PUNAKAIKI FUND LIMITED

Annual Report

For the year ended 31 March 2018

31 July 2018

Raised $7.2 million

- $5.3 million cash raised via a wholesale and a retail offer
- $1.9 million raised via Shares issued to make investments

Invested $8.7 million

- Populate
- NZ Artesian Water (4 tranches)
- Weirdly
- Conqa (5 tranches)
- Melon Health (3 tranches)
- Coherent Solutions (4 tranches)
- Linewize
- Hayload (2 tranches)
- Mobi2Go (2 tranches)
- Devoli (4 tranches)
- ThisData

$35.0 million
in Total Assets

$(0.0) million
change in fair value of investments

$0.5 million
net cash used in operating activities

(1.34% of Total Assets at year-end)

$(0.2) million
Profit After Tax

2018 saw two exits, and strong increases in shareholdings in Conqa, Melon Health, Mobi2Go, Everedge, Devoli and more.

Two Portfolio Company Sales

- ThisData – sold assets to OneLogin
- Linewize – sold shares to Family Zone

Revenue Growth

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

	Company Size		
	Large	Medium	Small
1 Year	>36%	>124%	>600%
2 Year	>75%	>300%	>600%
3 Year	>130%	>600%	>1,000%

$89 million

estimated reported FY2018 revenue from all companies

25.4% IRR

Annualised increase in unrealised portfolio company value since inception

(Up 51% on initial investment value)

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Chair's Report

Dear Shareholders

With close to 700 shareholders, over $27 million in capital raised and 20 investments, Punakaiki Fund is delivering on our mission of helping to grow great companies from New Zealand.

The 2018 financial year ends with a valuation that was disappointing to us as a Board. The NAV (net asset value) per share was $19.99 compared to $20.10 at the end of the previous financial year. Lance's letter that follows provides a fulsome explanation of this change. While this year-end on year-end valuation decline was a first for our company, it has happened five times between quarters over the past four years. This is indicative of the growth stage of the companies we invest in and the volatility of valuations for early stage companies, especially in the SaaS (Software as a Service) markets.

The 2018 financial year was one of consolidation, with most of the $8.7 million we invested placed with existing portfolio companies, and only one new investment – Coherent Solutions. We also saw the first two "exits", with ThisData selling its assets in return for OneLogin shares, and Linewize being sold to ASX listed Family Zone (ASX:FZO) in return for shares and cash. These two exits were each at higher prices than the valuation (at the time of sale) on our books, by over two times. While these sales give us confidence about our valuations, we are conscious that they were too small and too early (in the case of Linewize) to make a material difference to the value of your shares.

There is a strong and entirely expected tension in the valuation process, especially during a capital raise. A lower than "fair" value means existing shareholders are disadvantaged to new shareholders, while a higher than "fair" value will advantage existing shareholders over new shareholders.

So your Board focuses a great deal of time and resource on the valuation process and this is supplemented by our auditor for the year end. During the past year we increased the discounts for smaller companies, lowered caps on revenue ratios for very high growth SaaS companies, and commissioned external valuations for two companies. We have learnt a lot through these external valuations and continue to work with our auditor to ensure the entire valuation process has the necessary integrity for all of our stakeholders.

Your Board continues to look at the risks in the portfolio at each board meeting. I am pleased to report that generally for each quarter only two or three of the companies are truly unable to get back to profitability without further funding, and in almost all cases the amount of funding required is relatively manageable. This is consistent with our expectations and shows the benefit of having a diverse portfolio of companies.

This year we have formally started reporting on diversity statistics, showing summary statistics for founders, management teams and board members for most of the companies (two declined). We see that the first step to addressing this systemic issue is to start reporting, and encourage other investors, as well as companies, to do so as well.

Late in the financial year we asked for your feedback about the intention to list (IPO) Punakaiki Fund shares on an exchange like the NZX. The Board's understanding of the consensus response is that while an IPO is important, it can wait. The Board's current view is that our assets will need to be at least $100 million to ensure that we are sustainable as a listed investment company. We do, of course, intend to continue to grow and reach that $100 million mark, but not at the expense of losing our ability to manage our growth.

This year Chris and Lance, as our Managers, had to contend with way more than usual. Our thanks go to both of them, and we are very happy that they have now extended their team to cope with increasing work demands.

I thank you for your support and investment in Punakaiki Fund. I hope, like me, that you enjoy hearing the news from companies we have invested into, and expect that their growth will deliver long term favourable outcomes for all of our investors.

Mike Bennetts
Chair

Manager's Report

Well that was a busy year.

We invested $8.7 million in 28 separate investments, raised $7.2 million over one of each of a retail, wholesale and a share based investment round and saw two companies sell themselves, spending considerable time helping on one of those deals.

And of course we continued to help the companies we have invested into, especially where Chris or I are directors and when the companies are going through change, which they tend to do a lot when growing quickly. We have also just navigated a very demanding year-end process, which took a lot of LWCM's capacity during the last few months. Some of this impact was from audit requirements which have steadily increased as part of the global trend for greater transparency and accountability.

Once again Punakaiki Fund had engaged Ernst & Young for our audit, and we are audited to the standard that would be applied to a newly listed entity. We err on the side of a top firm and tougher process, for your benefit. As part of that we have included, although we are not required to yet, the longer form Key Audit Matters report in this Annual Report, rather than the traditional audit opinion. In it you'll see much more flavour of what Ernst & Young (and LWCM and the Board) spent effort on through the audit process.

Despite the workload, and the slight fall in year on year iNav/share result, we are very satisfied with how much we were able to achieve in FY2018. We are incredibly pleased that, no matter what issues they face, most of the companies we invested into just kept on growing.

We are delighted that we have, since the year end, welcomed two new people to our team; Bridget Winstone-Kight and James Pope. They have already expanded our ability to deliver for our founders, shareholders and Board, and we are looking forward to the years ahead with renewed confidence and capacity.

Continued Low Operating Costs

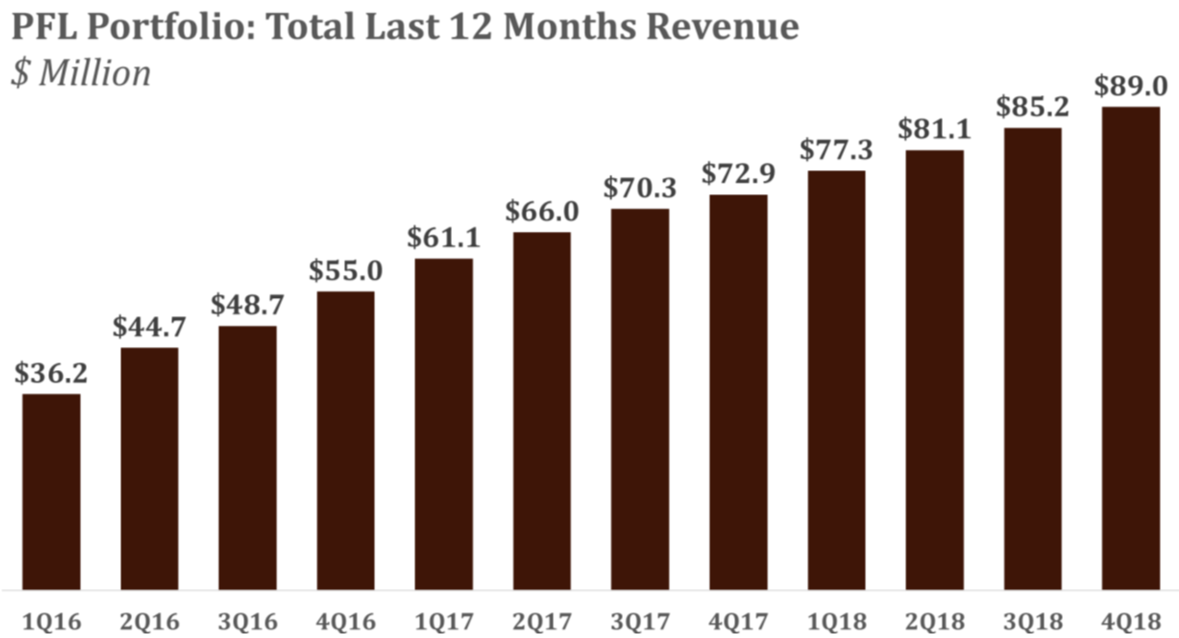
We've achieved a lot without spending too much cash. Our Management Fee is fixed, at 2%, but through running a prudent operation, elevating funds under management, and the impact of the Onceit dividends received, our total net operating costs for the year came in at just 1.3% of total year end assets (1.7% in the 2017 financial year). That's better than many listed fund managers – and a number we watch closely as it points to our own sustainability.

If we add in the initial $40,000 received from the sale of Linewize plus the $1.107 million received from our more recent sale (after the end of the financial year-end) of just over 1.9 million Family Zone shares, then we were clearly sustainable on a cash basis for the year. However, we do intend to reinvest those funds and we don't count that investment income as operating income.

The flurry of investments last year, and this year, have increased our shareholdings in a number of companies, from an average of 15.9% per company at the end of March 2017, to 19.7% (excluding Family Zone and ThisData) a year later, and 20.8% as at the date of this report. We know the companies we invest in well, and seek to double down when we see opportunity for a good investment. How good? Only 10% of the funds we invested last year were at a materially higher valuation than the previous rounds – and that was just one investment out of the 28 we made. Investing at the same price each time for growing companies doesn't increase the valuations we can report to you – but it does make for good long term investing.

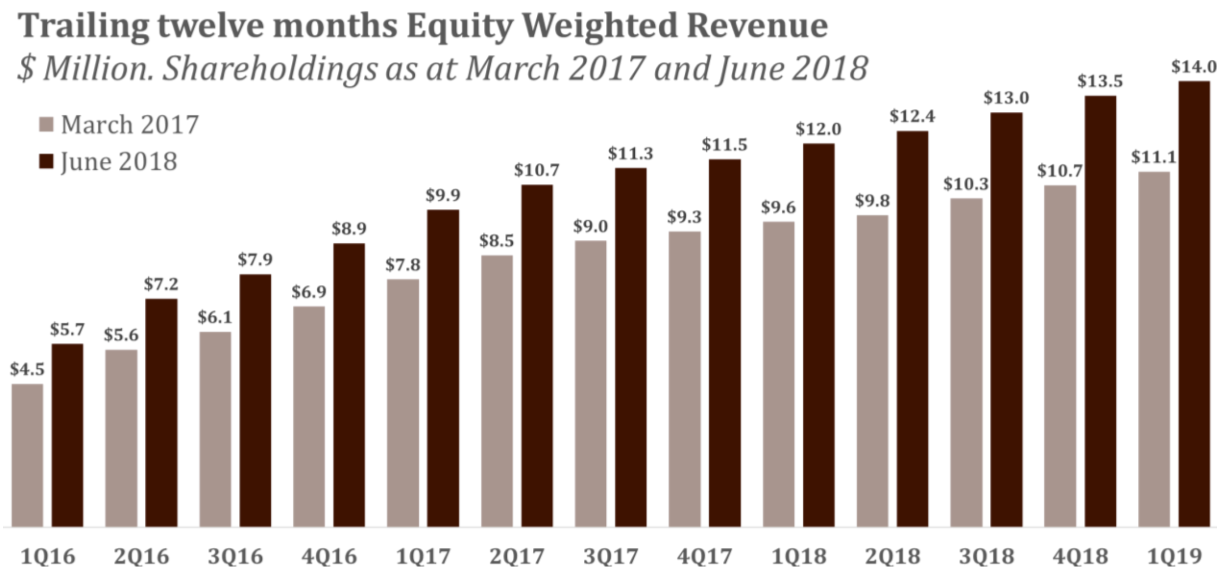
During the year we assessed the burden of our directorships versus the value and potential of each investment, and took opportunistic steps to increase our shareholdings when required. We moved from 4.8% to near 30% of EverEdgeIP, where I have been Chair, and after the year-end acquired shares in RedSeed to lift our investment from 13% to near 30% as well. We placed investments with Conqa and Mobi2Go to lift our shareholdings to near 20%, and with Melon Health to near 25%. These levels of investment not just concentrate our investments into companies we see that have strong long-term value, but also allow us to focus our energies in a sustainable way. With our new expanded team, increasingly strong governance within key investments and continued growth of companies, our own involvement can be less hands-on. But there are always investments to make, and sudden or important events where companies can benefit from our support. One of these events is helping companies who have been approached by potential purchasers and assessing a sale, and at any time we generally have one or two companies considering that option.

While we may not have invested at higher prices, the overall results, as normal, show strong revenue growth. Total revenue from all companies lifted by 22% to $89 million for the last twelve months to March 2018, and up by 62% over the last two years.



The revenue growth is dominated by the larger companies, and we generally see that growth rates slow as companies get larger.

As mentioned, our strategy over the last year, as well as the quarter to June 2018, has been to increase shareholdings in certain companies. The combination of increased percentage of equity and increased revenue per company results in steadily increasing equity-weighted portfolio revenue. The chart below shows how this metric has moved when comparing the percentage of equity held at the end of March 2017 versus the end of June 2018.



Company Highlights

During the year we saw a normal mix of out-performance and some scary moments. There is plenty of good news later in the report about the companies, but for this year I want to write about the tough times.

It's a sad reality that almost all high growth companies will "go through the fire" on their way to greatness. Other times companies will suddenly wobble, exposing fundamental issues that need to be resolved.

Over the last few years I have helped founders and companies deal with suddenly disappearing customers, a range of major employment issues, buying out insider investors, inadequate financial controls, formal accounts being incorrect requiring major overhauls and a change of accountants, negotiating with and sometimes changing banks, meeting or not meeting debt covenants, meeting with the IRD, stress and depression related mental health issues, cash flow crises requiring monthly, weekly and even daily cash flow management with Board oversight, product quality issues and more, much more. Lest any founder think that these refer to them - all of these issues have happened across multiple companies, and will continue to happen.

On top of these are the everyday stresses for founders and management teams of trying to ensure that the product is evolving correctly and the end users are happy, that paying customer growth continues, staff are happy and productive and the cash burn is low enough to be sustainable and high enough to drive growth, and the next funding round is lined up.

So it's very tough work being a founder or early employee in a high growth company, and we hold our founders and teams in very high regard. 2018 is a year when many of us have stepped back to ensure that our lives and those of our friends and colleagues are sustainable. Two years in a row we have lost, early in the year, key people from our ecosystem, with Julian and then Angus losing their battles with the black dog of depression, each in spite of extraordinary support from their community and closest ones.

We do what we can, when we can, to assist. We work to help founders get to a sustainable life, and remind them, as I am reminding you as an investor, that this is a long term game, and that personal health and family are more important than anything else.

Valuation

As Mike has mentioned, our year end valuation was disappointing for us, and for you too no doubt, so I have written a lot more about the valuation and the process we use. We seek to give you confidence, as we have ourselves, that the value of the investment assets is fair and consistent. We are definitely getting tougher each year though, and that has stalled our growth somewhat.

We see valuations as important for three occasions – when we issue shares, for our formal interim and year-end accounts and when assessing our management fees.

When we issue shares: Valuations are important when we issue new shares – the Board needs to make sure that we are being fair to existing and new investors alike, and the approach is to use the same basis for valuation each time that we raise funds.

For our formal accounts: Valuations are also important to our accountants and auditor. A fairly standard materiality threshold for auditors and accountants is 1% of the asset value - or about $350,000 if we have assets of $35 million. So they would look hard at any valuation where their own valuation work shows a difference of more than $350,000.

For determining management fees: LWCM receives 2% of the net asset value up to $50 million, then 1.5% of net asset value after that. These fees are not invested in portfolio companies, and larger amounts of fees can make for a materially poorer return to shareholders. A valuation difference of $350,000 would increase or decrease fees paid (at 2%) by approximately $7,000 per year.

Pricing when issuing shares matters

Of the three reasons only the valuation applied when issuing shares is important for long term investors, as it sets the base price for future returns. The accounting valuations are just interim steps while we wait for companies to manifest value through dividends or sale (exit), and the management fees do not vary significantly as the valuations are adjusted. Over time investors will understand how good we are at valuing – and respond by applying a discount or surplus to the market price of our shares.

We have become increasingly conservative over the years, and early investors may wonder what happened to the constant growth in the iNAV per share. The answer is that the companies have grown, but we have been reinvesting at the same, similar or lower valuations than before, have been slow in revaluations when companies do well, and quick to write values down when they don't grow as quickly as we would expect. At year end, for example, we held three investments at under $100,000 value – essentially written off, at least for now.

We are comfortable that we have invested well for the long run, and will continue to invest at valuations that make us good investors rather than artificially lift the value of the companies we have invested into. Over time, we believe that value will manifest in more obvious ways, such as the two exits we had in FY2018.

Company valuations are highly volatile

Valuations are hard to get right, and the typical 1% materiality threshold used by many auditors and accountants is much smaller than the intrinsic volatility of our investments. Let's look at three examples of that.

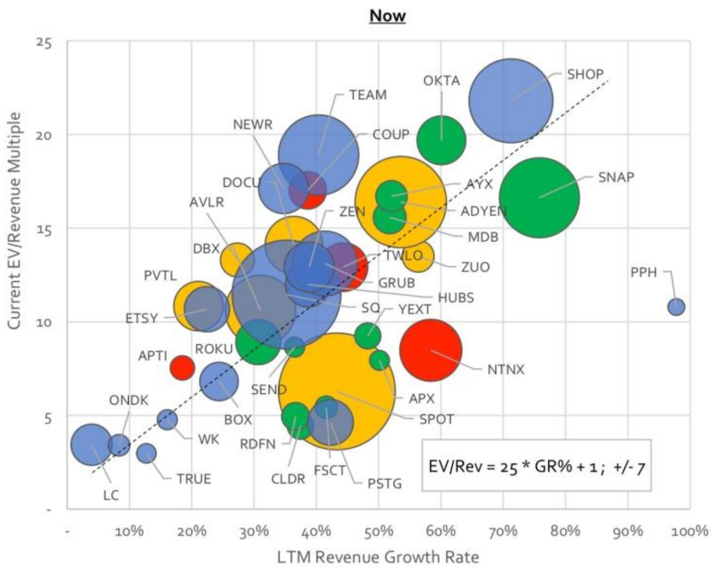
Firstly the two companies which exited this year, ThisData and Linewize, required us, at the time, to increase the value of the investments on our books by over two times. I don't see that this will be unusual in the future – we value investments at (often well) underneath what they would sell to trade acquirers, and if any sell then we will generally need to move upwards. The difference was, in the case of Linewize, several times more than 1% of our total asset value.

Secondly the value of Family Zone shares has, since our Memorandum of Understanding for the sale of Linewize was signed in early October 2017, varied between over A$1.00 (just after MOU signing) to under A$0.40, and is currently A$0.45. These swings are larger than 1% of our total asset value as well. It's easy for us to report the quarterly results (using the price on the last day), but the intrinsic volatility shows that even the market struggles with valuation.

And thirdly, to show how growth affects value, we are reporting one company on our year-end books at a valuation of 10.4x last quarter's annualised revenue, due to a recent investment at market value. Our investment policy dictates that we hold that value for 6-12 months after any transaction. If, however, we were to continue to apply the 10.4x multiple then their carrying value would go up by significantly more than 1% of total assets. And by the time the September quarter-end arrives the company, if growth continues (and it appears to be so far) will either be valued using the year-end holding value and would have a much lower implied revenue multiple of, say, 6.6x, or we will need to revalue the company. There are any number of ways to deal with this situation, and we are erring on the side of conservatism. Under the current valuation regime the maximum multiple we would apply, without an investment round would be significantly less than it is currently. We do not, to make it clear, revalue companies using the (generally higher) multiples used when we invested (and have not for a long time). But we do use different multiples for different growth rates.

Growth and Valuations

The chart below from a recent Clare Capital report shows enterprise value ** to revenue (EV/revenue) ratios for selected tech companies in public markets. We can see from this chart not only that the EV/revenue multiples for listed SaaS companies in general are high, but there is also a clear relationship between EV and growth rates.



** Enterprise Value is a measure of a company's total value, looking at the entire market value rather than just the equity value.

EV = Market Capitalisation *plus* Market Value of Debt *less* Cash and Equivalents.

Read more here.

Source: Clare Capital

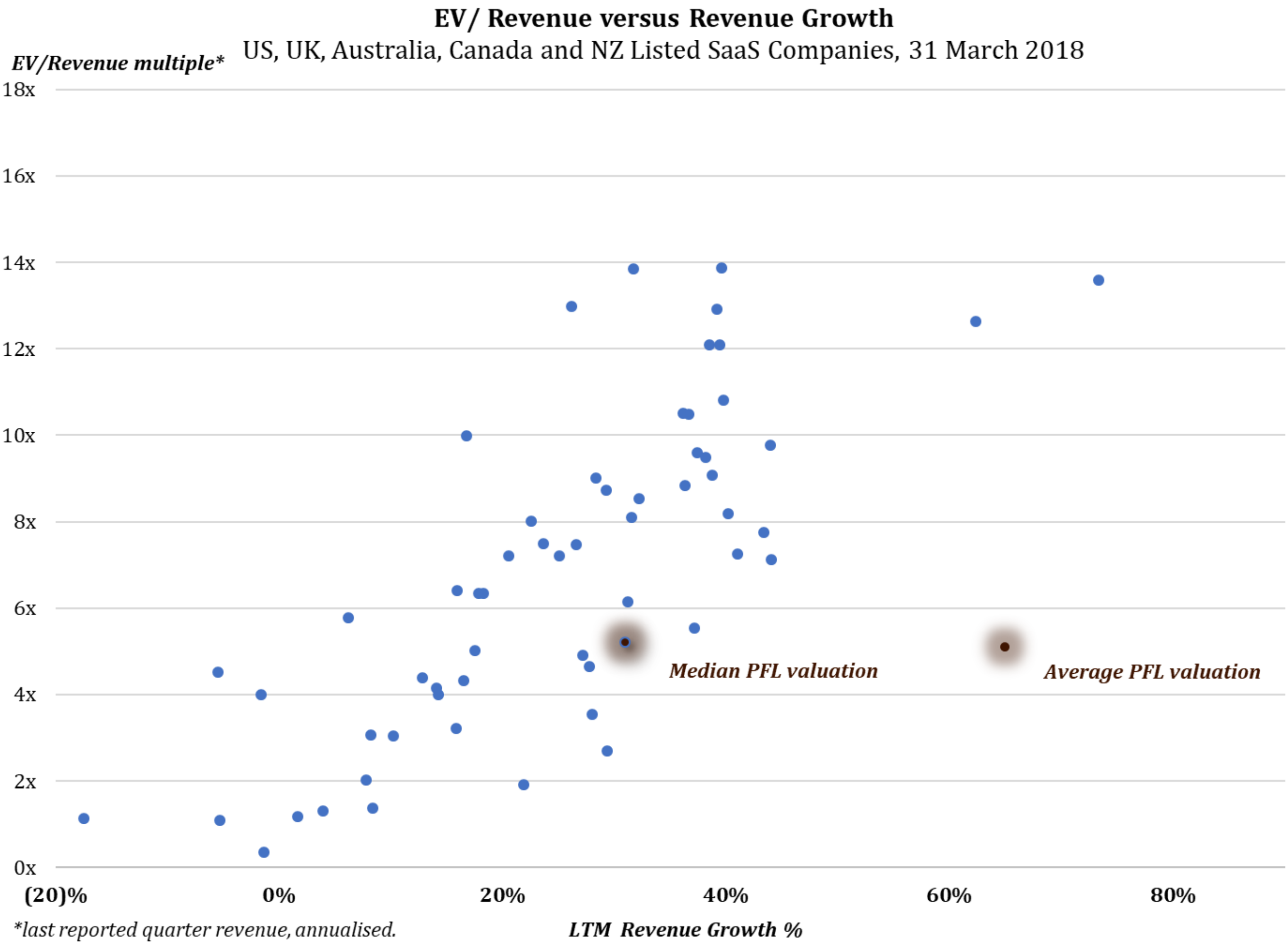
We actually construct our own version of the Clare Capital chart, although focused on just SaaS companies, which also has a much stronger correlation. We capture market metrics for listed SaaS companies from USA, UK, Australian, Canadian and New Zealand exchanges each quarter. We carefully examine the companies on the list to determine whether they are true SaaS or not (Xero is, MYOB is not) and perform a regression each quarter to show the relationship between growth and enterprise value/revenue ratios. This is a statistically meaningful regression - with a strong r-squared at year end of 0.61, and a sample size of n=57. If your statistics is a bit rusty – that correlation is even stronger than the much more obvious relationship between total revenue and valuation, where the r-squared (with 3 outliers removed) was just 0.53 (n=54).

The chart below shows the plot of the listed companies. We regard the regression and the adjustments as trade secrets, and have not yet decided to release them publicly. It is, however, easy to tell from the chart above that there is a strong relationship between growth and enterprise value/revenue ratios in public markets, and the same applies, to an extent in local private markets.

Given the very high listed SaaS valuations we see in public markets, we capped the regression equation parameters, as well as the overall enterprise value/revenue multiples. We then applied adjustment factors on a company by company basis to account for any performance difference versus listed companies, and finally applied a combined discount for liquidity, size and control premium. This year we added an extra discount for smaller companies – those under $2 million in revenue.

The result was, for non-transaction based SaaS valuations, a maximum enterprise value/revenue multiple of 5.6x, minimum of 1.4x (excluding one written off at 0.0x) and average of 3.2x.

For all of Punakaiki Fund's SaaS companies the median was 5.2x and the average 5.1x, and these are plotted on the chart below. The arithmetic average growth is well off the chart to the right (269%), driven by tiny companies, so we removed the two smallest companies and weighted the growth by the equity weighted revenue to lower it to a more "reasonable" 65%.



All of these changes are part of our continuous improvements, and we constantly check to see if our systematic approach reflects our own perspectives on value as we invest, and versus what we see from other investors.

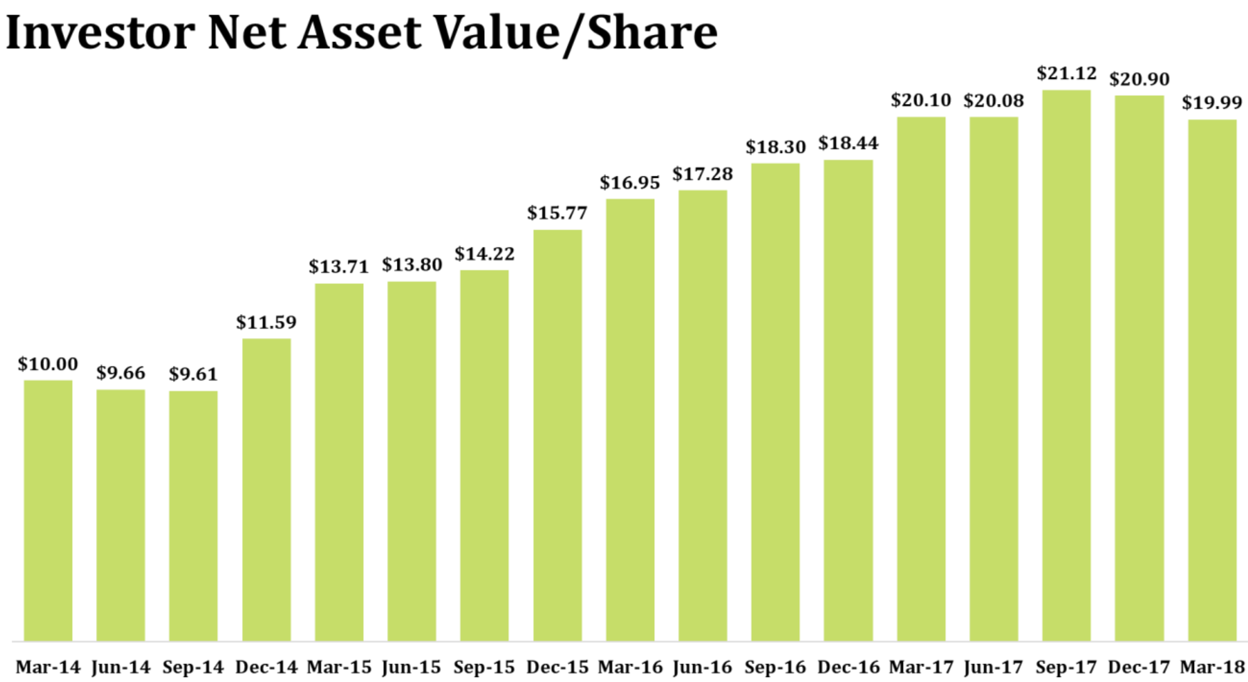
One check is that during the year we did due diligence and made offers to invest in three companies at what we considered to be a fair valuation. Each of these was turned down as the companies were able to raise from other investors at higher (over double in one case) valuations. To be fair we have Chris on our team, and he applies constant pressure to make sure we invest your funds at good valuations.

Another check was to obtain external valuations for two companies. This was a very difficult and time consuming process, as it requires us and the company being valued to prepare documentation, offer management team time to be interviewed and then review and provide technical feedback on the draft valuation.

Results

The result of the all the valuation work was disappointing on two levels.

Firstly the investor net asset value per share went down by $1.13 versus the September 2017 interim accounts valuation, and was even $0.11 lower than the value as at 31 March 2017. That means the investor net asset per share chart has gone sideways, which is probably not what many investors would expect or desire at the outset for a high-growth fund. However this reflects the volatility that is a reality of the market we are in, and our focus remains on making good investment choices for the long term.



As explained earlier, 27 of the 28 new investments rounds we made during the year were at unchanged or lower valuations. If we were lousy negotiators and invested at higher prices, then we could report higher valuations and probably much better overall results – at least in the short term, but not in the long term.

We were also much tougher on assessing values of companies without recent investments. Over the year we wrote down $3.2 million in company value from six companies, including $1.20 million due to an external valuation for one company – a valuation which we saw as very conservative relative to our market experience. Around 71% of the fall (including the external valuation) was due to an increasingly harsh approach to valuation, and the balance due to under-performance of the companies versus our expectations (we mark down early and often). The additional impact from the external valuation was $0.54 per share.

The second disappointment was the cost. We spent over $60,000 of shareholder funds on external valuations, rising to a total of around $100,000 (including GST) when the cost of the audit is included. While these are not material numbers versus the total assets, the total represents five times the total amount we pay our hard-working Board.

Chris and I have made over 70 transactions and spend thousands of hours on SaaS valuations, as well as bringing substantial experience in the sector and from finance, here and internationally. Our Board brings governance and valuation experience that increases every quarter. Because we aim to act in the best interests of Punakaiki Fund's shareholders, we are not the easiest customers for companies to deal with, but, as evidenced by the other external valuation, being responsive can help us understand the methodology and point out the gaps, if any.

Were the last rounds at a fair price?

Yes, we stand by those valuations. The real question is what the next round will be priced at and of course we cannot yet say. Our valuation methodology is consistent each time we make an investment or revaluation, however we do see, as always, positive and negative events occurring, including revaluing investments downwards when we are able to purchase shares at a good price and upwards when a round occurs at a higher price.

What will the price per share be in the future?

As we've learned over the years there are constant surprises in our business, and medium-term valuations have a very wide range of possibilities. We would never have forecast that our iNAV/share would be the same today as a year ago, for example. On the downside our most material investment with risk of failure would cost around $1.25/share (-6%) if it completely failed. On the upside we at LWCM see that if we managed the orderly sale of every company to a trade buyer (generally) then the value per share could go up by well over 50%. We are not in the business of selling companies though – as very long term investors we see our best approach is simply to allow the underlying growth to drive much greater value to investors. As the portfolio companies grow, that value will become increasingly obvious.

Chris and I are happy that the underlying long-term growth in value continues, and that your investment is doing well. We hope that the accounting scorecard will reflect that more accurately in the future, and I personally look forward to the days when we can report much better results for investors.

In closing

We continue to support, learn from and be awed by the founders we have placed your funds with. They are on long and often lonely journeys to grow the value of their businesses. Some will fail, and that's part of the risk and experience. But there is generally a way forward, and most of the founders and companies are looking to do very well.

We continue to be impressed by our board, and thank them for their support. Their experience in our business increases, they are always available for sage advice and they lead by example with professionalism and protecting your investment. We will propose a shareholders' resolution to pay them a bit more than they are now – at $5,000 per year each they really are the best value investment we have yet made.

I continue to be tirelessly supported by Chris, without whom Punakaiki Fund would still be an idle dream. Chris has installed and maintained processes that make shorter work of maintaining shareholder register, creating fund-raising documents, running formal accounts, checking investments and much, much more, including holding a firm line on the prices of our investments. He really is our sage of Southland.

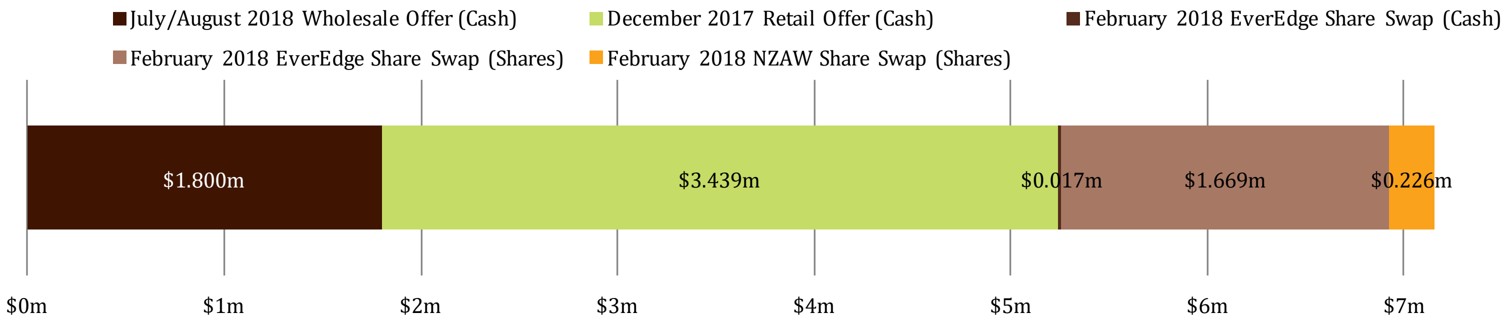
Looking forward, we encourage shareholders to support our desire to delay any IPO until we are large enough to make the numbers work, and we can show some traction with that iNAV/share. Don't expect us to artificially inflate it though. We do always expect the unexpected - including potential sale of some companies, and failure of others. We expect that our costs will stay low, and that we will continue to raise funds when we can.

I look forward to seeing all investors at our Annual Meeting, scheduled for the evening of Thursday 27th of September in Auckland, once again at Deloitte's office. Deloitte not only made their side of the year-end work easy, but are providing a lovely room with a view for the Annual Shareholders' Meeting. Once again we hope to have several founders there to present their progress, and I expect my parents will take up their spot in the front row, ready for critical interjections and post-match feedback. Do plan to be in Auckland if you can.

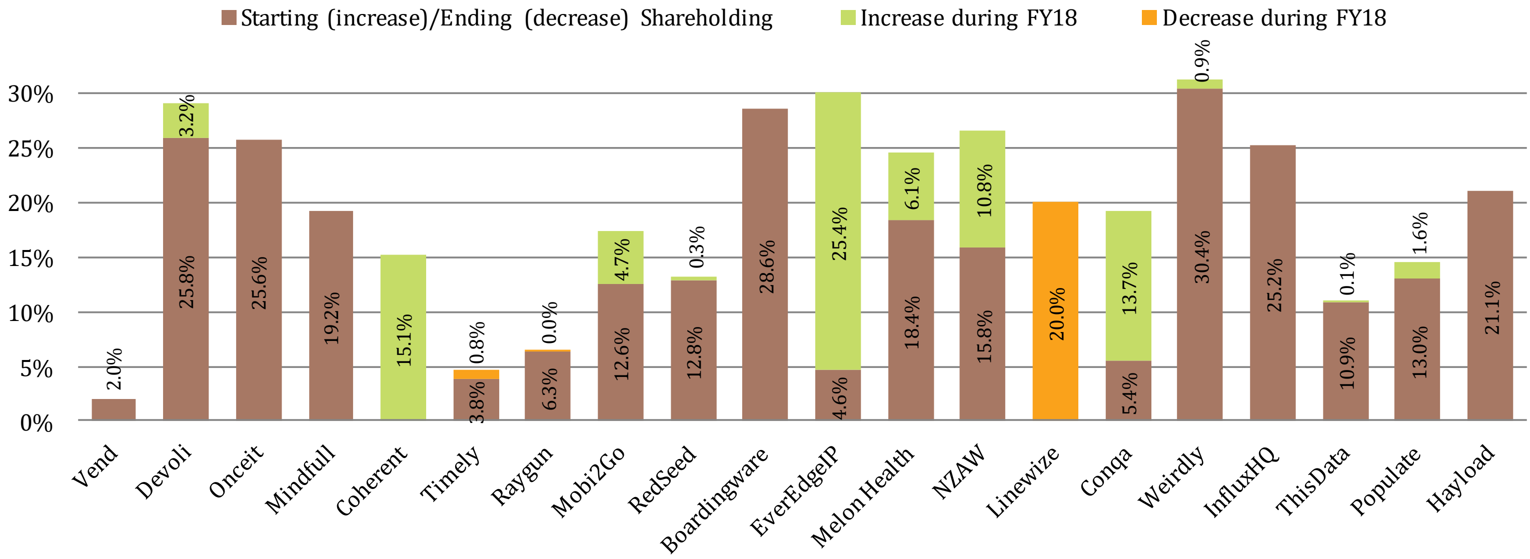
Lance Wiggs
Director and Manager

Highlights - The Year to March 2018

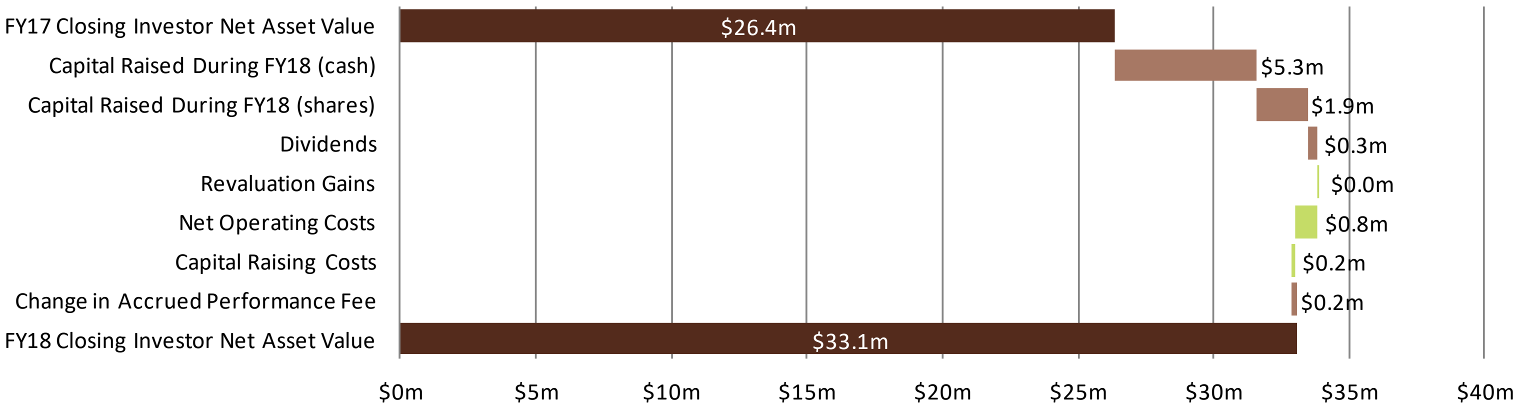
Raised $5.256 million in Cash and $1.895 million from Share Swaps ($7.151 million total)



Invested $8.678 million

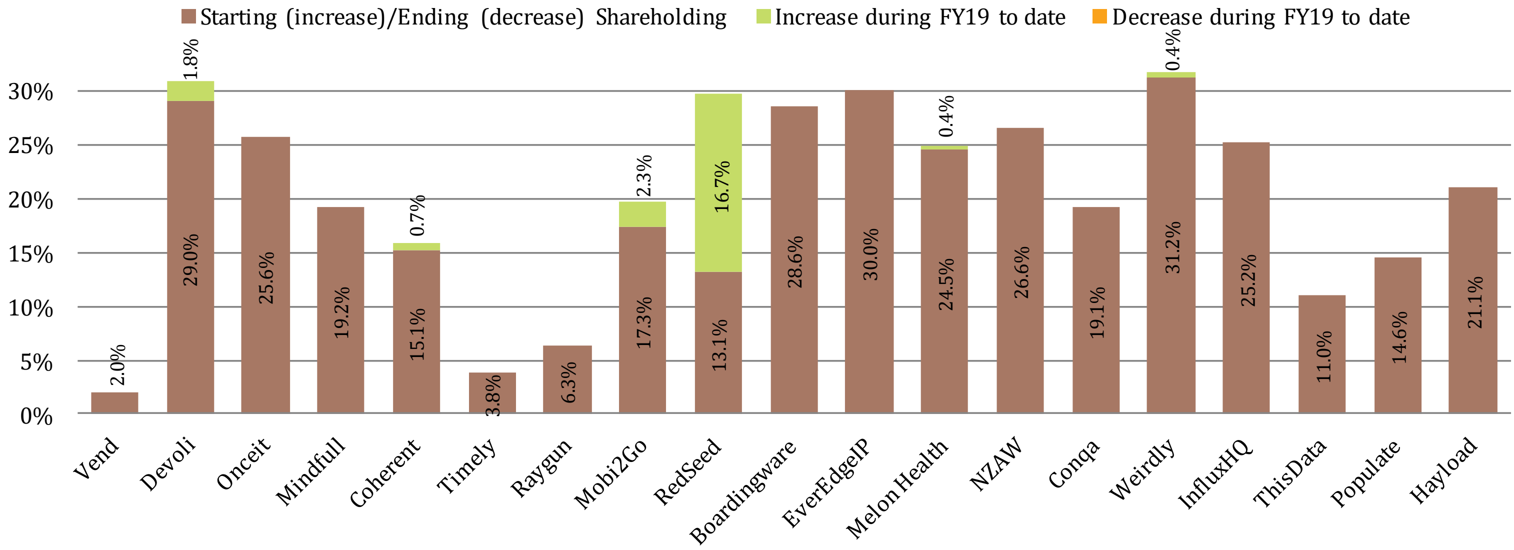


Booked a Revaluation Loss of $0.018 million

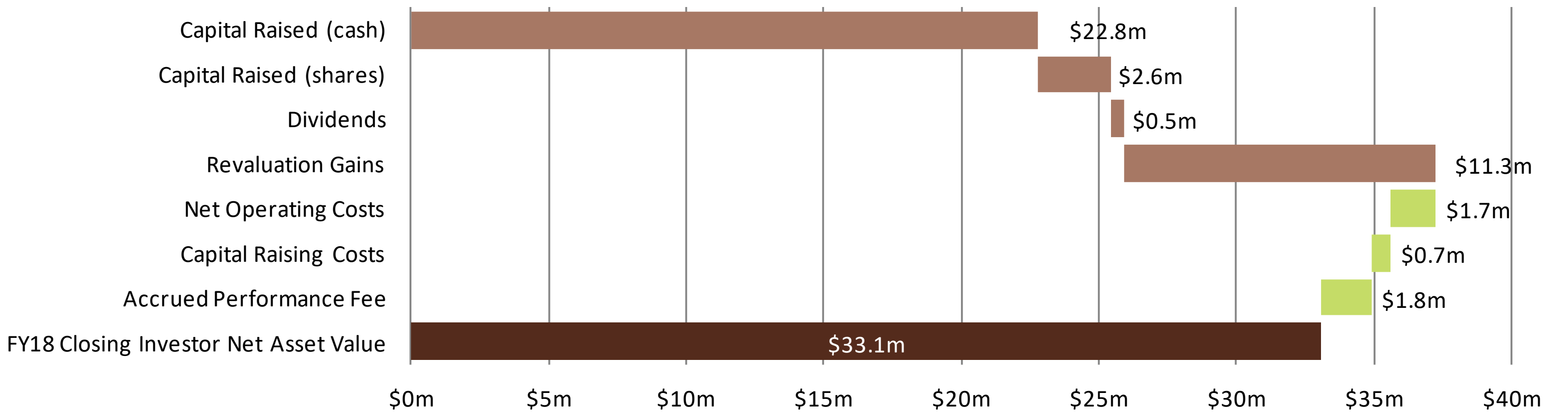


Highlights – Since Starting

Since March 2018 - Invested another $1.139 million



Between April 2014 and March 2018



Punakaiki Fund now has:

686 Shareholders

and

Investments in 20 Companies

and made over

76 Separate Investment Tranches

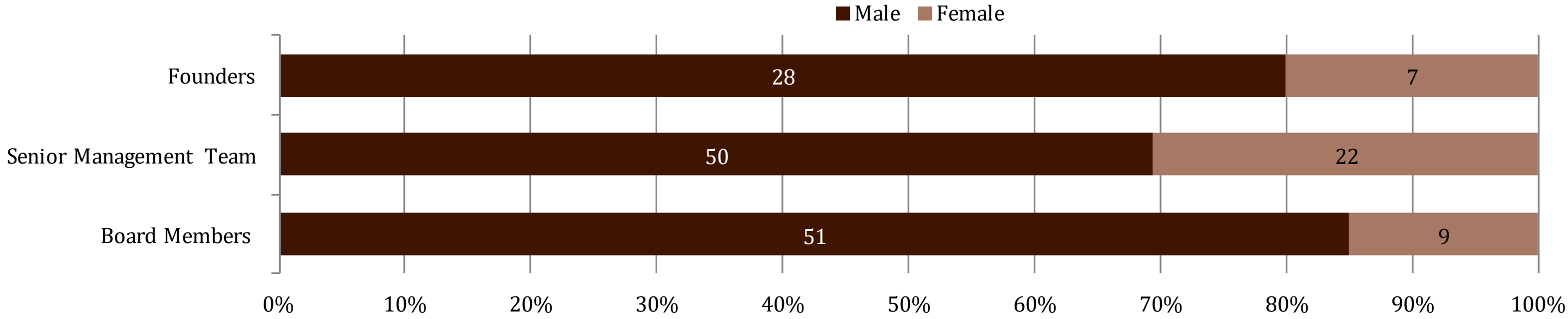
and now has an

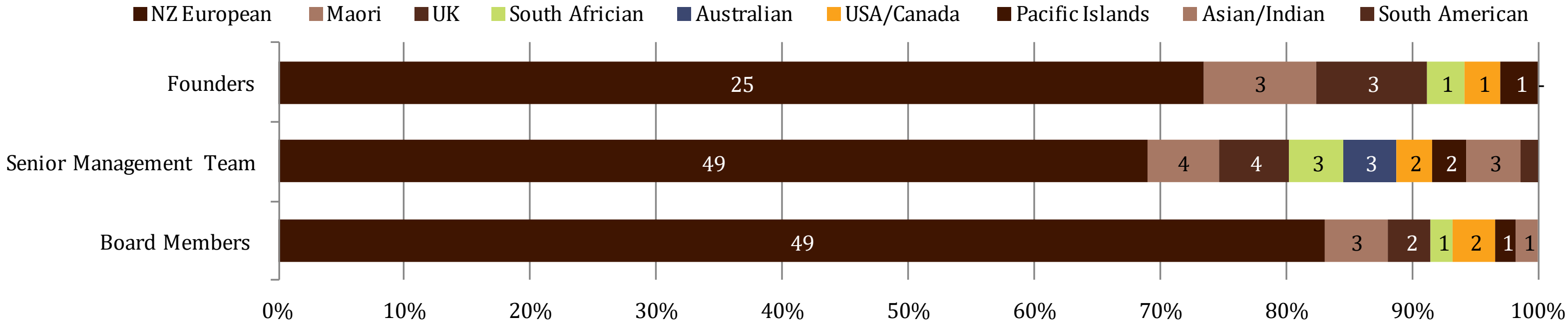
Average Shareholding Value of Over $1.7 million per Company

Diversity Report

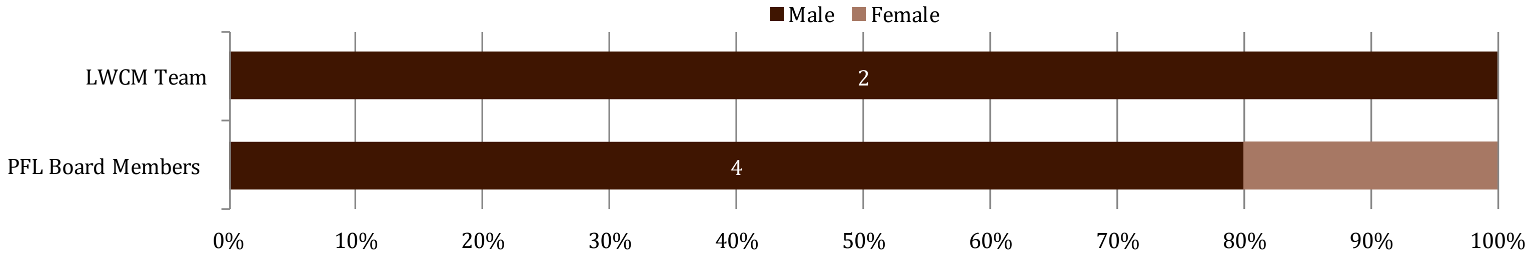
Here is a diversity snapshot at the financial Year-end

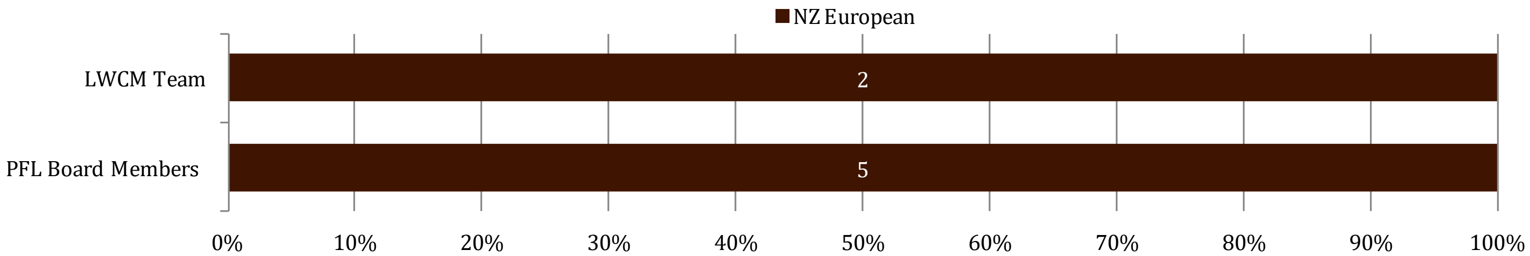
Within Punakaiki Fund Limited's portfolio companies:





And within Punakaiki Fund itself:





FY2018 Timeline

Investments

- Conqa
- Weirdly
- Hayload
- Vibe Communications
- Vibe Communications
- ThisData
- Melon Health
- Populate
- Vibe Communications
- New Zealand Artesian Water
- Hayload
- New Zealand Artesian Water
- Hayload
- Mobi2Go
- Vibe Communications
- Conqa
- Vibe Communications
- Coherent Solutions
- Weirdly
- Linewize (divestment)
- Vibe Communications
- New Zealand Artesian Water
- Conqa
- Coherent Solutions
- New Zealand Artesian Water (share swap)
- EverEdge (share swap)
- Coherent Solutions
- Conqa
- Melon Health
- Mobi2Go
- Conqa
- Mobi2Go
- Melon Health
- RedSeed
- Devoli (Vibe Communications)
- Coherent Solutions
- Weirdly

Timeline

February 2017
March 2017
April 2017
May 2017
June2017
July 2017
August 2017
September 2017
October 2017
November 2017
December 2017
January 2018
February 2018
March 2018
April 2018
May 2018
June 2018
July 2018
August 2018

Corporate

- Share Offer - Raised $0.774m
- Rights Issue - Raised $1.786m
- Financial Audit
- 2017 Annual Report released
- Share Offer - Raised $1.800m
- Annual Meeting of Shareholders
- Mike Bennetts Reappointed as Director
- Lance Wiggs Reappointed as Director
- Share Offer - Raised $3.439m
- Share Swap/Offer - For $1.912m
- Anti-money Laundering Audit
- Share Offer - Raised $1.712m
- Financial Audit

Investments

As at 31 March 2018, Punakaiki Fund held shareholdings in 20 businesses, which had combined annual revenues of over $89 million up to 31 March 2018. Set out below are our annual reviews for each of these portfolio companies.

vend	Shareholding: **1.84%** 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 revenue while focusing on evolving and sharpening their execution in sales and marketing. Vend exceeded 14,000 paying retailers and was also a finalist in the Hi-Tech Company of the Year category at the Hi-Tech Awards.

Vend continues to be led by CEO Alex Fala and during the year made senior hires into key regional sales and marketing roles to develop sales and partnerships in each region that Vend operates within. Vend's stable of partners was further strengthened with the additions of Commonwealth Bank of Australia and Afterpay, both based in Australia. In North America the partnership with Vantiv/Worldpay was extended to a reseller arrangement which is now delivering new sales leads into Vend.

On the product development side, Vend launched 'Dott', its AI tool for retailers, as well as Scanner, a stock count application. A software feature which enables reporting on historical inventory levels was added, which helps Vend's customers to make more informed buying decisions. Vend also made a series of product enhancements, such as a Promotions and new Welcome Home dashboard and completed its billing migration and retailer self-service capability.

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 shareholding has subsequently been diluted to 1.84% after the issue of options and a capital raise 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

devoli	Shareholding: **29.0%** First Investment: **Jun 2014**	*Devoli is a wholesale ISP that provides wholesale and corporate telecommunication services delivered with smart software.*

In 2018, Devoli marked its 10th anniversary of operations. Initially the company had two brands (Vibe Communications in New Zealand and Intellipath in Australia). Following changes in senior management and at the Board level, the company decided to create a global, country-of-origin agnostic brand, which offers an unencumbered brand for growth and expansion into any territory. The result was Devoli – *devilishly clever automation*.

In addition to its rebrand which took place in the December quarter, Devoli strengthened its team throughout the year with a number of significant hires:

- Karl Rosnell moved from GM New Zealand to CEO to replace John Wiggs (acting CEO, Lance Wiggs' (LWCM) brother);
- Three independent directors were added to the Board (Paul Trotter (Chair), Sean Hannan and Brooke Paterson), with founders Davey Goode and Barry Murphy standing down;
- Grant Wakelin joined and is running Finance and Operations; and
- Several additions were welcomed to the software development team.

The addition of more professional managers enhances Devoli's ability to work with larger companies on larger deals. Through the restructured management, Devoli is now pursuing a cohesive approach to business with staff targeting the sale all of product offerings, rather than individually specialising in separate products.

Devoli secured a new property for its headquarters, moved in during the March quarter, and held its first ever annual meeting of shareholders.

Other significant events for Devoli over the financial year include:

- Selling off its unprofitable RackCentral business;
- Winning the contract to provide the underlying network for Stuff Fibre;
- Signing a significant contract with Victoria University following their move off REANNZ, their previous government owned supplier;
- Adding Australian circuits to the product portfolio, including business grade NBN, giving Devoli access to over two million sites; and
- Adding the LEO automation product to the product portfolio, an AI tool designed to strengthen Devoli's network automation abilities.

Punakaiki Fund first invested in Devoli 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 Devoli held by Punakaiki Fund as the result of the issue of shares and the cancellation of shares between Devoli and several third parties. In March 2017, Punakaiki Fund entered into a tranched agreement with founder Barry Murphy to purchase 9.5% of Devoli's shares over 2017 and 2018, with half of those shares purchased as at 31 March 2018. In June 2017, Punakaiki Fund entered into tranched agreements with shareholders Shaun McGuane and Callum Barr to purchase (collectively) 2.2% of Devoli shares over the course of 2017 and 2018, with half of those shares purchased as at 31 March 2018. In November 2017, Punakaiki Fund entered into a second agreement with Shaun McGaune to purchase an additional 0.4% of Devoli's shares, with half of those shares purchased as at 31 March 2018.

At the end of FY18 Punakaiki Fund held 29.0% of the shares and as at the date of this report, Punakaiki Fund held 30.4% of the shares in Devoli. In July 2018, Punakaiki Fund entered into an agreement to purchase 9.5% of Devoli's shares from Davey Goode over two years. Once these tranched agreements are all concluded Punakaiki Fund will own 44.5% of Devoli.

www.devoli.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 was incorporated in January 2010 by founder Jay Goodey and two others, and the business made its first sales in May 2010. The business has consistently grown, continues to be profitable and continues to pay dividends to shareholders. In FY18, Onceit generated nearly NZ$13 million in revenues, reached 450,000 members, had their biggest ever sales month in November 2017, beating their previous top records by 24% (August 2017) and 44% (November 2016), as well as delivering their largest day in the history of Onceit sales. Onceit's famous "Once a year" sale saw over 9,500 products sold over three days.

Onceit has increasingly taken an inventory position on very popular deals and orders surplus stock to hold from suppliers when customer demand warrants. This inventory is relatively small for an ecommerce business, but allows for same-day shipping, increased sales and better margins. In May, Onceit expanded into a larger warehouse, increasing its footprint from 1,000sqm to 3,000sqm to cater for this increased inventory. The warehouse move was just in time for the arrival of the first two forty-foot containers of furniture (headboards) during June, most of which were already sold. Onceit are implementing an Afterpay offering, which is expected to drive sales of some of the bigger-ticket items even more.

Simon West, an experienced ecommerce retailer, joined Onceit as an investor and director in the November 2015 quarter and has been helping to introduce best practice for fashion retailing into the business. Onceit employed a senior beauty buyer, increased its sales and buying team to reach eight FTEs, and formed a green committee focusing on making positive and sustainable changes to the business by being more efficient and environmentally friendly with resource utilisation.

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. Onceit paid Punakaiki Fund its fourth dividend in April 2017, and its fifth dividend in February 2018. So far Punakaiki Fund has received net dividends representing almost a half of the total investment in Onceit.

www.onceit.co.nz

MINDFULL	Shareholding: **19.2%** First Investment: **Dec 2015**	*Mindfull is a global advanced analytics practice that builds data, information management, predictive tools and platforms.*

Mindfull has made a number of significant advances during the year in both their consulting business as well as software development. Mindfull has numerous customers that are household names in New Zealand and annual revenue for its core business of over NZ$8 million.

QUBEdocs, a software product which integrates closely with Planning Analytics / TM1 to automate the generation of documentation, to assist with analysis and decision making, was launched by Mindfull at the IBM Vision conference in Orlando, Florida in May 2014. The launch was so successful that two brand new clients bought QUBEdocs immediately at the conference. Following launch, Mindfull has released new QUBEdocs modules which have been well received, and also made its first significant sale of QUBEdocs in Europe during the December 2017 quarter.

On the consulting practice side of their business, Mindfull has also:

- launched a new organisational structure designed and crafted with an independent advisor to better set up the business for growth;
- implemented a customer Net Promoter Score and staff engagement framework that allows Mindfull to keep improving customer satisfaction and staff engagement;
- launched an internal consultant dashboard so that consultants can self-service their performance, upcoming work, and any support tickets waiting to be resolved;
- changed their sales team to be more customer development focussed to drive more strategic business from existing clients; and
- built and implemented a more formal best practice framework for better technical delivery of projects.

Mindfull was selected as the Business Intelligence vendor for one of New Zealand's largest businesses, sold their first data vault work to one of New Zealand's largest government agencies, appointed a new and highly experienced National Sales Manager who is now helping the team continue to close large software and consulting deals with well-known New Zealand entities.

Punakaiki Fund invested in Mindfull in December 2015. Our original 20% shareholding was diluted during the FY17 year down to 19.2% (as at 31 March 2018) as a result of the issue of Mindfull shares to two key Mindfull employees.

www.mindfull.nz

coherent solutions	Shareholding: **15.1%** First Investment: **Nov 2017**	*Coherent Solutions develops and manufactures test equipment for the global fibre optical communications market.*

Coherent Solutions was incorporated in August 2012 as a spin out from Southern Photonics to grow the latter company's optical testing equipment business. Andy Stevens (CEO) and Iannick Monfils (VP Engineering) are the two largest shareholders in Coherent Solutions, and were with the company from the date of its establishment. Coherent Solutions generated revenues from soon after its incorporation, and they have risen from NZ$2.7 million in FY14 to NZ$4.2 million in FY18.

Coherent Solutions has been profitable in the past, although has been loss-making in the last two years as they invest in product development and growth, including the recruitment of a very experienced technical sales manager, located in California.

Coherent Solutions recently signed a Product Partner Agreement with National Instruments which allows co-marketing of equipment that operates inside National Instruments' more general testing equipment chassis. Off the back of this partner agreement, Coherent Solutions launched their initial Optical PXI modules in collaboration with National Instruments at the OFC (Optical Fibre Communications) trade show in San Diego, generating significant interest. Coherent Solutions also has a new component supplier which has a module enabling the company to quickly take a new PXI blade to market.

Coherent Solutions is the most recent investment to be made by Punakaiki Fund, making its first investment between November 2017 and January 2018 via a multi-tranche deal which involved investing in a combination of new and existing Coherent Solutions shares. Punakaiki Fund held a 15.1% shareholding in the company at the end of June 2018.

www.coherent-solutions.com

Shareholding: **3.8%**

First Investment: **Jun 2014**

Timely provides a software platform to beauty and wellbeing businesses to manage bookings, reminders, marketing, point of sale and reporting.

Timely supplies salon and spa software for the beauty and wellness industries whose mission is to help people be time efficient, succeed and achieve their ideal blend of business and lifestyle. Timely had an exceptionally strong 2017 financial year – the company broke-even, achieved its "double-double" goal of doubling revenue year-on-year then doubling it again, surpassed 7,000 customers and $5 million in annual recurring revenue, and moved into "go-to-market" phase (having completed its "product market fit" phase). Timely has continued this momentum through the 2018 financial year, passing $7 million in annualised recurring revenue in the March quarter, opening a Melbourne office, making significant additions to its senior team, and adding point of sale and payments products to its platform.

Additions to the Timely senior team and board include:

- Paul Shingles (Chief Commercial Officer). Paul was formerly Chief Operating Officer at Pushpay;
- Jo Blundell (Chief Marketing and Product Officer), formerly Xero; and
- David Beard, Movac (Director).

Timely held a company-wide meeting in Dunedin to set their three year strategy, which is notable as the previous strategy was successfully delivered, and the staff for Timely work remotely.

Timely was recognised at the 2017 NZ Hi-Tech Awards as the Emerging Hi-Tech company of the year and by New Zealand Trade and Enterprise in the 2016 International Business Awards. Timely was also placed 15th in the 2017 Deloitte Fast 50 index with two year revenue growth of 379%, and won the 2017 Deloitte Fast 50 Fastest Growing Technology Business for the Dunedin and Lower South Island region.

Punakaiki Fund led Timely's second external investment round, investing for an initial 4.7% shareholding. This was subsequently diluted to 3.8% through the issue of shares when Timely received $7 million of new capital from Movac in the December 2017 quarter. The funding is to be used for product development, rapidly growing market presence, and new hires. Punakaiki Fund did not participate in this capital raising round.

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 FY2018 marking a number of significant changes in the business. Throughout the year, Raygun have released a number of software and processing developments, each of which have significantly improved and enhanced the flexibility of the company's offering. These include:

- releasing a platform offering (one plan which includes a full suite of Raygun's tools) as the default offering, while retaining the ability to still sell their products individually. This approach has helped the company illustrate the power of using its products together, and also helps Raygun target larger enterprises and increase the average revenue per customer;
- developing the ability to offer Raygun as an on-premise solution (versus cloud only);
- launching the Raygun Real User Monitoring comparison tool;
- migrating all Raygun customers from Chargify to an internal billing engine, allowing more flexibility with how customers are billed; and
- undertaking a major launch of their third product - Raygun APM (application performance monitoring) – which was released to a first group of beta testers. To date, Raygun has received over 180 responses from companies interested in signing up for APM.

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 has not raised any additional capital and Punakaiki Fund's shareholding has remained unchanged.

www.raygun.com

Mobi2Go – the wait is over –	Shareholding: **17.3%** First Investment: **Oct 2015**	*Mobi2Go helps food service businesses sell more by adding an ordering function to their marketing website.*

Mobi2Go had another very good year, materially increasing revenues, and successfully targeting customers with 100+ restaurant locations, such as Edo Japan, a 140 chain quick service restaurant in Canada who signed on in the June 2017 quarter. Following a price increase and push towards annual payment plans, Mobi2Go also launched Mobi2Go Payments (now released out of beta). Mobi2Go Payments allows customers in 28 countries to accept credit cards for online payments, and since launch, 67% of all new clients are using Mobi2Go Payments.

Significant focus for the year has been on outbound and large sales opportunities, driving steeper increases in revenue and greater traction across target markets. Mobi2Go began building out a senior sales team in Australia, including hiring a Director of Sales based in the Melbourne office, to focus on outbound sales in the Asia-Pacific region and to refine their repeatable sales model. This resulted in 8% growth in committed monthly recurring revenue in October 2017 and new deals being closed and successfully implemented with Tank Juice, Sandwich Chefs, and Taco Bill. In the March quarter, Mobi2Go also closed a sale to Hudson's Coffee, a 70 store Australian coffee group, and Brumbys Bakery which is part of the RFG Australia group.

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%. Punakaiki Fund invested in Mobi2Go again during the March quarter to assist the company with its acceleration in top line growth, which lifted its shareholding to 17.3%. Subsequent to the end of the quarter, an additional investment from Punakaiki Fund (the second tranche of the March quarter investment) raised its shareholding to 19.6%.

www.mobi2go.com

REDSEED	Shareholding: **13.1%** 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, experienced another year of strong growth, closing out the year at over $2 million in revenue. The company moved premises in the September quarter to a new office in Christchurch which includes a purpose built filming space, and plan to move their Australian office to better, lower cost and more accessible work environment. Sales momentum continued to grow in Australia during the year, having entered that market only recently, with a number of significant contracts signed, including Beaumont Tiles, Drummond Golf and MJ Bale. After the financial year end, RedSeed also signed up the True Alliance Group, which has 16 new brands across Australia.

Work secured with large retailers in New Zealand continues to grow, with Foodstuffs, Fletchers, and Kathmandu on board, and eleven existing New Zealand clients taking on additional projects as a result of improved account management. RedSeed added two new business development managers in a reconfiguration of their sales team.

RedSeed received an MBA report on Best Practice Learning Methodologies, which includes good recommendations to build on going forward, but also indicates that RedSeed is ahead of the curve in their space. A broadened product offering now includes the ability to use RedSeed's Learning Management System platform to host customers' own courses, reducing the length of courses and introducing a micro-learning suite of courses. RedSeed also evolved their codebase to a Laravel (PHP) framework, which will allow for much faster development and more flexibility when adding additional functionality in the future.

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. At the start of FY18 this percentage was diluted slightly to 12.6% following the issue of new shares to RedSeed employees and directors. RedSeed purchased additional shares from an existing shareholder, increasing the Punakaiki Fund shareholding to 13.1%, and then directly purchased shares from an existing shareholder after the year-end to reach the current shareholding of 29.8%.

www.redseed.com

LINEWIZE

Shareholding: **0.0%**
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 was one of two Punakaiki Fund portfolio companies to exit in this financial year.

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

During the December 2017 quarter, 100% of the shares in Linewize were acquired by ASX-listed company Family Zone (FZO:ASX) for NZ$200,000 in cash and 19.014 million Family Zone shares. Just under half of these shares, or 9.500 million will only be released, over five tranches, if and when certain performance milestones are met over the next five years. In return for selling its 20% shareholding in Linewize, Punakaiki Fund received a $40,000 cash payment, 1.914 million Family Zone shares and up to a further 1.900 million Family Zone shares subject to certain performance thresholds being met. During the year, Punakaiki Fund made a very small investment in Linewize to fund a pro-rata share of the settlement date working capital requirements.

After the year-end, Punakaiki Fund sold all of its 1.914 million Family Zone shares for A$0.54 per share, realising a net amount of NZ$1.109 million.

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 continues to lead the market in providing software to boarding schools. The company is continuing its natural expansion into the day school market, interviewing and pilot testing ten private day schools in the USA. The March quarter saw Boardingware exceed $1 million in annualised recurring revenue.

Material price increases across its USA, UK, and Australian customer base has demonstrated the pricing power that Boardingware has developed in their market, as their product shows increasing value to customers. Boardingware now has a clear advantage over their sole competitor and continues to aggressively expand both their product and sales efforts.

Boardingware negotiated a trial with Eton College in the UK, signed up the prestigious Swiss-based Leysin American School, and signed up their first Chinese school (a company based in Hong Kong) which illustrates that Boardingware have some very large opportunities to sell to boarding and other schools in these new markets.

As part of the expansion into day schools, Boardingware has developed a new brand name, ORAH. The Boardingware brand will remain in use for the company's current customers until they start using the new brand for its day student software. Boardingware has had strong interest from their existing boarding school customers to extend the platform to their day students as well.

On the software development side, Boardingware are in the process of releasing a new kiosk platform and web application, have added tracking functionality for students on campus, and have released an Emergency Roll feature as the company's first foray into focussing on student security, health and safety.

Boardingware has also passed the first stage of standards ISO 27001, ISO 27018, and ISO 27017, all of which are audited by BSI. ISO 27001 specifies the requirements for establishing, implementing, maintaining, and continually improving an information security management system within the context of the organisation. It also includes requirements for the assessment and treatment of information security risks tailored to the needs of the organisation and is one of the more difficult standards to achieve and Boardingware is one of the first private companies in New Zealand to achieve such certification. ISO 27017 involves standards of information security controls, legal compliance, and business continuity and ISO 27018 involves controls and guidelines for implementing measures to protect personally identifiable information. These certifications serve as a key security and privacy differentiator for Boardingware and will strengthen market trust in Boardingware's ability to store and process students' personal and location information confidentially.

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.

In the December quarter, Boardingware was approved for a three year Callaghan Growth Grant starting in January 2018.

www.boardingware.com

EverEdge IP® Advisory | Transactions | Investment	Shareholding: **30.0%** First Investment: **Jul 2015**	*EverEdge helps companies drive growth and create wealth from intangible assets.*

EverEdge has performed well off the back of its restructure in FY17, with a continued focus on growth of core offerings in its key markets. The company has enjoyed strong revenue growth and combined with a reduction in costs, posted strong profitability in the December FY18, March FY18 and June FY19 quarters. Its intangible asset valuation service line has performed particularly strongly, posting triple digit revenue growth and receiving highly positive client feedback.

EverEdge has continued to gain traction into the Singaporean, Australian, and New Zealand markets, each of which are served by local offices, while the US and UK markets continue to be served from New Zealand. New Zealand now represents less than 30% of the company's revenues. The Singaporean government signed a two-year extension to its alliance agreement with EverEdge to provide advisory services with IP Value Lab (the commercialisation arm of the Intellectual Property Office of Singapore). In addition, both the Singaporean and Australian chartered accountants associations have asked EverEdge to undertake a series of intangible asset valuation presentations to their members. EverEdge has expanded its Singaporean office to six FTEs to support sales in that market.

Slightly closer to home, EverEdge completed a significant project working with IP Australia and a number of ASX-listed companies, added two full time positions to the Australian office and have a number of unique IP-related financing and transaction deals underway.

David Koris (the ex-head of IP for Royal Dutch Shell globally) joined the EverEdge board in the March quarter.

Punakaiki Fund invested in EverEdge Global during its July 2015 capital raising round, taking a 4.8% shareholding. This was subsequently diluted to 4.6% following the issue of shares to employees and an international capital raising round undertaken by EverEdge in FY17. Punakaiki Fund increased its shareholding in EverEdge via entering into agreements with seven of EverEdge's larger shareholders to purchase their EverEdge shares in exchange for Punakaiki Fund shares in early 2018. These transactions increased Punakaiki Fund's shareholding in EverEdge to 30.0%, which will be diluted after share issues to staff. Founder, Paul Adams, owns 58.6%.

www.everedgeip.com

melon health	Shareholding: **24.9%** 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 continues to generate traction in the rapidly expanding Mobile Health sector both locally and internationally. Several promising deals and trials have been signed with large healthcare and insurance providers and Melon Health has an exciting pipeline of signed and new opportunities to pursue in the USA catalysing a material capital raise planned for 2018.

New Zealand highlights included securing the following agreements:

- a contract with Comprehensive Care (a primary healthcare organisation in north Auckland) for Melon Health's mental health programme for mild to moderate mental illness;
- a partnership with NIB NZ on a Request for Proposal in relation to health insurance and wellness for Ngati Whatua Orakei. Melon Health and NIB were subsequently awarded the contract;
- a contract for Emotional Wellness for WellSouth (the Primary Health Network for Otago and Southland); and
- a contract with Hutt Valley DHB for Diabetes management delivered through primary care.

Melon Health continued to execute its US strategy to increase penetration in the very large US market. The following trials have been secured:

- a pilot programme with UnitedHealthcare – the largest insurer in North America;
- a trial to encourage self-management of conditions and to reduce readmission rates with Georgia Physicians – a doctor owned group with a focus on low cost care;
- in July 2018 (2019 financial year) Melon Health announced an agreement with Oscar Health to run a trial for diabetes prevention. Oscar Health is a large New York based healthcare insurance provider.

During the year, Brian Russell (ex-founder and CEO of Zephyr Technologies, which was sold to Medtronic) was appointed to the board of Melon Health as Chair, and Brian Leighs resigned as a director.

Punakaiki Fund first invested in Melon Health in February 2015 and was involved in a rights issue in FY17 which bought its shareholding to 18.4% at FY17 year-end. In the first quarter of FY18, Melon Health undertook a rights issue that was fully subscribed, 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 owned 23.4% of Melon Health. Punakaiki Fund was issued with and exercised convertible notes to bring its total shareholding to 24.9% as at FY18 year-end. After year-end, Punakaiki Fund purchased a small parcel of shares from departing director Brian Leighs, without a material change to its shareholding percentage.

www.melonhealth.com

E'STEL NZ	Shareholding: **26.6%** 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) have had a busy year with a focus on growing sales in new international markets and increasing capacity at their bottling plant in Nelson to cope with future demand.

NZAW has made good progress over the last financial year by pursuing opportunities in the following large international markets:

- Government compliance has been completed in Qatar and Nevada, allowing NZAW to sell into those markets;
- New supply agreements have commenced in Singapore, Qatar and Japan, and progress has been made for further expansion into the USA;
- NZAW continues to experience strong sales results in China; and
- A new term sheet has been agreed (with a 3-year Minimum Order contract imminent) with the JPT 27,000 Brand, which would make NZAW one of the largest sellers of water into China. Much of this water is sold in bag in box packaging, which has a substantially lower environmental footprint.

To meet this increasing demand, improvements have been made to the production plant. A new plant line was purchased and installed which runs five times faster than the previous line. The first stage of commissioning the new line was completed on budget and within three weeks of the target timeframe. A new blow moulder was also commissioned which allows faster production of NZAW's own bottles and a full new set of packaging has been developed and refined. A new production crew has been employed to run the new line as well as new staff to fill key executive positions.

Punakaiki Fund first invested in NZAW in June 2016 and took an initial 11.8% shareholding. In FY17 Punakaiki Fund invested in NZAW again to end FY17 with a 15.8% stake. The following investments were made by Punakaiki Fund in the FY18 financial year to bring Punakaiki Funds shareholding to 26.6%:

- The exercise of its options to increase its shareholding to 21.6% in June 2017;
- The purchase of a small amount of shares in August 2017 from an existing shareholder;
- A new investment in the December quarter alongside existing shareholders to take its shareholding to 24.2%; and
- Entering into an agreement with one of NZAW's larger shareholders to purchase a small amount of their NZAW shares in exchange for Punakaiki Fund shares taking the overall shareholding in NZAW to 26.6%.

We recognise that our investment in NZAW does concern some shareholders, specifically from the use of plastic bottles and the sustainability of the water source. We can say that NZAW's alkaline water is from a long-term sustainable bore, and the region has ample water for all uses. NZAW are also pioneers in the industry trend towards larger bottles and the bag-and-box packaging, each of which reduce the volume of plastic per litre. E'STEL packaging is 100% recyclable.

www.estel.nz

Shareholding: **19.1%**

First Investment: **Feb 2017**

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

Conqa (officially QA Tech Limited) solves the paper war previously associated with quality assurance in construction, and also stream-lines the process and achieves significant time and cost savings in respect of Council work-site inspections. Conqa has had a brilliant year, with strong revenue growth, team expansion, and hitting a number of significant milestones – including achieving annualised recurring revenue of $1 million. The team consistently execute on the company's business plan, and Punakaiki Fund continues to watch Conqa with interest.

Highlights for the year include:

- Fulton Hogan Australia commenced their pilot on the Melbourne Tram Upgrade project, and have outlined a path for a roll-out of Conqa throughout their Australian business;
- Opening an Australian office (Melbourne) managed by co-founder Barney Chunn, expanding the Conqa team from 10 to 22 people during the year, including employing a full-time business developer, and acquiring 20 new accounts in Australia off the back of this expansion;
- Being well received by both the Australian and New Zealand markets, and continuing discussions with significant partners such as:
  - Homes Land Community (a wholly-owned subsidiary of government social housing provider Housing New Zealand and a major player in the development of large scale residential projects); and
  - an Australasian design and construction contractor for a pilot of Conqa's software on both sides of the Tasman.
- Being used by the second and third largest primary contractors in New Zealand, Dominion Construction and Hawkins Construction; and
- Simon Wilson joining the Conqa board. Simon is a Director at RTD Pacific, a highly regarded project management consultancy based in New Zealand, and a Director of the New Zealand Green Building Council.

Punakaiki Fund invested in Conqa in February 2017, taking a 5.4% shareholding. Following Conqa's promising growth and execution to date, Punakaiki Fund increased its shareholding to 10.9% the partial exercise of its options in Conqa in the December quarter, and then completed the exercise of its option and led an investment round in the March quarter, increasing Punakaiki Fund shareholding in Conqa to 19.1%. Punakaiki Fund is Conqa's only institutional shareholder.

www.conqa.nz

Weirdly	Shareholding: **31.3%** First Investment: **Feb 2015**	*Weirdly helps companies that actively recruit people to find better applicants through the use of innovative software.*

Weirdly had a busy and successful year with significant software developments, material customer acquisition, and the bolstering of their executive and non-executive teams.

On the product development side, highlights included:

- Launching V3 of Weirdly's software, which better caters to large and enterprise customers;
- Weirdly becoming the first integration partner on Aotal's new Talent App Store;
- Launching a beta version of Weirdly's automated question/quiz building feature, which will speed up on-boarding and delivery of new customers; and
- Adding a new metric for Weirdly's integration partners' applicant tracking systems. This demonstrates Weirdly's value-add generally, but also that of its other integration partners, and resulted in up to a 40% improvement in engagement with joint customers.

Customer acquisition highlights over the year included a strategic focus on large enterprise customers with at least 1000 staff, commencing work with a number of recruitment process outsourcing and recruitment agencies as additional entry points into new markets, and on-boarding two significant customers in the September quarter.

The Weirdly team was bolstered by the addition of Billy Morgan joining the product team in September as Senior Engineer, Campbell McLean joining as CTO in December, and following the year-end, Sascha Gray joined as VP Sales. Teresa Pollard joined the Weirdly Advisory Board, bringing global enterprise sales experience which will be a huge asset to Weirdly going forward. CEO Dale Clareburt delivered on a busy international agenda, speaking at the HRTechWorld Conference in San Francisco along with being the MC for one of the conference streams for a day, presenting at the HRTech World Congress Amsterdam and investigating the European market, making four trips to Australia as Weirdly grew a pipeline of large sales, and opening an Australian office.

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 and, along with new external shareholders, in February 2017 and again in November 2017. Punakaiki Fund participated in Weirdly's latest capital raise in July 2018 (after the financial year end) alongside existing investors, taking slightly more than Punakaiki Fund's pro-rata entitlement and increasing its shareholding to 31.7%.

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 great start to the year, with strong revenue growth in the June quarter. Following the previous year's focus on product improvement and building incremental sales, a number of developments have been added to the InfluxApp. These include a differential pricing model, a feature to allow members to book their own appointments, a member importer functionality, and adding appointment text and email reminders.

Influx reached break-even in the previous financial year, and continue to operate out of cash flows generated by the business. Founders Scott and Dania Mayo continue to improve the software and add customers, with a number of potential deals in the Australian market.

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: **11.0%**

First Investment: **Apr 2015**

ThisData formerly provided contextual login authentication services for SaaS companies.

ThisData was one of two Punakaiki Fund portfolio companies to exit in this financial year.

At the start of FY18, 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 renamed TD Limited) is now a non-operating, holding company for 200,000 OneLogin shares. These shares will be held under escrow for a period of time while the warranties granted by TD 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 represented 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 (as it was then known) 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 would be 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 at the start of FY18 to 11.0% following the completion of a small rights issue held to raise capital to fund the completion of the OneLogin transaction.

www.thisdata.com

POPULATE

Shareholding: **14.6%**

First Investment: **May 2016**

Populate helps companies collaboratively plan and track their hiring plans using a SaaS-based platform.

Populate launched to paying customers, following some beta testing, in September 2016. The Populate founders sustain the company through providing consulting services, while focussing the business on developing the product for larger target customers.

Over the course of the financial year, Populate added a number of new functions and features to its software including user management/invitations, user permissions, organisation creation, password resets, compensation management, job actions and reporting. Populate also restructured its platform to more easily deploy new functionality and features in the future. Populate is well positioned to capitalise on its continuous focus on product development and will be launching a V2 of the product into market in calendar year 2018, after which it expects to undertake a significant ramp up of its sales efforts.

While progressing with customers was not a focus, the quarter ending in June saw Populate close on their fastest deal ever – four days! The client, a US-based high-growth technology company, on-boarded and paid immediately after receiving a demo.

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 in FY18 (June 2017) to increase our shareholding to 14.6%.

www.populate.io

HAYLOAD

Shareholding: **23.3%**

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 completing its first release-ready version of its software and sourcing sales leads. There were delays in releasing the software, which meant Hayload's first users only came on board in December 2016. In addition, at the time of launch, potential customers were 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 some of the remaining core issues. Hayload's new product "Base" was released in the first half of 2017, which provides a contractor workshop / fixed-based solution. Hayload restarted its sales push, including exhibiting at the 2017 National Agricultural Fieldays. While some new customers were signed up during the prime selling season (winter), and a number of annual payments were received from subscribers, it's fair to say the company is a long way from sustainability.

Punakaiki Fund took an initial 17.6% in Hayload in July 2016 (in the FY17 financial year) as well as 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%. In FY18, Punakaiki Fund renegotiated the expiry date of the aforementioned option to 31 December 2017 and exercised part of that option, lifting its shareholding to 23.3%.

www.hayload.co

Directors' Statement and Statutory Information

FOR THE PERIOD ENDED 31 MARCH 2018

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 2018.

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 2018. No other person held office as a director of Punakaiki Fund during the 12-month period ending 31 March 2018.

- 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	**2018**			**2017**		
	Base Fees	**GST**	**Total**	**Base Fees**	**GST**	**Total**
Michael John Bennetts	5,000	-	5,000	5,000	-	5,000
John Charles Berry	5,000	750	5,750	5,000	750	5,750
Bryan Simpson Hutchins	5,000	-	5,000	5,000	-	5,000
Amanda Rhean Simpson	5,000	750	5,750	2,500	-	2,500
Graeme Lance Turner Wiggs	-	-	-	-	-	-
Total	**20,000**	**1,500**	**21,500**	**17,500**	**750**	**18,250**

The remuneration set out in the table above sets out the directors' fees received by the directors. Mandy Simpson received $2,070 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 - 2018		
Director	Beneficial Interest Ordinary Shares	Non-beneficial Interest 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 - 2017		
Director	Beneficial Interest Ordinary Shares	Non-beneficial Interest 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**

** 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 2018 balance date.

Lance Wiggs' shareholding in both 2017 and 2018 include a partial interest in 114 shares (FY17: 114 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 2018:

Michael John Bennetts:

- Director of Loyalty New Zealand Limited
- Director of Matau Technologies 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
- Shareholder of Sharesies Limited

Bryan Simpson Hutchins

- Director and Shareholder of Phaben Holdings Limited

Amanda Rhean Simpson

- Shareholder of BraveNewCoin (Techemy Limited)
- Shareholder of Raygun Limited (a Punakaiki Fund portfolio company)
- Shareholder of Powerhouse Ventures Limited

Graeme Lance Turner Wiggs:

- Director and Shareholder of Lance Wiggs Capital Management Limited
- Director of InfluxHQ 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 New Zealand Artesian Water Limited
- Director of QA Tech Limited
- Director of Coherent Solutions Limited
- Director/shareholder of 200Square, alongside Grant Wakelin, currently employed by Devoli
- Periodic external practitioner for NZTE Investments (potentially advising companies prior to investment by Punakaiki Fund). Average 2-3 days per year.
- Member of the Return on Science Physical Sciences Committee
- Former Chairman and now member of the Return on Science ICT Committee
- Lance Wiggs' brother, John Wiggs, was retained by Devoli as now Devoli Acting CEO. This arrangement ceased in October 2017
- Lance is also a director/shareholder of Define Instruments, Authentic, Pocketsmith, Lingopal (Au) and investor in Taggle (Au) and Future Technologies in Cricket (USA).

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 $37,556 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 2018.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2018

Shareholder	Ordinary Shares	% of Class
Phaben Holdings Limited	70,178	4.24%
Graeme Lance Turner Wiggs	63,500	3.83%
Michael John Bennetts & Karen Allanah-Maree Bennetts	49,500	2.99%
Mark John Boyle & Joanne Helen Stuthridge	33,770	2.04%
Phizzy Limited	30,000	1.81%
Lewis Holdings Limited	29,250	1.77%
Southern Hills Imperial Timber (1932) Pty Limited	29,000	1.75%
Todd Reynal Stevens	27,645	1.67%
Kennerley Investments Limited	25,106	1.52%
Public Trust Class 10 Nominees Limited	25,000	1.51%
Chunjing Song	23,900	1.44%
James Bremner Trust Nominees Limited	22,000	1.33%
Clarence Mervyn Hislop	22,000	1.33%
Krassimir Nikolov Modkov	22,000	1.33%
Ross Inglis	21,400	1.29%
Malcolm John Wade	17,800	1.07%
Hongwu Zhao & Xiaomei Zhou	17,500	1.06%
Mark Gary Hackner & Bastiankoralage Belinda Valerie Jayamaha Rodrigo	16,858	1.02%
Alan John McLeod & Denis Frank Wood	16,762	1.01%
Margaret Oenone O'Neill Field	16,500	1.00%
Top 20 Shareholders	**579,669**	**35.00%**
Remaining Shareholders	1,076,567	65.00%
All Shareholders	**1,656,236**	**100.00%**

** Graeme Lance Turner Wiggs also has a beneficial interest in 114 Punakaiki 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 FY2018 and FY2017. 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.

Punakaiki Fund Limited - Calculation of INAV and ANAV	**INAV**	**ANAV**
Value of Investments at 31 December 2017	$34,160,000	$34,160,000
plus- Cash	$734,440	$734,440
plus - Net Working Capital	$7,276	$7,276
less - Performance Fee payable to LWCM	$(1,799,265)	$(503,794)
Net Asset Value (Investor or Accounting)	**$33,102,450**	**$34,397,921**
Number of ordinary shares on issue	1,656,236	1,656,236
Net Asset Value per Share	$19.99	$20.77

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 2018 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 50 to 65 for issue on 31 July 2018.

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

Independent Auditor's Report

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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 50 to 65, which comprise the statement of financial position of the Company as at 31 March 2018, 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 5 to 20 present fairly, in all material respects, the financial position of the Company as at 31 March 2018 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.

Ernst & Young provides other assurance related services to the Company. We have no other relationship with, or interest in, the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation and accounting of financial instruments held at fair value

Why significant	How our audit addressed the key audit matter
The Company has capital invested primarily in unlisted companies. As an investment entity, in accordance with NZ IFRS 10 *Consolidated Financial Statements*, the Company is required to record all of its investments at fair value irrespective of whether the Company controls or significantly influences any of the companies it has invested in. One area that involved significant audit effort and judgement was the valuation of illiquid instruments. Note 3.1.1 to the financial statements describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments. These instruments are valued based on models and assumptions that are not observable by third parties which are generally considered model based level III as included in Note 4 Fair values of financial instruments. The regression equation parameters and overall enterprise value/revenue multiples were capped in the valuation of Software-as-a-Service investments and a combined discount for liquidity, size and control premium was applied. As a result, as at 31 March 2018, these investments of $34.2m (FY17: $25.5m) have a higher potential risk to be affected by error or management bias. Therefore this area is considered a key matter for our audit. The following methodologies were used as part of the valuation process: ▶ Valuations implied by recent investment; ▶ Conventional multiples based valuation approach; ▶ Regression-based approach to estimating revenue multiples; and ▶ Independent valuations. The Directors make significant judgements because of the complexity involved in valuing some of these assets. These judgements include: ▶ The determination of significant unobservable inputs and the categorisation of financial instruments	In performing our audit procedures we: ▶ Obtained a detailed understanding of the valuation processes with the assistance of valuation specialists and identified all material factors that had a significant impact on the valuations. We assessed the appropriateness of the valuation methodologies. The assessment of the valuations was performed by involving the specialists and evaluating the appropriateness of the Company's specific fair value adjustments; ▶ Assessed the level of observability in the market for the investments to determine the fair value hierarchy of inputs; ▶ Reviewed the reasonability of financial information that was used in the calculation of investments valued using an earnings/revenue multiple. We involved a specialist to assist in reviewing the significant assumptions that affect the fair value assessment of the model based calculations. We considered the significant assumptions to be the multiple and discount/premium applied; ▶ Reviewed the basis upon which the regression analysis was performed. The regression analysis entailed determining a linear relationship between revenue growth rates and revenue multiples for a set of approximately 60 listed companies. This assumes that a given change in revenue will result in a pre-defined change in the revenue multiple. While regression analysis is an acceptable method to estimate the appropriate revenue multiple for capitalisation, we noted that the comparisons were made with companies significantly different to the Company's investments included 5 entities with revenues of over $1billion. Given the Company's investee entities have revenues of less than $50million we were concerned that the resulting multiples may not be appropriate. However the regression as used included caps to the slope, intercept and the overall multiple used, while discounts (for lack of size and liquidity) were applied to all valuations, which combined to reduce the valuations to acceptable levels; ▶ Assessed the overall reasonability of management's fair value calculation based on the above procedures;

based on the IFRS 13 *Fair Value Measurement* fair value hierarchy;

- The calculation methodology and inputs of valuation adjustments;
- The sample companies used for benchmarking target companies;
- The use of linear regression when non-linear conditions may exist;
- The factor used to estimate the appropriate revenue multiple (being the most recent growth rate); and
- The explanatory power of the regression.

- Evaluated the Company's accounting policy of recording recently acquired investments at cost if purchased in the last twelve months as appropriate. We obtained supporting documentation for the inputs materially impacting the valuations, being the relevant transaction for the price of recent offerings and assessed whether the transactions were representative of an arm's length market transaction;
- As part of our subsequent event procedures we inquired of management and reviewed Board Minutes for evidence of further transactions in the investments that could have impacted the value; and
- Assessed the adequacy of the disclosures in Note 4 to the financial statements in accordance with New Zealand equivalent to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate.

Calculation of performance and management fees

Why significant

The Company's key expenses are management and performance fees earned on the investments.

For the year ended 31 March 2018, management fees paid were $0.635m (FY17: $0.420m) and the performance fees accrued resulted in income of $0.214m due to not meeting the performance targets.

Expenses from management and performance fees are incurred and calculated in accordance with the Investment Management Agreements and Product Disclosure Statements.

The quantum of these expense streams and the impact that the variability of market based returns can have on the recognition and earning of performance fees results in this being a key area of audit focus.

Disclosures relating to these expense streams are included in Note 8 to the financial report.

How our audit addressed the key audit matter

In performing our audit procedures we:

- Obtained an understanding of the process in place in relation to the calculation of management and performance fees;
- Performed a recalculation of management fees and performance fees based on the net asset value ("NAV") of the Company, having performed relevant audit procedures in relation to the valuation and accounting of financial instruments held at fair value which drives the NAV, to assess whether this was in accordance with contractual arrangements;
- Verified the NAV of the Company with reference to audit procedures for the year ended 31 March 2018. The management fee is paid quarterly based on the quarter-end NAV. For quarterly NAVs we performed an equity roll-forward based on actual subscriptions and redemptions in the Company; and
- Assessed the adequacy of the disclosures in Note 8 to the financial statements in accordance with New Zealand equivalent to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate.

EY
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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, 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-4/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Auckland
31 July 2018

Punakaiki Fund Limited
Statement of comprehensive income
for the year ended 31 March 2018

	Notes	Year ended 31/03/2018 $'000	Year ended 31/03/2017 $'000
Interest Income		3	4
Dividend Income		344	69
Change in fair value of investments	4.5	(18)	5,563
Other operating income		-	23
Accrued Performance Fees	8.1.3	214	(978)
Management Fees	8.1.1	(635)	(420)
Insurance		(35)	(13)
Consulting and Accounting Expenses		(44)	(73)
Audit Fees	9	(42)	(36)
Legal Expenses		(10)	(10)
Other		(26)	(23)
(Loss)/Profit before tax		(249)	4,106
Income tax expense	5.1	-	-
(Loss)/Profit and total comprehensive income for the year		(249)	4,106

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

Punakaiki Fund Limited
Statement of financial position
at 31 March 2018

	Notes	31/03/2018 $'000	31/03/2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	735	2,843
Resident Withholding Tax receivable		31	6
Prepayments		26	16
Trade and other receivables		1	19
Total current assets		793	2,884
Non-current assets			
Investments	4.1	34,160	25,540
Total non-current assets		34,160	25,540
Total assets		34,953	28,424
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		52	57
Total current liabilities		52	57
Non-current liabilities			
Performance fee payable	8.1.3	504	564
Total non-current liabilities		504	564
Total liabilities		556	621
Capital and reserves			
Issued capital	6	24,770	17,773
Share based payment reserve	6.2	1,295	1,449
Retained earnings	6.3	8,332	8,581
Total equity		34,397	27,803
Total equity and liabilities		34,953	28,424

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

Punakaiki Fund Limited
Statement of changes in equity
for the year ended 31 March 2018

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
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
Balance at 1 April 2017	17,773	1,449	8,581	27,803
Loss and total comprehensive income for the year	-	-	(249)	(249)
Contributed capital	7,150	-	-	7,150
Transaction costs	(153)	-	-	(153)
Share based payments in relation to performance fee	-	(154)	-	(154)
Balance at 31 March 2018	24,770	1,295	8,332	34,397

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 2018

	Notes	**Year ended 31/03/2018 $'000**	**Year ended 31/03/2017 $'000**
Cash flows from operating activities			
Interest received		3	4
Dividend received		344	69
Payments to suppliers		(155)	(150)
Management Fees		(635)	(420)
Resident Withholding Tax refunded/(paid)		(25)	4
Net cash (used in)/generated by operating activities	10	(468)	(493)
Cash flows from investing activities			
Proceeds from sale of Investments		40	-
Payments to acquire Investments		(6,783)	(3,407)
Net cash (used in)/generated by investing activities		(6,743)	(3,407)
Cash flows from financing activities			
			-
Proceeds from issue of equity instruments of the Company		5,256	5,470
Payment of transaction costs on issue of equity instruments		(153)	(164)
Net cash used in financing activities		5,103	5,306
Net (decrease)/increase in cash and cash equivalents		(2,108)	1,406
Cash and cash equivalents at the beginning of the year		2,843	1,437
Cash and cash equivalents at the end of the year	11	735	2,843

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 2018

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 2018.

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. The Company has reviewed the standard and no significant impact will occur. 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 has 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 Company will first apply NZ IFRS 16 in the financial year beginning 1 April 2019. The Company currently has no leases, therefore does not expect any impact from adoption of this standard.

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.

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

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 Share-based Payment, and measurements that have some similarities to fair value but are not fair value, such as value in use in NZ IAS 36 Impairment of Assets.

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 statement of 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.

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

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.

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

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 2018 an equity raising fee of $0.153 million was paid (2017: $0.164 million). No amounts were outstanding at balance date (2017: 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.

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

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. The Board and management may also directly appoint independent valuers to obtain the fair value of certain investments. 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 $34.16 million (2017: $25.54 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net loss of $0.018 million (2017: net gain of $5.563 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	2018			2017		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Boardingware International Limited[1,6]	400,000	1,400,000	28.6%	400,000	1,400,000	28.6%
EverEdgeIP Global Limited[1]	3,937,915	13,131,072	30.0%	600,000	13,063,072	4.6%
InfluxHQ Limited[1]	182,491	724,881	25.2%	182,491	724,881	25.2%
Melon Health Limited[1]	559,211	2,249,101	24.9%	347,822	1,893,875	18.4%
Mindfull Group Limited[1]	327	1,705	19.2%	327	1,705	19.2%
Mobi2Go Limited	24,828	143,392	17.3%	16,660	133,642	12.5%
Onceit Limited[1]	25,625	100,000	25.6%	25,625	100,000	25.6%
Raygun Limited	501,445	7,945,197	6.3%	501,445	7,943,309	6.3%
RedSeed Limited[1]	14,400	109,750	13.1%	144	1,124	12.8%
TD Limited	302,669	2,744,330	11.0%	280,804	2,571,915	10.9%
Timely Limited	63,647	1,662,417	3.8%	63,647	1,365,670	4.7%
Vend Limited[3]	672,178	34,356,616	2.0%	672,178	34,356,616	2.0%
Devoli Limited (Vibe Communications)[2,6]	1,594,000	5,499,000	29.0%	1,418	5,499	25.8%
Weirdly Limited[1]	101,577	324,860	31.3%	94,345	310,395	30.4%
Hayload Limited[2]	4,338	18,618	23.3%	3,810	18,090	21.1%
Linewize Limited[4]	-	-	0.0%	2,500	12,500	20.0%
Linewize Services Limited	-	-	0.0%	2,500	12,500	20.0%
New Zealand Artesian Water Limited[1]	6,128	23,025	26.6%	30	190	15.8%
Populate Limited	1,908,860	13,102,267	14.6%	1,667,566	12,860,973	13.0%
QA Tech Limited (Conqa)[1]	26,250	137,222	19.1%	6,250	115,000	5.4%
Coherent Solutions[1]	42,291	279,677	15.1%	-	-	0.0%
Family Zone Cyber Safety Limited[5]	1,913,708	134,500,000	1.4%	-	-	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.

[4] Lance Wiggs resigned from Linewize Limited and Linewize Services Limited as a director following the companies being acquired by Family Zone Cyber Safety Limited, a listed company on ASX.

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

[5] The Company exchanged its shares in Linewize Limited and Linewize Services Limited for shares in Family Zone Cyber Safety Limited. The Company also holds 1,900,000 Family Zone Cyber Safety Limited performance shares which convert into ordinary shares if certain performance thresholds are met.

[6] The fair value of these companies is provided by independent valuers at balance date.

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

Fair value as at 31 March 2018

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value ($)
1) Substantial - Devoli - OnceIT - Vend - Mindfull	Market value on acquisition, revenue multiple, or EBITDA Multiple	$12.510 million
2) Well-established businesses - Raygun - Timely - Melon Health - RedSeed - Mobi2Go - Everedge IP - Coherent Solutions	Market value on acquisition, or Transaction Evidence, or Revenue Multiple	$12.610 million
3) Early Stage - Boardingware - Weirdly - InfluxHQ - ThisData - Populate - New Zealand Artesian Water - Hayload - Conqa	Market value on acquisition, or Revenue Multiples (including weighted methods), or fully impaired	$7.320 million
4) Listed - Family Zone	Forecast vesting data (including weighted multiples)	$1.720 million
Total Investment at fair value		**$34.16 million**

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**

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

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	14.4 - 16.0 (15.8)	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	1.7 - 19.0 (6.8)	The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples were lower.
Net Assets (modified)	N/A	The estimated fair value would increase if net assets were higher. The estimated fair value would decrease if net assets were lower.

Significant unobservable inputs are developed as follows:

- *EBITDA/Revenue multiples:* Represents amounts that market participants would use when pricing the investments. EBITDA/Revenue multiples are selected from comparable public companies based on geographic location, industry size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Company by its EBITDA or revenue.
- *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.
- *Impaired:* represents where an investment has been written down to a zero value due to poor performance.
- *Forecast vesting data:* represents the probability of performance tranche classes vesting into ordinary shares. The probability of vesting is dependent on the recurring service revenue of the Linewize Companies or their services globally, the total school deployments of the core technology of the Linewize Companies, (based on number of schools, not physical deployment) in any country and the number of New Zealand Family Zone accounts with active services and an active and valid payment method.

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)
2018	**$'000**	**$'000**
Investments	37,640	30,920
2017		
Investments	29,440	22,040

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 reasonably 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 2018 were 1.7 - 19.0 (with reasonably possible alternative assumptions of 2.2 - 24.7 (favourable) and 1.2 - 13.3 (unfavourable) (2017: 5.3; 16.9; 7.0; 22.0; 3.5 and 12.0 respectively).

The EBITDA multiples used in our valuations at 31 March 2018 were 14.4 - 16.0 (with reasonably possible alternative assumptions of 18.7 - 20.8 (favourable) and 10.1 - 11.2 (unfavourable)) (2017: 11.5; 15.2; 15.0; 20.0; 8.0; and 12.0 respectively).

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

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 31/03/2018 $'000	Year ended 31/03/2017 $'000
Unlisted equity investments		
Balance at beginning of year	25,540	16,570
Purchases - cash	6,783	3,407
Disposals - cash	(40)	-
Purchases - issue of shares	1,895	-
Change in fair value of investments	(18)	5,563
Balance at end of year	34,160	25,540

There has been disposals of investments of $0.040 million (2017: Nil) at carrying value therefore the full unrealised gain in fair value of investments of $1.182 million (2017: $5.563 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 31/03/2018 $'000	Year ended 31/03/2017 $'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 (benefit)/expense for the year can be reconciled to the accounting profit as follows:	Year ended 31/03/2018 $'000	Year ended 31/03/2017 $'000
(Loss)/Profit before tax from continuing operations	(249)	4,106
Income tax (benefit)/expense calculated at 28%	(70)	1,150
Effect of income that is exempt from taxation	5	(1,558)
Effect of non-deductible expenses	(38)	197
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	65	203
Others (imputation credits gross up)	38	8
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

	31/03/2018 $'000	31/03/2017 $'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)	468	253
- deductible temporary differences	141	158
	609	411

Punakaiki Fund Limited
Notes to the financial statements
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6 Issued capital

	31/03/2018 $'000	31/03/2017 $'000
Issued capital comprises:		
1,656,236 fully paid ordinary shares (31 March 2017: 1,311,441)	24,770	17,773
	24,770	17,773

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2018 were $0.153 million (2017: $0.164 million)

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2017	1,311	17,773
Shares issued during the year	345	6,997
Balance at 31 March 2018	1,656	24,770
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

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 2018, there are no unpaid shares on issue (31 March 2017: None) and no unpaid options (31 March 2017: None) on issue.

6.2 Share based payment reserve

	31/03/2018 $'000	31/03/2017 $'000
Balance at beginning of year	1,449	745
Arising on share-based payments (performance fee)	(154)	704
Balance at end of year	1,295	1,449

The share based payment reserves relates to the portion of the Manager's performance fee that is settled through the issue of shares rather than cash. More detail on performance fees is provided in note 8.13.

6.3 Retained earnings

	31/03/2018 $'000	31/03/2017 $'000
Balance at beginning of year	8,581	4,475
(Loss)/Profit attributable to owners of the Company	(249)	4,106
Balance at end of year	8,332	8,581

Punakaiki Fund Limited
Notes to the financial statements
for the year ended 31 March 2018

7 Financial instruments

7.1 Categories of financial instruments	31/03/2018 $'000	31/03/2017 $'000
Financial assets		
Financial assets at Fair Value Through Profit or Loss		
Investments	34,160	25,540
Loans and Receivables		
Cash and cash equivalents	735	2,843
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	504	564
Accounts payable	52	57

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 2018 the management fee paid was $0.635 million (2017: $0.42 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 2018 an equity raising fee of $0.153 million was paid (2017: 0.164 million). No amounts were outstanding at balance date (2017: 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 2018, total income of $0.214 million (2017: $0.978 million) has been recognised in profit or loss. Of this income, $0.060 million was recognised as a decrease in the performance fee liability of $0.504 million (2017: $0.564 million) in relation to the cash settled portion of the performance fee and $0.154 million was recognised as part of the share based payment reserve of $1.295 million (2017: $1.450 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 2018, directors of the Company or LWCM holding a beneficial interest in shares of the Company were Lance Wiggs 63,500 shares (2017: 63,500 shares)*, Michael Bennetts 49,500 shares (2017: 49,500 shares and 2,000 September 2017 options), John Berry 9,658 shares (2017: 9,658 shares and 1,000 September 2017 options), Bryan Hutchins 70,178 shares (2017: 70,178 shares and 6,000 September 2017 options), Amanda Simpson 6,600 shares (2017: 6,600 shares) and Chris Humphreys 286 shares (2017: 286 shares). At 31 March 2018, LWCM held 114 shares (2017: 114 shares).

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

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8.2.2 Directors' Fees

Director fees paid by the Company during the year have been disclosed on page 40 of the Annual Report. Nil remain payable at year end.

9 Audit Fees	31/03/2018 $'000	31/03/2017 $'000
Audit of financial statements	39	33
Other services (audit of share register)	3	3
Total Audit Fees	42	36

10 Reconciliation of profit for the year to net cash used in operating activities	31/03/2018 $'000	31/03/2017 $'000
(Loss)/Profit for the year	(249)	4,106
Adjustments for:		
Change in fair value of investments	18	(5,563)
Accrued Performance Fees	(214)	978
	(445)	(478)
Movements in working capital:		
(Decrease)/Increase in trade and other payables	(5)	16
(Increase) in prepayments	(11)	(16)
(Increase)/Decrease in trade and other receivables	18	(19)
Decrease/(Increase) in withholding tax receivable	(25)	4
Net cash used in operating activities	(468)	(493)

10.1 Non-cash transactions

During the current year, the company entered into the following non-cash investing and financing activity which is not reflected in the statement of cash flows:

Share issue proceeds of $1.895 million were received in the form of investments (2017: nil).

11 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 statement of financial position as follows:

	31/03/2018 $'000	31/03/2017 $'000
Cash on hand and demand deposits	735	2,843
Total cash and cash equivalents	735	2,843

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

12 Financial risks

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

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12.1 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 Devoli Limited and Onceit 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 $10.248m lower. If equity prices stregthened by 30%, holding all other variables constant, profit and equity would be $10.248m higher. The Company believes a 30% weakening (or strengthening) in equity prices is reasonably possible given its investment in early stage, fast growing companies.

12.2 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.

12.3 Liquidity risk

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

12.4 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.

13 Subsequent Events

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in Mobi2Go Limited, Melon Health Limited, RedSeed Limited, Weirdly limited, Coherent Solutions Limited and Devoli Limited and has sold 1,913,708 Family Zone shares. Punakaiki Fund also raised $1,712,130 in new capital by issuing 81,530 new ordinary shares at a price of $21.00 per share.

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:

Level 5

2 Kitchener Street

Auckland 1010

Manager

Lance Wiggs Capital Management Limited

Level 5

2 Kitchener Street

Auckland 1010

Solicitors

WynnWilliams

Level 11, AIG Building

41 Shortland Street

Auckland 1010

Auditor

Ernst & Young

2 Takutai Square

Britomart

Auckland 1010

Registrar

The Share Register is maintained by Lance Wiggs Capital Management Limited

Level 5

2 Kitchener Street

Auckland 1010