PUNAKAIKI FUND

ENGAGE • INVEST • GROW • HOLD

INVESTMENT VALUATION POLICY
PUNAKAIKI FUND LIMITED

2 February 2016

1. BACKGROUND

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

2. DELEGATIONS AND AUTHORITIES

2.1. Overall responsibility for this Policy rests with the PFL Board. PFL has delegated the work for proposing valuation of its investments to the manager of PFL's investments, Lance Wiggs Capital Management Limited ("LWCM"), with the Board retaining the authority to make final decisions on valuation.

2.2. The Board reserves the right to appoint an independent valuer to review the valuations of or value some, all or any of PFL's investments.

3. VALUATION APPLICATIONS

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

3.2. Secondary valuations may be undertaken when PFL is determining its Net Asset Value for the purposes:

a) Disclosure in its quarterly reporting to shareholders; or

b) When determining the pricing of new share issues.

4. VALUATION BASIS

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

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

5. IPEV GUIDLINES

5.1. In order to provide guidelines for determining fair value, PFL has adopted the International Private Equity and Venture Capital Valuation Guidelines (December 2015 edition). All PFL valuations are to be undertaken in accordance with these guidelines.

6. VALUATION POLICIES

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

6.2. The carrying value of each investment will be reviewed at least annually, generally at the end of the end of the financial year.

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

6.4. The International Private Equity and Venture Capital Valuation Guidelines (December 2015 edition) sets out the following preferred valuation techniques:

a) Price of Recent Investment (Market Approach);

b) Comparable Company Multiples (Market Approach);

c) Industry Valuation Benchmarks (Market Approach);

d) Available Market Prices (Market Approach);

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

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

g) Net Asset Value (Replacement Cost Approach).

6.5. There is a preference to use Market Approaches as opposed to Income Approaches or Replacement Cost Approaches when valuing PFL investments.

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

a) All investments quoted in active markets should be valued based on their observed share price (Available Market Price approach).

b) For at least the first 6 months following any investment not quoted in an active market, the value of that investment will be held ‘at cost’, unless there has been a material or observable change in the value of that investment, such as the investment being revalued as a result of a material transaction in the securities of that investment (Price of Recent Investment approach).

c) After the first six months referred to in clause 6.6 b), if deemed appropriate, either the Comparable Company Multiples approach or the Industry Valuation Benchmarks approach should be used.

6.7. Any evidence of an impairment in the fair value of an investment should be investigated immediately and, if required, the fair value of an investment will be updated as soon as a value can be reasonably determined.

7. INDEPENDENT THIRD PARTY VALUERS

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

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

7.3. Independent valuations will be prepared in line with the relevant accounting standards, relevant legislation and these policies.

8. REVIEW AND CHANGES

8.1. This Policy:

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

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