PUNAKAIKI FUND LIMITED

Annual Report

For the year ended 31 March 2019

31 July 2019

Raised $6.1 million

- $4.6 million cash raised via a wholesale and a retail offer

  $1.5 million raised via Shares issued to make investments

Invested $6.0 million

RedSeed (2 tranches)
NZ Artesian Water (2 tranches)
Coherent Solutions (2 tranches)
Melon Health (4 tranches)
Boardingware
Weirdly (2 tranches)
Devoli (6 tranches)
Mobi2Go (2 tranches)

Realised $1.1 million

Linewize/FamilyZone

$47.3 million

in Total Assets

$7.1 million

change in fair value of investments

$0.8 million

net cash used in operating activities

$5.0 million

Profit After Tax

Increases in shareholdings in Devoli, RedSeed and Melon Health

Portfolio Company Sales

- Family Zone – sold shares received from sale of Linewize

23.3% IRR

Annualised increase in unrealised and realised portfolio company value since inception

(Up 66% on initial investment value)

$117 million

estimated reported FY2019 revenue from all companies

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Chair's Report

Kia ora tātou

It's good to look back on an important year for Punakaiki Fund.

The most obvious milestone was the September 2018 shareholder vote against an early listing of Punakaiki Fund's shares on a stock exchange. That decision released pressure from the LWCM team and allowed them to focus on working with companies and growing the fund. We are very content with this decision and look forward to re-engaging with shareholders as we get closer to $100 million in assets. We want to make sure that any listing of the shares is successful, and we are told by many investors that we need to be at least this size, if not greater.

The September meeting also saw the retirement, with thanks, of Brian Hutchins as a director, and we were later very happy to appoint Blake Richardson in his place. Blake brings hands-on experience as part of a family office and is an active investor in a space that overlaps with Punakaiki Fund. His family have also been strong financial supporters of Punakaiki Fund. Later in the year I was very happy to appoint fellow director Mandy Simpson to a senior role reporting to me in my day job. We remain comfortable that any potential conflict is being appropriately managed.

Another change came after the end of the year, with the announcement of a tightened investment policy by LWCM. I can convey that the Board applied a good degree of questioning to Lance and Chris about LWCM's continued investing in a water company, and we are very happy with the response. Punakaiki Fund is now clearly focused on technology companies, and ones that have a reasonable amount of revenue for their business model.

Identifying what you are good and not so good at doing is an important part of improving performance, and LWCM and Punakaiki Fund are stronger for it.

The economic realities of this learning process are that we have written down the investments that have not performed, to the point where under 4% of the portfolio value at the end of June 2019 would be out of mandate for new investment. We expect this percentage to continue to decline as the fund continues to invest in the targeted areas and as all in-mandate companies grow in value. To be clear, our investments into very small companies have been written-down, sold or the company has subsequently grown into a larger company.

This year's valuation and audit process was as robust as always, with LWCM producing a 160 page report, as the primary input for the Board. We introduced a more granular and rigorous approach to establishing the discounts used to mark values down from listed comparable companies. We also used three or four (for Software as a Service companies) valuation approaches for all the companies, including the most recent transaction, and three approaches using comparable companies. These approaches were reviewed by our auditors and as usual they applied considerable vigour in ensuring that the underlying numbers are based on facts.

I am very happy to report a solid result for the financial year, booking $7.1 million in revaluation gains and seeing the value of the fund grow to $47 million. We have a portfolio of 15 significant investments and are looking forward to an interesting year ahead.

While we did see a return to strong valuation gains in 2019, we continued to hold a firm pen when it comes to marking the value of companies down. We lowered the valuation for the shares, net of new investment, for six of the twenty investments versus a year earlier.

The Board observed last year that Lance and Chris were struggling under the weight of work they are required to perform, including substantial administrative burdens for Punakaiki Fund. So we are encouraged by the growing LWCM team, and have also set aside funds to allow LWCM to add administrative capacity. We feel it is important that Punakaiki Fund is sustainable, and that LWCM can give their best to founders and investors.

Lance and Chris have now been operating Punakaiki Fund for over five years, and have grown Punakaiki Fund from just over $1.5 million to $47 million in that time. The next five years promise a lot, and I look forward to seeing those promises deliver.

Mike Bennetts

Chair

Manager's Report

Kia ora tātou

We delivered good returns to investors last year, with the investor net asset value per share rising from $19.99 to $22.67. That's good, but not great, as it's still well beneath our target of 20% returns per annum.

Last year we invested $6 million, over 22 transactions, down from $8.7 million and 28 transactions the year before. The simple reason for lower activity is that we had limited funds to deploy – raising only $6.1 million, and adding another $1.1 million from the sale of the Family Zone shares we received after the Linewize sale. We were very happy with our sale price of 54 cents per share – the Family Zone shares have not reached that level since then and have since traded as low as 12 cents per share.

The constrained capital made for too many hard conversations with companies performing well but starved for capital. We had to delay conditional investments into two companies, and were grateful when a proposed new investment was delayed.

We continue to treat your money with care. In financial year 2019 our net cash used in operating activities rose to $773,000, which is 1.64% of the $47 million of assets at the year-end.

Our operating expenses increased by 18.6% to $967,000, and our dividends and interest receipts dropped to $194,000 from $347,000. The dividend drop was the result of a large one-off dividend received in 2018.

The net cash use of 1.64% is a result that reflects, as always, our asset growth during the year, and that the 2% management fee is assessed at the start of each quarter.

Return to Profit

As expected, the underlying growth of the companies and the passage of time saw the portfolio rise in value in FY2019. The revaluation gain of $7.1 million drove a profit for the year of $5.0 million, up from a small loss in FY2018.

We are in a very long-term investment and reward cycle, and we do expect to win on average, and we also expect to have the occasional bad year. We are happy to put FY18 well behind us and are looking forward to continued growth.

Increased Value

Punakaiki Fund held $47.3 million in assets at the end of FY2019, up from $35.0 million a year before. The increases in value were predominately the result of increased revenue, with the exception of one company where an external investment dictated value.

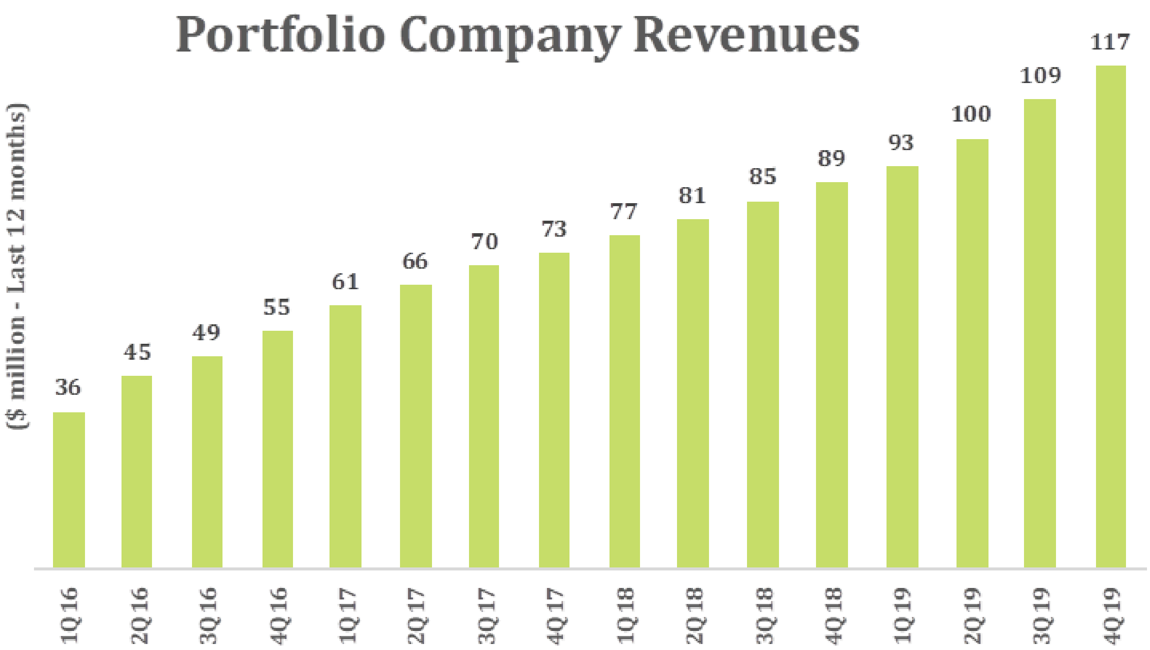
At year-end we held 9 investments that we valued at over $2 million, with 15 at near to or over $1 million. Our investment and management focus is on these 15 companies, with the remaining 5 companies representing just over 1% of the assets. We sold our shares in one of those 5 companies, Influx, back to the founder after the year-end. Two others (Family Zone and ThisData) have sold their business or assets, and we are waiting to realise some of all of our returns.

After the year-end we also announced that our tighter mandate means that we will regard our shares in NZ Artesian Water as out of mandate. We will continue to assist the company, with my own role as a director, but as we are enforcing our Socially Responsible Investment Policy we will look to sell on our shares.

Increasing Revenues

While markets move up and down, in the long run the underlying performance of the companies we invest in will determine our success.

Our companies grew their last-twelve-month revenue from $89 million at the end of 2018 to $117m at the end of 2019, and over $121 million at the end of June this year.



For FY2019 seven of the top 15 companies showed last 12-month revenues of over $5 million, with 10 companies showing last 12-month revenues of over $2 million and 15 delivering last quarter annualised revenue of over $500,000.

We expect the top 15 companies to continue to grow, although experience tells us it's possible to go backwards before going forwards again. Overall though we expect to see the collective growth will drive significant value for Punakaiki Fund in the future.

A Poor Year for Fund-raising

The poor results reported a year ago did contribute to making it hard to raise funds in FY2019, with a total of just $6.1 million, of which $4.6 million was in cash and $1.5 million in shares used for acquisitions.

Our continuous wholesale offer approach also didn't help – with just $769,000 raised until we closed that approach in mid-year. It was my idea, and I am still a fan of it, but unfortunately the results were poor. We suspect that investors actually like deadlines, and also that nobody really wants us to be in perpetual fund-raising mode. So we have gone back to the older ways of periodic offers for now.

The good part is that we got our internal processes working well to be able to perform monthly pricing, and that made our quarterly and year-end processes more robust.

The low amount of funds raised meant that we continued to focus on investing into portfolio companies, and to good effect.

Increasing Equity Holdings in Targeted Companies

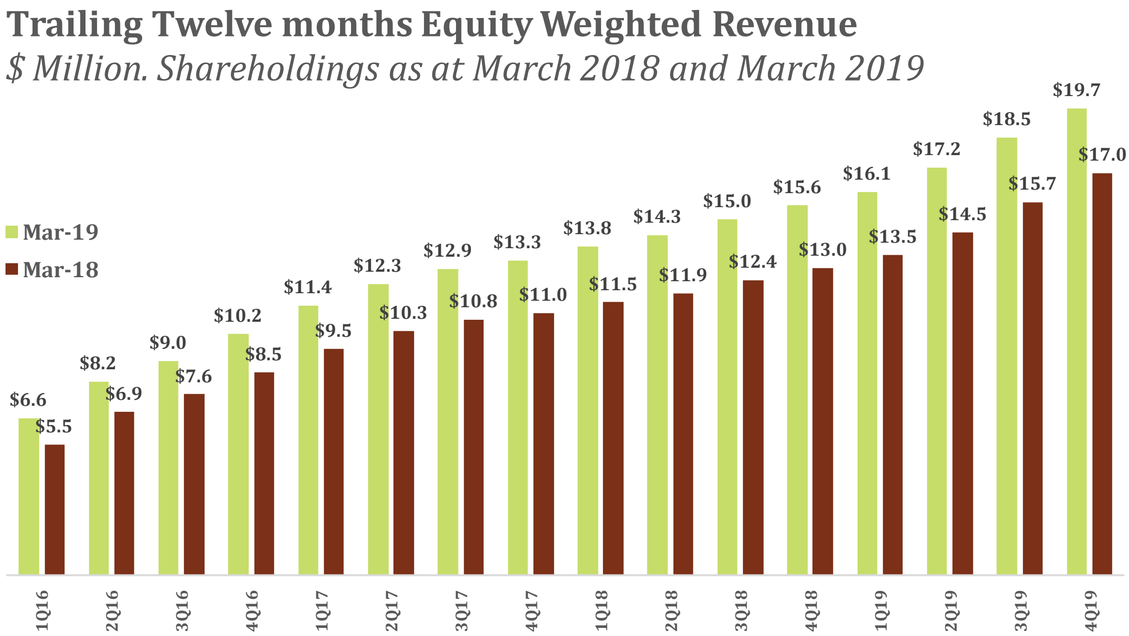
At the start of FY2019 our weighted (by holding value) average holding in portfolio companies was 20.4%, and our investments since then increased this to 24.8% at the end of the financial year and 25.1% at the end of June.

We increase our investment stakes for two reasons – firstly because we like investing in great companies, and secondly sometimes to ensure that the companies have the capital that they require to survive and prosper.

We expect companies to have hard times now and then, and I think it's fair to say that every company we have invested into has experienced painful moments. As investors with a few scars ourselves we always look to long term value. We accept that while investing at low-points may bring its risks, it also brings the reward of a lower investment price.

The increased share ownerships mean that the upside for Punakaiki Fund requires less out of the companies. One way to think about this is to compare our effective ownership in Vend, at 1.69%, with a 25% ownership. If Vend were to become a $1 billion company (with no further dilution) then our stake would be worth $16.9 million, under $8 per Punakaiki Fund share, before adjustments for fees. By contrast a company where we owned 24.8% would "only" need to be worth $68 million for the fund to get the same return. At our average enterprise value to recurring revenue multiple of 5.6x a Software as a Service company would need to be running at $12 million in annualised revenue to hit that mark.

Our overall equity-weighted revenue from all companies was $20 million at the end of the year, rising by over 54% from $13 million as reported at the end of March 2018.



Almost half of this change was driven by Devoli, where we substantially increased our ownership from 29% to 45%, while the revenue also rose slightly. Our ownership will likely soon increase to near 49% (just after this report is published). We have contracts in place to increase this to 53.9% over the next year, subject to fund-raising. It's worth noting that my brother, John Wiggs, controls an additional 4% of the shares in Devoli, putting us and related parties already at over 50% of the shares.

While a lot of Punakaiki Fund's value is tied up with Devoli, as our largest investment, we are still well under the 20% limit for a single holding. We are looking forward to the impact of the changes made within the business over the last year being reflected over the next few years. With our large percentage holding increasing performance of Devoli will have an out-sized effect on the value of Punakaiki Fund's own shares. Devoli powers Stuff Fibre, and their software is able to sharply reduce costs to serve for all internet service providers. Their software can also allow utilities and other companies that are not internet service providers to provide that service to their customers. We have seen this convergence of utilities in other markets, and Devoli is looking to assist in this transition where it can.

The bulk of the remainder of the change in equity weighted revenue came from Onceit and Coherent Solutions, which each had superb revenue growth years, and RedSeed, where we increased our shareholdings from 13% to 33%.

It's very difficult and potentially very misleading for us to forecast revenue for our investments, of course, but judge us by those results in the future.

Towards better Governance

While 15 companies is a lot better than 20 to manage, we are also passive investors in four of the 15 companies – Raygun, which is self-sufficient, and Vend, Mobi2Go and Timely, which have each taken a large investment from other investors. All have senior boards in place to guide the companies. As the companies grow, and also with the passage of time, we see that it is important to keep evolving the Boards of Directors.

At Devoli, we put a new board in place in early 2018, and the company has now completed its first set of audited accounts – a significant achievement in an industry that is dictated to by IFRS 15, an accounting standard that is for when and what revenue should be recognised.

At Weirdly, Dale Clareburt put together an excellent Advisory Board, and that has been running for over a year now. Weirdly's revenue is accelerating very nicely in FY2020, as their product is now finding good fit with large Australian retailers as well as some of the world's most recognisable brand-names.

We like directors with experience that the founders can relate to. The Chair of Onceit, Simon West, sold Max Fashions during the year and has just been appointed as CEO of the Warehouse's Torpedo 7. The Chair of RedSeed, Shaun Ryan, is the founder of SLI Systems, which also sold during the year. At Coherent Solutions we appointed Roy Moody, who led Phitek to a successful sale as Chair. And earlier in FY2018 we appointed Brian Russell, who founded and grew Zephyr Technology Group to exit as the Chair of Melon Health, and we appointed Paula Snowden to the Board earlier in 2019.

We are still not seeing great results on diversity in governance, but we have improved to 19% of all directors, up from 15% last year. Weirdly, where two out of the five advisory board members are women (plus the founder, Dale Clareburt) lead the way, while Timely added two women over the last 12 months. But, of the top 15 companies, we still have seven with all-male boards.

Reducing Dependence on Lance and Chris

I have a personal goal this year to reduce my own number of directorships, and to focus on where I can add most value. A big part of that is ensuring that the founders have strong boards, and most are set up well. I stepped down from Influx after we sold the company back to the founder, and I have been reducing my time in other boards too.

The year was significant for Chris and me, as we were joined by a team, now of three people. The Board also recognised the impact of the administration work that LWCM performs for the fund and is putting in place an approach to be compensated for that, from which we intend to hire a finance manager. The difference for Chris and I was personal – we had been pushing things beyond limits in FY2018, and the audit process last year was particularly time-consuming. This year I am absolutely delighted to be able to convey that I had very little engagement in the audit process. Chris, who was not so lucky, and James tell me the process was once again robust and very time-consuming but thoroughly professional.

The larger team has not really reduced the individual burden on Chris and myself, as there is always work to do and we tend to do work. We did take it easier over the Christmas break, for the first time making no investments in the period. But we still made 22 investments for just over $6 million through the year, and for the larger of those investments, as well as for some strategic smaller ones and investments we did not make, the team applied considerable effort.

We are looking forward to hiring a Finance Manager to lessen the administrative and operational burden on Chris and myself substantially, as there is always plenty else for us to do. It's clear but it has certainly provided for a far healthier and more sustainable company, allowing us to perform more research into companies prior to investing, and to assist the companies more as they grow. We are still a very small team though, a necessary condition of the relatively small size of Punakaiki Fund itself.

Looking Ahead

The New Zealand government has announced that $300m will be invested into the space, through a fund-of-fund approach owned by the Guardians of the NZ Super Fund and operated by the NZ Venture Investment Fund (NZVIF). The details of this approach are still being worked out between The Guardians, Treasury, NZVIF and MBIE, and we are engaging as required. As always, we just want a level playing field.

We started Punakaiki Fund to try to do our part to fill the funding gap for New Zealand high growth companies. We continue to see a very large gap, and it's pleasing that New Zealand's government has recognised that too.

We are seeing greater attention to the space from larger investors, and are encouraged by early conversations. The retail and listing friendly structure of Punakaiki Fund, along with the safety of investing into a known portfolio makes the fund attractive to certain classes of investors.

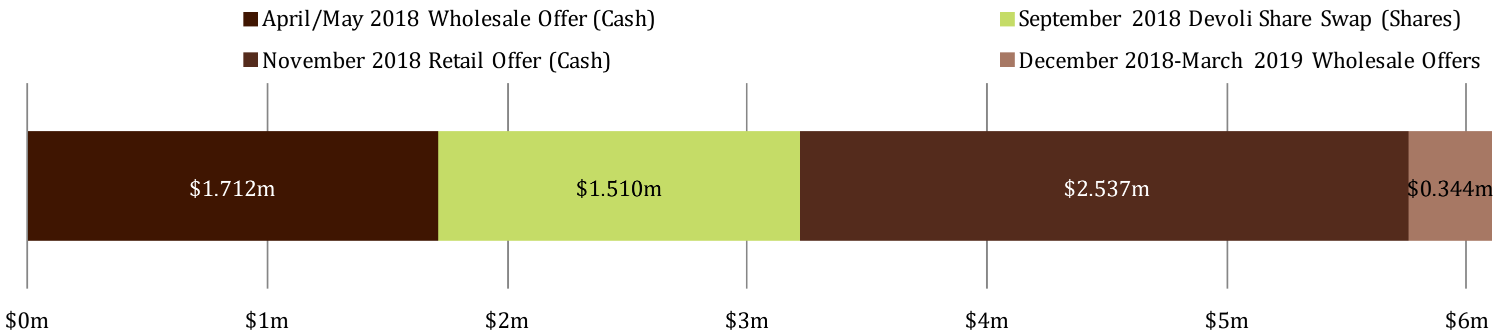
The next year will be interesting. We expect the companies will perform well, and we have a wide range of possibilities for fund raising. I hope to be able to report a strong year of not just value appreciation, but also investment in FY2020.

Many thanks for your support

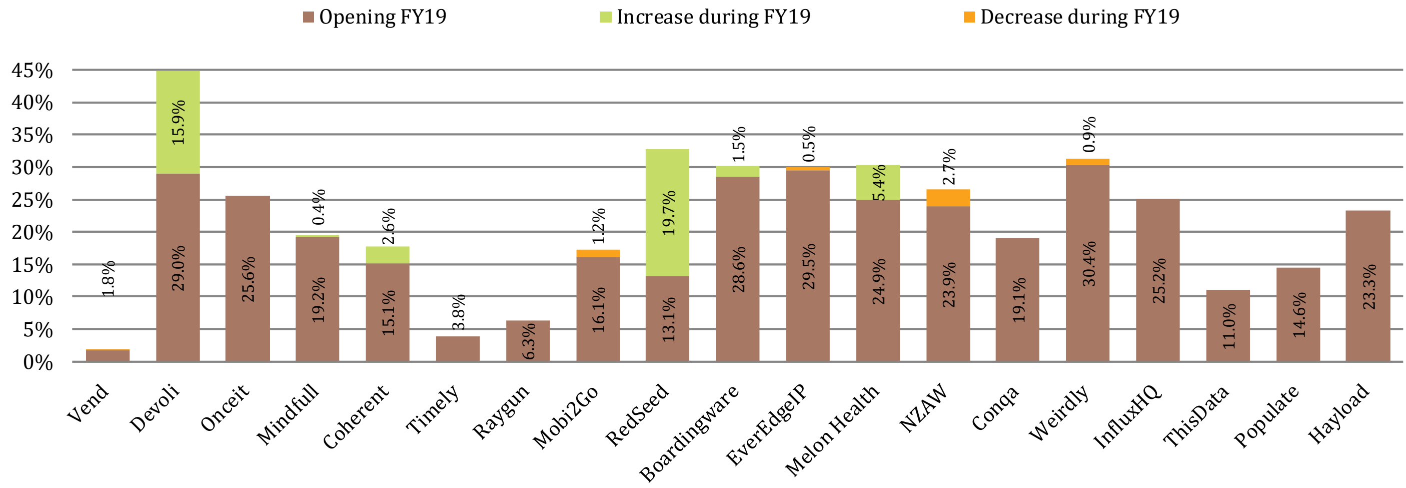
Lance Wiggs
Director and Manager

Highlights - The Year to March 2019

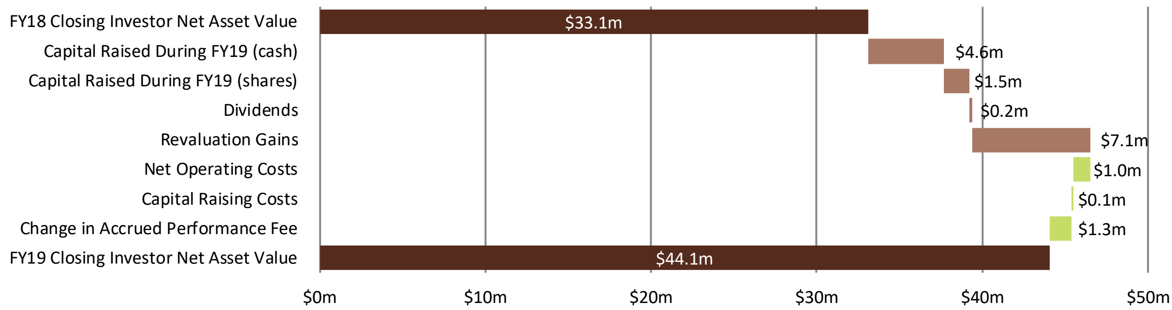
Raised $4.592 million in Cash and $1.510 million from Share Swaps ($6.1023 million total)



Invested $6.004 million

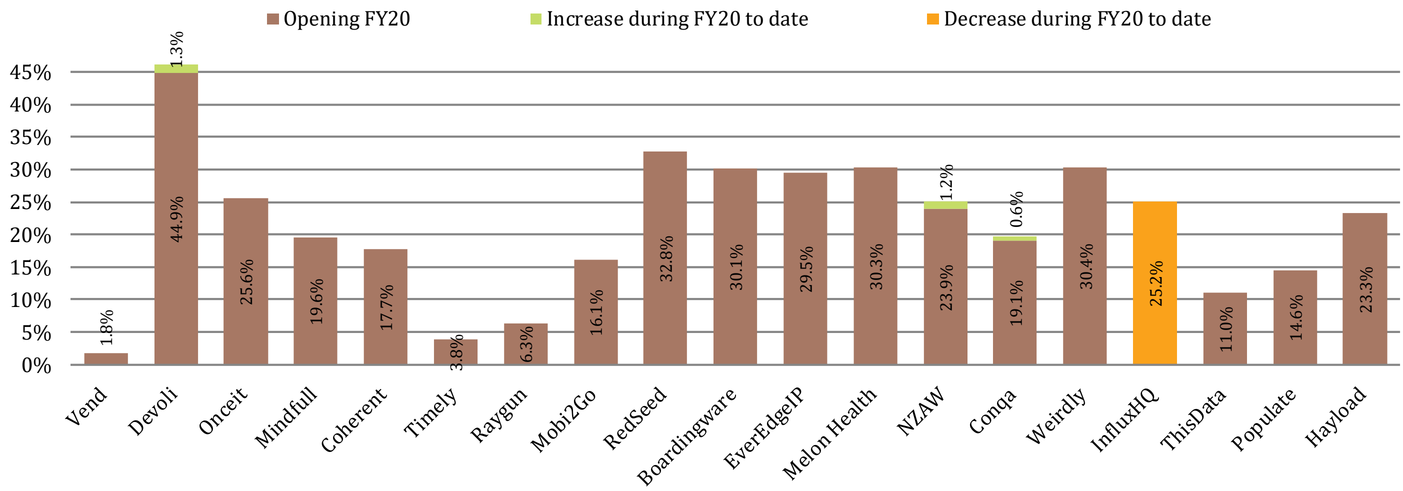


Booked a Revaluation Gain of $7.115 million

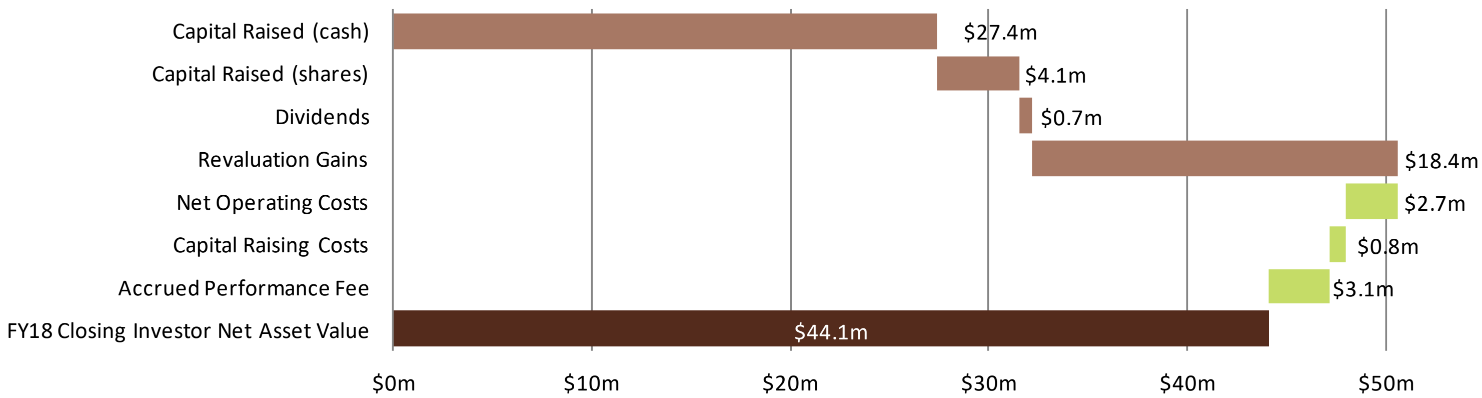


Highlights – Since Starting

Since March 2019 - Invested another $0.598 million



Between April 2014 and March 2019



Punakaiki Fund now has:

832 Shareholders

and

Investments in 19 Companies

and made over

91 Separate Investment Tranches

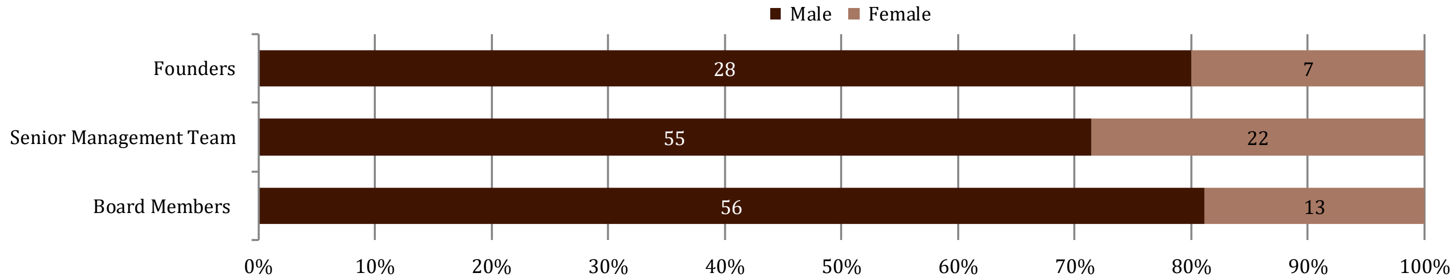
and now has an

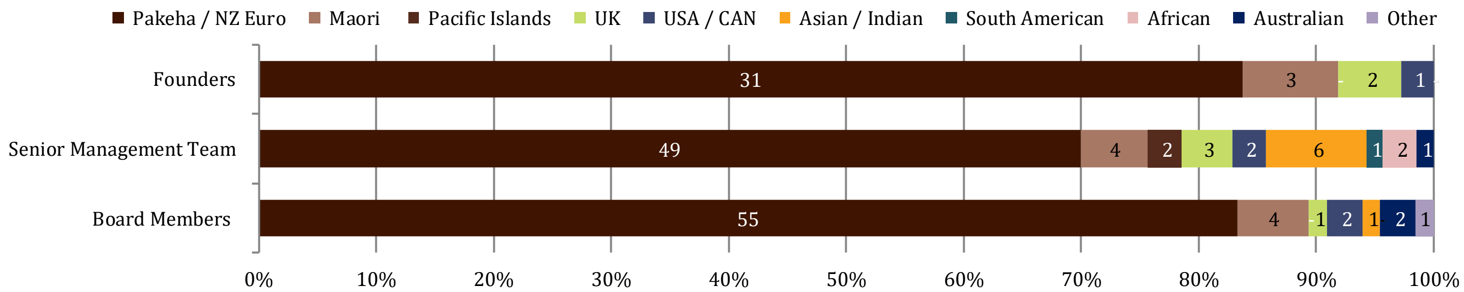
Average Shareholding Value of Over $2.4 million per Company

Diversity Report

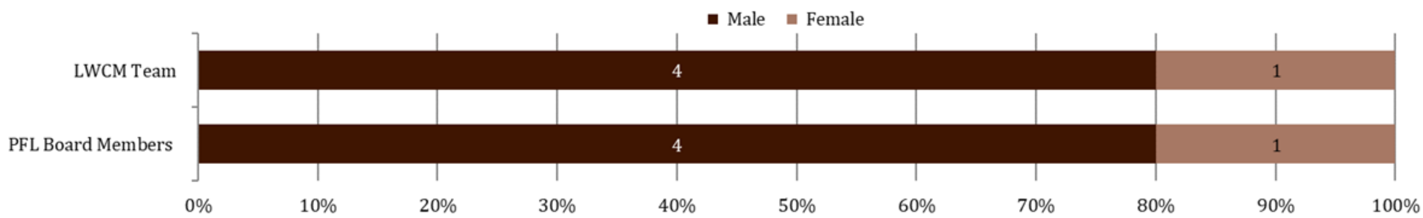
Here is a diversity snapshot at the financial Year-end

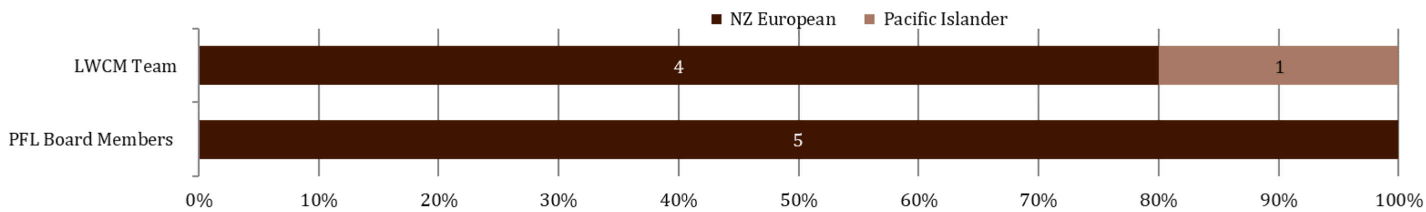
Within Punakaiki Fund Limited's portfolio companies:





And within Punakaiki Fund itself:





FY2019 Timeline

Investments

- Coherent Solutions
- Conqa
- Melon Health
- Mobi2Go
- Conqa
- Mobi2Go
- Melon Health
- RedSeed
- Devoli
- Family Zone (divestment)
- Coherent Solutions
- Weirdly
- Devoli
- Melon Health
- Weirdly
- Melon Health
- New Zealand Artesian Water
- Mobi2Go
- Melon Health
- Devoli
- Coherent Solutions
- Devoli
- New Zealand Artesian Water
- Boardingware
- RedSeed
- Devoli
- Devoli
- Conqa
- New Zealand Artesian Water
- Conqa
- Influx (divestment)
- Devoli

Timeline months

- February 2018
- March 2018
- April 2018
- May 2018
- June2018
- July 2018
- August 2018
- September 2018
- October 2018
- November 2018
- December 2018
- January 2019
- February 2019
- March 2019
- April 2019
- May 2019
- June 2019
- July 2019

Corporate

- Share Swap/Offer - For $1.912m
- Anti-money Laundering Audit
- Share Offer - Raised $1.712m
- Financial Audit
- 2018 Annual Report released
- Share Swap – For $1.510m
- Annual Meeting of Shareholders
- Lance Wiggs Reappointed as Director
- Share Offer - Raised $2.537m
- Share Offer - Raised $0.065m
- Share Offer - Raised $0.258m
- Share Offer - Raised $0.215m
- Share Offer - Raised $0.100m
- Share Offer - Raised $0.314m
- Share Offer - Raised $0.011m

Investments

vend	Shareholding: **1.7%** First Investment: **Aug 2015**	*Vend provides cloud-based point-of-sale software that includes ecommerce, inventory, customer loyalty and analytics.*

Vend have had another strong year in which they achieved the dual objectives of maintaining steady growth while setting a platform to accelerate in FY2020 and beyond.

Business highlights from FY2019 include:

- Record revenue growth in the March Quarter;
- Added customisable receipts, promo codes and tiered promotions to their catalogue of features;
- Expanded their e-commerce offerings with the addition of Woocommerce integration;
- Launched Rand pricing and billing in South Africa; and
- Short-listed for the Hi-Tech Company of the Year Awards.

During the year Vend received $10 million in new investment from Movac and Qualgro. The new investment is to accelerate growth and enable the following:

- Increase headcount by nearly 50%, to hire 54 staff in Auckland and 71 internationally with a focus on product, engineering and sales teams; and
- Continue to tap into the North American market by leveraging strategic partnerships with ten of the largest payment processors, including Worldpay, CardConnect, Evo and Bancard following a successful trial.

Punakaiki Fund did not participate in the funding round and as a result our shareholding was diluted from 1.84% to approximately 1.69%

www.vendhq.com

devoli	Shareholding: **44.9%** First Investment: **Jun 2014**	*Devoli is a wholesale ISP that provides wholesale and corporate telecommunication services delivered with smart software.*

Devoli has made significant improvements to its network quality and software product this year as well as continuing to win customers in Australia, a difficult and fragmented market which lends well to Devoli's automation tools.

Business highlights from 2019 include:

- Several Robotic Process Automation (RPA) deals were signed;
- Extensive product development including re-writing a number of API's and separating the front-end from the core platform to allow faster feature releases, and easier 'white labelling'; and
- The rollout of the new network core which will greatly increase Devoli's network capacity and reliability. The rollout will continue through the 2019 calendar year and beyond.

The impact of network outages in the September quarter was felt in the December quarter, which led to improvements in crisis communications systems and processes for the future. Devoli has successfully used the outage as an opportunity to improve its resilience.

Devoli's focus for FY2020 is to continue developing its software products to provide more value for its customers, continue to expand its customer base in New Zealand and Australia.

PFL purchased 873,802 Devoli shares from founders in 2019 and has future agreements in place to purchase an additional 9% which will take PFL's holding to 53.9%.

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 has gone from strength to strength in FY2019 with Revenue and EBITDA exceeding expectations for another year. Onceit has experimented with several different promotions, partnerships and new sales channels to reach and retain customers.

Business highlights from FY2019 include:

- Exceeded revenue targets for all quarters with the record revenue received in October 2018 only to be exceeded in November and again in December;
- Hosted a successful Garage Sale promotion from their new 3,000m^2 dispatch centre in Albany;
- Onceit joined an Air New Zealand promotion, where customers can go through the Air New Zealand website and earn Airpoints while shopping with Onceit. Onceit gives 1 Airpoint to their customers for every NZ$100 they spend; and
- Over 4,000 new customers signed up in November alone and the company had over 500,000 visits to their website during the fourth quarter.

The Development team has been doing significant work in the Dispatch Centre to improve efficiency, with a new picking and order dispatch tool being rolled out after successful testing in March. The inventory system is to manage the pick-and-pack process to be more accurate and provide for faster dispatch that allows the same-day shipping, even better customer satisfaction, improved sales and margins.

No investment occurred into Onceit in FY2019 by PFL or other investors. But Onceit paid $187,024 in dividends during the year. PFL has now received dividends worth over half the total value invested in Onceit.

www.onceit.co.nz

MINDFULL

Shareholding: **19.6%**

First Investment: **Dec 2015**

Mindfull is a global advanced analytics practice that builds data, information management, predictive tools and platforms.

Mindfull's core consulting and software reselling business continues to attract large, well-known New Zealand businesses while development work continues for the exciting MiBI and Qubedocs products which have global potential.

Business highlights from FY2019 include:

- Release of a new version of Qubedocs to European and North American markets;
- Completed development on the new MiBI product, which is to be launched in the US in June;
- Callaghan Innovation approved two more years of growth grant funding, allowing extra financial stability to continue its growth trajectory;
- Made several key hires across the business including a Head of Finance and a Sales Director; and
- Won new contracts across a range of different specialties including Data management and Performance reporting.

Mindfull is a sustainable business and no investments were made by Punakaiki Fund or any other external investors during the year.

www.mindfull.nz

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.

Much of Timely's energy this year has been devoted to the continued scaling of their team following their Series A investment round in the previous financial year. Headcount growth has been achieved in a sustainable manner with customer numbers steadily increasing and a host of new product features being released each quarter.

Business highlights from FY2019 include:

- Progress made for the UK market entry including conference attendance, marketing and recruitment;
- Completed the onboarding of twenty new staff members, mainly in Marketing, Sales and Tech roles;
- Updates to calendar optimisation, user experience, interface and integrations including Afterpay;
- A new independent director, Tabatha Coffey, who has significant industry experience and hosts the US Cable TV show, 'Tabatha Takes Over'. After the year-end, Deb Farnworth-Wood joined the Board bringing deep experience in the Beauty industry;
- Partnered with a digital growth agency, allowing Timely increase the impact from its paid search, paid social and search engine optimisation strategies; and
- Wins on some big customers including three new customers with over 100 staff each. Timely has made progress on its strategy to target larger customers.

Timely has a good cash runway due to continued revenue growth and disciplined cost controls and there were no investment rounds made during the year.

www.gettimely.com

Shareholding: **6.3%**

First Investment: **Apr 2014**

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

Raygun has completed development, beta-test and launch of its third product on the platform – Raygun APM (Application Performance Monitoring). Raygun has focussed on attracting larger customers this year and have managed to sign several key enterprise customers including IHeartMedia, Red Ventures and Avis Budget Group.

Business highlights from FY2019 include:

- Raygun announced a $15m self-funded investment into its New Zealand operations, including the hiring of 70 additional team members, starting now and over the next two years;
- New features on their product and new reporting tools;
- Significant improvements to its new APM product;
- Enhanced product and service support for Raygun customers on Apple devices; and
- New staff in front-end development, marketing, finance, marketing, business development, sales and operations administration.

Raygun has grown sustainably and has not raised any additional capital this year. Punakaiki Fund's shareholding has remained unchanged.

www.raygun.com

Shareholding: **17.7%**

First Investment: **Nov 2017**

Coherent Solutions develops and manufactures test equipment for the global fibre optical communications market.

Coherent Solutions has continued to outperform in FY19 with significant success in growing their team, reaching and selling to new customers and developing new products.

Business highlights from FY2019 include:

- Revenue growth of almost 100% for the year. Coherent Solutions exceeded their previous record revenue in every quarter, even when the US government shut-down delayed a large order;
- Closed their first sale with NASA;
- Signed a lease for a new office in the USA and hired Greg Crouch as Director of Sales (USA);
- Awarded a Callaghan R&D Growth grant in September and Callaghan Grant for three student internships in August as well as an NZTE International Growth Fund grant;
- Appointed two new directors, Roy Moody and Heather Grace in August; and
- Added 17 product families, with 132 configurations, and 458 part numbers over the last year.

Since the last major investment in November 2017, where Punakaiki Fund lead an investment round including other local funds, Punakaiki Fund purchased a small amount of shares during FY2019, increasing its total shareholding from 15.1% to 17.7%.

www.coherent-solutions.com

Shareholding: **16.1%**

First Investment: **Oct 2015**

Mobi2Go helps food service businesses sell more by adding an ordering function to their marketing website.

Mobi2Go has had a breakthrough year with the signing of their Series A investment round lead by Movac. Mobi2Go will use the funding to scale their team, continue to develop their product and expand into new markets.

Business highlights from FY2019 include:

- Mobi2Go has been successfully targeting customers with 100+ restaurant locations including Mad Mex (NZ and Australia), Edo Japan (Canada), Baskin Robbins (Australia), Columbus Coffee (NZ) and Carls Junior (NZ);
- Launched the first phase of Mobi2Go Loyalty, allowing clients to better interact with, know and drive repeat purchasing behaviours of their customers;
- Released a new scaled pricing model which allows Mobi2Go to benefit from the success of their customers driven by use of their product; and
- Ben Jones, Director of Customer Success (Melbourne) and Ruth Young, Director of People & Culture (Wellington) joined the senior management team, and Mark Vivian from Movac has joined the board.

Mobi2Go's Series A investment round was led by Movac with a small contribution form Punakaiki Fund, resulting Punakaiki Fund's shareholding being diluted to 16.1% as at March 2019.

www.mobi2go.com

Shareholding: **29.4%**

First Investment: **Jul 2015**

EverEdge helps companies drive growth and create wealth from intangible assets.

EverEdge continues to grow its international footprint by delivering exceptional results for its clients, which has helped the company achieve strong revenue growth across all markets. A focus on reducing costs over the past year has also been successful.

Further diversifying its business, in November 2018 EverEdge launched a commercialisation fund through EverEdge Capital, which specialises in making investments in, and helping to monetise, intangible assets in order to deliver strong investment returns to both innovators and investors.

Business highlights from FY2019 include:

- The senior appointments of Francis Milner as Chief Investment Officer (CIO), Vijey Ananda as Partnerships Director, and Nicolas Konialidis, as Senior Manager – Valuations;
- Completing a valuation project with Tourism Holdings Limited which resulted in a 360x investment return on fees for the client;
- The renewal of EverEdge's alliance with the Intellectual Property Office of Singapore (IPOS);
- EverEdge achieving a Net Promoter Score of 80, against a New Zealand benchmark of 22 for professional service firms;
- Continued growth of EverEdge's Singapore, Australian and New Zealand revenues; and
- EverEdge Capital reviewing more than 80 investment opportunities, with several being taken forward into a formal commercialisation process that will accelerate the financial returns on these high value intangible assets.

Punakaiki Fund first invested in EverEdge in July 2015 taking a 4.8% shareholding. Punakaiki Fund increased its shareholding in EverEdge in early 2018, resulting its shareholding in EverEdge is 29.4% as at the end of FY19 after the dilution from the share incentives to employees. Founder, Paul Adams, owns 58.6%.

www.everedgeip.com

Shareholding: **19.0%**

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) provides quality assurance software for the construction industry, with the vision of a construction industry that is driven by quality. Conqa has been winning a number of large customers in FY2019, including Ganallen (with construction work valued of over A$1 billion), Multiplex, and Ryman Healthcare (with eight projects).

Business highlights from FY2019 include:

- Started customer migration to a new architecture with substantial improvements in speed;
- Developed a prefabricated building-related software product that is currently being trialed by Fletcher Building; and
- Appointed a new Head of Revenue.

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 through participating in a series of funding rounds. Punakaiki Fund increased its shareholding in Conqa to 19.1%. Punakaiki Fund is Conqa's only institutional shareholder.

www.conqa.nz

Shareholding: **32.8%**

First Investment: **Mar 2015**

RedSeed helps large retailers increase their sales through proprietary and customised modules in a SaaS Learning Management System.

RedSeed continues to increase its footprint in Australia with clients including Drummond Golf, Weber, True Alliance Group, General Pants, Beaumont Tiles and Red Bottle. RedSeed also successfully secured more large customers in New Zealand including Kathmandu, Liquorland, Barker's Clothing, Big Save and Rodd & Gunn.

Business highlights from FY2019 include:

- Opened the platform to clients for the LMS functionality, including uploading SCORM courses, and a document library.
- Major re-vamp on core material format to overcome existing adoption barriers with customers;
- Developed four face-to-face sessions to increase the effectiveness of product implementation; and
- Continued progress on a B2B project that is due for delivery at the end of August.

During the year, Matt Pizzo joined the team as Sales Director for the USA to spearhead Redseed's expansion into the North American market.
Punakaiki Fund first 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. Punakaiki Fund made a follow-on investment in Redseed during FY2019, increasing the shareholding to 32.8% by year-end.

www.redseed.com

Shareholding: **23.9%**

First Investment: **Jun 2016**

New Zealand Artesian Water bottles and exports water under both its own E'stel brand (bottled) and third-party brands (boxed).

New Zealand Artesian Water (NZAW) has experienced strong local and international growth in FY2019. This growth was led by the launching of bottled water in Countdown supermarkets nationally, Foodstuffs supermarkets in the South Island, Woolworths in Australia and into markets in China and Qatar.

Business highlights from FY2019 include:

- New channels to market with major grocery chains;
- Quadrupling sales in China;
- Introduced a new water bladder machine which increased efficiency on the boxed water line;
- Started to use recycled PET and glass bottles;
- Were a finalist for an innovation award in the Food and Beverage sector; and
- Designed a new bottle and rebranding for its juice brand to align its look and feel with the E'stel water range.

Punakaiki Fund first invested in NZAW in June 2016 and took an initial 11.8% shareholding. Punakaiki fund has been raising its shareholding in NZAW by participating in a series of funding rounds. However, due to the use of plastic in NZAW's bottles, the investment in NZAW is now considered out of Punakaiki Fund's mandate and Punakaiki Fund will seek to sell its shares in an orderly fashion. Punakaiki Fund's current shareholding has recently been diluted to 23.9% as other investors increased their investments in NZAW.
www.estel.nz

Boardingware

Shareholding: **30.1%**

First Investment: **Feb 2015**

Boardingware helps boarding schools manage their students' movements and pastoral care using a SaaS product.

Boardingware has continued to grow its boarding school market share during the including winning the prestigious King's School in Sydney as its customer. Boardingware has also moved into the day school market, which represents a significantly larger addressable market for the business.

Business highlights from FY2019 include:

- Developed the day school brand "Orah" with orah.com secured and trademarks in progress;
- Released Event Coordinator to help schools better plan events and activities, and Gating to let schools prevent students from going on unauthorised leave;
- Developed a working Near Field Communication Checkpoint prototype;
- Developed new product features including:
  - Location Manager as a way for schools to map every possible location that a student could be, delineated by zones, buildings, rooms, both on and off school grounds;
  - In Transit Tracking feature to record the time taken to travel from one location to another; and
  - Check In features to allow students to be checked into different locations without filling out a pass.

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%. In FY19, Punakaiki Fund has made another small investment in Boardingware, increasing its shareholding to 30.1%.

www.boardingware.com

melon health

Shareholding: **30.3%**

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 has continued its expansion securing more customers including Oscar Health, Georgia Accountable Care and NIB, while successfully renewing existing contracts with Midlands Pinnacle, West Coast PHO, Hutt Valley District Health Board and others.

Business highlights from FY2019 include:

- On-boarded a number of new executives and directors: Dwight French, CCO; Andy Newport, CTO; Paula Snowden as a Board Director (Paula is currently the CEO of Problem Gambling Foundation NZ).
- Received the Hutt Valley DHB Quality Award for "Excellence in Integration" for Melon's digital self-management programme for patients in the Hutt Valley with diabetes, prediabetes or cardiovascular disease risk factors;
- Awarded a Ministry of Health funded a 2.5 year pilot supporting 18-25 year olds with mild to moderate mental health needs in partnership with Tu Ora Compass PHO
- Awarded a Callaghan Growth Grant;

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. In FY19, Punakaiki Fund lead Melon Health's $3.3 million funding round with $2.0 million commitment, with the option to invest another $2.4 million by mid-2020. Co-investors included K1W1 and Impact Enterprise Fund. Punakaiki Fund's holding as at the end of FY2019 is 30.3%.
www.melonhealth.com

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

Weirdly had a strong FY2019, securing a number of notable customers and developing a material sale pipeline which should ensure strong growth in the medium term. Weirdly put in place a new channel partnership sales model launch in the US and Weirdly's Sydney sales team started to gain traction in the Australian market.

Business highlights from FY2019 include:

- Weirdly have a fully staffed sales team for the first time with staff in Australia and USA along with new sales systems;
- Development of Video Intros and NXS (Candidate experience scoring), and a minimum viable product for a multi-step pre-assessment tool which a large customer is currently trialling;
- Presented at the InvestHER event in Auckland which was a female-founder pitch event organised by NZTE; and
- Closed a small rights issue with existing shareholders.

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, February 2017, November 2017, and in July and October 2018. Punakaiki Fund current shareholding is 30.4%.

www.weirdlyhub.com

Portfolio Companies Linewize and ThisData are held for exit. Hayload, InfluxHQ and Populate have been written down and are not material to the portfolio.

Directors' Statement and Statutory Information

FOR THE PERIOD ENDED 31 MARCH 2019

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 2019.

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 2019. Bryan Simpson Hutchins held office until 27 September 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
- Blake Thomson Richardson
- Amanda Rhean Simpson
- Graeme Lance Turner Wiggs

Directors' Remuneration

Punakaiki Fund Limited - Directors' Remuneration						NZ$
Director		FY19			FY18	
	Base Fees	GST	Total	Base Fees	GST	Total
Michael John Bennetts	12,500	-	12,500	5,000	-	5,000
John Charles Berry	10,000	1,500	11,500	5,000	750	5,750
Bryan Simpson Hutchins	2,500	-	2,500	5,000	-	5,000
Amanda Rhean Simpson	10,000	1,500	11,500	5,000	750	5,750
Blake Thomson Richardson	-	-	-	-	-	-
Graeme Lance Turner Wiggs	-	-	-	-	-	-
Total	**35,000**	**3,000**	**38,000**	**20,000**	**1,500**	**21,500**

The remuneration set out in the table above sets out the directors' fees received by the directors. Mandy Simpson received $2,837 (including GST) 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. While Blake Richardson became a Director of the company in March 2019 he was not paid any Director Fees pertaining to FY19.

Directors' Shareholdings

Punakaiki Fund Limited - Directors' Relevant Interests - FY19	
Director	**Number of shares in which a relevant interest is held**
Michael John Bennetts	49,500
John Charles Berry	9,658
Bryan Simpson Hutchins	70,178
Amanda Rhean Simpson	6,600
Blake Thomson Richardson	37,000
Graeme Lance Turner Wiggs*	63,614
Total	**236,550**

Punakaiki Fund Limited - Directors' Relevant Interests - FY18	
Director	**Number of shares in which a relevant interest is held**
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	**199,550**

** 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, entities associated with Blake Richardson have subscribed for 13,924 shares in the Company. No other changes to the number of shares set out in the table above have occurred since Punakaiki Fund's 31 March 2019 balance date.

Lance Wiggs' shareholding in both FY18 and FY19 include a partial interest in 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 2019:

Michael John Bennetts:

- Director of Matau Technologies Limited
- Executive of Z Energy Limited

John Charles Berry

- Director and Shareholder of Pathfinder Asset Management Limited
- Director and Shareholder of AccentOne Management Limited
- Member of the Financial Advice Code Working Group
- Shareholder of Sharesies Limited
- Member of the Financial Advice Code Working Group

Amanda Rhean Simpson

- Shareholder of Raygun Limited (a Punakaiki Fund portfolio company)
- Member of Risk and Advisory Committee for MBIE
- Director of Paysauce Limited
- Judge for the High Tech Awards
- Executive of Z Energy Limited

Blake Thomson Richardson

- Shareholder of Flick Energy Limited
- Shareholder of GD1 Fund 2 (GP) Limited
- Shareholder of Movac Fund 4 LP
- Shareholder of Matu Fund LP
- Investment Committee Member of Purpose Capital GP Limited

Graeme Lance Turner Wiggs:

- Director and Shareholder of Lance Wiggs Capital Management 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.
- Lance is also a director and shareholder of Define Instruments, Pocketsmith, and a shareholder only in Performance Lab Technologies Limited.
- Shareholder of Matu Fund LP
- Judge for the High Tech Awards

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 2018 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 $45,353 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 2019.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2019		
Shareholder	**Ordinary Shares**	**% of Class**
Phaben Holdings Limited	70,178	3.61%
Graeme Lance Turner Wiggs	63,500	3.27%
Michael John Bennetts & Karen Allanah-Maree Bennetts	49,500	2.55%
Collette Glen Payne	48,030	2.47%
Public Trust Class 10 Nominees Limited	37,000	1.90%
Mark John Boyle & Joanne Helen Stuthridge	33,770	1.74%
Phizzy Limited	30,000	1.54%
Lewis Holdings Limited	29,250	1.50%
Southern Hills Imperial Timber (1932) Pty Limited	29,000	1.49%
Kennerley Investments Limited	28,106	1.45%
Clarence Mervyn Hislop	28,000	1.44%
Todd Reynal Stevens	27,645	1.42%
Wills Private Equity Investments Limited	24,000	1.23%
Chunjing Song	23,900	1.23%
Davey John Goode & Keegan Alexander Trustee Company Limited	23,878	1.23%
James Bremner Trust Nominees Limited	22,000	1.13%
Krassimir Nikolov Modkov	22,000	1.13%
Ross Inglis	21,400	1.10%
Mark Gary Hackner & Bastiankoralage Belinda Valerie Jayamaha Rodrigo	20,858	1.07%
Malcolm John Wade	17,800	0.92%
Top 20 Shareholders	**649,815**	**33.43%**
Remaining Shareholders	1,293,836	66.57%
All Shareholders	**1,943,651**	**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 FY19 and FY18. These are non-GAAP measures.

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

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

Calculation of Net Asset Value and Investor Net Asset Value	FY19	FY18
Total Asset Value	$47,263,826	$34,952,577
less Current Liabilities	$(964,357)	$(554,655)
Net Asset Value (NAV)	**$46,299,469**	**$34,397,921**
less Share Based Payment Reserve	$(2,227,652)	$(1,295,471)
Investor Net Asset Value (iNAV)	**$44,071,817**	**$33,102,450**
Shares on Issue at 31 March	1,943,651	1,656,236
iNAV per Share	**$22.67**	**$19.99**

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 2019 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 34 to 49 for issue on 31 July 2019.

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

Independent Auditor's Report

Independent auditor's report to the Shareholders of Punakaiki Fund Limited

Opinion

We have audited the financial statements of Punakaiki Fund Limited ("the Company") on pages 5 to 21, which comprise the statement of financial position of the Company as at 31 March 2019, 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 21 present fairly, in all material respects, the financial position of the Company as at 31 March 2019 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.

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 of, and accounting for, financial instruments held at fair value

Why significant

The Company has invested primarily in unlisted companies. As an investment entity, in accordance with NZ IFRS 10 *Consolidated Financial Statements*, the Company records all of its investments at fair value irrespective of whether it controls or significantly influences any of the companies it has invested in.

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 and so require judgement and estimation. As a result the valuations are considered model based level 3 as disclosed in Note 4 Fair values of financial instruments. Due to the complexity and judgement required in their valuation, these investments, with a recorded value of $46.2m (FY18: $34.2m), have a higher potential risk of misstatement.

The following methodologies were used by the Company as part of the valuation process:

- ► Valuations implied by recent investment;
- ► Conventional multiples based valuation approach; and
- ► Growth multiples method to estimate revenue multiples.

A combined discount for liquidity, size and control premium was applied to the overall enterprise value or revenue multiples as applicable.

The Company makes 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 based on the IFRS 13 *Fair Value Measurement* fair value hierarchy;
- ► The calculation methodology and inputs for the valuation adjustments relating to liquidity, size and level of control;
- ► The sample companies used for benchmarking relevant metrics;

How our audit addressed the key audit matter

In performing our audit procedures we:

- ► Obtained a detailed understanding of the valuation processes with the assistance of internal valuation specialists and identified all factors that had a significant impact on the valuations. We assessed the appropriateness of the valuation methodologies;
- ► Evaluated the objectivity and expertise of the investment manager;
- ► Assessed the level of observability in the market of the valuation inputs to determine the fair value hierarchy of those inputs;
- ► Reviewed the appropriateness of financial information that was used in the calculation of investment valuations using an earnings/revenue multiple. We involved our 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 in the growth multiples method 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. Use of the resulting multiple 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, particularly in respect of their revenue levels. Given these differences we considered whether the resulting valuations, after discounts (for liquidity, size and level of control) were appropriate;
- ► The Company performs cross-check valuations using different valuation techniques to assess the reliability of its primary valuations. We assessed the Company's cross-check valuations for a sample of investments with the assistance of our internal valuation specialists. The Company also performs discounted cash flow valuations for a sample of its investee companies valued using the growth multiples method. We

- The use of linear regression in the growth multiples method 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 in the growth multiples method.

reperformed a sample of these valuations to validate the valuation process of these investments;

- Assessed the overall results of management's fair value calculation based on the above procedures;
- Evaluated the Company's practice of recording estimating investee companies' value using the Price of Recent Investment method if the investment occurred in the last twelve months. We obtained supporting documentation for the inputs materially impacting these 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;
- Considered events subsequent to balance date, for example evidence of further transactions in the investments, that could have impacted the valuations; and
- Assessed the adequacy of the disclosures in Note 4 to the financial statements.

Calculation of performance and management fees

Why significant

The Company's key expenses are management and performance fees earned by the investment manager.

For the year ended 31 March 2019, management fees paid were $0.810m (FY18: $0.635m) and the performance fees accrued resulted in an expense of $1.294m.

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 expenses and the impact that the variability of market based returns can have on the recognition and earning of performance fees results in this being an area of significant audit focus.

Disclosures relating to these expenses 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 used to calculate the management and performance fees;
- Performed a recalculation of management fees and performance fees based on the net asset value ("NAV") of the Company to assess whether this was in accordance with contractual arrangements;
- The management fee is approved and paid quarterly based on the quarter-end NAV. For quarterly NAVs other than the year end amount, which is based on the amounts we have audited, we agreed the NAV to Board approvals and published, unaudited quarterly reports; and
- Assessed the adequacy of the disclosures in Note 8 to the financial statements.

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-2/. 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 2019

Punakaiki Fund Limited
Statement of comprehensive income

For the year ended 31 March 2019

	Notes	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Interest Income		1	3
Dividend Income		193	344
Change in fair value of investments	4.5	7,115	(18)
Other operating income		-	-
Accrued Performance Fees	8.1.3	(1,294)	214
Management Fees	8.1.1	(810)	(635)
Insurance		(42)	(35)
Consulting and Accounting Expenses		(70)	(44)
Audit Fees	9	(48)	(42)
Legal Expenses		-	(10)
Other		(40)	(26)
(Loss)/Profit before tax		5,005	(249)
Income tax expense	5.1	-	-
(Loss)/Profit and total comprehensive income for the year		5,005	(249)

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

Punakaiki Fund Limited
Statement of financial position

At 31 March 2019

	Notes	31/03/2019 $'000	31/03/2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	1,032	735
Resident Withholding Tax receivable		39	31
Prepayments		23	26
Trade and other receivables		8	1
Total current assets		1,102	793
Non-current assets			
Investments	4.1	46,170	34,160
Total non-current assets		46,170	34,160
Total assets		47,272	34,953
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		106	52
Total current liabilities		106	52
Non-current liabilities			
Performance fee payable	8.1.3	866	504
Total non-current liabilities		866	504
Total liabilities		972	556
Capital and reserves			
Issued capital	6	30,736	24,770
Share based payment reserve	6.2	2,227	1,295
Retained earnings	6.3	13,337	8,332
Total equity		46,300	34,397
Total equity and liabilities		47,272	34,953

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 2019

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
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
Balance at 1 April 2018	24,770	1,295	8,332	34,397
Profit and total comprehensive income for the year	-	-	5,005	5,005
Contributed capital	6,104	-	-	6,104
Transaction costs	(138)	-	-	(138)
Share based payments in relation to performance fee	-	932	-	932
Balance at 31 March 2019	30,736	2,227	13,337	46,300

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 2019

	Notes	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'000
Cash flows from operating activities			
Interest received		1	3
Dividend received		193	344
Payments to suppliers		(149)	(155)
Management Fees		(810)	(635)
Resident Withholding Tax refunded/(paid)		(8)	(25)
Net cash (used in)/generated by operating activities	10	(773)	(468)
Cash flows from investing activities			
Proceeds from sale of Investments		1,110	40
Payments to acquire Investments		(4,495)	(6,783)
Net cash (used in)/generated by investing activities		(3,385)	(6,743)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		4,593	5,256
Payment of transaction costs on issue of equity instruments		(138)	(153)
Net cash used in financing activities		4,455	5,103
Net (decrease)/increase in cash and cash equivalents		297	(2,108)
Cash and cash equivalents at the beginning of the year		735	2,843
Cash and cash equivalents at the end of the year	11	1,032	735

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 2019

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 2019.

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 applied the following new and revised NZ IFRSs that have been issued and are effective:

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

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. There was no significant impact from adoption of NZ IFRS 9.

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. There was no significant impact from adoption of NZ IFRS 15 as current revenue streams are principally dividends and interest.

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

NZ IFRS 16	Leases

NZ IFRS 16 will be adopted for the year ended 31 March 2020. Significant changes are discussed below:

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.

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 (December 2015 edition). 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.

2.6.2 Deferred tax

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

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

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

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

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

2.6.3 Current and deferred tax for the year

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

2.6.4 Goods and services tax

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

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

2.7 Financial instruments

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

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

2.7.1 Investments

The Company's Investments are financial assets measured at Fair Value Through Profit or Loss (FVTPL).

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 Other financial assets

Trade and other receivables, bank balances and cash 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.

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Key sources of estimation uncertainty

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

3.1.1 Fair value measurements and valuation processes

The Company's investments are measured at fair value for financial reporting purposes. Valuations are undertaken by the Manager of the Company, Lance Wiggs Capital Management Limited (LWCM), reviewed, adjusted and ultimately approved by the Board. 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 $46.17 million (2018: $34.16 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of $7.115 million (2018: net loss of $0.018 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	2019			2018		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Boardingware International Limited[1]	446,000	1,479,890	30.1%	400,000	1,400,000	28.6%
EverEdgeIP Global Limited[1]	3,937,915	13,367,167	29.5%	3,937,915	13,131,072	30.0%
InfluxHQ Limited[1]	182,491	724,881	25.2%	182,491	724,881	25.2%
Melon Health Limited[1]	818,143	2,699,979	30.3%	559,211	2,249,101	24.9%
Mindfull Group Limited[1]	327	1,670	19.6%	327	1,705	19.2%
Mobi2Go Limited	305,850	1,900,583	16.1%	24,828	143,392	17.3%
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	7,945,197	6.3%
RedSeed Limited[1]	37,174	113,336	32.8%	14,400	109,750	13.1%
TD Limited	302,669	2,744,330	11.0%	302,669	2,744,330	11.0%
Timely Limited	63,647	1,662,417	3.8%	63,647	1,662,417	3.8%
Vend Limited[3]	672,178	36,355,722	1.8%	672,178	34,356,616	2.0%
Devoli Limited[2]	2,467,801	5,499,000	44.9%	1,594,000	5,499,000	29.0%
Weirdly Limited[1]	128,649	423,672	30.4%	101,577	324,860	31.3%
Hayload Limited[2]	4,338	18,618	23.3%	4,338	18,618	23.3%
New Zealand Artesian Water Limited[1]	6,657	27,877	23.9%	6,128	23,025	26.6%
Populate Limited	1,908,860	13,102,267	14.6%	1,908,860	13,102,267	14.6%
QA Tech Limited (Conqa)[1]	26,250	137,222	19.1%	26,250	137,222	19.1%
Coherent Solutions Limited[1]	49,439	279,677	17.7%	42,291	279,677	15.1%
Family Zone Cyber Safety Limited[4]	400,000	191,956,293	0.2%	1,913,708	134,500,000	1.4%

[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] The Company also holds 1,500,000 Family Zone Cyber Safety Limited performance shares which convert in ordinary shares if certain performance thresholds are met.

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

Fair value as at 31 March 2019

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	$18.630 million
2) Well-established businesses - Raygun - Timely - Melon Health - RedSeed - Mobi2Go - Everedge IP - Coherent Solutions - Boardingware - Conqa	Market value on acquisition, or Transaction Evidence, or Revenue Multiple	$23.040 million
3) Early Stage - Weirdly - InfluxHQ - ThisData - Populate - New Zealand Artesian Water - Hayload	Market value on acquisition, or Revenue Multiples (including weighted methods), or fully impaired	$4.240 million
4) Listed - Family Zone	Forecast vesting data (including weighted multiples)	$0.260 million
Total Investment at fair value		**$46.170 million**

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		**$34.160 million**

4.3 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range(weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	10.4 - 10.4 (10.4)	The estimated fair value would increase if the EBITDA multiples were higher. The estimated fair value would decrease if EBITDA multiples were lower.
Revenue Multiple	0.5 - 4.6 (2.0)	The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples were lower.
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. Discounts relating to illiquidity and size are then applied to the observed multiples to derive the adjusted multiples that are applied to the valuation of the Company's unlisted investments.

- *Market value on acquisition or transaction evidence:* represents the price paid by the Company to acquire the investment (market value on acquisition) or the price paid by third parties to acquire equity instruments in the investee (transaction evidence). These approaches are appropriate where the investment by the Company or third party was completed close to balance date and there is no other information available indicating a significant change in the underlying fair value of the investment.

- *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)
2019	**$'000**	**$'000**
Investments	51,370	40,970
2018		
Investments	37,640	30,920

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

		Reasonable possible alternatives	
Revenue multiples used in valuations at:	Actual	Favourable	(Unfavourable)
31 March 2019	0.5 - 4.6	0.7 - 5.5	0.4 - 3.7
31 March 2018	1.7 - 19.0	2.2 - 24.7	1.2 - 13.3
31 March 2018 using 2019 discounts for size and illiquidity[1]	0.8 - 5.5	0.9 - 6.6	0.6 - 4.4
EBITDA multiples used in valuations at:			
31 March 2019	10.4 - 10.4	12.4 - 12.4	8.3 - 8.3
31 March 2018	14.4 - 16.0	18.7 - 20.8	10.1 - 11.2
31 March 2018 using 2019 discounts for size and illiquidity[1]	9.6 - 11.1	11.5 - 13.4	7.6 - 8.9

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

[1] 2018 multiples are based on observed comparable company multiples prior to the application of size and illiquidity discounts. Had the 2019 discounts for size and illiquidity been applied to the 2018 multiples, the revenue multiples and the EBITDA multiples would have been reduced accordingly.

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 31/03/2019 $'000	Year ended 31/03/2018 $'000
Unlisted equity investments		
Balance at beginning of year	34,160	25,540
Purchases - cash	4,495	6,783
Disposals - cash	(1,110)	(40)
Purchases - issue of shares	1,510	1,895
Change in fair value of investments	7,115	(18)
Balance at end of year	46,170	34,160

Included within the change in fair value of investments in the table above is $7.005 million (2018: loss of $0.018 million) of unrealised gains in relation to investments still held at balance date.

5 Income taxes

5.1 Income tax recognised in profit or loss

	Year ended 31/03/2019 $'000	Year ended 31/03/2018 $'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 31/03/2019 $'000	Year ended 31/03/2018 $'000
(Loss)/Profit before tax from continuing operations	5,005	(249)
Income tax (benefit)/expense calculated at 28%	1,401	(70)
Effect of income that is exempt from taxation	(1,992)	5
Effect of non-deductible expenses	261	(38)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	309	65
Others (imputation credits gross up)	21	38
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

	31/03/2019 $'000	31/03/2018 $'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)	755	468
- deductible temporary differences	242	141
	997	609

6 Issued capital

	31/03/2019 $'000	31/03/2018 $'000
Issued capital comprises:		
1,943,651 fully paid ordinary shares (31 March 2018: 1,656,236)	30,736	24,770
	30,736	24,770

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2019 were $0.138 million (2018: $0.153 million)

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2018	1,656	24,770
Shares issued during the year	288	5,966
Balance at 31 March 2019	1,944	30,736
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

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 2019, there are no unpaid shares on issue (31 March 2018: None) and no unpaid options (31 March 2018: None) on issue.

6.2 Share based payment reserve

	31/03/2019 $'000	31/03/2018 $'000
Balance at beginning of year	1,295	1,449
Arising on share-based payments (performance fee)	932	(154)
Balance at end of year	2,227	1,295

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

	31/03/2019 $'000	31/03/2018 $'000
Balance at beginning of year	8,332	8,581
Profit/(Loss) attributable to owners of the Company	5,005	(249)
Balance at end of year	13,337	8,332

7 Financial instruments

7.1 Categories of financial instruments

	31/03/2019 $'000	31/03/2018 $'000
Financial assets		
Fair Value Through Profit or Loss		
Investments	46,170	34,160
At amortised cost		
Cash and cash equivalents	1,032	735
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	866	504
Accounts payable	106	52

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 2019 the management fee paid was $0.810 million (2018: $0.635 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 2019 an equity raising fee of $0.138 million was paid (2018: 0.153 million). No amounts were outstanding at balance date (2018: 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 2019, total expense of $1.294 million (2018: gain of $0.214 million) has been recognised in profit or loss. Of this expense, $0.362 million was recognised as an increase in the performance fee liability of $0.866 million (2018: $0.504 million) in relation to the cash settled portion of the performance fee and $0.932 million was recognised as part of the share based payment reserve of $2.227 million (2018: $1.295 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

Directors of the Company or LWCM holding a beneficial interest in shares are as follows:

	31/03/2019	31/03/2018
Lance Wiggs[1]	63,500	63,500
Michael Bennetts	49,500	49,500
John Berry	9,658	9,658
Blake Richardson	37,000	25,000
Amanda Simpson	6,600	6,600
Chris Humphreys[1,2]	286	286
LWCM	114	114

[1] *Lance Wiggs and Chris Humphreys both have a beneficial interest in 114 Punakaiki Fund Limited Shares held in the legal name of Lance Wiggs Capital Management Limited.*

[2] *Chris Humphreys is a manager, but not a director of the Company.*

8.2.2 Directors' Fees

Director fees paid by the Company during the year have been disclosed on page 24 of the Annual Report. Directors' fees gross of GST and PAYE of $26,500 remain payable at year end.

9 Audit Fees	**31/03/2019 $'000**	**31/03/2018 $'000**
Audit of financial statements	45	39
Other services (audit of share register)	3	3
Total Audit Fees	48	42

10 Reconciliation of profit for the year to net cash used in operating activities	**31/03/2019 $'000**	**31/03/2018 $'000**
Profit/(Loss) for the year	5,005	(249)
Adjustments for:		
Change in fair value of investments	(7,115)	18
Accrued Performance Fees	1,294	(214)
	(816)	(445)
Movements in working capital:		
(Decrease)/Increase in trade and other payables	55	(5)
Decrease/(Increase) in prepayments	3	(11)
Decrease/(Increase) in trade and other receivables	(7)	18
Decrease/(Increase) in withholding tax receivable	(8)	(25)
Net cash used in operating activities	(773)	(468)

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 $1.510 million were received in the form of investments (2018: $1.895 million).

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:

	31/03/2019 $'000	**31/03/2018 $'000**
Cash on hand and demand deposits	1,032	735
Total cash and cash equivalents	1,032	735

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.

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 $13.851m lower. If equity prices strengthened by 30%, holding all other variables constant, profit and equity would be $13.851m 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 Devoli Limited, QA Tech Limited (Conqa) and New Zealand Artesian Water Limited and has sold all of its shares in InfluxHQ Limited.

The Company also raised $99,997 in new capital by issuing 4,651 new ordinary shares at a price of $21.50 per share, and $325,006 in new capital by issuing 14,773 new ordinary shares at a price of $22.00 per share. As at the date of this report the Company is engaged in raising additional capital at $22.50 per share, with that offer set to close on 31 July 2019.

The Company made a payment of $99,475 to Lance Wiggs Capital Management relating to administrative services provided in FY19 and prior years.

Directory

Board of Directors of Punakaiki Fund Limited

Michael John Bennetts

John Charles Berry

Blake Thomson Richardson

Amanda Rhean Simpson

Graeme Lance Turner Wiggs

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

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2 Kitchener Street

Auckland 1010

Manager

Lance Wiggs Capital Management Limited

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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 6

2 Kitchener Street

Auckland 1010