Punakaiki Fund

Annual Report

For the year ended 31 March 2023

9 AUGUST 2023

2023 Snapshot

Raised:

$5.7 million

- At an average of $21.18 per share
- Investor net asset value per share $31.67* at year end

**Corrected after filing to be consistent with the rest of this report*

Invested:

$3.7 million

Main Investments:

Mobi | Orah
Frello | QUBEdocs

Realised:

$0.67 million

$95.3 million

In Total Assets

$(5.9) million

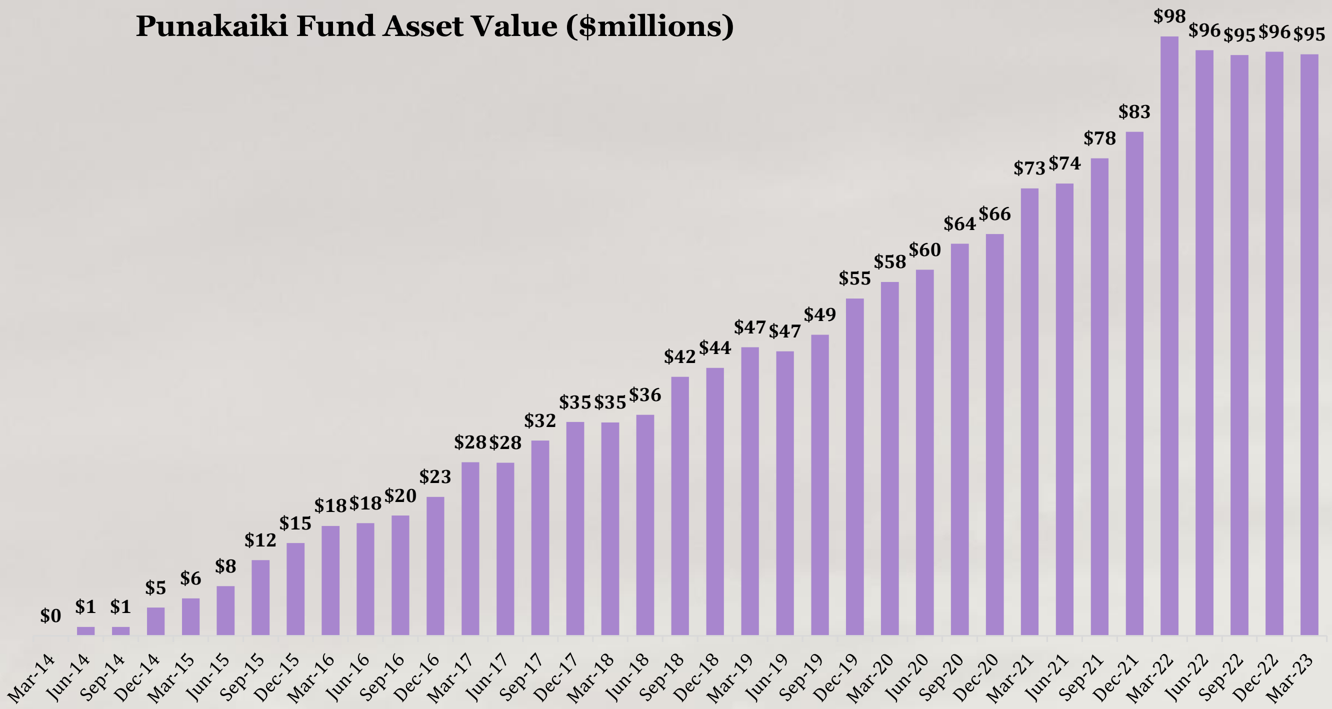
Increase (decrease) in fair value of investments

$2.7 million

Net cash used in operating activities (2.8% of year-end assets)

$(5.9) million

Profit (Loss) After Tax



18.0% IRR

Annualised increase in unrealised and realised portfolio company value since inception

(Up 92% on initial investment value)

$163 million

Estimated, and unverified, FY2023 revenue from our 17 portfolio companies

Contents

01.

Chair's Report

01. Chair's Report

Kia ora tātou

FY2023 was a relatively quiet year for us, at least externally, as we consolidated after our breakout FY2022, when we saw three major exits and several new investments (one of which exited in the same year we invested).

The new investments from FY2022 are performing well, with Projectworks and Couchdrop delivering revenue growth of over 100%, whilst Whip Around is maturing into a sizeable business and making great strides in the US market for fleet maintenance.

However, these performances were against the backdrop of significantly weaker conditions for technology shares globally, which not only saw valuation multiples fall, but made funding and even day-to-day trading hard for certain portfolio companies.

The net result for FY2023 was a total asset value of $95.3 million, and an overall loss of $5.89 million, driven by a loss of $5.93 million in investment value, offset by lower accrued performance fees.

We have a long-term investment philosophy at Punakaiki Fund, and while valuations might periodically rise and fall with markets, we look to the underlying health and growth rates of companies to get comfort on their long-term prospects and hence value. While the portfolio in aggregate grew well (valuation-weighted revenue growth rate of 43%), we also observed some companies struggle and valuations were marked down as a consequence.

IPO Not in Sight Yet

The Board continues to observe that we are unlikely to be able to successfully IPO Punakaiki Fund until we see improved market conditions, along with certain other pre-requisites to list being met, and that this might take some time to materialise. This is driven by a desire to only raise substantial funds at or around our net asset value, as well as general market sentiment – the IPO market in Australia and New Zealand, particularly for growth companies or alternative assets, effectively remains closed.

Importantly, it is critical to ensure that Punakaiki Fund can be a relevant and thriving listed company at and following any IPO, hence scale, institutional investor support and liquidity in particular, are relevant success factors.

So, while we remain committed to an IPO over the medium-term as a strategic objective, a listing is not planned for the current financial year.

However, pleasingly we can report that we have had encouraging engagement with investors, brokers and advisors around our future listing intentions and their preparedness to invest in or support listed venture capital, particularly given several global precedents that have emerged over the last 10 years.

Accounting For Accrued Performance Fee

As our shareholders will be aware, Punakaiki Fund has not paid a performance fee since inception, but we record an accrual on the balance sheet, which contemplates paying a fee at a prescribed liquidity event, such as an IPO.

We revised our approach to calculating the performance fee to meet the requirements of the NZ IFRS 2 accounting standard. This included the restatement of historical performance calculations including the balances presented at 31 March 2021 and for FY2022 to allow comparison for the updated treatment on a like for like basis as required by accounting standards.

We are reporting a fall of $2.6 million in the accrued performance fee (which is recorded as income in our statement of comprehensive income) during FY2023, versus a lower, restated, accrued performance fee for FY2022. The change in performance fee was driven mainly by the falling value of our investment portfolio over the period, as well as the change to applying the NZ IFRS 2 accounting standard and, a move to applying a 10% discount to the net asset value when calculating the fee.

Overall the Board considers combining both of these approaches result in a fairer reflection of the actual financial situation of the company and ensures stronger alignment with shareholder value outcomes.

The overall result for shareholders, measured by investor net asset value, is a fall from a restated $35.05 to $31.67 per share.

Governance

As we continue to contemplate an IPO, the Board and 2040 Ventures are re-assessing our long-term strategy, to ensure it is fit for purpose for the company and stakeholders, including investors, portfolio companies and the capital markets. We are also establishing a comprehensive risk management framework, building on the work done previously, and are looking at potential changes in our approach to investor communications and Board composition, policies and procedures. We also continue to work with 2040 Ventures on the renewal of the management agreement.

We acknowledge that we are overdue on our original intention to IPO and are working hard to put the fund in the best position to list when financial settings, market conditions and circumstances allow. For now, we ask for patience – Punakaiki Fund is a long-term investment vehicle, and over time the size and value of our existing investments should be enhanced.

Our ongoing thanks to you for your support of Punakaiki Fund. We look forward to many more years of growth and success together.

Mike Bennetts

02.

Manager's Report

02. Manager's Report

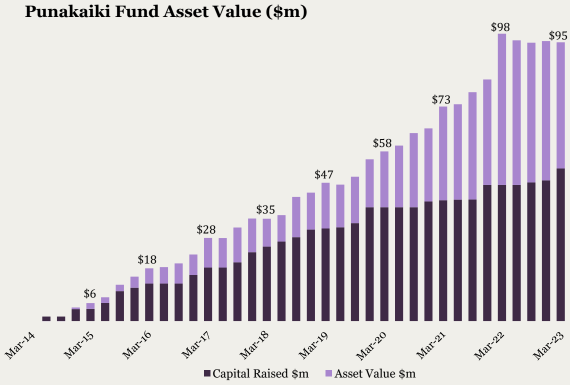
Tēnā koutou

The last two years have been the best and worst in our history – at least as measured by accounting profit. However, the portfolio has demonstrated significant resilience against the backdrop of weaker market conditions and valuations for technology companies.

During FY2022, we achieved valuation gains of $21.6 million, with the fund growing from $73.3 million to $98.2 million in assets. In contrast, during FY2023, we booked valuation losses of $5.9 million, reversing part of the gain achieved during FY2022, with an end-of-year asset value of $95.3 million.

To put some context around this, since inception we have seen revaluation (including exits) gains and dividends of over $54 million. That uplift has delivered a gross internal rate of return of 18%, falling from 23.3% a year ago, but still well ahead of what we need to consistently outperform the NZX 30-year return, a key benchmark for the fund.

Punakaiki Fund Asset Value ($m)



We have booked net profits in all but two years since inception, with this year's loss of $5.9 million coming after FY2022's restated record profit of $17.9 million.

Whilst we cannot predict future performance, we have a long-term investment philosophy and mandate. We therefore expect variance in valuations and company performance from time-to-time. Pleasingly, we observed strong underlying performance during FY2023, with 43% revenue growth as weighted by our holding value.

Company Highlights

We were delighted for the founders of Devoli when they exited their shareholdings in the business during January 2023. Their shares were sold to long-term investors Takutai Trust, and represented an uplift of 17 times (at an annual rate of return of 39%), of the entry price we paid for at investment back in 2014. We congratulate them on their journey and wish them all the best.

Couchdrop impressed with their growth over the year, including their ongoing capital efficiency and discipline. The company tripled in size, improved each of their two products and their internal processes to meet enterprise requirements, and has a promising future. We happily invested more in June 2023 (post the FY2023 balance date) and now own 21.8% of the company's shares.

Quantifi Photonics consolidated its strong position in photonics testing and measurement following the $25 million Intel Capital-led round in 2022. The company performed well despite challenging trading conditions for semiconductor clients and are preparing for several exciting product launches over the near-term.

You can read more about the progress of our portfolio companies later in this report.

Downward Valuation Pressure

The reduction in portfolio valuation during FY2023 can be attributable to three factors: 1) company revenue growth performance, 2) company sustainability and 3) listed company market multiples.

Company growth

We saw positive revaluation performance from four companies driven by sustained revenue growth over the period. In aggregate, this contributed a combined valuation uplift of around $10 million. Two of these companies, Couchdrop and Projectworks, were investments made in late FY2022, both of which continue to perform well.

Pleasingly, the majority of the portfolio showed solid growth, offsetting reductions in market multiples and demonstrating the resilience and benefits offered by a diversified portfolio in terms of size, sector, stage, and customers/end-users/market structure.

Lower revenue and sustainability

However, driven by contracting spend in many sectors, we also saw four companies' revenue reduce in FY2023, and another, Melon Health, that ran out of cash runway and was, regrettably, placed into liquidation. We were required to materially mark down another smaller company where revenue is expected to fall during FY2024.

Overall, this group of companies drove a collective year-on-year valuation mark-down of over $14 million, driven by that poor performance as well as lower market multiples. Some of these mark-downs were performed progressively during the financial year.

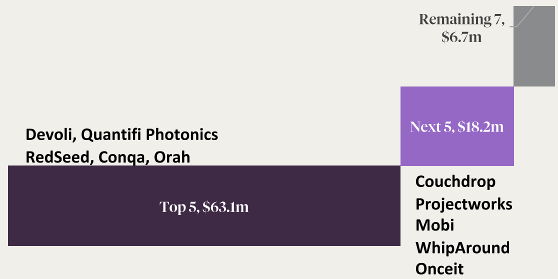
After these changes, the bulk of portfolio value is with companies that are sustainable and have solid growth prospects and we can reasonably expect performance to deliver improvements in valuations over time.

Market Multiples

This year saw our average revenue multiple (we use revenue multiples to value most companies) fall from 7.5x to 6.2x, a drop of 17%. If nothing else changed this would imply a loss of $17 million on a $100 million portfolio, and this magnified the write-down impact for those companies that did not grow.

Overall, we saw the best performing companies increase in value, most stay static, and a few, which had poor years, valued down. The portfolio value is increasingly concentrated in the best performing and largest companies, as is typical of a portfolio of early-stage, high-growth companies.

Portfolio Concentration



Top Ten Investments

This year, as we noted in our recent product disclosure statement for the March 2023 Retail Offer and Rights Issue, we are focusing on our top ten investments in terms of the way we externally report the portfolio. These investments represent over 90% of the value of our investments, and changes in their valuation are the most material to future valuations.

As always, we expect some of the top ten to perform better than others, and next year there may be movement in, and to and from, this group.

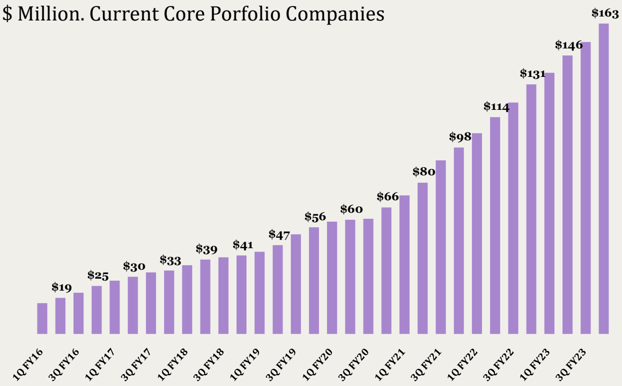
Our portfolio does provide resilience through being diversified across a number of companies, and those companies being exposed to many sectors and regions.

New Record: Aggregated Revenue

The total portfolio revenue was $163 million, which is our largest ever reported total, exceeding the $161 million reported in March 2021 just before the sale of Vend, Timely and Moxion.

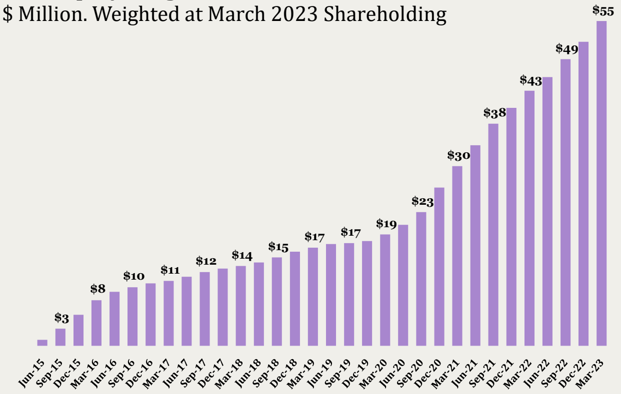
Our valuation-weighted revenue grew at a rate of 43%, while unweighted aggregate revenue growth was more subdued, at 24%, reflecting that companies are valued in different ways and that some revenue, such as that from SaaS companies, is more valuable than others, such as ecommerce.

Last 12 month Aggregate Revenue
$ Million. Current Core Porfolio Companies



At the time we stopped reporting revenue from the exited companies, equity weighted revenue from the portfolio was $33 million, with only $2 million contributed by the companies that were sold, largely due to our small shareholdings. These days, we generally hold larger percentages of shares in portfolio companies, and hence the equity weighted revenue has grown to $55 million.

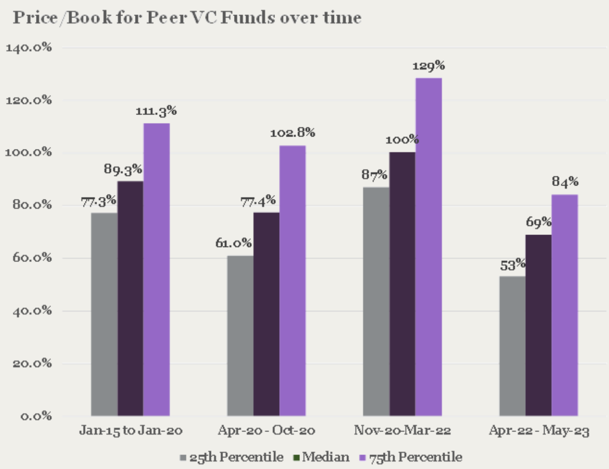
Total Equity Weighted Last 12 month Revenue
$ Million. Weighted at March 2023 Shareholding



Market Fund Valuations Discounts

Equity valuations globally have come off record highs from 2021, and, relevant to the Punakaiki Fund, we have observed that the listed venture capital and private equity funds that we compare ourselves to are typically trading at wide discounts to net asset value, in some cases of over 50%.

We have analysed price/book values for listed peers over four periods – from 2015 to COVID-19, during and after the highly volatile COVID period, during the initial post-COVID period, and more recently the significant weakness observed in technology shares. The chart below shows that these funds have been trading at an average discount of 31% to their book values, and that funds in the 25th percentile were trading at near 50% discounts to their book values.



We see that these discounts are primarily driven by concerns about the accuracy and asymmetry of information around the valuations of private, early-stage companies, in addition to the general flight of capital away from the technology sector with the fall in share prices of listed technology companies. These discounts, in essence, drove our decision to conduct a discounted offer in March 2023.

We have long been aware of the potential for our own shares to trade at a discount to net asset value. We have limited insight into how other funds value their assets, but remain confident in our approach to valuation, which has stood the test of time, external audits and exits. While we have internal confidence in our valuations, the only way to demonstrate this in practice is to periodically sell our assets. That creates tension with our belief that buy and hold investors deliver outsized returns over the long run. It's also obviously a difficult environment to demonstrate value by "exiting", while valuations for most technology companies are down versus historical levels. We can of course point to the exits of Vend, Timely and Moxion, only last financial year, which required us to collectively mark up their holding value by 2.2x, as evidence of our ability to exit at a premium to book value.

In our view, increased trust in our valuations will materialise with the passage of time, underpinned by future exits and asset realisations and building a consistent track record of cash returns at or above holding value.

Changed Investment Landscape

Every technology company is well aware of a changed investment landscape, with venture capital investors across the globe far more reticent to make investments into start-ups after a poor year for listed technology shares. We signalled this last year, and market conditions have not improved materially.

Many venture capital and angel-backed companies have looked to lower investment in growth to manage the time between funding events, so that they can grow to meet valuation expectations. The same is true with companies in our portfolio, and we are seeing lower requirement for capital.

We are also observing that funds are taking longer, in general, to make investment decisions, and are focusing on their highest quality, largest companies. We saw this with the successful funding round with Quantifi Photonics, and more recently with our own re-investment into Couchdrop.

None of this is new to us. As one of New Zealand's oldest venture capital investors, we have spent the majority of our existence in an underfunded venture capital market, and hence we have increasingly focused the bulk of our investments into intrinsically sustainable companies. Today, almost all of the portfolio value is generated from companies that are either sustainable or are able to become sustainable with the capital and asset base they have available today.

The impact of these market conditions is also felt by individuals. We have seen staff laid off from many companies across the industry globally, including in New Zealand. In general, the reductions have been relatively small, but not always. As investors and directors, we share the founders' and executives' feelings that these decisions are tough on the people leaving the business. However, we have been comforted by the responses to operational restructures, which everyone understands can be required, and that people have been able to move on to high-quality roles elsewhere.

Patience

With valuations down, companies weathering the storms, and high discounts to net asset value, the market value of Punakaiki Fund would be challenged if we listed. So, we are waiting, and preparing so that we are very successful at any IPO.

We reasonably see that if companies continue to grow at near current rates, if comparable company valuation metrics stay similar or better, and if market discounts to net asset value for listed funds return to previous norms, then we can expect material uplifts in the market price of our shares over time.

Longer term, we know that if the underlying growth rate of the companies we have invested in exceeds the growth in expected returns from equity capital markets, then we will generally see those businesses increase in value. Our goal is to deliver 20% returns to shareholders, so the FY2023 value-weighted revenue growth rate of 43% should easily achieve that, if sustained over the long run.

So, bear with us. The future looks bright, although it remains difficult to predict in the current market.

Founders

We are in our tenth year of existence and have witnessed many changes in the lives of the founders of the companies we invest in. We admire the commitment delivered by the people we work with and are genuinely excited by the prospects for their own futures.

It's very tough though when businesses don't perform to expectations. We make it clear that people, staff, and founders come first, and we have at times done what we can to ensure founders are putting themselves, and their families first. That might mean time away from the business, or even a change in role or the sale of the business.

As early-stage investors we are expected to fail on occasion, not that we (at all) like it. We hold all founders, whether their companies succeed or not, in the highest regard.

Cash Operating Ratio

We are big believers in the value of reading past the headline numbers when we assess company performance for management, investment, and valuation.

For our own accounts, we have always drawn investor attention to the net cash used in operating activities as a proportion of asset value, typically under 2% (1.8% in FY2022). For FY2023 we saw this ratio increase to 2.8%, driven by the asset value falling through the year as well as increased operating costs as we progress key strategic objectives, such as a potential IPO of the fund.

While we are disappointed with the result, especially the fall in asset value, we are accepting of the additional costs as we are investing in taking big steps forwards to achieve our strategic goals. We continue to apply a prudent approach to cash management.

Performance Fee Calculation Details

As we prepared this year's financial statements, we worked with our accountant and auditor to validate our overall approach to calculating the performance fee. The basis for the amended calculation is to meet the requirements of the accounting standard NZ IFRS 2 *Share Based Payments*, which is primarily designed for employee share plans rather than share-based payments to external managers. The performance fee calculation is now more complex than it was previously, requiring an estimation of when the performance fee will be paid in the future and how much will be paid, before allocating this amount over past financial years and making adjustments to reflect the share price in those years, along with an illiquidity discount. This has had an impact of lowering the overall accrued performance fee for this year and previous years.

In addition, we have also looked at the market assumptions we use to calculate the performance fee. In the past, the performance fee calculation assumed that the market value of the fund was equal to the net asset value, which implies a price-to-book ratio of 1. This approach was amended by the Board for FY2023 to incorporate a discount of 10% to the net asset value, which the Board sees as a conservative market value at which we conceivably might pay the fee over the next 18 months. This discount is much lower than current discounts we see for listed peers, which is a more conservative position, as a lower discount results in a higher provision, thus lower resulting investor net asset value per share.

We have restated the FY2022 and FY2021 performance fee-related figures in this report so that they can be readily compared to those for FY2023 (please see note 4 to the financial statement on page 64 for more information). The change in the performance fee calculation for FY2022 illustrates how changes to the calculation impacts the numbers. In last year's annual report, the accrued FY2022 performance fee recorded in the Statement of Financial Position was $10.317 million. Applying the new IFRS 2 approach reduces this to $6.374 million, and applying the 10% market discount reduces it further to $5.914 million.

We would only pay a performance fee before any IPO if we were in the financial position to do so, and we are advised it is necessary to remove the liability from our balance sheet prior to a listing. As a reminder, no performance fee has ever been paid to 2040 Ventures since the fund's inception.

People

In late 2022, 2040 Ventures welcomed Ben Kay as CFO of both Punakaiki Fund and 2040 Ventures. Ben brings with him significant corporate finance, strategy, investor relations and capital markets experience, particularly from his time as General Manager Strategy & Capital Markets at SkyCity Entertainment Group Limited. Since starting with us, Ben has completed a strategic review of a potential IPO and developed a comprehensive workplan, including talking with and listening to equity market participants in respect of Punakaiki Fund's Path to IPO (read more about our Path to IPO later in this report).

Tom Culley joined us as Marketing Director, with an eye to improving our investor outreach and communications. He is also coordinating our outreach as part of the Active Investor Plus Visa program, summarised later in this report.

We said farewell to Anahita Haridasani and, very recently, Anum Malik, who both moved to excellent roles elsewhere, as well as Candace Kinser, who resigned as a director to put more focus on her own start-up. They all contributed a lot and have our thanks.

During the year, 2040 Ventures successfully launched and closed the Climate Venture Capital Fund, with partners Rohan MacMahon and Jez Weston who have taught us a lot about investing with an eye towards climate impact and long-term sustainability, Rohan and Jez add considerable senior strength to the team.

We have leaned on Jez, as well as Ben, to develop an approach to climate reporting, as we transition to a formal climate reporting framework from FY2024, which is presented later in this report.

Thank You

Our thanks to all shareholders for the ongoing support and patience. We are content with our portfolio of investments, enjoy seeing their growth and working hard to serve investors and founders on our common goal of growing high-value companies.

Lance Wiggs

Active Investor Plus Visa

Punakaiki Fund is recognised as an "Approved Managed Fund" under the New Zealand Government's new Active Investor Plus Visa program. This strengthens our capacity to attract international investment, scale the fund, and most importantly, it allows us to further our mission of nurturing New Zealand-based technology companies and delivering consistent returns to you, our investors.

The endorsement provides an exciting pathway for us to engage with international investors seeking to expand their portfolios and potentially reside in our beautiful country. The visa program requires an investment of $15 million in acceptable investments over four years.

Punakaiki Fund is a distinctly appealing and financially savvy vehicle for visa applicants for a number of reasons:

Double the Investment Impact: As a 'Managed Fund' under the program, every $1 invested counts as $2 towards the applicant’s visa conditions. That means a $7.5 million investment in Punakaiki Fund meets the minimum investment requirement of $15 million for the visa.

Open for Investment: Our evergreen model allows us to launch wholesale offers to rapidly accept investment, offering unmatched flexibility in the venture capital landscape.

Existing portfolio base: Investors’ funds are underpinned by the substantial existing portfolio of investments into high-growth New Zealand tech companies, rather than being placed into a black box like the traditionally modelled limited partnership funds.

ESG Venture Capital Pioneer: We stand at the forefront of ESG integration in New Zealand's venture capital scene with a progressive approach to climate impact reporting and active governance, making us (alongside our sister fund, the Climate Venture Capital Fund) the best option for ESG/Impact conscious investors.

Transparency: Our quarterly and annual reports are highly regarded, and public, with annual audited financial reporting to IFRS Tier 1 standard. We are experts at high-growth private company valuation.

Path to Listing: We are breaking down barriers to venture capital investing, allowing equity investors of all types access to the innovative venture capital asset class. We are also continuing to explore the potential for a future IPO to enhance liquidity and broaden access, which we believe is almost certainly attainable before the visa duration expires.

Proven Track Record of Growth and Low Volatility: Our portfolio has consistently outperformed the 30-year average return of the NZX, delivering steady growth without the volatility often associated with listed New Zealand technology companies.

Tailored Investment Products: We are able to create investment products that help meet the investment period, liquidity and impact required to meet the active investor program requirements.

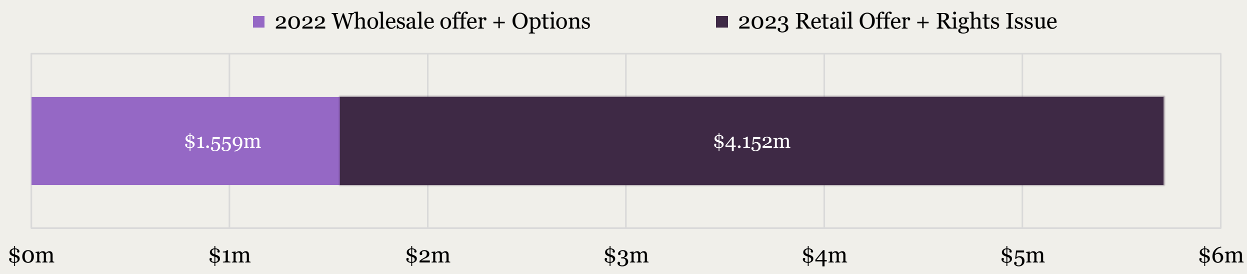
We have established a new page on our website dedicated to informing prospective overseas investors about Punakaiki Fund under the Active Investor Plus Visa program. Over coming weeks and months, we will develop more content and engage with relevant stakeholders to build awareness and present our fund and bespoke investment products to prospective Active Investor Plus Visa applicants.

03.

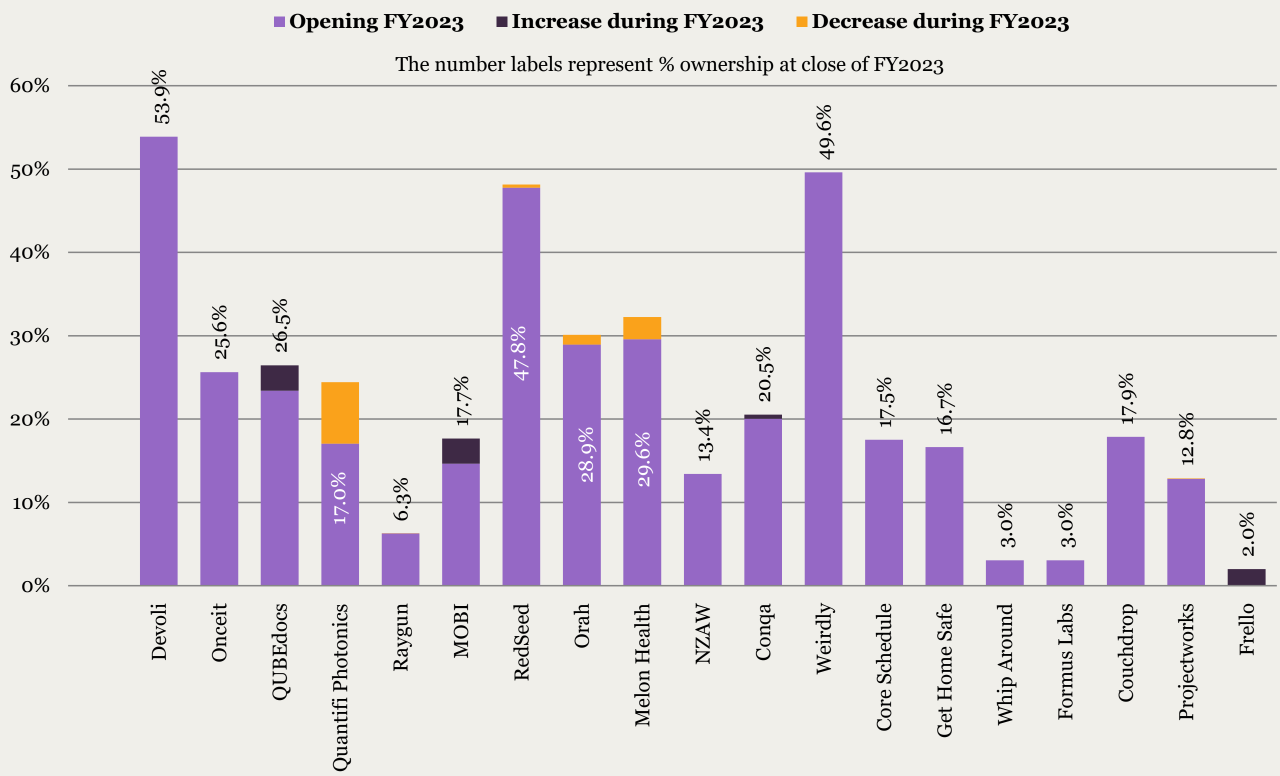
Highlights - The year to March 2023

03. Highlights

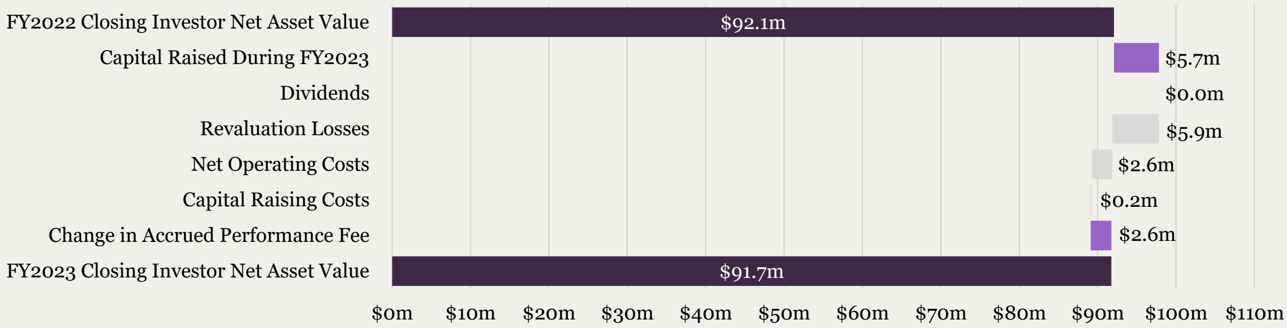
Raised $5.7 million



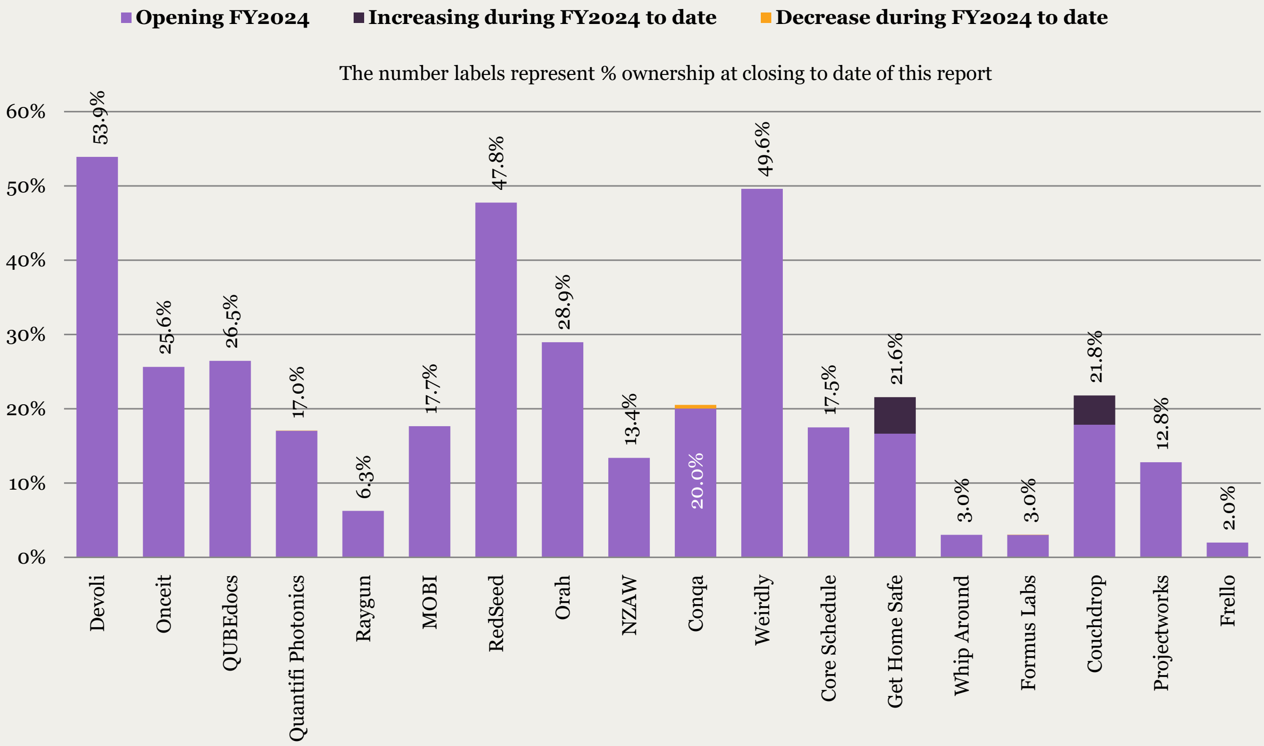
Invested $3.7 million



Booked a Revaluation Loss of $5.9 million



Since March 2023 - Invested another $0.99 million



04.

Highlights - Since Starting

04. Highlights Since Starting

1,084

Current Shareholders

4,270 individual investments from 37 share issues

28 → 17

Investments in **28** Companies, of which **17** are active

8 Exits

4 gain exits - $22.3m, 30.6 % IRR

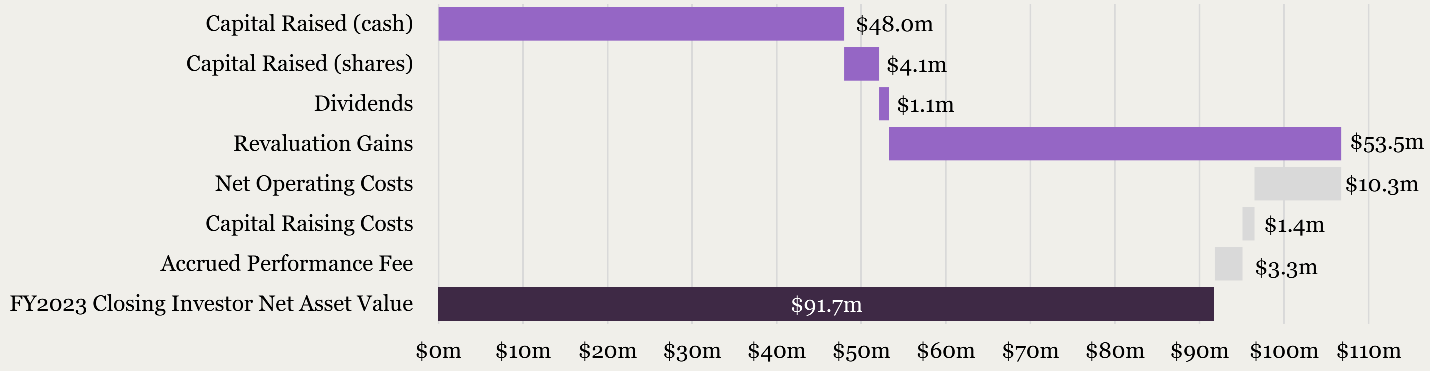
4 loss exits - $1.9m, (10.3) % IRR

$8.1m

Average PFL holding Value per top 10 Company

$5.2m holding value per active, in mandate, company.

INAV breakdown over the life of Punakaiki Fund



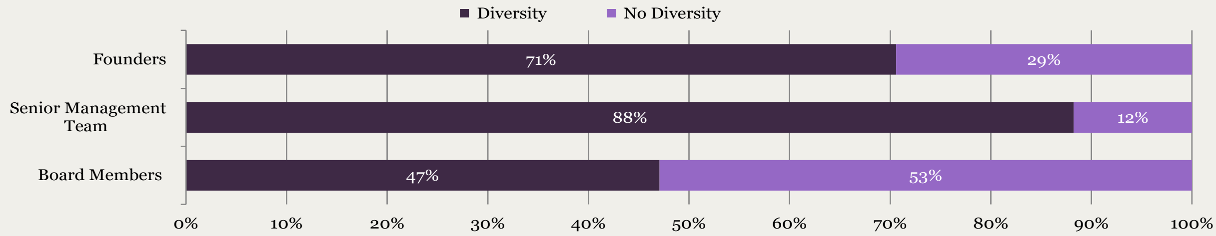
05.

Diversity Report

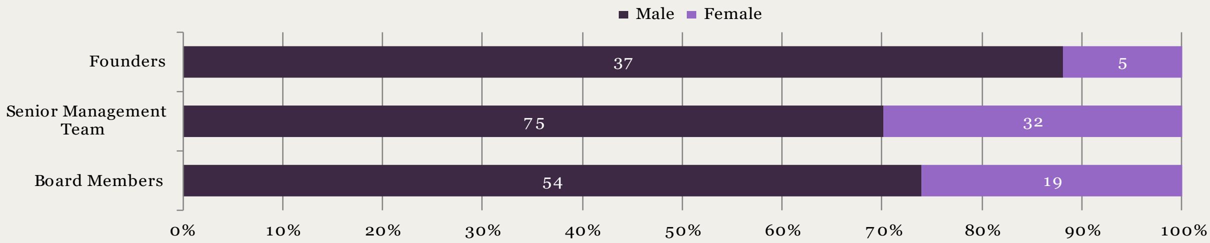
05. Diversity Report

Overall, 71% of the active, in-mandate, companies have some degree of diversity in their founding team, where diversity is defined as people being from different social and ethnic backgrounds. We do not collect transgender and sexual diversity statistics but have included information for founders only where it is known in the first chart below.

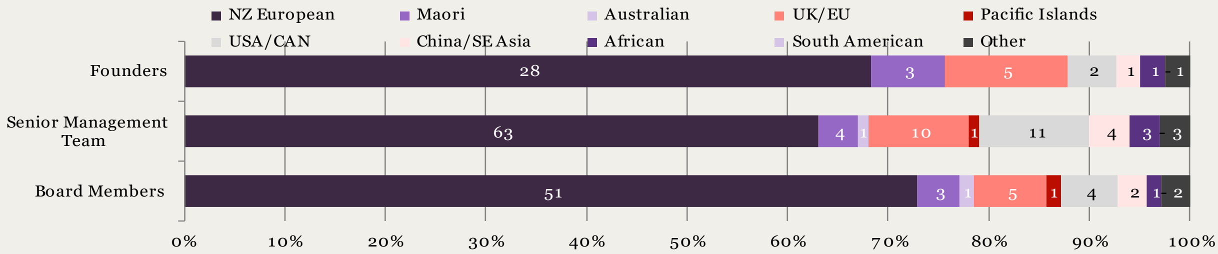
Within Punakaiki Fund's portfolio companies



Diversity: Companies where there is at least one diverse member of founding team, management or board.
Gender diversity: Proportion of male/female diversity amongst all founders, management, and boards.

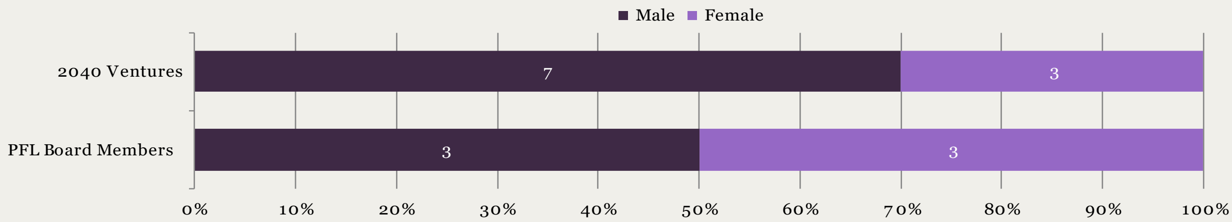


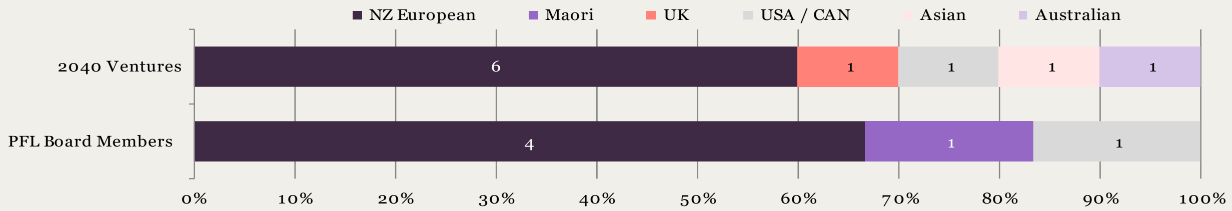
Ethnicity diversity: Diversity amongst all founders, management, and boards.



Within Punakaiki Fund itself:

Board members includes Candace Kinser, who resigned effective 31 March 2023.





06.

Climate Reporting

06. Climate Reporting

Punakaiki Fund and Climate Change

We are dedicated to ensuring that Punakaiki Fund remains financially resilient amidst the physical and transitional impacts of climate change and are committed to comprehensive climate reporting in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which has been codified in Aotearoa New Zealand by the External Reporting Board's Climate Related Disclosures Standard NZ CS 1, which came into effect on 1 January 2023. While Punakaiki Fund is not currently a "Climate Reporting Entity" under the applicable legislation and therefore not subject to the mandatory disclosure and assurance regime, we intend to be transparent and robust in our climate-related reporting nonetheless, evidencing our commitment to standing as a frontrunner in climate reporting for venture capital funds, not only in Aotearoa New Zealand, but globally. As we anticipate a hastened transition to a low carbon economy, we are committed to enabling Punakaiki Fund to deploy considerably more capital into decarbonisation-linked activities, whether through our existing portfolio or new entities that we may invest in in the future.

As a prominent venture capital fund, Punakaiki Fund recognises the urgency of the climate crisis and its related challenges. We view the transition to net zero not only as a necessity but as one of the largest investment opportunities of our era. Given the imperative to limit global warming to 1.5°C and halve Greenhouse Gas (GHG) emissions within the decade, Punakaiki Fund understands the role we can play in the necessary transformation of the global economy.

As estimated by the United Nations, achieving this will require an annual investment of around US$3.5 trillion up to 2050. Though early-stage investments, venture capital-backed companies, including those within Punakaiki Fund's portfolio, have the potential to significantly contribute to the development and growth of climate-resilient technologies and sustainable practices.

Punakaiki Fund's Approach

The global response to climate change presents significant strategic opportunities for Punakaiki Fund. For instance, Punakaiki Fund has been persistent in prioritising decarbonisation and socially responsible investing, in line with our detailed Socially Responsible Investment policy that has precluded us from investing in numerous sectors and high emissions industries.

Our approach is built on patient, long-term capital investment. We dedicate ourselves to Environmental, Social, and Governance (ESG) matters. Together with our sister fund, the Climate Venture Capital Fund, we can identify and scale up climate champions. We recognise that every sector faces climate impacts. To address these, a variety of hardware and software solutions will be needed.

Climate-Related Disclosures

In 2021, New Zealand became the first country in the world to pass a law to ensure financial organisations disclose and ultimately act on climate-related risks and opportunities. The new law—The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act—requires large financial institutions to start making climate-related disclosures. Organisations are expected to publish disclosures for financial years commencing in 2023 in accordance with NZ CS 1.

As noted above, Punakaiki Fund does not currently fall within the remit of this legislation, however if we were to list on an exchange (with a market capitalisation of greater than NZ$60 million) or our assets under management were to exceed NZ$1 billion, then disclosure would become mandatory.

NZ CS 1 outlines four integral themes of an organisation's operations for climate reporting: governance, strategy, risk management, and metrics and targets. These aspects are intended to be interdependent, each informing and enhancing the other. Punakaiki Fund will be guided by the Climate Related Disclosures Standard in its management, oversight and reporting of climate-related risks and opportunities, and our commitments in this regard are outlined below.

1. Governance

Punakaiki Fund's Board acknowledges the paramount importance of climate-related risks and opportunities, viewing them as a top enterprise risk. Consequently, we will disclose information regarding our Board's oversight of climate-related matters and the role of 2040 Ventures, our investment manager, in assessing and managing these risks. We will also share the function and scope of any dedicated committees, such as an ESG committee, in these processes.

2. Strategy

Punakaiki Fund will disclose the climate-related risks and opportunities we've identified across short, medium, and long-term horizons, including scenario analyses in which we evaluate the resilience of our strategy in a world that achieves a 2°C or lower warming pathway. We will provide clarity on how these risks and opportunities inform our investment strategy and financial planning.

3. Risk Management

Our approach to identifying, assessing, and managing climate-related risks will be disclosed, including how this process integrates into our broader risk management framework.

We firmly believe that alongside risks there will be strategic opportunities on offer that we want to be well-positioned for. A comprehensive risk and opportunity matrix will be developed and disclosed, covering transitional (such as policy and legal, technology, market, and reputation risks) and physical risks and opportunities (related to acute and chronic changes in our climate). Risks will be assessed and reported, including the strategies adopted for their mitigation and the timeframe for addressing them.

4. Metrics and Targets

Punakaiki Fund will disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material, and aligned with our strategy and risk management processes, including:

a) Total energy consumption in kWh;

b) Scope 1-3 emissions and associated risks:

   i. Natural gas and vehicle fuel emissions;

   ii. Purchased electricity emissions;

   iii. Employee commuting, business travel, investments, supply chain consumables, water generated and electricity transmission emissions;

c) Calculating our carbon intensity ratios vs. our Net Asset Value and Full Time Equivalent workforce;

d) Collecting data from portfolio companies on their carbon footprint and equity account emissions; and

e) Extrapolating data from comparable companies, if required.

We will also share the targets we have set to manage climate-related financial risks and opportunities, as well as our performance against these targets.

Punakaiki Fund's commitment to climate reporting is a key aspect of our mission as responsible investors. Our approach ensures that we are not only prepared for but also actively contributing to the transition towards a more sustainable, low-carbon economy. By doing so, we are confident of delivering not just robust returns, but a better future for all.

2023 Commentary for Portfolio Companies

We are disclosing a subset of the information we intend to disclose next year, and received responses of scope 1-3 emissions from eleven of the eighteen Punakaiki Fund companies targeted. Of the responses, only four companies had goals to either reduce or commence tracking of their emissions in the near future. Four companies either did not respond or did not measure or estimate carbon emissions.

These information requests aim to highlight the key areas that Punakaiki Fund will need to disclose once it becomes a Climate Reporting Entity. This will include understanding what climate related measurement, management and reporting each company has undertaken already, and any goals that they may have going forward.

Scope 1: Company vehicles were the main contributor to Scope 1 emissions, and two companies were able to provide some calculations.

Scope 2: The main emission was electricity from the home or office, with 9 of the 11 companies providing calculations of their electricity emissions.

Scope 3: Nearly half reported that most of their emissions are from national and international travel including flights, rental cars and fuel, as well as data centres, and raw materials.

Overall, we see three types of exposure to emissions.

Almost all of Punakaiki Fund's Portfolio Companies use networks and computers to create and deliver their services, and use high-emissions transport for business travel. These companies have relatively limited Scope 1 and Scope 2 emissions. There is a larger exposure to Scope 3 emissions, principally to the electricity used by servers, especially for the data-intensive services delivered by Raygun and Couchdrop.

We do note that carbon intensity from data centres is expected to fall as trends of migrating data centres to New Zealand becomes more prevalent, with increasingly sustainable electricity inputs and enhanced energy efficiency inside data centres.

We have two businesses that are particularly exposed to emissions. The first, New Zealand Artesian Water, is out of mandate and not an active part of the portfolio, so we do not intend to provide detailed reporting. The company uses electricity in its production plant and is exposed to scope three emissions through the uses of plastic in bag-in-boxes and bottles as well as transportation.

The second is Onceit is an ecommerce site, which imports, warehouses, and distributes products from New Zealand and offshore. There is a relatively high carbon intensity embedded in the products that they sell, as well as emissions associated with the transportation of those products.

Impact through mitigation

It would be remiss of us not to report the positive climate impacts that Punakaiki Fund's investments are delivering.

For example, while Quantifi Photonics has a manufacturing plant, and imports and exports parts and products, it is also helping the industry trend to migrate high-speed data transmission from copper to increasingly fast optical fibre. This reduces energy costs significantly (e.g., in data centres) albeit that the net impact is currently difficult to measure.

Devoli has also enabled substantial amounts of customers to switch from copper to fibre optic broadband delivery, enabling customers the benefits of the UFB programme from Chorus and peers, resulting in higher speeds and lower energy costs.

Finally, many of our Portfolio Companies, including Conqa, Whip Around, Formus Labs, Orah, RedSeed and Weirdly are digitising processes, removing paperwork and in person and/or energy intensive processes, albeit currently difficult to quantify and attribute.

07.

Path to IPO Commentary

07. Path to IPO Commentary

Since inception, Punakaiki Fund has had a strategic goal to list the fund on a recognised stock exchange. Punakaiki Fund's corporate structure as an evergreen, permanent capital vehicle (with an external investment manager) and foundational constitution were both formed and developed with a future listing in-mind.

By way of reminder, Punakaiki Fund's strategic rationale for considering an IPO is anchored by:

a) providing liquidity to investors, both current and prospective, offered by the listed market;

b) providing investor access to New Zealand technology companies and increasing local allocation to venture capital as an asset class; and

c) raising permanent capital from a broad/deep pool of equity investors to fund growth and investment.

An opportunity exists to replicate the precedent established by venture capital funds in Australia, the UK/Europe and North America, that have elected to list on their home exchanges.

Since arriving in November 2022, our CFO, Ben Kay, has worked on preparing the company to execute an IPO over the medium-term.

We formed a Board sub-committee (Tracy Jones, Nigel Scott and Ben Kay) to provide appropriate governance, oversight, and structure to the path to IPO process. The sub-committee has met regularly since being established, providing strategic advice to the Board and building broad stakeholder consensus around IPO considerations and advancement.

Ben has developed an indicative IPO workplan, which provides the framework for considering the merits of, and planning for, a potential listing over the medium-term.

Key features of the IPO workplan reflect:

a) the operationalisation of the strategic rationale to list (per above);

b) ongoing uncertainty and unpredictability in global financial markets;

c) the IPO market in New Zealand and Australia is currently largely "closed", particularly to higher-risk, technology and growth companies with related uncertainty around when it may re-open;

d) Punakaiki Fund needing to be of a scale to be listable as an investment company and investible by a broad group of investors, including institutions; and

e) Punakaiki Fund having "one chance" to successfully list, which guides to the design and implementation of an orderly, flexible, and disciplined process.

Stage one of the workplan was recently completed, including comprehensive market engagement and completion of a strategic review around the key considerations for an IPO. At this stage, the workplan does not contemplate an IPO in FY2024 but timing remains under review and could be brought forward or extended depending on market conditions and/or our profile and financial settings.

08.

Investments

08. Investments

Company	Description	Shareholding
Devoli	Wholesale internet service provider powering Contact Energy & Nova	53.9%
Quantifi Photonics	Optical photonics test and measurement equipment and software	17.0%
Orah	Student engagement and wellbeing software used by elite schools	28.9%
CONQA	Quality assurance and productivity software for the construction sector	20.5%
RedSeed	Coach-led off-the-shelf and customised learning for frontline staff	47.8%
Onceit	New Zealand discount ecommerce site for fashion, furniture and more	25.6%
Mobi	On and off-premises hospitality digital ordering and engagement platform	17.7%
Whip Around	Digital fleet maintenance solution	3.0%
Project Works	Software to run small technical and management consultancies	12.9%
Couchdrop	Software for moving vast amounts of data between platforms	17.9%*
Top 10 Investments	**Combined trailing 12 months revenue: $149 million** **Equity weighted trailing 12 months revenue: $53 million**	**$81.3 million Valuation*** **32% average shareholding****
Other Active Investments	Raygun, QUBEdocs, Core Schedule, Get Home Safe, Weirdly, Formus Labs, Frello	$6.7 million valuation* 15% average shareholding
Held For Exit	Escrow cash and companies held for exit	$2.3 million*
Total Portfolio		**$90.2 million***

*Shareholdings are as at 31 March 2023

Top 10 Investments

Devoli is an Internet Service Provider that provides wholesale and corporate telecommunication services.

Shareholding:
53.9%*

First Investment:
Jun 2014

Devoli has exhibited continued strong performance, growing its revenue strongly in FY2023. The highlight of the year was the signing and onboarding of Nova as a new vISP customer. In January, Devoli founders Davey Goode and Barry Murphy exited their investment in the company.

Company Overview

Based in Auckland, Devoli is a telecommunications and software company providing wholesale and corporate telecommunication services, including virtual internet service provider services, to businesses in New Zealand and Australia.

The Devoli platform allows customers such as Contact and Nova Energy to provide broadband to their large base of retail customers.

Business Update

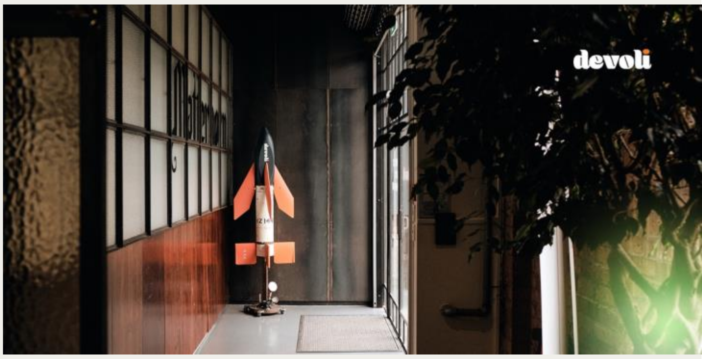
The company continues to grow rapidly and the company's largest customer, Contact Energy, surpassed 75,000 broadband customers in September 2022 and reached 83,000 in March 2023. Notably, Contact Energy won both Retailer of the Year at the Energy Excellence Awards, and Best Bundled Plan at the NZ Compare Awards, attributing a share of its success to Devoli's excellent services.

In late 2022, Devoli transitioned Nova Energy's broadband customers to its network and saw client Compass Communications launch an innovative climate friendly retail ISP, Zeronet, powered by Devoli's software automation and network.

In November 2022, Devoli was ranked 3rd in the Deloitte Fast 50 Masters of Growth category, and 29th in the overall Fast 50, each an improvement on the previous year.

Towards the end of FY2023, Devoli's founders Davey Goode and Barry Murphy, sold their shares to new investor Takutai Trust. Davey and Barry received a 39% annualised rate of return versus the share price of Punakaiki Fund's first investment into Devoli in 2014.

Lastly, it is with deep regret we acknowledge the passing of Grant Wakelin, former CFO of Devoli. Grant was instrumental in the company's transition into a carrier-grade company and will be dearly missed.



Rocketship in Devoli's Auckland HQ

devoli.com

*Excludes the dilutionary impacts of employee options.

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

ONCE·IT

Shareholding:
25.6%*

First Investment:
Feb 2015

Onceit weathered the exceptionally difficult conditions for retail ecommerce businesses with resilience and is showing good recovery in performance as the market begins to rebound.

Company Overview

Onceit is an ecommerce online retailer selling top brands in fashion, beauty, and homewares at great prices, predominantly in New Zealand.

Launched in May 2010 and founded by Jay Goodey. Onceit has become a one-stop destination for more than 500 local & international brands keeping over 600,000 loyal members on top of the latest styles & trends.

The company is chaired by Simon West, the former Executive Director of Max Fashions and current CEO of Torpedo 7 and executive director of The Market.

Business Update

In 2022 the team moved steadily ahead with their commitment to environmental stewardship. They have been replacing their plastic infill packaging with paper infill, lowering their impact on the environment. The company has also implemented an ethical sourcing policy and published an ethical sourcing and sustainability statement.

Operationally, Onceit continued to increase efficiencies, implementing new shipping initiatives, optimising storage capacity, and achieving MAF certification allowing for streamlined distribution. Each of these efforts serve to either increase margins, reduce costs, or improve customer satisfaction, all of which add to the bottom line.

Although Onceit had a tough financial year, relatively speaking, overall, they continue to provide good value to Punakaiki Fund. The f dividends we've received to date have exceeded the amount invested by Punakaiki Fund, a strong indicator of a sound investment.

Onceit furniture & homeware range

onceit.co.nz

*Excludes the dilutionary impacts of employee options.

Quantifi Photonics develops and manufactures test equipment for the global fibre optical communications market.

Shareholding:
17.0%*

First Investment:
Nov 2017

Quantifi Photonics experienced a solid year in 2022-2023, experiencing strong growth and bolstering its strategic partnerships. A significant milestone was the successful closure of the Series C funding round in July 2022, which raised NZ$25 million.

Company Overview

Quantifi Photonics is on a mission to transform the world of photonics test and measurement.

By developing and manufacturing innovative benchtop, modular and customised turnkey fibre optic test solutions, the company has become a critical supplier to technology companies and world-leading research organisations around the world.

Quantifi Photonics aims to help their clients develop and manufacture products that use optical technology to increase speeds and lower energy requirements, be it in subsea cables and fibre networks, data centre inter-connections, or inside computers and on silicon chips.

Business Update

During the year, Quantifi Photonics increased revenues by over 50%, and continues to develop a number of exciting new products.

In July 2022, Quantifi Photonics raised an impressive $25 million series C round, led by Intel Capital. News of the Intel Capital-led round has helped with both customer engagement and attracting highly qualified and experienced people around the world to join the team.

Punakaiki Fund is the largest shareholder in the Auckland-based hi-tech manufacturer, currently holding 17% of the company.

Quantifi Photonics new Thailand office

quantifiphotonics.com

*Excludes the dilutionary impacts of employee options.

MOBI helps food service businesses sell more by offering online and table-based ordering products, as well as merchant solution services

Shareholding:
17.7%*

First Investment:
Oct 2015

This past year has been one of change at MOBI, making significant progress towards delivery an improved customer experience and undertaking several initiatives to improve the long-term sustainability of the business in a changing market environment.

Company Overview

MOBI is a digital ordering and engagement platform for the hospitality sector and has successfully targeted well-known brands, including Wahlburgers, Papa John's, Burger Fuel, Carl's Jr and Fatburger. MOBI has 3000+ active locations across Australasia, North America and the United Kingdom.
The company headquarters are located in Wellington, with additional offices in Melbourne and Toronto.

MOBI enables guests of hospitality businesses to order directly across multiple off-premise and on premise digital channels. MOBI handles complex menu design and configurations and seamlessly passes ordering data through 120+ direct integrations across POS, loyalty, payment gateways, and third-party marketplaces. MOBI supports its' customers to make informed business decisions with access to powerful data & analytics and importantly MOBI's products enable brands to take ownership of the guest relationship and deliver a unique experience.

Mark Raso, CEO

mobihq.com

*Excludes the dilutionary impacts of employee options.

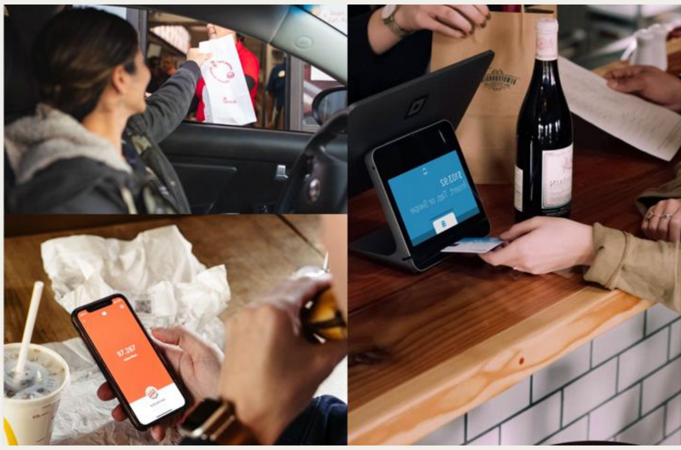
Business Update

During FY2023, MOBI continued to innovate its product offerings. An auto-upsell feature that automatically recommends additional products to guests was introduced and has proven to be a hit with its customers as it has led to a reasonable increase the average order value placed with those customers. Mobi has also successfully managed the implementation of a number of pricing changes and the introduction of a service fee which have materially contributed towards its revenue growth.

It is well positioned for further growth as it continues to attract customers looking to future-proof their offerings in an increasingly digital world.

MOBI clinched a 37th placing in the Deloitte Fast 50 in 2022, a demonstration of the company's revenue growth in recent year.

During 2022 founder Tarik Mallett stepped down as CEO, and was replaced by Mark Raso.



The MOBI platform in action

CONQA (QA Tech Limited) provides software allowing the construction industry to undertake quality assurance planning and execution online.

Shareholding:
20.5%*

First Investment:
Feb 2017

CONQA has demonstrated continued development of the business over the past year. The company made strategic hires and embedded scalable processes as they expanded further into the Australian market.

Company Overview

CONQA's software helps the building industry deliver projects on time and with significantly less rework by integrating digital quality assurance into subcontractors' workflows.

CONQA keeps all quality assurance documentation in one secure location while letting customers have their checklists, photos and notes at their fingertips. Minimising human error and streamlining operations, the software improves on-site productivity and can, in some cases, improves payout times by substantiating progress claims.

CONQA's software is used across thousands of construction sites worth billions of dollars. CONQA works with leading subcontractors on projects run by Lendlease, Multiplex, CMP, Hawkins, Downer and Fulton Hogan.

Recently, CONQA has assisted projects across Australia and New Zealand to deal with exposure to challenging economic conditions. If a customer is unable to trade through, the data on CONQA's application allows for easy handover to new developers and contractors, proving that work has been done, and done well.

Business Update

The platform continues to improve, with CONQA releasing valuable feature improvements, including streamlined project creation & editing, enhanced reporting, and a new hybrid app.

CONQA has evolved its governance team by welcoming Natalie Benzing as the new Board Chair, who brings vast experience in transforming tech start-ups globally. The company also established a partnership with the National Precast Concrete Association Australia and completed a successful trial of the four-day work week, which became part of their ongoing operations and fostered staff attraction and retention.

CONQA's partnership with Payapps is demonstrating their ability to collaborate and expand their solution offerings, supporting subcontractors to get timely payments during projects.

The Conqa team on-site

conqa.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding:
47.8%*

First Investment:
Mar 2015

Over the past year, RedSeed has made us proud with their top-notch performance, demonstrating true Kiwi ingenuity and resilience.

Company Overview

RedSeed is an online learning eco-system for retailers, whose strength is helping front-line staff change behaviour to improve sales and other business outcomes, through a coach-led approach that is integrated into the RedSeed platform.

RedSeed has a proprietary Learning Management System, a video-based content library and builds bespoke learning modules.

Business Update

As of January 2023, RedSeed reported over 76,000 active trainees across more than 84 organisations, with an impressive 70% training engagement rate.

During the year, RedSeed launched RedSeed Courses, which allows their content to be used on other Learning Management System platforms. This gives their customers a more flexibility to provide learning solutions to their staff. On top of that, they are introducing a new 'course authoring' tool, making it easier for clients to put together their own training programmes right on the RedSeed platform.

RedSeed has a significant and growing footprint in both the New Zealand and Australian retail business markets. Clients include Weber, The North Face, Icebreaker, 2degrees, Rip Curl, Kathmandu, Farmers, Foodstuffs, PVH brands, and Jaycar.

RedSeed is based in Christchurch and has additional staff in Australia.

Redseed filming training content with Calvin Klein

redseed.com

*Excludes the dilutionary impacts of employee options.

Boardingware International Limited, trading as Orah, helps boarding schools manage their students' movements and pastoral care using a SaaS product.

Shareholding: 28.9%*

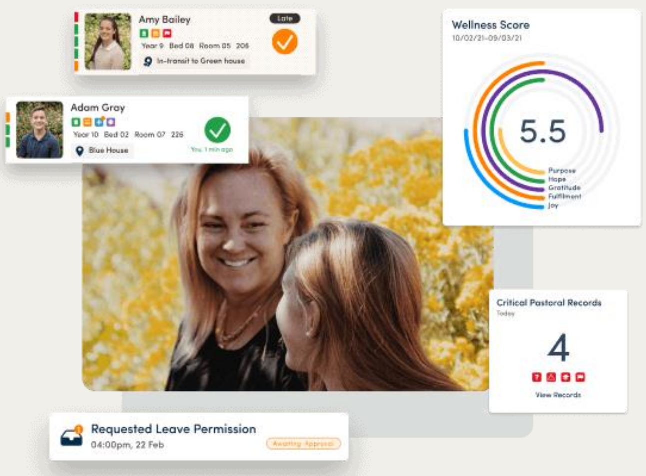
First Investment: Feb 2015

Orah (previously Boardingware) recruited a top tier SaaS team during the past year, as the company looked to further secure its presence on the global education stage.

Company Overview

Orah was founded by co-CEOs Paul Organ and Kurt Meyer in 2014 as 'Boardingware', helping boarding schools to digitise student rollcalls and pastoral care. By 2023, their customer base included over 300 schools worldwide, including elite schools Eton College in the United Kingdom, Phillips-Exeter in United States, and The Kings School in Australia

Orah makes elegantly simple solutions to help schools and parents understand and manage student engagement and wellbeing.



Business Update

Orah has expanded into the day-school market and now offers a suite of products that combine to form a category-defining 'Student Enablement Platform' primed to take advantage of the rapidly growing EdTech sector.

Orah's 'Nurture' product focussed on student wellbeing, and helps schools and parents proactively understand how students are feeling and to address issues.

In 2022, Orah accepted investment from a group highly regarded software as a service entrepreneurs and investors. Bruce Gordon, formerly with Pushpay, joined the Orah board as chair. During the year, Orah also recruited a Head of Customer Success from Tradify, a Chief Operating Officer and a Growth Marketer which positions them well to scale their suite of products internationally.

Orah Co-founder, Paul Organ

orah.com

*Excludes the dilutionary impacts of employee options.

Couchdrop provides a secure cloud file transfer platform for moving large amounts of data.

Shareholding:
17.9%*

First Investment:
Mar 2022

Couchdrop's performance over the last year has been outstanding. They secured valuable partnerships, achieved significant milestones, and gained industry recognition for essentially revolutionising secure file transfers on the cloud. Their products, Couchdrop SFTP and Movebot, have gained substantial traction and yielded impressive results.

Company Overview

Founded in 2019, Couchdrop specialises in moving large amounts of data between cloud platforms, and doing so at high speed, securely and at a cost-effective price.

The small and highly technical team is led by Punakaiki Fund's first second-time founder, Michael Lawson. Michael's first company Linewize, an internet safety company for schools, was acquired by ASX-listed Family Zone in October 2017.

Couchdrop automates the transfer of files between businesses, bringing the Secure File Transfer Protocol (SFTP) into the cloud era, working with a very large number of cloud systems, and is able to rapidly scale to meet client demand.

Movebot, the company's other product, helps clients migrate their data to and between cloud file storage systems. For example clients might migrate all of their enterprise data from Google Drive to Dropbox, Egnyte to Google, GCP to Wasabi and more. While this sounds simple, cloud platforms store and handle files in very different ways, and Movebot ensures that transfers are seamless.

Business Update

Couchdrop expanded rapidly during the year, securing major contracts, establishing many managed service provider relationships and delivering on their partnerships with Dropbox and others. The company expanded their team, including a few more familiar faces from previous investment Linewize.

They released several new enterprise level features for both Movebot and Couchdrop during the year, increased their internal capabilities to serve clients, and beefed-up marketing efforts.

Movebot currently shifts up to 1 Petabyte of data per month, while Couchdrop is supporting up to 200 million secure file transfers per month.

The fastest growing company in the portfolio, Couchdrop is a new entrant onto the top ten list.

We were delighted to close an additional investment into the company in June 2023, increasing our shareholding in the company from 17.9% to 21.8%.

couchdrop.io

*Excludes the dilutionary impacts of employee options.

The Couchdrop team at a recent industry trade show projectworks

Projectworks provides intelligent business management software targeted at professional services firms.

Shareholding:
12.9%*

First Investment:
Mar 2022

Over the last year, Projectworks charted another impressive course of success and growth, more than doubling its revenue. They solidified their opportunity in the US market through the QuickBooks Solution Provider Program and they become the optimal alternative platform choice for Workflow Max customers after Xero sold their Workflow Max brand.

Company Overview

Projectworks offers project and business management software for mid-sized consulting firms in engineering, software, and management consulting.

Launched in 2019, the Wellington-based start-up has grown quickly, and has over 200 customers with users spanning more than 40 countries., including a new one (their first) out of Croatia!

The software seamlessly integrates with Xero, and the company has been able to successfully leverage the Xero customer-base to grow its own following.

In 2020, Projectworks won Xero Emerging App Partner of the Year, and the Microsoft Emerge X competition for start-ups. In 2021 it was a finalist for the Xero App Partner of the Year.

Business Update

In December 2022, Projectworks was accepted into the QuickBooks Solution Provider Program with the goal of strategically entering the US market.
More recently, an exciting opportunity arose for Projectworks with the retirement announcement from WorkflowMax, a competitor platform. Projectworks offer the same features as WorkflowMax with additional insights to take companies to the next level. The migration is quick, free, and seamless and they are therefore the obvious choice as evidenced by the number of WorkflowMax customers moving across.

The company have added a top tier marketing team to their already impressive team, including Jacob Lawrie. Jacob was formerly Director of Marketing at Timely, a company that Punakaiki were previously invested in, and who successfully exited in 2021.

Projectworks bolstered its Board of Directors during the year with the appointment of Mark Orttung and Punakaiki Fund's own Nadine Hill. Their collective experience promises to drive Projectworks' growth even further..

Looking ahead, Projectworks sets an ambitious goal. With a dedicated team and the backing of Punakaiki Fund, they're striving for a $100 million company valuation by the end of 2024. Given their current momentum, it's a target they're well on track to hit.

projectworks.io

*Excludes the dilutionary impacts of employee options.

The Projectworks team at Round the Bays, Wellington

Whip Around provides easy to use fleet maintenance software that connects drivers, mechanics, and fleet managers to improve the uptime of vehicles and equipment.

Shareholding: 3.0%*

First Investment: Oct 2021

In the past financial year, Whip Around has shown impressive operational progress and significant revenue growth. This has been bolstered by sales momentum and innovative product enhancements, such as the dashboard insights feature, which markedly improved the visibility into inspection and fleet data, thereby increasing customer engagement.

Company Overview

Whip Around helps professional drivers and their firms manage recurring vehicle inspections, ensuring legal compliance and critical maintenance is completed.

In the USA, the Department of Transportation requires drivers to submit inspection reports at each shift. Whip Around has replaced the cumbersome paper-based process with a more efficient and information-rich digital alternative.

The company uses that data to provide fleet preventative maintenance, improving vehicle safety and uptime and making it easy and fast to demonstrate compliance.

Business Update

Whip Around made some key changes to staff, with Poohan Nathan welcomed back to the team as COO, and Frank Jasper transitioned into the role of Chief Strategy Officer.

CEO Noah Hickey relocated to near San Diego, California, and also shares his time between the Charlotte, North Carolina and New Zealand offices. There were a number of other changes as Whip Around transitions into its next phase of existence.

Whip Around's successful rollout of new features such as Whip Around Wallet and VIN Decoder has been an instrumental development during FY2023. At the same time, they maintained a sharp focus on financial prudence, aiming to preserve their cash runway.

Whip Around’s global reach continues to expand, and they now have over 150,000 fleet professionals exposed to the product who track diverse assets across the globe. Their onboarding of a significant client with a broad marina and boatyard presence in the US has allowed them to venture beyond the traditional road transportation market.

This focus is a testament to their strategy and adaptability, and it is with keen anticipation that we watch what Whip Around will achieve in the next fiscal year.

Whip Around's Noah Hickey, James Colley, Tim Boyle & Shai Bhula

whiparound.com

*Excludes the dilutionary impacts of employee options.

Other Investments

In addition to Punakaiki Fund largest companies discussed above, Punakaiki Fund also held the following investments.

Core Schedule – 17.5%

- Won two major contracts in Western Australia and South Australia and appointed a new Chief Technology Officer in June 2022.
- Experienced a 1,450% increase in social media activity and generated significant customer interest by attending three major conferences in September 2022.
- Surpassed the $1 million annualised recurring revenue milestone in December 2022.
- Was accepted into the Amazon Web Services (AWS) Accelerator Program in March 2023.

coreschedule.com

Get Home Safe – 16.7%

- Experienced strong growth in lead generation in the United Kingdom and renewed enthusiasm in New Zealand and Australia in June 2022.
- Launched a new fatigue management solution and closed a major deal with Matrix Environment in Canada in September 2022.
- Won an Innovation Award for its Fatigue Management Solution in December 2022.
- Launched a new scheduling and work planning feature for First Security and secured their first official reseller in the United Kingdom in March 2023.

gethomesafe.com

Weirdly – 49.6 %

- Launched the Weirdly Managers App (WMA) in June 2022, and experienced significant user growth.
- They successfully developed and rolled out an interview scheduling feature and reduced operational costs in December 2022.
- Rolled out v2.0 of their interview feature and v1.0 of a new talent pool nurture feature in March 2023.

getweirdly.com

Formus Labs – 3.0%

- Appointed Polly Teevan as Chief Marketing Officer, bringing 21 years of US orthopedic commercial leadership to Formus Labs.
- A paper validating the Formus Hip software won the best open-source paper award at the Asia Pacific Arthroplasty Society conference in September 2022.
- 75% of hip replacement in Australia using applicable implants were planned using Formus Hip in the year to December 2022.
- Gained support from renowned orthopaedic surgeons Dr Atul Kamath (Cleveland Clinic), Dr Bo Mason (OrthoCarolina), and Dr James Germano (Northwell Health) in June to December 2022.
- Successfully completed audits for and received MDSAP certification for its quality management system in March 2023.
- Gained US FDA 510(k) and Japan PMDA regulatory clearance for Formus Hip in March and May 2023.
- Winners of Most Innovative Hi-Tech Software and Most Innovative Deep Tech Solution at 2023 NZ Hi-Tech Awards.

formuslabs.com

Raygun – 6.3%

- Continuously improved the crash reporting grouping logic.
- New Alerting feature launched in June 2022.
- Announced the integration of its software with Microsoft Teams and Slack.
- Finalist for 'Homegrown Independent Software Vendors' at the Innovation Awards in September 2022.
- Lana Vaughan and Jason Fauchelle were recognized as Co-Founders alongside John-Daniel Trask.
- Raygun announced new API updates, followed by a Public API launch in December 2022.
- Invested in learning and developing its team in AI to support all aspects of business operations.
- Continued focus on growth as of March 2023.

raygun.com

QUBEdocs – 26.5%

- Raised capital from Punakaiki Fund in June 2022.
- Strengthened its team and won new customers including the Australian Defence Force.
- Exhibited their software solution at a three-day event in Germany in October 2022, with Audi presenting a case study involving QUBEdocs' solution.
- Delivered a new product feature for enhanced data protection and safety in December 2022.
- Signed a new European partner based in Belgium in March 2023.

qubedocs.com

Frello – 2.4%

- Friendly Manager and Hello Club merged to form Frello which was completed in April 2023.
- They support nearly 700 clubs and National Sports Organisations worldwide.
- Both companies shared a similar mission and realised quickly that they are stronger together.
- They are on track to meet targets for developing their new product, 'Connect' platform and
- have secured their first national sporting organisations as customers.
- Ben Scott VP of Product at UBCO, and Co-founder of Swiped-On, recently joined the team as their VP of Product.

frello.com

Minor Investments

In addition to the investments discussed above, at the balance date Punakaiki Fund also held the following minor investment interests:

- Amounts held in escrow relating to the sale of Punakaiki Fund's shareholdings in **Vend Limited and Tinderbox Media Limited (Moxion).** These amounts are expected to be released to Punakaiki Fund over FY2024 and FY2025. In aggregate, these amounts comprise between 1% and 2% of Punakaiki Fund's total portfolio value;
- A 13.4% shareholding in **New Zealand Artesian Water Limited,** a water bottling business located in Nelson. The value of Punakaiki Fund's shareholding is less than 1% of Punakaiki Fund's total portfolio value. This investment is patiently held for exit;
- Two loans to be repaid by **EverEdgeIP** relating to the sale of Punakaiki Fund's shareholding**.** The first loan is repayable in instalments over four years (with the first two instalment received) and the second loan is repayable following a company exit event. The value of Punakaiki Fund's investment is less than 1% of Punakaiki Fund's total portfolio value;
- A 27.8% shareholding in **Melon Health**, which is currently in liquidation. Punakaiki Fund's investment in this company has been valued at nil; and
- A 23.3% shareholding in **Hayload**, which no longer operates. Punakaiki Fund's investment in this company has been valued at nil.

Anya Anderson, presents Startup Company of the year award to ZeroJet, on behalf of Punakaiki Fund at the 2023 NZ Hi-Tech Awards

Formus Labs win both Most Innovative Hi-Tech Software and Most Innovative Deep Tech Solution at 2023 NZ Hi-Tech Awards

09.

Directors' Statement and Statutory Information

09. Directors’ Statement

For the Period Ended 31 March 2023

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 2023.

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 2023. Candace Kinser resigned as a director during the financial year and held office until 31 March 2023. No other person held office as a director of Punakaiki Fund during the 12-month period ending 31 March 2023.

- Mike Bennetts
- Teressa Betty
- Lance Wiggs
- Tracey Jones
- Candace Kinser (resigned 31 March 2023)
- Nigel Scott

Directors’ Remuneration

Punakaiki Fund Limited - Directors' Remuneration						NZ$
Director		FY2023			FY2022	
	Base Fees	GST	Total	Base Fees	GST	Total
Mike Bennetts	60,000	2,250	62,250	30,000	-	30,000
Teressa Betty	45,000	6,750	51,750	22,500	3,375	25,875
Tracey Jones	45,000	6,750	51,750	11,250	1,688	12,938
Nigel Scott	45,000	6,750	51,750	11,250	1,688	12,938
Candace Kinser	45,000	6,750	51,750	11,250	1,688	12,938
Lance Wiggs	-	-	-	-	-	-
Blake Richardson	-	-	-	18,750	-	18,750
Total	**240,000**	**29,250**	**269,250**	**105,000**	**8,438**	**113,438**

The remuneration set out in the table above sets out the directors’ fees received by the directors. No other directors received any other payments or benefits in their role as director.

Directors' Share and Option Holdings

Punakaiki Fund Limited - Directors' Relevant Interests				
	Number of securities in which a relevant interest is held			
	FY2023		FY2022	
Director	Shares	Options*	Shares	Options*
Mike Bennetts	61,500	1,000	57,996	-
Teressa Betty	770	-	700	-
Lance Wiggs*	73,495	-	69,814	-
Tracey Jones	1,980	-	1,800	-
Candace Kinser	100	-	-	-
Nigel Scott	2,860	-	2,600	-
Total	**140,705**	**1,000**	**132,910**	**-**

* *November 2023 $30 options*

***Includes Lance Wiggs' interest in Punakaiki Fund Limited shares held by 2040 Ventures Limited and his family members*

No other changes to the number of shares set out in the table above have occurred since Punakaiki Fund's 31 March 2023 balance date.

Lance Wiggs' shareholding in FY2023 included a partial interest in 6,835 shares held by 2040 Ventures Limited (FY2022: 6,214 shares) and 660 shares held by immediately family members (FY2022: 600 shares).

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 2023:

Mike Bennetts:

- Director and Consultant of Taumata Advisory Limited
- Executive of Z Energy Limited *(Ceased 30 March 2023)*
- Director of Loyalty New Zealand Limited *(Ceased 13 March 2023)*

Teressa Betty

- CEO of Toitū Envirocare

Lance Wiggs:

- Director and Shareholder of 2040 Ventures Limited (Name change from LWCM Limited on 27 August 2021)
- Director of Couchdrop Limited
- Director of Onceit Limited
- Director of RedSeed Limited
- Director of QA Tech Limited, trading as CONQA
- Director of Quantifi Photonics Limited
- Lance's brother is a shareholder in Devoli Limited
- Director of Climate Venture Capital Fund GP Limited, investor in LP
- Director and shareholder of Define Instruments Limited and Pocketsmith Limited
- Shareholder of WMAC Cloud Limited
- Limited Partner in Matu Fund LP
- Judge for the Hi-Tech Awards, where 2040 Ventures is also a sponsor on behalf of Punakaiki Fund

Tracey Jones:

- Director of Nikko Asset Management New Zealand Limited
- Director of RC Custodian Limited
- Director of Harmoney Limited and Harmoney Share Sale Company Limited
- Director of LamCam Limited (formerly Tutanekai Investments Limited)
- Director and Shareholder of Jones Family Office Partners Limited
- Director and Shareholder of Cove Road Soapworks Limited
- Director and Shareholder of Kepa Investments Limited
- Director and Shareholder of Sandat Consulting Limited
- Shareholder in Sharesies Limited
- Investor in TPC Fortlock LP, and TPC II Fund
- Investor in Icehouse Ventures – Showcase Fund IX
- Shareholder in Veriphi Limited, Powered by Flossie Limited, Footfalls and Heartbeats Limited
- Investor in Powerhouse Ventures Fund
- Shareholder in MARS Bioimaging Limited, Flexiroof Limited, Ooooby Limited, Our Energy Limited
- Investor in VGI Partners Fund
- Director and Audit Committee Chair for Partners Life Limited and Partners Group Holdings Limited
- Director of Iris Group Holdings Limited, Iris Services Limited, and Iris Life Limited
- Director of Partners Group Nominee Limited and PGH Shareplan Trustee Limited
- Director of Evince Limited
- Trustee/Settlor of N'Godwi Trust
- Director of Stride Holdings Limited, Stride Property Limited, and Stride Investment Management Limited
- Member DDC and Shadow Board in Armstrong Motor Group *(ceased 3 November 2022)*

Candace Kinser: (ceased to be a director of the company as at 31 March 2023)

- Director of Helius Therapeutics Limited
- Director of NZ Health Partnerships Limited
- Director of Eastland Generation Limited, Eastland Group Limited, and Eastland Network Limited
- Director of Gisborne Airport Limited and Eastland Port Limited
- Director and Shareholder of New Zealand Escargot Limited
- Director and Shareholder of Vester Limited
- Director of Livestock Improvement Corporation and LIC Agritechnology Company Limited
- Director and Shareholder of Tailshot Polo Limited
- Director and Shareholder Sagitas Consulting Limited

- Observer Director at Generate KiwiSaver
- Member Auckland UniServices Return on Science Investment Committee for Digital
- President of Cancer Society Auckland Northland

Nigel Scott:

- Board Trustee of Auckland Foundation
- Director of Syndex Limited and Syndex Group Limited
- Director and Shareholder of Koura Wealth Holdings Limited
- Director of Hobson Wealth Partners Limited
- Director and Shareholder of Hobson Wealth Holdings Limited
- Director and Shareholder of Moa Holdings 2015 Limited
- Shareholder in BoardPro Limited
- Investor in Syndex Group Limited
- Shareholder in Pohutukawa Private Equity II Limited
- Shareholder in Waterman Fund 2 Limited and Waterman Fund 3 Limited
- Shareholder in Pencarrow V Investment Fund LP and Pencarrow VI Investment Fund LP
- Shareholder in New Ground Living (Remarkables Park) LP
- Shareholder in TPC Fortlock LP
- Director and Shareholder in One Room Limited
- Director of Let's Powow Limited and Powow International Limited
- Director in Winnow Software Limited
- Shareholder in Nutrient Rescue NZ Limited

Employees

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

Auditor

Punakaiki Fund's external auditor is EY New Zealand, who were reappointed by shareholders at the 2022 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 $71,750 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 2023.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2023

Shareholder	Ordinary Shares	% of Class
Phaben Holdings Limited	88,224	3.05%
Lance Wiggs	66,000	2.28%
Michael Bennetts and Karen Bennetts	61,500	2.12%
Neil Richardson, Claire Richardson and Blake Richardson	49,427	1.71%
Quayside Holdings Limited	42,858	1.48%
Kennerley Investments Limited	39,050	1.35%
Todd Stevens	36,953	1.28%
Wills Private Equity Investments Limited	36,750	1.27%
Clarence Hislop	36,300	1.25%
Southern Hills Imperial TimberPty Limited	36,000	1.24%
Krassimir Modkov	31,350	1.08%
Ross Inglis	31,240	1.08%
Mark Hackner and Bastiankoralage Rodrigo	30,643	1.06%
Phizzy Trustee Limited	30,000	1.04%
Lewis Holdings Limited	29,250	1.01%
Chunjing Song	23,900	0.82%
Peter Charles McLeod, Joanne Margaret McLeod, EM Trustee No 8 Limited	22,572	0.78%
Margaret Field	22,044	0.76%
Alan McLeod and Denis Wood	21,188	0.73%
Ikey Investments Limited	20,742	0.72%
Top 20 Shareholders	**755,991**	**26.10%**
Remaining Shareholders	2,141,022	73.90%
All Shareholders	**2,897,013**	**100.00%**

** Lance Wiggs also has a beneficial interest in 6,835 Punakaiki Fund Limited Shares held in the legal name of 2040 Ventures 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 FY2023 and FY2022. 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 2040 Ventures' 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 2040 Ventures in the form of Punakaiki Fund shares. In our opinion the traditional NAV measure does not represent shareholders residual claim over the Company's 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

($'000)	FY2023	FY2022*
Total Assets	$95,258	$98,197
less Liabilities	$(1,395)	$(2,456)
Net Asset Value (NAV)	**$93,863**	**$95,741**
less Share Based Payment Reserve	$(2,117)	$(3,648)
Investor Net Asset Value (iNAV)	**$91,746**	**$92,093**
Shares on Issue at 31 March	2,897,013	2,627,372
iNAV per Share	**$31.67**	**$35.05**

** These figures have been restated following a change in measurement of the Manager's performance fee. Please refer to note 4 of the financial statements for more information.*

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 2023 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, except as described in note 4, 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 Financial Markets Conduct 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 56 to 72 for issue on 9 August 2023.

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

10.

Independent Auditor’s Report

10. Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Punakaiki Fund Limited (the "Company") on pages 56 to 72, which comprise the statement of financial position of the Company as at 31 March 2023, 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 56 to 72 present fairly, in all material respects, the financial position of the Company as at 31 March 2023 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. 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 financial instruments held at fair value

Why significant	How our audit addressed the key audit matter
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 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 investments are valued using assumptions which require significant judgment and estimation as they are not based on directly comparable or otherwise observable metrics. As a result, a significant proportion of the valuations are considered model-based level 3 as disclosed in Note 5 Fair values of financial instruments. Due to the complexity and judgment required in their valuation these investments, with a total recorded value of $89.22.m (FY22: $91.66.m), have a higher potential risk of misstatement. The following methodologies were used by the Company as part of the valuation process: 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 significant judgments involved in valuing these assets include: ▪ The determination of the categorisation of financial instruments based on the NZ IFRS 13 *Fair Value Measurement* fair value hierarchy; ▪ The sample companies used for benchmarking relevant metrics; ▪ 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); ▪ The explanatory power of the regression in the growth multiples method; and ▪ The calculation methodology and inputs for the valuation adjustments relating to liquidity, size and level of control. Disclosures regarding the Company's investments are included in Note 5 to the financial statements.	In performing our audit procedures, we: ▪ Obtained, with the assistance of our internal valuation specialists, an understanding of the valuation processes used and identified the factors which had a greater impact on the valuations. We assessed the appropriateness of the valuation methodologies; ▪ Evaluated the competence, objectivity and capability in performing valuations of the external valuer used for one valuation and the investment manager, who valued all other investments; ▪ Assessed the level of observability in the market of the valuation inputs to determine the fair value hierarchy of those inputs; ▪ Considered the appropriateness of financial information that was used in the calculation of investment valuations using an earnings or revenue multiple. We involved our internal valuation specialists to assist in considering the significant assumptions that affect the fair value assessment of the model-based calculations and whether those assumptions adopted fell within a reasonable range. ; ▪ Considered the basis upon which the regression analysis of the revenue multiples was performed. For valuing the SaaS investments, the Company has concluded revenue multiples implied through a regression model. We understand that this was done due to challenges involved in finding an appropriate set of publicly listed companies that would be comparable to the investee companies. In our audit we have focussed on the resulting multiples and liquidity discounts or control premiums and have assessed whether these fall in a reasonable range; ▪ Where applicable, the Company has selected guideline public companies within the same/similar industry as each investee company that Management believe are similar in financial and/or operational characteristics to the investee. Multiples have been adjusted for size and liquidity based on various parameters assessed by the Company. We have considered the adjustments made with the assistance of our specialists and assessed whether the combined adjustments fell in a reasonable range. ▪ The Company has also made an adjustment to the multiples used to reflect a subjective assessment of factors such as the size of the market and effects of recent market transactions. We have considered the overall reasonableness of the concluded multiple used for estimating the fair value. ▪ Considered events subsequent to balance date for evidence of further transactions in the investments that could have impacted the valuations; and ▪ Assessed the adequacy of the disclosures in the financial statements in relation to the valuation of investments.

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 Sam Nicolle.

Ernst + Young

Chartered Accountants
Auckland
9 August 2023

11.

Financial Statements

11. Financial Statements

Punakaiki Fund Limited
Statement of comprehensive income
For the year ended 31 March 2023

	Notes	Year ended 31/03/2023 $'000	Year ended 31/03/2022* $'000
Interest income		8	3
Dividend income		-	113
Change in fair value of investments	5.6	(5,928)	21,664
Other income		3	7
Reversal/(Accrual) of contingent performance fees	9.1.4	2,644	(1,929)
Management fees	9.1.1	(1,654)	(1,378)
Administration fees	9.1.2	(355)	(260)
Insurance		(78)	(59)
Consulting and accounting expenses		(156)	(128)
Audit fees	10	(78)	(55)
Legal expenses		(6)	(19)
Other		(287)	(108)
(Loss)/Profit before tax		(5,887)	17,851
Income tax expense	6.1	-	-
(Loss)/Profit and total comprehensive (loss)/income for the year		(5,887)	17,851

* These figures has been restated following a change in measurement of the Manager's performance fee, see notes 3.1.2 and 4.

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

Punakaiki Fund Limited
Statement of financial position
At 31 March 2023

	Notes	31/03/2023 $'000	31/03/2022* $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	4,980	5,068
Prepayments		53	36
Trade and other receivables		25	23
Total current assets		5,058	5,127
Non-current assets			
Investments	5.1	90,200	93,070
Total non-current assets		90,200	93,070
Total assets		95,258	98,197
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		242	189
Performance fee payable	9.1.4	1,153	2,267
Total liabilities		1,395	2,456
Capital and reserves			
Issued capital	7	50,696	45,156
Share based payment reserve	7.2	2,117	3,648
Retained earnings	7.3	41,050	46,937
Total equity		93,863	95,741
Total equity and liabilities		95,258	98,197

* These figures have been restated following a change in measurement of the Manager's performance fee, see notes 3.1.2 and 4.

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 2023

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2021*	40,135	2,608	29,086	71,829
Profit and total comprehensive income for the year*	-	-	17,851	17,851
Contributed capital	5,176	-	-	5,176
Transaction costs	(155)	-	-	(155)
Share based payments in relation to performance fee*	-	1,040	-	1,040
Balance at 31 March 2022*	45,156	3,648	46,937	95,741
Balance at 1 April 2022*	45,156	3,648	46,937	95,741
Loss and total comprehensive income for the year	-	-	(5,887)	(5,887)
Contributed capital	5,711	-	-	5,711
Transaction costs	(171)	-	-	(171)
Share based payments in relation to performance fee*	-	(1,531)	-	(1,531)
Balance at 31 March 2023	50,696	2,117	41,050	93,863

* These figures have been restated following a change in measurement of the Manager's performance fee, see notes 3.1.2 and 4.

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 2023

	Notes	Year ended 31/03/2023 $'000	Year ended 31/03/2022 $'000
Cash flows from operating activities			
Interest received		8	3
Dividend received		-	113
Payments to suppliers		(1,048)	(543)
Management fees		(1,654)	(1,378)
Net cash used in operating activities	11	(2,694)	(1,805)
Cash flows from investing activities			
Proceeds from sale of Investments		665	19,744
Payments to acquire Investments		(3,723)	(20,060)
Net cash used in investing activities		(3,058)	(316)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		5,711	5,176
Payment of transaction costs on issue of equity instruments		(47)	(155)
Net cash generated by financing activities		5,664	5,021
Net (decrease)/ increase in cash and cash equivalents		(88)	2,900
Cash and cash equivalents at the beginning of the year		5,068	2,168
Cash and cash equivalents at the end of the year	12	4,980	5,068

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

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 was incorporated on 10 April 2013. The Company is an investor in private technology businesses. These financial statements are for the year ended 31 March 2023.

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 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. The Company is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and these financial statements have been prepared in accordance with these requirements.

2.2 Functional and presentation currency

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

2.3 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 2022 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. Multiples (either revenue or earnings);
2. Industry Valuation Benchmarks (such as value per subscriber);
3. Quoted Investments (for listed investments where an active market exists);

Income Approaches:

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

Replacement Cost Approach:

6. 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 and are consistent with the previous period except for as described in note 4.

2.4 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.

2.5 Taxation

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

2.5.1 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.

2.5.2 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.

2.5.3 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.

2.5.4 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).

The GST claim ratio has been calculated in proportion to the Company's taxable and exempt supplies for GST purposes. The GST rate claimed by the Company during the year was 13.1% (2022: 10.9%).

2.6 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.

2.6.1 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 and 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 2.3 and note 5.

2.6.2 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.

2.7 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.

2.8 Share-based payment arrangements

2.8.1 Share-based payment transactions of the Company

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 7.2.

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 prepared by the Manager of the Company, 2040 Ventures Limited ("2040 Ventures"), and are 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. The Company's investment in Devoli was valued by an independent valuer for the 2023 financial year. Further detail on the valuation approach and techniques adopted is provided in Note 5. The Board acknowledges the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted companies.

3.1.2 Value of share based payments

On the occurrence of a Liquidity Event (as defined in the management agreement), 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. The performance fee, if payable at the Liquidity Event, is settled 72% through the issue of ordinary shares and 28% in cash based on the current corporation tax rate in New Zealand.

The Company is obliged to issue shares and deliver cash as consideration of the performance fee payable to the Manager. The Company previously measured these amounts based on the value of the shares and cash that would be issued to the Manager assuming a liquidity event had occurred, and the amount was payable at the end of the reporting period. The Company has updated its measurement approach of both the equity and cash settled portions of the share-based payment. The updated approach has been applied retrospectively, refer to note 4 for a summary of the impact.

The fair value of the performance fee related management services cannot be reliably estimated by the Company. Under the new approach this has been measured indirectly based on the fair value of the equity instruments. The calculation involves the following:

- A best estimate of when a liquidity event would occur, the corresponding net asset value of the Company on that event, and the resulting quantity of shares that would be issued to the Manager. An estimate is then made of the quantity of shares applicable for the period in which the service is received.
- The quantity of shares that relate to the current period are then multiplied by a best estimate of the fair value of the current share price.
- Previous estimates on services received by the Company are adjusted (trued up and down) each reporting period on a best estimate basis, however importantly those adjustments update the quantity of shares that are expected to be issued (a vesting condition), with no changes in the fair value of the shares. This specific aspect is a core requirement of NZ IFRS 2 for an equity settled share-based payment for non-employee awards. Equity instruments are measured at the date the entity receives the services.

A similar approach has been used to estimate the fair value of the cash settled portion however importantly with adjustments made to the fair value of the shares that will be delivered to approximate the fair value of the liability.

The return over the subscription price is a key input into the calculation, this is adjusted to reflect the potential discount that the Company's shares may trade at in a listed market. This discount adopted for the year was 10% (2022: 10%). Dividends have not been incorporated into the calculation. On the basis that there are no significant dividends expected. A material dividend payment would result in a liquidity event being triggered. It has been assumed that there will be no further capital raises.

4 Prior period error (restatement)

The Company has reassessed its accounting treatment under NZ IFRS 2 Share Based Payments and determined the previous approach of measuring the fair value of services received and determination of this amount had previously been incorrectly accounted for. The Company has determined that it is unable to determine the fair value of the services received and therefore the share based payment arrangement should be measured with reference to the value of shares expected to be issued and cash expected to paid. This change has been applied retrospectively in accordance with the accounting policy in Note 3.1.2 and the impact of the retrospective restatement on the previously reported amounts is detailed below.

Statement of Financial Position	2022 March			2021 March		
	Restated $'000	Original $'000	Movement $'000	Restated $'000	Original $'000	Movement $'000
ASSETS						
Current assets						
Cash and cash equivalents	5,068	5,068	-	2,168	2,168	-
Prepayments	36	36	-	30	30	-
Trade and other receivables	23	23	-	9	9	-
Non-current assets						
Investments	93,070	93,070	-	71,090	71,090	-
EQUITY AND LIABILITIES						
Current liabilities						
Accounts payable	189	189	-	91	91	-
Performance fee payable	2,267	2,889	**(622)**	1,377	1,770	**(393)**
Capital and reserves						
Issued capital	45,156	45,156	-	40,135	40,135	-
Share based payment reserve	3,648	7,428	**(3,780)**	2,608	4,551	**(1,943)**
Retained earnings	46,937	42,535	**4,402**	29,086	26,750	**2,336**

Statement of Comprehensive Income	2022 March		
	Restated $'000	Original $'000	Movement $'000
AFFECTED LINE ITEMS			
Reversal/(Accrual) of contingent performance fees	(1,929)	(3,996)	**2,067**

5 Fair values of financial instruments

5.1 Investments in Unlisted Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at $90.2 million (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 $5.928 million (2022: net gain of $21.664 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 Company's 10 largest investments as listed in the table below 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	2023 March[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	469,870	1,623,095	28.9%	446,000	1,479,890	30.1%
RedSeed Limited[2]	54,774	114,686	47.8%	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%
Mobi HQ Limited	769,595	4,355,351	17.7%	374,599	2,558,123	14.6%
Spiderworks Limited (Projectworks)	200,000	1,560,622	12.8%	200,000	1,552,000	12.9%
Couchdrop Limited[2]	227	1,271	17.9%	227	1,271	17.9%

[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.

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

Fair value as at 31 March 2023

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value ($)
1) Substantial - Devoli - OnceIt - Quantifi Photonics	Revenue multiples or Independent Valuation	$43.17 million
2) Well-established businesses - Raygun - RedSeed - Mobi - Whip Around - Couchdrop - Projectworks - Orah - Conqa	Revenue multiples	$39.36 million
3) Early Stage - Weirdly - Get Home Safe - QUBEdocs - Core Schedule - Formus Labs - Frello - New Zealand Artesian Water	Revenue multiples or impaired	$6.07 million
4) Listed & Exiting - Vend - Moxion - EverEdge - Melon Health - ThisData - Hayload	Discounted cash receivables, impaired or nil	$1.60 million
Total Investment at fair value		**$90.20 million**

Fair value as at 31 March 2022

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 - ThisData - Populate - New Zealand Artesian Water - Hayload	Revenue multiples, impaired or nil	$16.55 million
4) Listed & Exiting - Family Zone - Vend - Timely - Moxion - EverEdge	Discounted cash receivables, impaired or nil	$2.06 million
Total Investment at fair value		**$93.07 million**

5.3 Fair value hierarchy

	Notes	Level 1	Level 2	Level 3	Total
As at 31 March 2023					
Investments	5.6	-	980	89,220	**90,200**
Total		-	980	89,220	**90,200**
As at 31 March 2022					
Investments		-	1,415	91,655	**93,070**
Total		-	1,415	91,655	**93,070**

5.4 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range (weighted average)	Sensitivity to changes in significant unobservable
EBITDA multiple	7.2 - 7.2 (7.2)	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	0.3 - 45.8 (6.2)	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.
- *Fully Impaired:* represents where an investment has been written down to a zero value due to poor performance.
- *Partially Impaired:* represents where an investment has been written down significantly due to poor performance, but not to zero.

5.5 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 on total equity.

	Favourable **$'000**	(Unfavourable) **$'000**
2023		
Investments	103,320	76,710
2022		
Investments	101,812	84,192

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

The 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.

		Reasonable possible alternatives	
Revenue multiples used in valuations at:	Actual	Favourable	(Unfavourable)
31 March 2023	0.3 -45.8	0.3 - 45.8	0.2 - 45.8
31 March 2022	1.1 - 30.2	1.4 - 36.3	0.9 - 24.2
EBITDA multiples used in valuations at:			
31 March 2023	7.2 - 7.2	8.7 - 8.7	5.8 - 5.8
31 March 2022	6.9 - 10.1	8.3 - 12.2	5.5 - 8.1

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). Some multiples are calibrated to recent investment rounds and may not changes in favourable and/or unfavourable scenarios.

5.6 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.

	Year ended 31/03/2023 $'000	Year ended 31/03/2022 $'000
Unlisted equity investments		
Balance at beginning of year	91,655	62,529
Purchases - cash	3,723	20,060
Disposals - cash	(114)	(11,183)
Purchases - issue of shares	-	-
Transfer to level 2 investments	-	(1,415)
Change in fair value of investments	(6,044)	21,664
Balance at end of year	89,220	91,655

Included within the change in fair value of investments in the table above is $6.044 million (2022: gain of $21.664 million) of unrealised losses in relation to investments still held at balance date. The Company also recorded $0.110 million of unrealised gains in relation to Level 2 investments still held at balance date.

6 Income taxes

6.1 Income tax recognised in profit or loss

	Year ended 31/03/2023 $'000	Year ended 31/03/2022* $'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 31/03/2023 $'000	Year ended 31/03/2022* $'000
(Loss)/Profit before tax from continuing operations	(5,887)	17,851
Income tax (benefit)/expense calculated at 28%	(1,648)	4,998
Effect of income that is exempt from taxation	-	(6,066)
Effect of non-deductible expenses	1,240	299
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	350	667
Others (imputation credits gross up)	-	12
Taxable income arising on investments	58	90
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.

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

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

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

	31/03/2023 $'000	31/03/2022* $'000
Tax losses (including imputation credits converted to losses)	2,716	2,057
Deductible temporary differences	327	635
	3,043	2,692

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

7 Issued capital

	31/03/2023 $'000	31/03/2022 $'000
Issued capital comprises:		
2,897,013 fully paid ordinary shares (31 March 2022: 2,627,372)	50,696	45,156
	50,696	45,156

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2023 were $0.171 million (2022: $0.155 million).

7.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2022	2,627	45,156
Shares issued during the year	270	5,540
Balance at 31 March 2023	2,897	50,696
Balance at 1 April 2021	2,446	40,135
Shares issued during the year	181	5,021
Balance at 31 March 2022	2,627	45,156

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 2023, there are no unpaid shares on issue (31 March 2022: None) and 51,961 November 2023 $30 options on issue. (31 March 2022: None) on issue.

7.2 Share based payment reserve

	31/03/2023 $'000	31/03/2022* $'000
Balance at beginning of year	3,648	2,608
Arising on share-based payments (performance fee)	(1,531)	1,040
Balance at end of year	2,117	3,648

The share based payment reserves relates to the portion of the Manager's performance fee would be settled through the issue of shares rather than cash. More detail on performance fees is provided in note 9.1.4.

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

7.3 Retained earnings

	31/03/2023 $'000	31/03/2022* $'000
Balance at beginning of year	46,937	29,086
(Loss)/Profit attributable to owners of the Company	(5,887)	17,851
Balance at end of year	41,050	46,937

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

8 Financial instruments

8.1 Categories of financial instruments	31/03/2023 $'000	31/03/2022* $'000
Financial assets		
Fair Value Through Profit or Loss		
Investments	90,200	93,070
At amortised cost		
Cash and cash equivalents	4,980	5,068
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	1,153	2,267
Accounts payable	242	189

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

9 Related party transactions - Remuneration of the Manager

9.1 Remuneration of the Manager

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

9.1.1 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 2023 the management fee paid was $1.66 million (2022: $1.38 million).

9.1.2 Administration fees

The administration fee is fixed annually by the Board and paid quarterly in advance. Total administration fees expensed in the year ended 31 March 2023 were $0.355 million, relating to services rendered in the year ended 31 March 2023 (2022: $0.260 million).

9.1.3 Equity raising fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2023 an equity raising fee of $0.046 million was paid (2022: $0.155 million), and $0.125 million is payable (2022: nil).

9.1.4 Performance fee

On the occurrence of a Liquidity Event (as defined in the management agreement), the Manager receives a performance fee.

During the year ended 31 March 2023, an expense reversal of $2.644 million (2022*: expense of $1.929 million) has been recognised in profit or loss. Of this expense reversal, $1.114 million was recognised as a reduction in the cash portion of the performance fee, ending balance of $1.153 million (2022*: $0.889 million expense was recognised as an increase in the performance fee liability to $2.266 million). In relation to the equity settled portion of the performance fee, $1.531 million was recognised as a reduction of the share based payment reserve, ending balance of $2.117 million (2022*: $1.040 million expense was recognised as an increase of the share based payment reserve to $3.648 million) in relation to the equity settled element of the performance fee.

The liability has been reflected as current, as a termination of the agreement by the manager (which requires a 90 day notice) would trigger payment of the performance fee.

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

9.2 Other related party transactions

9.2.1 Directors beneficial interests in the Company

Directors of the Company or 2040 Ventures holding a beneficial interest in shares are as follows:

	31/03/2023	31/03/2022*
Lance Wiggs[1]	66,000	63,000
Michael Bennetts	61,500	57,996
Teressa Betty	770	700
Tracey Jones[2]	1,980	1,800
Candace Kinser[2]	100	-
Nigel Scott[2]	2,860	2,600
Chris Humphreys[1,3]	1,000	366
2040 Ventures	6,835	6,214

Directors of the Company or 2040 Ventures holding a beneficial interest in November 2023 $30 options are as follows:

	31/03/2023	31/03/2022*
Lance Wiggs[1]	-	-
Michael Bennetts	1,000	-
Teressa Betty	-	-
Tracey Jones[2]	-	-
Candace Kinser[2]	-	-
Nigel Scott[2]	-	-
Chris Humphreys[1,3]	-	-
2040 Ventures	-	-

[1] Lance Wiggs and Chris Humphreys both have a beneficial interest in 6,835 Punakaiki Fund Limited Shares held in the legal name of 2040 Ventures Limited.

[2] Tracey Jones, Candace Kinser and Nigel Scott became directors of the Company on 1 January 2022.

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

9.2.2 Directors' fees

Director fees paid by the Company during the year have been disclosed on page 45 of the Annual Report.

10 Audit fees

	31/03/2023 $'000	31/03/2022* $'000
Audit of financial statements (Ernst & Young)	73	52
Other services (audit of share register - Ernst & Young)	3	3
Other services (anti-money laudering audit - Strategi)	2	-
Total audit fees	78	55

11 Reconciliation of profit for the year to net cash used in operating activities

	31/03/2023 $'000	31/03/2022* $'000
(Loss) / Profit for the year	(5,887)	17,851
Adjustments for:		
Change in fair value of investments	5,928	(21,664)
Accrued performance fees	(2,644)	1,929
	(2,603)	(1,884)
Movements in working capital:		
Increase in trade and other payables	(72)	99
Increase in prepayments	(17)	(6)
Increase in trade and other receivables	(2)	(14)
Net cash used in operating activities	(2,694)	(1,805)

* These figures have been restated following a change in measurement of the Manager's performance fee, see note 3.1.2 and 4.

11.1 Non-cash transactions

No non-cash investing or financing activity took place during the year.

12 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:

	31/03/2023 $'000	31/03/2022* $'000
Cash on hand and demand deposits	4,980	5,068
Total cash and cash equivalents	4,980	5,068

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

13 Financial risks

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

13.1 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 RedSeed Limited are individually more than 10% but individually less than 30% 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.

Sensitivity analysis

If the value of the Company's investments weakened by 30%, holding all other variables constant, profit and equity would be $27.11m lower. If the value of the Company's investments strengthened by 30%, holding all other variables constant, profit and equity would be $27.11m higher. The Company believes a 30% weakening (or strengthening) in the value of the Company's investments is reasonably possible given its investment in early stage, fast growing companies.

13.2 Credit risk

Credit risk arises principally from cash and cash equivalents, along with amounts held in escrow in respect of the proceeds of Vend Limited and Tinderbox Media Limited (Moxion) owed to the Company by the various acquirers of those companies.

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.

13.3 Liquidity risk

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

13.4 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, further equity raising or, if possible, small amounts of debt.

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

14 Subsequent events

Subsequent to the balance date, the Company made a new investment in Couchdrop Limited. A small bridging loan was made to Weirdly Limited, which has since been repaid, and an agreement in principle has been reached to invest in Core Schedule NZ Limited. $0.117m was received in relation to an escrow payment associated with the sale of Vend Limited, and $0.453 million was received in relation to an escrow payment associated with the sale of Tinderbox Media Limited (Moxion).

920 November 2023 $30 options have also been exercised, resulting in $0.028m in new equity being received by the Company. There are now 2,897,933 fully paid ordinary shares and 51,041 November 2023 $30 options on issue.

12.

Directory

12. Directory

Board of Directors of Punakaiki Fund Limited

- Michael John Bennetts
- Teressa Rachelle Betty
- Graeme Lance Turner Wiggs
- Tracey Kim Jones
- Nigel David Scott

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

Level 6, 2 Kitchener Street
Auckland 1010

Manager

2040 Ventures Limited
Level 6, 2 Kitchener Street
Auckland 1010

Solicitors

Wynn Williams
Level 25, Vero Centre
48 Shortland Street
Auckland 1010

Auditor

Ernst & Young
2 Takutai Square
Britomart, Auckland 1010

Registrar

The Share Register is maintained by Catalist Markets Limited
Level 1, 8 York Street
Parnell, Auckland 1052