



PUNAKAIKI FUND LIMITED

Financial Statements

For the 6 months ended 30 September 2022

21 December 2022

Punakaiki Fund Limited

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For the 6 months ended 30 September 2022

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Punakaiki Fund Limited

Directors

For the 6 months ended 30 September 2022

	Appointed
Bennetts, Michael John	30 September 2015
Betty, Teressa Rachelle	2 September 2020
Jones, Tracey	1 January 2022
Kinser, Candance	1 January 2022
Scott, Nigel	1 January 2022
Wiggs, Graeme Lance Turner	10 April 2013

Punakaiki Fund Limited

Directors' responsibility statement

For the 6 months ended 30 September 2022

The directors are pleased to present the interim financial statements of Punakaiki Fund Limited for the 6 months ended 30 September 2022.

The Board of Directors of Punakaiki Fund Limited authorised the financial statements set out on pages 5 to 17 for issue on 21 December 2022.

For and on behalf of the Board

DocuSigned by:
Mike Bennets
A665A17FBBE04B9...
Director

DocuSigned by:
[Signature]
7A3E33A02CB64E5...
Director

Punakaiki Fund Limited

Statement of comprehensive income

For the 6 months ended 30 September 2022

		6 months ended 30/09/2022	6 months ended 30/09/2021
		(Unaudited) \$'000	(Unaudited) \$'000
	Notes		
Interest income		2	1
Dividend income		-	113
Change in fair value of investments	3.6	(2,628)	5,642
Accrued contingent performance fees	6.4	781	(1,036)
Management fees	6.1	(833)	(663)
Administration fees	6.2	(126)	(130)
Insurance		(33)	(27)
Consulting and accounting expenses		(120)	(71)
Audit fees		(1)	(2)
Legal expenses		(4)	(9)
Subscription fees		(13)	-
Other		(123)	(25)
(Loss) Profit before tax		(3,098)	3,793
Income tax expense		-	-
(Loss) Profit and total comprehensive income		(3,098)	3,793

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

Punakaiki Fund Limited

Statement of financial position

At 30 September 2022

	Notes	30/09/2022 (Unaudited) \$'000	31/03/2022 (Audited) \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,134	5,068
Prepayments		17	36
Trade and other receivables		19	23
Total current assets		1,170	5,127
Non-current assets			
Investments	3	93,955	93,070
Total non-current assets		93,955	93,070
Total assets		95,125	98,197
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		164	189
PAYE payable		17	-
Total current liabilities		181	189
Non-current liabilities			
Performance fee payable	6.4	2,670	2,889
Total non-current liabilities		2,670	2,889
Total liabilities		2,851	3,078
Capital and reserves			
Issued capital	4	45,971	45,156
Share based payment reserve	4.1	6,866	7,428
Retained earnings	4.2	39,437	42,535
Total equity		92,274	95,119
Total equity and liabilities		95,125	98,197

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

Punakaiki Fund Limited

Statement of changes in equity

For the 6 months ended 30 September 2022

	Share capital \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 April 2021 (Audited)	40,135	4,551	26,750	71,436
Total comprehensive income for the period	-	-	3,793	3,793
Contributed capital	169	-	-	169
Transaction costs	(5)	-	-	(5)
Share based payments in relation to performance fee	-	746	-	746
Balance at 30 September 2021 (Unaudited)	40,299	5,297	30,543	76,139
Balance at 1 April 2022 (Audited)	45,156	7,428	42,535	95,119
Total comprehensive loss for the period	-	-	(3,098)	(3,098)
Contributed capital	840	-	-	840
Transaction costs	(25)	-	-	(25)
Share based payments in relation to performance fee	-	(562)	-	(562)
Balance at 30 September 2022 (Unaudited)	45,971	6,866	39,437	92,274

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

Punakaiki Fund Limited

Statement of cash flows

For the 6 months ended 30 September 2022

	Notes	6 months ended 30/09/2022 (Unaudited) \$'000	6 months ended 30/09/2021 (Unaudited) \$'000
Cash flows from operating activities			
Interest received		2	1
Payments to suppliers		(430)	(275)
Management fees		(833)	(663)
Dividend received		-	113
Net cash used in operating activities		(1,261)	(824)
Cash flows from investing activities			
Proceeds from sale of investments		110	10,391
Payments to acquire investments		(3,623)	(8,649)
Net cash (used in)/generated by investing activities		(3,513)	1,742
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		840	169
Payment of transaction costs on issue of equity instruments		-	(18)
Net cash received from financing activities		840	151
Net (decrease)/increase in cash and cash equivalents		(3,934)	1,069
Cash and cash equivalents at the beginning of the period		5,068	2,168
Cash and cash equivalents at the end of the period		1,134	3,237

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

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

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 interim financial statements are for the 6 months ended 30 September 2022.

2 Significant accounting policies

2.1 Statement of compliance and reporting framework

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalent to International Accounting Standard 34 ("NZ IAS 34") *Interim Financial Reporting*.

The interim financial statements do not include all of the information required for full year financial statements and should be read in conjunction with the company's annual financial report for the year ended 31 March 2022.

Consistent accounting policies with the full financial statements for the year ended 31 March 2022 have been applied in preparation of these interim financial statements.

2.2 Basis of preparation

The Company is an investment entity as defined in NZ IFRS 10 and the method used for determining the fair value of the investments is consistent with the full financial statements for the year ended 31 March 2022.

3 Fair values of financial instruments

3.1 Investments in Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at \$93.96 million (As at 31 March 2022: \$93.07 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net loss of \$2.628 million (6 months ended 30 September 2021: net gain \$5.642 million) was recognised through profit and 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).

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

3.1 Investments in Equity Instruments (continued)

Ownership Summary	2022 September ¹			2022 March ¹		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Devoli Limited ³	2,965,000	5,501,000	53.9%	2,965,000	5,501,000	53.9%
Quantifi Photonics Limited ²	120,400	706,398	17.0%	120,400	493,120	24.4%
Boardingware International Limited ⁴	469,870	1,623,095	28.9%	446,000	1,479,890	30.1%
RedSeed Limited ²	54,774	113,782	48.1%	54,774	113,782	48.1%
QA Tech Limited (Conqa) ²	31,669	154,315	20.5%	31,669	158,140	20.0%
Onceit Limited ²	25,625	100,000	25.6%	25,625	100,000	25.6%
Whip Around (NZ) Limited	27,559	905,609	3.0%	27,559	905,609	3.0%
Weirdly Limited ⁴	380,006	766,000	49.6%	380,006	766,000	49.6%
Mobi HQ Limited	769,595	3,919,816	19.6%	374,599	2,558,123	14.6%
Spiderworks Limited (Projectworks) ⁴	200,000	1,552,000	12.9%	200,000	1,552,000	12.9%
Couchdrop Limited ²	227	1,271	17.9%	227	1,271	17.9%
Get Home Safe Limited ⁴	335	2,012	16.7%	335	2,012	16.7%
Melon Health Limited	1,012,922	3,424,405	29.6%	931,711	2,888,415	32.3%
Mindfull Limited (QUBEdocs) ⁴	410	1,488	26.5%	348	1,488	23.4%
Raygun Limited	501,445	8,011,600	6.3%	501,445	8,011,600	6.3%
Core Schedule NZ Limited ⁴	233,333	1,333,333	17.5%	233,333	1,333,333	17.5%
Formus Labs Limited	152,432	5,016,341	3.0%	152,432	5,016,341	3.0%
New Zealand Artesian Water Limited	14,239	106,216	13.4%	14,239	106,216	13.4%
EverEdge Global Limited ⁵	-	13,967,167	-	-	13,967,167	-
Timely Limited ⁶	-	1,662,417	-	-	1,662,417	-
Vend Limited ⁶	-	41,685,870	-	-	41,685,870	-
Tinderbox Media Limited (Moxion) ⁶	-	47,433,426	-	-	47,433,426	-
TD Limited ⁷	302,669	2,731,080	11.1%	302,669	2,731,080	11.1%
Hayload Limited	4,338	18,618	23.3%	4,338	18,618	23.3%
Friendly Limited	56,497	1,537,717	3.7%	-	1,251,027	0.0%
Populate Limited ⁷	n/a	n/a	n/a	n/a	n/a	n/a
Family Zone Cyber Safety Limited ⁸	600,000	887,786,120	0.1%	600,000	776,995,452	0.1%

¹ Total Shares and shareholding percentages are based on issued shares. Effective shareholdings may be lower due to the dilutionary impact of any employee options or financial instruments such as convertible notes.

² Lance Wiggs, a director of 2040 Ventures and the Company was also a director of these companies during the period.

³ Chris Humphreys, a director of 2040 Ventures and a manager of the Company was also a director of this company during the period.

⁴ Nadine Hill, an employee of 2040 Ventures was also a director of these companies during the period.

⁵ The Company retains an interest in debt instruments issued by EverEdge Global Limited.

⁶ The Company retains an interest in sale proceeds held in escrow.

⁷ The company was removed from the Register of Companies.

⁸ The Company also holds 600,000 unlisted Family Zone Cyber Safety Limited performance shares which convert into ordinary shares if certain performance thresholds are met. The Company believes these thresholds are unlikely to be met.

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

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

Fair value as at 30 September 2022 (unaudited)

Investment Type	Valuation technique(s) and unobservable input(s)	Fair value (\$)
1) Substantial - Devoli - Onceit - Quantifi Photonics	Revenue multiple, EBITDA multiple or Independent Valuation	\$40.85 million
2) Well-established businesses - Raygun - RedSeed - Mobi - Whip Around - Boardingware - Conqa	Revenue multiple	\$34.55 million
3) Early Stage - Weirdly - Get Home Safe - QUBEdocs - Melon Health - Projectworks - Couchdrop - Core Schedule - Formus Labs - Friendly Limited - New Zealand Artesian Water	Revenue multiples (including weighted methods), or fully impaired	\$16.42 million
4) Listed, Exited & Written Off - Family Zone - Vend - Timely - Moxion - EverEdge - Populate - Hayload - ThisData	Market price, loan receivables, cash in escrow, forecast vesting data, or nil carrying value	\$2.14 million
Total Investment at fair value		\$93.96 million

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

Fair value as at 31 March 2022 (audited)

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value (\$)
1) Substantial - Devoli - Onceit - Quantifi Photonics	Revenue multiple, EBITDA multiple or Independent Valuation	\$41.70 million
2) Well-established businesses - Raygun - RedSeed - Mobi - Whip Around - Boardingware - Conqa	Revenue multiple	\$32.76 million
3) Early Stage - Weirdly - Get Home Safe - QUBEdocs - Melon Health - Projectworks - Couchdrop - Core Schedule - Formus Labs - New Zealand Artesian Water	Revenue multiples or fully impaired	\$16.55 million
4) Listed, Exited & Written Off - Family Zone - Vend - Timely - Moxion - EverEdge - Populate - Hayload - ThisData	Discounted Cash receivables, or fully impaired	\$2.06 million
Total Investment at fair value		\$93.07 million

3.3 Fair value hierarchy

	Notes	Level 1	Level 2	Level 3	Total
As at 30 September 2022					
Investments	3.6	-	1,560	92,395	93,955
Total		-	1,560	92,395	93,955
As at 31 March 2022					
Investments		-	1,415	91,655	93,070
Total		-	1,415	91,655	93,070

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

3.4 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range(weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	3.9 - 6.9 (6.5) (March 2022: 6.9 - 10.1 (7.5))	The estimated fair value would increase if the EBITDA multiples were higher. The estimated fair value would decrease if EBITDA multiples were lower.
Revenue Multiple	1.1 - 29.4 (6.5) (March 2022: 1.1 - 30.2 (7.4))	The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples 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.
- *Impaired*: represents where an investment has been written down in 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.

3.5 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.

	Favourable	(Unfavourable)
	\$'000	\$'000
2022 September Investments	98,545	82,915
2022 March Investments	101,812	84,192

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

The Company notes that it holds shares with liquidation preferences for many investments, which provides a measure of protection from falls in the value of its investments.

	Actual	Reasonably possible	
		Favourable	(Unfavourable)
Revenue multiples used in valuations at:			
30 September 2022	1.1 - 29.4	1.4 - 29.4	0.9 - 29.4
31 March 2022	1.1 - 30.2	1.4 - 36.3	0.9 - 24.2
EBITDA multiples used in valuations at:			
30 September 2022	3.9 - 6.9	4.7 - 8.3	3.2 - 5.5
31 March 2022	6.9 - 10.1	8.3 - 12.2	5.5 - 8.1

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

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

3.6 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.

	As at 30/09/2022 (Unaudited) \$'000	As at 31/03/2022 (Audited) \$'000
Equity investments		
Balance at beginning of period	91,655	62,529
Purchases - cash	3,623	20,060
Disposals - cash	(110)	(11,183)
Transfer to level 2 investments	-	(1,415)
Change in fair value of investments	(2,773)	21,664
Balance at end of period	<u>92,395</u>	<u>91,655</u>

Included within the change in the fair value of investments in the table above is (\$2.773) million (Year ended 31 March 2022: \$21.664 million) of net unrealised gains(losses) in relation to investments still held at reporting date.

4 Issued capital

	As at 30/09/2022 (Unaudited) \$'000	As at 31/03/2022 (Audited) \$'000
Issued capital comprises:		
2,655,382 fully paid ordinary shares (31 March 2022: 2,627,372)	45,971	45,156
	<u>45,971</u>	<u>45,156</u>

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs of \$0.025 million were incurred for the 6 months ended 30 September 2022 (6 months ended 30 September 2021: \$0.005 million).

At 30 September 2022, there are no unpaid shares on issue (as at 31 March 2022: None) and 28,010 November 2023 \$30 options on issue (as at 31 March 2022: None).

4.1 Share based payment reserve

	As at 30/09/2022 (Unaudited) \$'000	As at 31/03/2022 (Audited) \$'000
Balance at beginning of period	7,428	4,551
Arising on share-based payments (performance fee)	(562)	2,877
Balance at end of period	<u>6,866</u>	<u>7,428</u>

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 5.4.

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

4.2 Retained earnings	As at 30/09/2022 (Unaudited) \$'000	As at 31/03/2022 (Audited) \$'000
Balance at beginning of period	42,535	26,750
(Loss) Profit attributable to owners of the Company	(3,098)	15,785
Balance at end of period	39,437	42,535

5 Financial instruments

5.1 Categories of financial instruments	As at 30/09/2022 (Unaudited) \$'000	As at 31/03/2022 (Audited) \$'000
Financial assets		
<i>Financial assets at Fair Value Through Profit or Loss</i>		
Investments	93,955	93,070
<i>At amortised cost</i>		
Cash and bank balances	1,134	5,068
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Performance fee (cash component)	2,670	2,889
Accounts payable	164	189
PAYE payable	17	-

6 Related party transactions - Remuneration of the Manager

2040 Ventures Limited is the Manager of the Fund. Details of the remuneration of the Manager are provided below:

6.1 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 6 months ended 30 September 2022 the management fee paid was \$0.833 million (6 months ended 30 September 2021: \$0.663 million).

6.2 Administration fees

During the 6 months ended 30 September 2022, the Company paid the Manager an administration fee for services provided by the Manager. The administration fee is fixed annually by the Board and paid quarterly in advance. Total administration fees expensed during the 6 month period ended 30 September 2022, were \$0.126 million (6 months ended 30 September 2021: \$0.130 million).

6.3 Equity raising fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the 6 months ended 30 September 2022, an equity raising fee of \$0.025 million was recognised (6 months ended 30 September 2021: \$0.005 million). \$0.025 million was outstanding at 30 September 2022 (6 months ended 30 September 2021: None).

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

6.4 Performance fee

On or after the occurrence of a Liquidity Event (as defined in the management agreement, but principally after an agreed period of time has elapsed following an Initial Public Offering (IPO) of the Company's shares 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 proposed payment of the performance fee. Prior to an IPO of the Company's shares on a recognised exchange, this return is measured against the asset value of the Company. Following an IPO, this return is measured against the market value of the Company's shares, which may trade at a discount (or a premium) to the Company's asset value at that time. Based on the current New Zealand corporate tax rate, the performance fee would be settled 72% through the issue of ordinary shares and 28% in cash.

During the 6 months ended 30 September 2022, total income of \$0.781 million (6 months ended 30 September 2021: expense of \$1.036 million) has been recognised. Of this income, \$0.219 million (28% of total income) was recognised as a decrease in the performance fee payable liability in relation to the cash settled portion of the performance fee and \$0.562 million (72% of total income) was recognised, reducing the share based payment reserve 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 from 30 September 2022, therefore the liability has been recorded as non-current.

6.5 Directors beneficial interests in the Company

At 30 September 2022, directors of the Company or 2040 holding a beneficial interest in shares are as follows:

	<u>As at 30/09/2022</u>	<u>As at 31/03/2022</u>
Lance Wiggs ¹	63,000	63,000
Michael Bennetts ²	58,996	57,996
Teressa Betty	700	700
Tracey Jones	1,800	1,800
Candace Kinser	-	-
Nigel Scott	2,600	2,600
Chris Humphreys ^{1,3}	366	366
2040 Ventures	6,214	6,214

¹ Lance Wiggs and Chris Humphreys both have a beneficial interest in 6,214 Punakaiki Fund Limited Shares held in the legal name of 2040 Ventures Limited.

² Mike Bennetts also has a beneficial interest in 1,000 November 2023 \$30 options.

³ Chris Humphreys is a manager, but not a director of the Company.

7 Financial risks

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

7.1 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.

All investments made by the Manager must comply with the criteria in the Management Agreement and certain Company policies such as the Company's Statement of Investment Policies and Objectives and the Company's Socially Responsible Investment Policy. The maximum market risk resulting from investments is their fair value as reported in the statement of financial position.

The investments in Devoli Limited, Quantifi Photonics Limited and Boardingware International Limited are individually more than 10% but individually less than 25% of total investments at balance date.

The Company has no significant interest risk. The Company is exposed to currency risk in respect of its interest in escrowed amounts relating to the sale of its holdings in Vend Limited and Tinderbox Media Limited (Moxion), which are both denominated in US dollars.

Punakaiki Fund Limited

Notes to the financial statements

For the 6 months ended 30 September 2022

7.2 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.

7.3 Liquidity risk

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

7.4 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 period.

8 Subsequent Events

On 30 November 2022, the Company closed its wholesale share and option offer, raising an additional \$0.719 million from the issue of an additional 23,951 shares and 23,951 November 2023 \$30 options. Following the completion of this offer, the Company has 2,579,333 shares on issue and 51,961 November 2023 \$30 options on issue.

On 22 December 2022, the Company invested \$0.100 million in a convertible note issued by Weirdly Limited.

