RedSeed's first Australian localised product; and
- Now offering a fully managed SCORM compliant Learning Management System to their customers, a new product that is attractive to certain enterprise-level clients.

Other notable RedSeed events include hiring a new developer (increasing the size of RedSeed's development team to three) and CEO Anya Anderson attending, speaking and exhibiting at two events in Australia to raise their brand profile and to meet potential customers.

Punakaiki Fund purchased 12.0% of RedSeed's shares in a two-tranche investment in March 2015 and July 2015. Punakaiki Fund's shareholding increasing to 12.8% after RedSeed bought-back and cancelled the first tranche of shares purchased from an existing shareholder. After year-end this percentage was diluted slightly to 12.6% following the issue of new shares to RedSeed employees and directors.
http://www.redseed.com/

LINEWIZE	Shareholding: **20.0%** First Investment: **Jun 2016**	*Linewize provides a firewall and SaaS product that enables teachers to gain insight and control over Internet use in the classroom.*

Linewize achieved a string of successes during the year ranging from gaining initial traction in the sizeable North American education market to being recognised for their technology by way of a number of nominations, awards and grants. Sales successes included:

- Expanding the number of New Zealand-based resellers;
- Signing a reseller agreement with Hapara to take the software into the North American market;
- Signing up the First US School District (Saline) in Ann Arbor Michigan (with Linewize's software being used to replace Lightspeed Systems software);
- Botho University in Botswana subscribing to Linewize software for three campuses; and
- Installing the Linewize software in Ottawa Catholic School Board schools in Canada after the end of the financial year.

Linewize now has a significant pipeline of material sales opportunities, a number of which have the potential to significantly alter the scale of the company.

Linewize gained recognition during the year from a number of parties, including:

- Being accepted into the Vodafone Xone accelerator programme;
- Having its software formally evaluated by Vodafone NZ Limited;
- Being a finalist in Start-up category of the 2016 NZ Hi-Tech Awards;
- Being a finalist and receiving Highly Commended for the 2016 Australia and New Zealand Internet Awards (ANZIA) in the Tech Start-up category;
- Receiving a Highly Commended award in the Emerging Innovator category at NZ Innovation Awards.
- Being selected as a finalist in the Small Producer category in the Canterbury Champion awards;
- Being awarded a Callaghan Innovation 40% co-funding grant for R&D projects; and
- Being awarded a grant from the Education New Zealand International Education Growth Fund (IEGF) for 50% co-funding of international travel expenses.

Punakaiki Fund first invested in Linewize in June 2016 (i.e. in the FY17 financial year) and took an initial 8.0% shareholding in Linewize reflecting the first tranche of three that Punakaiki Fund's initial investment was split into. The two subsequent tranches of investment were completed in October 2016 and December 2016, increasing Punakaiki Fund's shareholding to 20%.

http://www.linewize.com/

Boardingware	Shareholding: **28.6%** First Investment: **Feb 2015**	*Boardingware helps boarding schools manage their students' movements and pastoral care using a SaaS product.*

Boardingware had another strong year as it continues to be the standout provider of software in the boarding school market. Revenue grew strongly on the back of significant increases in the number of boarding schools signed up to Boardingware's software and price increases made as the product improves. Sales execution continues to be a strength for Boardingware, including signing up St Josephs' in Sydney (the largest boarding school in the Southern Hemisphere) and signing up their first Chinese school (a company based in Hong Kong) after year-end. We note that the number of boarding schools and students in China dwarves those in western countries. Boardingware is also currently in discussions to sell their software to some of the world's most prestigious schools.

During the year, Boardingware increased prices for their existing Northern Hemisphere customers with minimal customer churn. Boardingware also successfully launched multi-year contracts for their Southern Hemisphere customers, with a material number of those customers opting for three-year renewal contracts instead of annual renewals. These measures have resulted in a step change to Boardingware's revenues and demonstrate the pricing power that they are developing in their market as their product shows increasing value to customers. Boardingware now has a clear gap over their sole competitor and continues to aggressively expand both their product and sales efforts.

Boardingware have made a number of improvements to their product including:
- Releasing live roll functionality, which allows multiple users to record attendance in real time;
- Releasing a native iPhone app with very positive feedback;
- Integrating directly with five different SIS partners and releasing new Smart Groups functionality; and
- Currently (post year-end) being in the process of releasing a new kiosk platform and web applications.

Punakaiki Fund acquired a 16.7% shareholding in Boardingware in their first external round in February 2015 and followed this with an additional investment in July 2015, increasing its shareholding to 28.6%. Since then Boardingware has not raised any additional capital and Punakaiki Fund's shareholding has remained unchanged.

www.boardingware.com

EVEREDGE IP® Advisory | Transactions | Investment

Shareholding: **4.6%**

First Investment: **Jul 2015**

EverEdge helps companies drive growth and create wealth from intangible assets. They are the world's premier IP strategy firm.

FY17 was a busy year for EverEdge, following the restructuring of the business to focus on core markets and increase the proportion of higher margin IP-related transactions work the company carries out. This restructuring resulted in EverEdge now serving the US and UK markets from New Zealand, maintaining a presence in Australia and establishing an office in Singapore. These changes resulted in a drop in overall staff numbers and has allowed management to focus on growing key markets and offerings for the business. This approach is now yielding a number of engagements for sometimes potentially ground breaking IP-related financing and transaction deals.

The recently established (February 2017) Singapore office in particular has gained good traction, including:
- A full time person in Singapore working with a team of six associates from the Singaporean government;
- Being appointed as an Approved Valuer for the Intellectual Property Office of Singapore's Intellectual Property Financing Scheme;
- After year-end, International Enterprise in Singapore (similar to NZTE in New Zealand) asked EverEdge to create a program for protecting their member's intellectual property prior to export; and
- After-year end, being asked by the respective chartered accountants associations in both Singapore and New Zealand to present a series on intangible asset valuation.

EverEdge has also gained good traction in Australia, signing a material contract with and delivering work for IP Australia.

The company continued development on its software suite during FY17, announcing three new SaaS and consulting products to target three IP markets:
- the move to use trade secret management over patents;
- helping quantify decision making with intellectual property; and
- providing a rating system for investors doing due diligence on a company's intellectual property position.

Other notable EverEdge events that occurred during the year include being awarded the Trevor Eagle Memorial Award AmCham Supporter of the Year award from the American Chamber of Commerce in New Zealand and placing 37th in the Deloitte Fast 50.

Punakaiki Fund invested in EverEdgeIP Global during its July 2015 capital raising round, taking a 4.8% shareholding. This has been subsequently been diluted to 4.6% following the issue of shares to employees and an international capital raising round undertaken by EverEdge during FY17. Punakaiki Fund did not participate in this round.

www.everedgeip.com

melon health	Shareholding: **18.4%** First Investment: **Dec 2014**	*Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.*

Melon Health had a very strong year, finding good traction both in the New Zealand market and overseas. Sales highlights included:

- More than tripling revenues year-on-year;
- Signing up a number of New Zealand health clinics and organisations for Melon Health's BetaMe platform;
- Otago University being awarded Health Research Council funding for a randomised control trial on BetaMe, which is now underway;
- Winning a contract with the Ministry of Health to deliver a self-management programme for people with Osteoarthritis;
- Signing a contract with the West Coast Primary Health Organisation for a weight-loss programme. At the end of FY17, Melon Health had increased the number of primary care practices offering Melon Health's programmes to 59 in New Zealand alone;
- Signing up Janssen (a subsidiary of multinational Johnson & Johnson) for a schizophrenia support tool; and
- Commencing a smoking cessation programme with US-based United Healthcare.

Melon Health continues to have a strong sales pipeline, gaining traction in a number of markets.

The launch of *mybc* for New Zealanders with breast cancer was also a highlight of the year and generated a number of press articles. This is a good example of Melon Health's approach to healthcare, focusing on combining community, monitoring, programmes and support.

During the year Melon Health strengthened its team by bringing on board Rob Grapes as a senior mobile developer and Doug Olsen as Vice President of Business Development in North America. Melon Health is also currently looking to appoint a country manager to oversee operations in New Zealand.

During the year was Melon Health was rated fourth out of 40 companies examined in the US Review of Digital Diabetes Programmes (ahead of some very large competitors), as well as being ranked highest in terms of patient engagement.

Punakaiki Fund first invested in Melon Health in February 2015. In December 2015, Melon Health undertook a rights issue to shareholders that was fully subscribed, with Punakaiki Fund and K1W1 jointly taking up all rights not subscribed for by other shareholders. During the FY17 year, the conversion of a convertible note issued in favour of Sprint slightly diluted Punakaiki Fund's shareholding to 18.4% prior to the FY17 year-end. Subsequent to year-end Melon Health undertook a rights issue that was fully subscribed, again with Punakaiki Fund and K1W1 jointly taking up all rights not subscribed for by other shareholders. Following the completion of this rights issue Punakaiki Fund currently owns 23.4% of Melon Health.

www.melonhealth.com

E'STEL NZ	Shareholding: **15.8%** First Investment: **Jun 2016**	*New Zealand Artesian Water bottles and exports water under both its own E'stel brand (bottled) and third party brands (bottled and boxed).*

New Zealand Artesian Water (NZAW) had a transitional year following Punakaiki Fund's first investment in June 2016. At that time NZAW had a relatively low speed bottling line and some exciting offshore sales contracts with customers. Due to this demand and some limitations in getting their bottling line running at full name-plate capacity, the decision was made to purchase and install a significantly higher capacity bottling line in order to meet existing and potential new significant demand from a number of overseas players.

As at the date of this report, NZAW are well advanced in purchasing, installing and making other preparations in relation to commissioning the new bottling line. Major components have either been acquired or are in the process of being fabricated, a bottle redesign has lowered the plastic content and the NZAW premises have been expanded to accommodate the larger line.

Over the course of the year, NZAW have had good success with their bag-in-box product, with order volumes building. The bag-in-box production process is relatively labour intensive compared to the bottling line, however equipment costs are low and relatively easy to procure and install, so production can be ramped up with the addition of more staff.

A strength of NZAW over the year has been its sales efforts, with the team being able to open the doors into some very large customers. Earlier in the year this focus was on customers in China, but more recently opportunities in North America and elsewhere have become available. Currently (after year-end), contracts with American, Singaporean and New Zealand customers have now come into force or are about to come into force.

Punakaiki Fund first invested in NZAW in June 2016 (in the FY17 financial year) and took an initial 11.8% shareholding in NZAW along with an option to increase its interest to 20% prior to the end of June 2017. In December 2016, Punakaiki Fund invested again in NZAW, increasing its shareholding to 20%. In January 2017, NZAW raised $1.5 million in new capital from a third party, which diluted Punakaiki Fund's shareholding to 15.8%. In June 2017 (after the end of the financial year-end), Punakaiki Fund exercised its option, increasing its shareholding to 21.6%.

www.estel.nz

CONQA

Shareholding: **5.4%**

First Investment: **Feb 2017**

Conqa provides software allowing the construction industry to do their quality assurance planning and execution online.

Conqa (QA Tech Limited) is Punakaiki Fund's most recent investment. In the relatively short amount of time since Punakaiki Fund invested in February 2017, Conqa has made significant progress in executed its business plan, including:

- Nearly doubling the size of their team, with a focus on building their sales and software development headcount;
- Very significant growth in sales;
- After year-end, commencing a pilot of the Conqa software for Fulton Hogan Australia's Melbourne Tram Upgrade project. Fulton Hogan Australia have outlined a path for the roll-out of Conqa within their Australian business;
- Being well received by the market and continuing to hold discussions with a number of New Zealand and Australian construction contractors regarding the use of Conqa's software.

We are watching Conqa with much interest given Conqa's potential for rapid growth and its execution on that potential to date. Conqa not only solves the paper war previously associated with construction quality assurance, but also stream-lines the process and shows good potential to save significant time and cost in respect of Council work-site inspections.

Punakaiki Fund invested in Conqa in February 2017, taking a 5.4% shareholding. No other changes to Punakaiki Fund's shareholding in Conqa or Conqa's capital structure have occurred since the date of that investment.

http://www.conqa.nz/

weirdly	Shareholding: **30.4%** First Investment: **Feb 2015**	*Weirdly helps companies that actively recruit people to find better applicants through the use of innovative software.*

Weirdly commenced a transition towards enterprise markets during the year, and cut costs and staff numbers to become sustainable along the way. Over the year Weirdly:

- Decided to focus on large potential clients in Sydney and the USA;
- Closed a new investment round to drive product enhancements over the next year;
- Created an advisory board, including Simon McIver (Xero's Global Head of Sales & Marketing Operations), Marissa Fong (founder of Madison Recruitment) and investor James Sweetbaum;
- Had a number of positive trips to the United States and met with a number of very large, high-profile technology companies;
- Commenced more regular trips to Australia after year-end to grow and deliver a pipeline of potential large sales customers; and
- Secured a number of large household-name customers.

After year-end, Weirdly also launched V3 of Weirdly's software, which better caters to large and enterprise customers and will assist with Weirdly's strategy of targeting those customers.

Punakaiki Fund first invested in Weirdly in February 2015 by acquiring an 18.6% shareholding in the company. Punakaiki Fund also made additional investments in September 2015, September 2016 (a vanilla convertible note) and, along with new external shareholders, in February 2017, when we both reinvested and converted our convertible note into shares. Punakaiki Fund's current shareholding in Weirdly is 30.4%.
www.weirdlyhub.com

influx	Shareholding: **25.2%** First Investment: **Jun 2014**	*InfluxHQ is a provider of SaaS for gym owners and their clients to manage and self-manage their classes respectively.*

Influx had a relatively quiet year as the business consolidates under CEO Scott and Dania Mayo's watchful eyes. For much of FY17 Scott focused on both product improvement and incremental sales while Dania was assisting where she could while managing and growing their family. During the year Influx reached break-even and continues to operate comfortably out of cash flows generated by the business. Highlights from the year include:

- Undertaking custom development for work for Wellington City Council; and
- Having a campaign by a new boxing gym using Grab Me resulting in 390 customers being pre-booked into trial classes by Influx over a two day period. The software dealt efficiently with 30 person long queues at the gym door with no paperwork.

Punakaiki Fund initially acquired 18.3% of the company as part of a "friends and family" round in June 2014, and subsequently reinvested in July 2015, increasing its shareholding to 25.2%. Influx has not raised any further capital since that time.

www.influxhq.com

ThisData

Shareholding: **10.9%**

First Investment: **Apr 2015**

ThisData formerly provided contextual login authentication services for SaaS companies.

ThisData had a relatively successful year pursuing development and building end-user numbers for its login anomaly detection software, but failed to generate the revenue growth that they were anticipating. During the year ThisData improved its software by deploying a new machine learning-based risk weighting feature and a new dashboard interface that included security analytics statistics. ThisData signed up a US public company to its software and won a bronze in the Best Design awards.

After year-end, ThisData completed the sale of the majority of its assets including its login anomaly software intellectual property to OneLogin, a US-based private business providing sign-on and identity management for cloud-based applications. ThisData now holds 200,000 shares in OneLogin, which will be held under escrow for a period of time while the warranties granted by Thisdata in relation to the sale are satisfied. After the escrow period is completed the OneLogin shares may then either be distributed to ThisData's shareholders or sold by ThisData and the proceeds returned to ThisData's shareholders. Punakaiki Fund also has the option of selling its shareholding in ThisData should the opportunity arise at an appropriate price.

The sale of the bulk of ThisData's assets represents the end of an ever evolving journey for ThisData, first pursuing a cloud-based backup service before pivoting into shadow IT discovery features and finally into providing login anomaly detection and continuous authentication. While ThisData was gaining good end-user traction in this area, with significant login transaction growth and a number of companies starting to use the platform, the solution appeared to be a year-or-two early compared to market demand. Given ThisData's limited resources the decision was made seek a new owner for the business.

The terms of the OneLogin transaction, while confidential, are likely to allow Punakaiki Fund to recoup most or all of its investment in ThisData over time. This is a particularly good outcome for Punakaiki Fund as the carrying value of ThisData had previously been written down by over 75% following its unsuccessful forays into cloud-based backup services and shadow IT discovery.

Punakaiki Fund invested in ThisData during its April 2015 capital raising round, resulting in a 10.86% shareholding. This shareholding increased slightly after the FY17 year-end to 11.0% following the completion of a small rights issue held to raise capital to fund the completion of the OneLogin transaction.

https://thisdata.com/

POPULATE	Shareholding: **13.0%** First Investment: **May 2016**	*Populate helps companies collaboratively plan and track their hiring plans using a SaaS-based platform.*

Populate's first full year in existence was a busy one, with the company marking a number of milestones. Initial beta testing of the core product occurred over July and August 2016 and it was released to paying customers in September 2016. Since then Populate has signed a number of new customers including both domestic and overseas-based companies. Post year-end, Populate experienced their fastest sale to date, which only spanned four days between the first demonstration of the product, on-boarding and payment. During the year Populate have increased the size of their team and recently reached break-even by providing consulting services to supplement subscriptions revenues.

Populate has added a number of new functions and features to its software over the course of the year including user management/invitations, user permissions, organisation creation, password resets, compensation management, job actions and reporting. During the year Populate also restructured its platform to more easily deploy new functionality and features in the future. Populate is well positioned to capitalise on this work going forwards and expects to sign on significant new customers to the platform over the near to medium term.

Punakaiki Fund first invested in Populate in May 2016 (in the FY17 financial year) and took an initial 9.2% shareholding. Subsequently Punakaiki Fund has reinvested small amounts in Populate on two additional occasions within FY17 (in October 2016 and January 2017) to increase our shareholding to 13.0% and once more after the end of the financial year in June 2017 to increase our shareholding to 14.6%.

www.populate.io

HAYLOAD	Shareholding: **21.1%** First Investment: **Jul 2016**	*Hayload provides a SaaS product for agricultural contractors that assists with tracking jobs and invoicing.*

Punakaiki Fund made its first investment into Hayload (then called Agtract) in July 2016. At the time Hayload was concentrating on completing the first release-ready version of its software and sourcing sales leads. As a result of delays in releasing the software, Hayload first users did not start using the software until December 2016. Other sales efforts prior to and immediately after these users coming on board were found to be ineffectual due to potential customers being busy with summer agricultural contracting work. As a result, CEO Chris West reduced his sales efforts and went working (tractor driving) for the remainder of the contracting season.

During this period the opportunity was taken to complete a significant amount of work on the Hayload software, which addressed many of the remaining core issues.

After year-end and the end agricultural contracting season, Hayload has restarting its sales push, including having a presence at the 2017 National Agricultural Fieldays.

Punakaiki Fund first invested in Hayload in July 2016 (in the FY17 financial year) and took an initial 17.6% shareholding and an option to invest further funds. Since that investment, Punakaiki Fund participated in a rights issue in February 2017 which increased its shareholding in Hayload to 21.1%. Subsequent to the year-end Punakaiki Fund has both renegotiated the expiry date of the aforementioned option to 31 December 2017 and exercised part of that option, lifting its shareholding to 22.7%.

www.hayload.co

Directors’ Statement and Statutory Information

FOR THE PERIOD ENDED 31 MARCH 2017

The Board of Directors (the Board) is pleased to present the Annual Report of Punakaiki Fund Limited, incorporating the financial statements for the year ended 31 March 2017.

Principal Activity of the Company

The principal activity of the Company is investment.

Directors Holding Office

The persons listed below held the office of director of Punakaiki Fund as at 31 March 2017. No other person held office as a director of Punakaiki Fund during the 12-month period ending 31 March 2017.

- Michael John Bennetts
- John Charles Berry
- Bryan Simpson Hutchins
- Amanda Rhean Simpson
- Graeme Lance Turner Wiggs

Directors’ Remuneration

Punakaiki Fund Limited - Directors' Remuneration						NZ$
Director	2017			2016		
	Base Fees	GST	Total	Base Fees	GST	Total
Michael John Bennetts	5,000	-	5,000	2,500	-	2,500
John Charles Berry	5,000	750	5,750	2,500	375	2,875
Bryan Simpson Hutchins	5,000	-	5,000	2,500	-	2,500
Amanda Rhean Simpson	2,500	-	2,500	-	-	-
Graeme Lance Turner Wiggs	-	-	-	-	-	-
Total	**17,500**	**750**	**18,250**	**7,500**	**375**	**7,875**

The remuneration set out in the table above sets out the directors’ fees received by the directors. Bryan Hutchins received $1,014 in reimbursements for out of pocket travel costs associated with his director duties. Mandy Simpson received $532 in reimbursements for out of pocket travel costs associated with her director duties. No other directors received any other payments or benefits in their role as director.

Directors' Shareholdings

Punakaiki Fund Limited - Directors' Shareholdings - 2017		
	Beneficial Interest	Non-beneficial Interest
Director	Ordinary Shares	Ordinary Shares
Michael John Bennetts	49,500	-
John Charles Berry	9,658	-
Bryan Simpson Hutchins	-	70,178
Amanda Rhean Simpson	6,600	-
Graeme Lance Turner Wiggs*	63,614	-
Total	**129,372**	**70,178**

Punakaiki Fund Limited - Directors' Shareholdings - 2016				
	Beneficial Interest		Non-beneficial Interest	
Director	Ordinary Shares	September 2016 Options	Ordinary Shares	September 2016 Options
Michael John Bennetts	42,000	2,000	-	-
John Charles Berry	8,200	1,000	-	-
Bryan Simpson Hutchins	61,400	6,000	-	-
Graeme Lance Turner Wiggs	62,070	-	-	-
Total	**173,670**	**9,000**	**-**	**-**

** Includes Graeme Lance Turner Wiggs' interest in Punakaiki Fund Limited shares held by Lance Wiggs Capital Management Limited*

As at the date of this Annual Report, no changes to the number of shares set out in the table above have occurred since Punakaiki Fund's 31 March 2017 balance date.

Lance Wiggs' shareholding in both 2016 and 2017 include a partial interest in 114 shares (FY16: 100 shares) held by Lance Wiggs Capital Management Limited.

Use of Company Information

No member of the Board of the Company issued a notice requesting to use information received in their capacity as a director which would not otherwise have been available to them.

Directors' Relevant Interests

The following are relevant interests of the Company's Directors as at 31 March 2017:

Michael John Bennetts:

- Director of Auckland Iron Works Limited
- Director of The New Zealand Refining Company
- Director of Harbour City Property Investments Limited

John Charles Berry

- Director and Shareholder of Pathfinder Asset Management Limited
- Director and Shareholder of AccentOne Management Limited
- Member of the Code Working Group
- Trustee of Mens Health Trust NZ

Bryan Simpson Hutchins

- Director and Shareholder of Phaben Holdings Limited

Amanda Rhean Simpson

- Director of New Zealand Technology Industry Association
- Shareholder of BraveNewCoin
- Shareholder of Raygun Limited
- Shareholder of Powerhouse Ventures Limited

Graeme Lance Turner Wiggs:

- Director and Shareholder of Lance Wiggs Capital Management Limited
- Director of InfluxHQ Limited
- Director of Vibe Communications Limited
- Director of Weirdly Limited
- Director of Onceit Limited
- Director of Boardingware International Limited
- Director of Melon Health Limited
- Director of RedSeed Limited
- Chairman of EverEdgeIP Global Limited
- Director of Mindfull Group Limited
- Director of Linewize Limited
- Director of Linewize Solutions Limited
- Director of New Zealand Artesian Water Limited
- Shareholder of Future Technology in Cricket

- Periodic external practitioner for NZTE Investments (potentially advising companies prior to investment by Punakaiki Fund)
- Member of the Return on Science Physical Sciences Committee
- Chairman of the Return on Science ICT Committee

- Lance Wiggs' brother, John Wiggs, was retained by Vibe Communications during the year and is now Vibe Communications Acting CEO

Employees

The Company had no employees who received remuneration and benefits in excess of $100,000.

Auditors

Punakaiki Fund's external auditor is Ernst & Young, who were reappointed by shareholders at the 2016 annual meeting in accordance with the provisions of the Companies Act 1993. The fee for the audit of the financial statements contained within this Annual Report is $28,500 excluding GST.

Donations

No donations were made in the period.

Shareholders

The table below is a list of Punakaiki Fund's twenty largest shareholders and their respective holdings of Punakaiki Fund securities at as 31 March 2017.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2017		
Shareholder	**Ordinary Shares**	**% of Class**
Phaben Holdings Limited	70,178	5.35%
Graeme Lance Turner Wiggs*	63,500	4.84%
Michael John Bennetts & Karen Allanah-Maree Bennetts	49,500	3.77%
Mark John Boyle & Joanne Helen Stuthridge	33,770	2.58%
Phizzy Limited	30,000	2.29%
Todd Reynal Stevens	25,145	1.92%
Kennerley Investments Limited	25,106	1.91%
James Bremner Trust Nominees Limited	22,000	1.68%
Clarence Mervyn Hislop	22,000	1.68%
Krassimir Nikolov Modkov	22,000	1.68%
Malcolm John Wade	17,800	1.36%
Margaret Oenone O'Neill Field	16,500	1.26%
Ikey Investments Limited	16,500	1.26%
David Dromer	15,970	1.22%
Mark Gary Hackner & Bastiankoralage Belinda Valerie Jayamaha Rodrigo	14,858	1.13%
John Joseph Mooney & Elvere Nina Mooney	13,200	1.01%
David Paul Dippie, Joanne Elizabeth Dippie & Bramwell Grossman Trustees Limited	13,000	0.99%
Patrick North	12,300	0.94%
Peter Thomas Fenton	11,430	0.87%
Tina Louise Helg	11,000	0.84%
Top 20 Shareholders	**505,757**	**38.56%**
Remaining Shareholders	805,684	61.44%
All Shareholders	**1,311,441**	**100.00%**

** Graeme Lance Turner Wiggs also has a beneficial interest in 114 Punakakai Fund Limited Shares held in the legal name of Lance Wiggs Capital Management Limited*

Investor Net Asset Value

The table below shows the calculation of Net Asset Value (NAV) and Investor Net Asset Value (iNAV) for the Company for FY2017 and FY2016. These are non-GAAP measures.

Net Asset Value represents the total assets of the Company less its liabilities. For most companies this would represent the shareholders' claim over the residual assets of a company. In Punakaiki Fund's case, a portion of Lance Wiggs Capital Management's performance fee is accrued as a share based payment reserve in the equity portion of the Company's Statement of Financial Position. In the orderly winding up of the Company or as part of a public listing, the share based payment reserve would be paid to Lance Wiggs Capital Management in the form of Punakaiki Fund shares. In our opinion the traditional NAV measure does not represent shareholders residual claim over the Companies assets.

Instead the iNAV measure has been developed which deducts the share based payment reserve from the NAV in order to calculate shareholders' actual residual claim over the assets of the Company after the payment of all performance fees.

Calculation of Net Asset Value and Investor Net Asset Value		
	2017	**2016**
Total Asset Value	$28,424,000	$18,017,000
less Current Liabilities	$(621,000)	$(330,000)
Net Asset Value (NAV)	**$27,803,000**	**$17,687,000**
less Share Based Payment Reserve	$(1,449,000)	$(745,000)
Investor Net Asset Value (iNAV)	**$26,354,000**	**$16,942,000**
Shares on Issue at 31 March	1,311,441	1,001,466
iNAV per Share	**$20.10**	**$16.92**

Directors' Responsibility Statement

The directors are responsible for ensuring the financial statements present fairly in all material respects the financial position of the Company as at 31 March 2017 and the financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all the relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors do not have the ability to amend these financial statements once issued.

The Board of Directors of Punakaiki Fund Limited authorised the financial statements set out on pages 33 to 48 for issue on 31 July 2017.

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

Independent Auditor’s Report

EY
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Independent auditor’s report to the Shareholders of Punakaiki Fund Limited
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Punakaiki Fund Limited (“the Company”) on pages 33 to 48, which comprise the statement of financial position of the Company as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 33 to 48 present fairly, in all material respects, the financial position of the Company as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We provided other assurance to Punakaiki Fund Limited during the year. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

Emphasis of Matter

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

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Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the entity the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities. This description forms part of our auditor's report.

Report on the other legal and regulatory requirements

The engagement partner on the audit resulting in this independent auditor's report is Graeme Bennett

Ernst & Young

Auckland
31 July 2017

Punakaiki Fund Limited
Statement of comprehensive income
for the year ended 31 March 2017

	Notes	Year ended 31/03/2017 $'000	Year ended 31/03/2016 $'000
Interest Income		4	19
Dividend Income		69	86
Change in fair value of investments	4.5	5,563	3,668
Other operating income		23	-
Accrued Performance Fees	8.1.3	(978)	(644)
Management Fees	8.1.1	(420)	(251)
Insurance		(13)	(24)
Consulting and Accounting Expenses		(73)	(19)
Audit Fees	12	(36)	(28)
Legal Expenses		(10)	(12)
Other		(23)	(10)
Profit before tax		4,106	2,785
Income tax expense	5.1	-	-
Profit and total comprehensive income for the year		4,106	2,785

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

Punakaiki Fund Limited
Statement of financial position

at 31 March 2017

	Notes	31/03/2017 $'000	31/03/2016 $'000
ASSETS			
Current assets			
Cash and bank balances	10	2,843	1,437
Resident Withholding Tax receivable		6	10
Prepayments		16	-
Trade and other receivables		19	-
Total current assets		2,884	1,447
Non-current assets			
Investments	4.1	25,540	16,570
Total non-current assets		25,540	16,570
Total assets		28,424	18,017
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		57	40
Total current liabilities		57	40
Non-current liabilities			
Performance fee payable	8.1.3	564	290
Total non-current liabilities		564	290
Total liabilities		621	330
Capital and reserves			
Issued capital (net of transaction costs)	6	17,773	12,467
Share based payment reserve	6.2	1,449	745
Retained earnings	6.3	8,581	4,475
Total equity		27,803	17,687
Total equity and liabilities		28,424	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 year ended 31 March 2017

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2015	4,054	282	1,690	6,026
Profit and total comprehensive income for the year	-	-	2,785	2,785
Contributed capital	8,651	-	-	8,651
Transaction costs	(238)	-	-	(238)
Share based payments in relation to performance fee	-	463	-	463
Balance at 31 March 2016	12,467	745	4,475	17,687
Balance at 1 April 2016	12,467	745	4,475	17,687
Profit and total comprehensive income for the year	-	-	4,106	4,106
Contributed capital	5,470	-	-	5,470
Transaction costs	(164)	-	-	(164)
Share based payments in relation to performance fee	-	704	-	704
Balance at 31 March 2017	17,773	1,449	8,581	27,803

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

Punakaiki Fund Limited
Statement of cash flows

for the year ended 31 March 2017

	Notes	Year ended 31/03/2017 $'000	Year ended 31/03/2016 $'000
Cash flows from operating activities			
Interest received		4	14
Dividend received		69	86
Payments to suppliers		(150)	(53)
Management Fees		(420)	(251)
Resident Withholding Tax refunded/(paid)		4	(5)
Net cash (used in)/generated by operating activities		(493)	(209)
Cash flows from investing activities			
Payments to acquire Investments		(3,407)	(6,586)
Net cash (used in)/generated by investing activities		(3,407)	(6,586)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		5,470	7,926
Payment of transaction costs on issue of equity instruments		(164)	(238)
Net cash used in financing activities		5,306	7,688
Net increase in cash and cash equivalents		1,406	893
Cash and cash equivalents at the beginning of the year		1,437	544
Cash and cash equivalents at the end of the year	10	2,843	1,437

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

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 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 financial statements are for the year to 31 March 2017.

2 Significant accounting policies

2.1 Statement of compliance and reporting framework

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

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

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

NZ IFRS 9	Financial Instruments
NZ IFRS 15	Revenue from Contracts with Customers
NZ IFRS 16	Leases

NZ IFRS 9 and NZ IFRS 15 are effective for periods beginning on or after 1 January 2018 and NZ IFRS 16 is effective for periods beginning on or after 1 January 2019 with earlier application permitted. NZ IFRS 9 and NZ IFRS 15 will be adopted for the year ended 31 March 2019 and NZ IFRS 16 will be adopted for the year ended 31 March 2020. Significant changes are discussed below:

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

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

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

Under NZ IFRS 15 an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance been added in NZ IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by NZ IFRS 15. The Company does not expect any significant impact from the adoption of NZ IFRS 15 as its current revenue streams are principally dividends and interest.

NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets. NZ IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Companywill first apply NZ IFRS 16 in the financial year beginning 1 April 2019. The Company currently have no leases, therefore do not expect any impact from adoption of this standard.

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

2.3 Functional and presentation currency

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

2.3 Functional and presentation currency

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

2.4 Basis of preparation

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

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

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

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

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

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

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

2.5 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

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

2.6 Taxation

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

2.6.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.6.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.6.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.6.4 Goods and services tax

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

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

2.7 Financial instruments

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

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

2.7.1 Investments

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

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

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

2.7.2 Loans and receivables

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

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

2.8 Equity instruments

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

2.9 Share-based payment arrangements

2.9.1 Share-based payment transactions of the Company

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

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2017 an equity raising fee of $0.164 million was paid (2016: $0.238 million). No amounts were outstanding at balance date (2016: Nil).

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Key sources of estimation uncertainty

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

3.1.1 Fair value measurements and valuation processes

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

4 Fair values of financial instruments

4.1 Investments in Unlisted Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at $25.54 million (2016: $16.57 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of $5.563 million (2016: $3.668 million) was recognised through profit or 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	**2017**			**2016**		
	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	13,063,072	4.6%	600,000	12,562,702	4.8%
InfluxHQ Limited [1]	182,491	724,881	25.2%	182,491	724,881	25.2%
Melon Health Limited (Social Code) [1]	347,822	1,893,875	18.4%	347,822	1,828,527	19.0%
Mindfull Group Limited [1]	327	1,705	19.2%	327	1,635	20.0%
Mobi2Go Limited	16,660	133,642	12.5%	14,198	128,783	11.0%
Onceit Limited [1]	25,625	100,000	25.6%	25,625	100,000	25.6%
Raygun Limited	501,445	7,943,309	6.3%	501,445	7,939,930	6.3%
RedSeed Limited [1]	144	1,124	12.8%	144	1,200	12.0%
ThisData Limited	280,804	2,571,915	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 [3]	672,178	34,356,616	2.0%	672,178	31,360,522	2.1%
Vibe Communications Limited [2]	1,418	5,499	25.8%	1,264	5,540	22.8%
Weirdly Limited [1]	94,345	310,395	30.4%	85,187	289,187	29.5%
Hayload Limited [2]	3,810	18,090	21.1%	-	-	0.0%
Linewize Limited [1]	2,500	12,500	20.0%	-	-	0.0%
Linewize Services Limited [1]	2,500	12,500	20.0%	-	-	0.0%
New Zealand Artesian Water Limited [1]	30	190	15.8%	-	-	0.0%
Populate Limited	1,667,566	12,860,973	13.0%	-	-	0.0%
QA Tech Limited (Conqa) [1]	6,250	115,000	5.4%	-	-	0.0%

[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 a manager of the Company is also a director of these companies.

[3] Excludes the dilutionary impact of employee options.

At 31 March 2017, the Company held options to purchase new shares in Hayload Limited (3,015 shares), New Zealand Artesian Water Limited (14 shares) and QA Tech Limited ("Conqa" - 10,000 shares). These options are valued at nil as each option has a strike price per share which is greater than the recognised value per share of each respective company as at 31 March 2017.

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

Fair value as at 31 March 2017

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**

Fair value as at 31 March 2016

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

4.3 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range(weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	11.5 - 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	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.

4.4 Sensitivity of fair value measurement to changes in unobservable inputs

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

	Favourable	(Unfavourable)
2017	**$'000**	**$'000**
Investments	29,440	22,040
2016		
Investments	19,705	13,520

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

The revenue multiples used in our valuations at 31 March 2017 were 5.3 - 16.9 (with reasonably possible alternative assumptions of 7.0 - 22.0 (favourable) and 3.5 - 12.0 (unfavourable) (2016: 1.3; 19.0; 1.6; 24.0; 1.0 and 14.0 respectively).

The EBITDA multiples used in our valuations at 31 March 2017 were 11.5 - 15.2 (with reasonably possible alternative assumptions of 15.0 - 20.0 (favourable) and 8.0 - 12.0 (unfavourable)) (2016: 11.2; 17.8; 15.0; 20.0; 8.0; and 12.0 respectively).

4.5 Reconciliation of level 3 fair value measurements

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

	Year ended 31/03/2017 $'000	Year ended 31/03/2016 $'000
Unlisted equity investments		
Balance at beginning of year	16,570	5,592
Purchases - cash	3,407	6,586
Purchases - issue of shares	-	724
Change in fair value of investments	5,563	3,668
Balance at end of year	25,540	16,570

There have been no disposals of investments (2016: Nil) therefore the full unrealised gain in fair value of investments of $5.563 million (2016: $3.668 million) is included in the carrying value of investments at balance date.

5 Income taxes

5.1 Income tax recognised in profit or loss

	Year ended 31/03/2017 $'000	Year ended 31/03/2016 $'000
Current tax		
In respect of the current year	-	-
Deferred tax		
In respect of the current year	-	-
Total income tax expense recognised in the current year.	-	-

The income tax expense for the year can be reconciled to the accounting profit as follows:	Year ended 31/03/2017 $'000	Year ended 31/03/2016 $'000
Profit before tax from continuing operations	4,106	2,785
Income tax expense calculated at 28%	1,150	780
Effect of income that is exempt from taxation	(1,558)	(1,027)
Effect of non-deductible expenses	197	133
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	203	105
Others (imputation credits gross up)	8	9
Income tax expense recognised in profit or loss.	-	-

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

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

	31/03/2017 $'000	31/03/2016 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
- tax losses (including imputation credits converted to losses)	253	118
- deductible temporary differences	158	81
	411	199

6 Issued capital

	31/03/2017 $'000	31/03/2016 $'000
Issued capital comprises:		
1,311,441 fully paid ordinary shares (31 March 2016: 1,001,466)	17,773	12,467
	17,773	12,467

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2017 were $0.164 million (2016: $0.238 million)

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2016	1,001	12,467
Shares issued during the year	310	5,306
Balance at 31 March 2017	1,311	17,773
Balance at 1 April 2015	395	4,054
Shares issued during the year	606	8,413
Balance at 31 March 2016	1,001	12,467

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

At 31 March 2017, there are no unpaid shares on issue (31 March 2016: None) and no unpaid options (31 March 2016: 135,580 September 2016 $19 options) on issue.

6.2 Share based payment reserve

	31/03/2017 $'000	31/03/2016 $'000
Balance at beginning of year	745	282
Arising on share-based payments (performance fee)	704	463
Balance at end of year	1,449	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 8.3.

6.3 Retained earnings

	31/03/2017 $'000	31/03/2016 $'000
Balance at beginning of year	4,475	1,690
Profit attributable to owners of the Company	4,106	2,785
Balance at end of year	8,581	4,475

7 Financial instruments

7.1 Categories of financial instruments

	31/03/2017 $'000	31/03/2016 $'000
Financial assets		
Financial assets at Fair Value Through Profit or Loss		
Investments	25,540	16,570
Loans and Receivables		
Cash and bank balances	2,843	1,437
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	564	290
Accounts payable	57	40

8 Related Party Transactions - Remuneration of the Manager

8.1 Remuneration of the Manager

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

8.1.1 Management Fees

The Manager is entitled to an annual management fee of 2% of the Net Asset Value (NAV) of the Fund up to $50 million and 1.5% thereafter. The management fee is calculated and paid quarterly in advance. During the year ended 31 March 2017 the management fee paid was $0.42 million (2016: $0.25 million).

8.1.2 Equity Raising Fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2017 an equity raising fee of $0.164 million was paid (2016: 0.238 million). No amounts were outstanding at balance date (2016: Nil).

8.1.3 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 year ended 31 March 2017, a total expense of $0.978 million (2016: $0.644 million) has been recognised in profit or loss. Of this expense, $0.274 million was recognised as an increase in the performance fee liability of $0.564 million (2016: $0.290 million) in relation to the cash settled portion of the performance fee and $0.704 million was recognised as part of the share based payment reserve of $1.450 million (2016: $0.745 million) in relation to the equity settled element of the performance fee.

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

8.2 Other related party transactions

8.2.1 Directors beneficial interests in the Company

At 31 March 2017, directors of the Company or LWCM holding a beneficial interest in shares of the Company were Lance Wiggs 63,500 shares (2016: 61,970 shares)*, Michael Bennetts 49,500 shares (2016: 42,000 shares and 2,000 September 2016 options), John Berry 9,658 shares (2016: 8,200 shares and 1,000 September 2016 options), Bryan Hutchins 70,178 shares (2016: 61,400 shares and 6,000 September 2016 options), Amanda Simpson 6,600 shares (2016: 6,000 shares) and Chris Humphreys 286 shares (2016: 250 shares). At 31 March 2017, LWCM held 114 shares (2016: 100 shares).

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

** Lance Wiggs a beneficial interest in 114 Punakakai Fund Limited Shares held in the legal name of Lance Wiggs Capital Management Limited*

8.2.2 Directors' Fees

Director fees paid by the Company during the year have been disclosed on page 27 of the Annual Report. Nil remain payable at year end.

9 Reconciliation of profit for the year to net cash used in operating activities	31/03/2017 $'000	31/03/2016 $'000
Profit for the year	4,106	2,785
Adjustments for:		
Change in fair value of investments	(5,563)	(3,668)
Accrued Performance Fees	978	644
	(478)	(239)
Movements in working capital:		
Increase in trade and other payables	16	40
(Increase) in prepayments	(16)	-
(Increase) in trade and other receivables	(19)	-
Decrease/(Increase) in withholding tax receivable	4	(9)
Net cash used in operating activities	(493)	(208)

10 Cash and cash equivalents

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

	31/03/2017 $'000	31/03/2016 $'000
Cash on hand and demand deposits	2,843	1,437
Total cash and cash equivalents	2,843	1,437

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

11 Financial risks

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

11.1 Market risk

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

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

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

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

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

The Company has no significant interest or currency risk.

Sensitivity analysis
If equity prices weakened by 30%, holding all other variables constant, profit and equity would be $7.662m lower. If equity prices stregthened by 30%, holding all other variables constant, profit and equity would be $7.662m higher. The Company believes a 30% weakening (or strengthening) in equity prices is reasonably possible given its investment in early stage, fast growing companies.

11.2 Credit risk

Credit risk arises principally from cash and cash equivalents.

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

11.3 Liquidity risk

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

11.4 Capital Risk Management

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

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

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

12 Auditor's Non-Financial Assurance Remuneration

The Company's auditor Ernst & Young provided other assurance services to the company in respect of the year ended 2017. The total value of other assurance services provided was $2,563 (excluding GST).

13 Subsequent Events

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in Hayload Limited, Melon Health Limited, New Zealand Artesian Water Limited, Populate Limited, ThisData Limited (now renamed TD Limited) and Vibe Communications Limited.

The Company has also received a dividend from Onceit of $0.125 million net of all taxes.

Directory

Board of Directors of Punakaiki Fund Limited

Michael John Bennetts

John Charles Berry

Bryan Simpson Hutchins

Amanda Rhean Simpson

Graeme Lance Turner Wiggs

The Directors can be contacted at Punakaiki Fund Limited's address:

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Manager

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Solicitors

WynnWilliams

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Auditor

Ernst & Young

2 Takutai Square

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Registrar

The Share Register is maintained by Lance Wiggs Capital Management Limited

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