Punakaiki Fund

Annual Report

For the year ended 31 March 2024

JULY 2024

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2024 Snapshot

Financial Highlights for FY2024

NEW DISTRIBUTIONS POLICY
The Board has agreed to distribute, after provisioning for operating expenses, 100% of returns received from dividends and up to 35% of returns received from exits. Any distribution will be optional for each shareholder.

1,072
# of Investors

$89.3m
Asset Value

$87.7m
Investor Net Asset Value

$2.1m
Capital raised

$2.8m
Capital invested

$2.9m
Net cash used in operating activities (3.3% of year-end gross assets)

$1.17m
Proceeds received from investments

14%
Gross IRR from investments since inception

$(6.1)m
Profit/(Loss) after tax

2024 Snapshot

Portfolio Highlights

RISING STARS
Two portfolio companies increased in value by over 80%.

NEW INVESTMENTS
We welcomed Astute Access to the portfolio and made follow-on investments in five other companies.

NEW MANAGEMENT AGREEMENT
Successfully signed a new, updated Management Agreement to enhance governance and strategic alignment.

CHALLENGES AND LEARNING
While one company failed, the majority demonstrated stable performance, reflecting the resilience and potential within our portfolio in a challenging market.

AIP VISA INVESTOR APPROVAL
Approved as an 'Acceptable Managed Fund' for the Active Investor Plus (AIP) programme, broadening our investment appeal and potential investor base.

ENHANCED TRANSPARENCY
Introduced monthly Net Asset Value (NAV) reporting to provide timely and transparent updates on portfolio performance.

17
Active investments

13
Companies with revenue growth (3 with revenue contraction)

486
Employees across portfolio companies

$187m
Trailing-twelve-months' revenue - all companies (up from $163m)

$65m
Total equity-weighted revenue (up from $54m)

126%
Highest mark-up in valuation. Three companies over 80% mark-up.

4
Companies marked up (8 marked down)

1
Company written off

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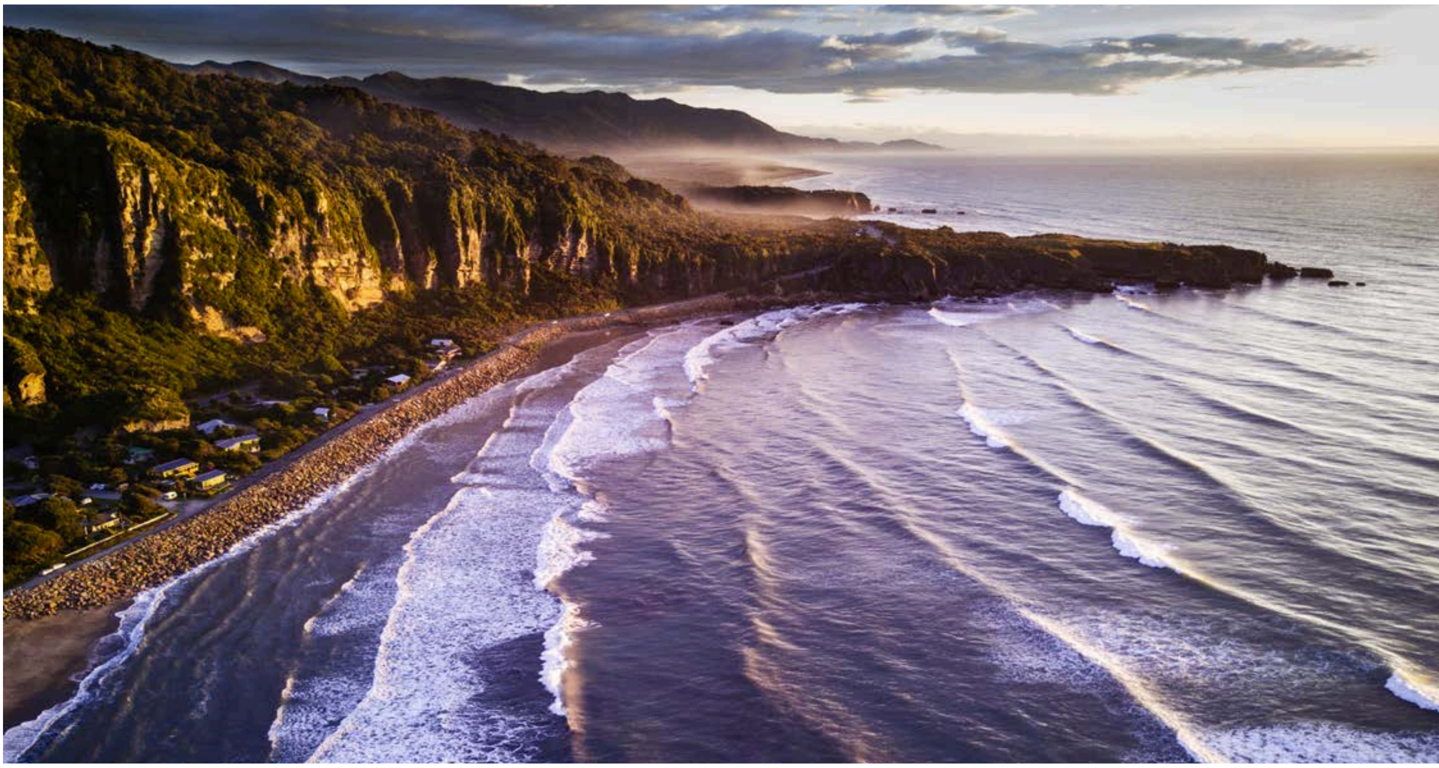
About Punakaiki Fund

About Punakaiki Fund

New Zealand’s Evergreen Venture Capital Fund

Punakaiki Fund (PFL) is a venture capital investment company with a diverse portfolio of investments in private New Zealand technology companies. We invest for the long-term, aiming to build our portfolio of investments in companies that are revenue-generating, possess unique competitive edges, and have the potential to dominate a global niche. Our portfolio is diversified across company size, industry sector and business models.

Founded in 2014, PFL operates under an evergreen structure and is actively managed by 2040 Ventures Limited.



Mission

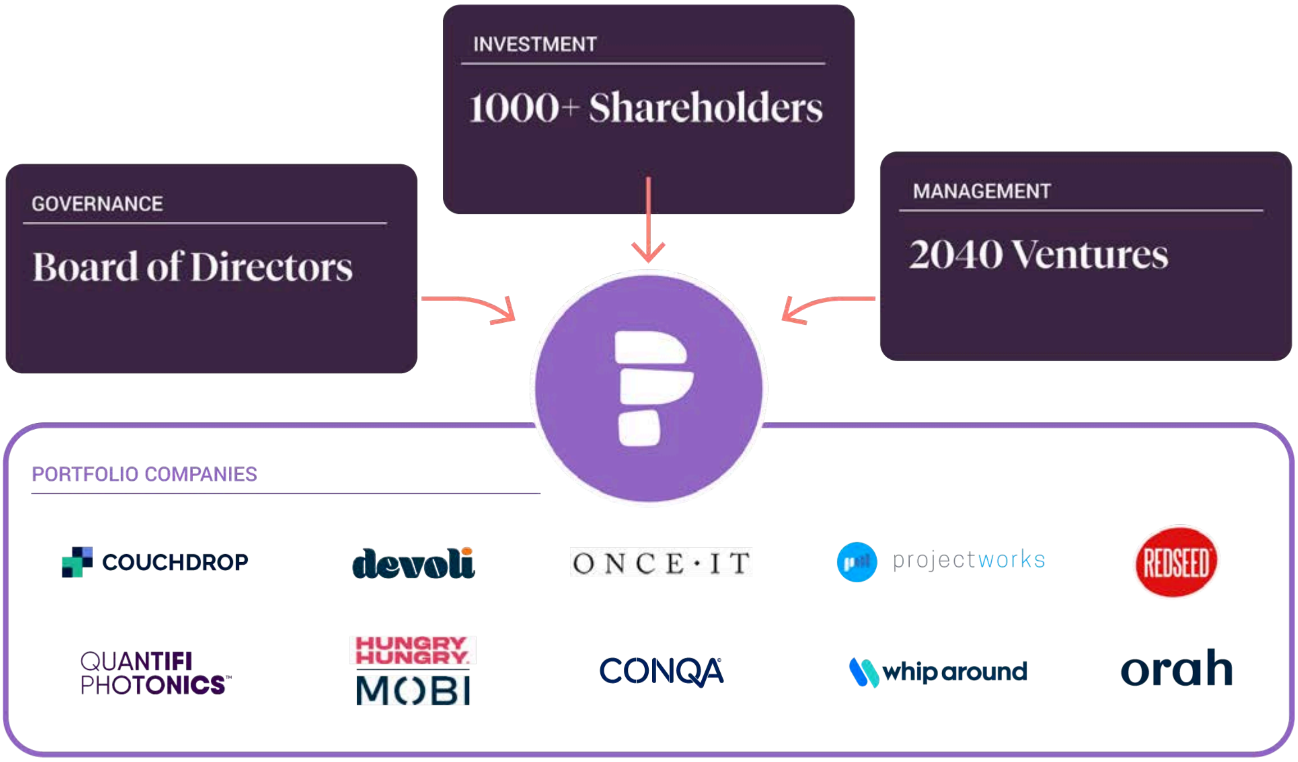
Our mission is to shift New Zealand’s asset allocation into venture and technology companies, and help those companies become global successes. PFL has a primary objective of delivering shareholders significant returns over the medium to long-term, with a current target to deliver five-year rolling annual returns of at least 20% net to shareholders (after all costs, fees and fund-level taxes).

Vision

We envision a thriving New Zealand technology sector where hundreds of millions of dollars flow into high-quality companies, building a new generation of multi-billion dollar enterprises that enhance the society and economy of New Zealand.

Structure

PFL is a limited liability company governed by an experienced Board of Directors. The fund is externally managed by 2040 Ventures and has over 1,000 shareholders both from New Zealand and overseas.



+ other portfolio companies, and investments held for exit.

Evergreen, Ever Growing

At the heart of PFL's strategy lies our evergreen structure - a distinctive, perpetual model that sets us apart from the traditional venture capital fund lifecycle, lowering risk to later-stage investors, and increasing the ability to deliver long-term value creation.

WHAT IS EVERGREEN?

Unlike conventional funds bound by a fixed start and end date, PFL has an open-ended, permanent capital structure. This means we don't operate under the pressure of an exit clock. Instead, we have the flexibility to continuously raise capital, invest only in the best companies, hold assets for longer to maximise their value, and reinvest returns into our most promising portfolio companies or new, high-potential investments.

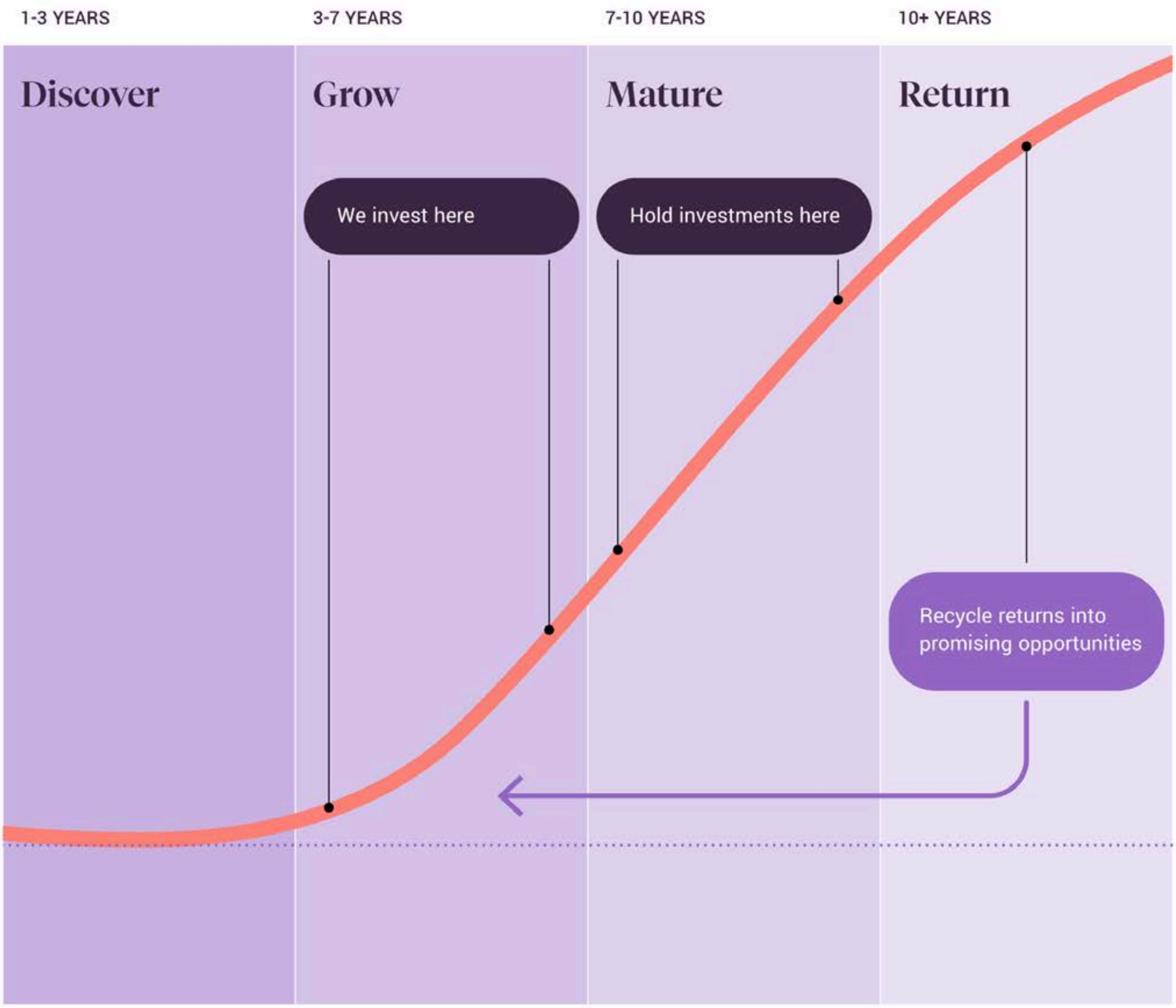
We are also deliberately structured for a future public listing - an ambitious goal we have taken on to redefine venture capital liquidity in New Zealand. Designed with this future in mind, our structure promises an innovative route to liquidity, allowing investors the potential to enjoy the benefits of their investment on a timeline that traditional venture capital funds can't match.

Business Model

Our business model focuses on investing in high-growth SaaS and technology companies in New Zealand. We aim to support these companies through capital and strategic advice, driving them towards significant growth and profitability. By holding investments for the long term, we capitalise on their growth trajectories, generating returns through dividends, capital gains and company-driven exits.

Distinctly, our evergreen structure gifts us the luxury of patience, enabling us to make investments based on strong conviction. We typically invest at the early-growth and growth stages, hold investments for longer to maximise value and recycle returns into our most promising investment opportunities. We don't invest in pre-seed or seed stage companies that are pre-commercialisation / pre-revenue without evidence of sales growth.

Our commitment to a pragmatic, value-centric investment approach has propelled companies like Devoli, Couchdrop, and Projectworks to recent success, following the footsteps of our notable exits such as Timely, Vend, and Moxion.



How We Invest

Market Opportunity

We see significant opportunities in New Zealand to generate high risk-adjusted returns by investing in high-growth SaaS and technology companies. New Zealand has particular strengths in producing business-critical products that address global markets with high capital efficiency. Despite improvements, there remains a shortage of growth capital, which we aim to address by investing in these high-potential companies.

Investment Criteria

We strategically invest in companies that are vital to their customers' operations and showcase the potential to capture global markets with capital efficiency.
Our focus is on:

- Companies with products and services that end-users love, and that demonstrate a significant competitive advantage. We especially like products that are relied upon by their customers to run and improve their own businesses.
- Companies with a sustainable level of revenue, a track record of growth, and that give us confidence in their ability to grow over the long-term with or without funding.
- Founding and leadership teams aligned to our values and approach, who aim to drive change and lasting prosperity rather than short-term exits. We look for evidence of the organisation's ability to execute on their priorities, and that can attract and retain the talent required to grow a global business.
- Companies with business models that have resilience, with recurring revenue, or revenue backed by customer loyalty, and strong underlying economics.

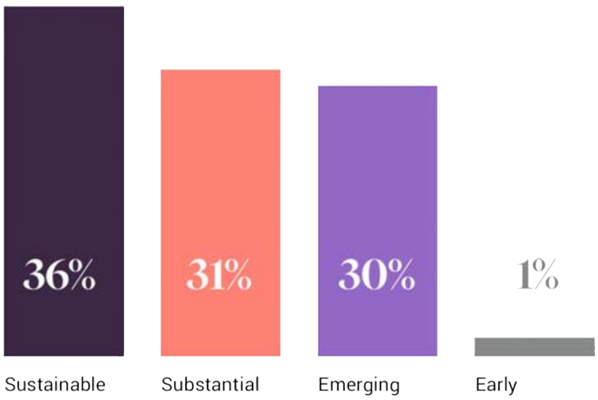
Social Responsibility

PFL is committed to socially responsible investing. We prioritise investments that have a positive impact on society and the environment, aligning our financial goals with broader societal benefits. This commitment is governed by our Socially Responsible Investing Policy, as well as reflected in our investment decisions, and the long-term support we provide to our portfolio companies.

PORTFOLIO CONSTRUCTION

Our portfolio is diversified to avoid concentration in any single company, industry, product, or service. We invest across different stages: early, sustainable, emerging, and substantial companies, with a preference for those with proven revenue models and growth potential.

FY2024 PORTFOLIO COMPOSITION (BY COMPANY STAGE)



TARGETED STAGE

Our investment philosophy emphasises high growth potential, focusing on various stages of company development:

- **Early:** Investments in businesses not yet sustainable, generally including SaaS companies with under $1 million in annual recurring revenue and other technology companies with less than $2 million in trailing twelve-month revenue.
- **Sustainable**: Companies with sufficient maintainable revenue to be self-sustaining, typically including SaaS businesses with $1-5 million in annual recurring revenue and other businesses with $2-5 million in revenue.
- **Emerging**: Firms with a successful product needing to build capacity in sales, operations, and product development, usually having $5-20 million in revenue.
- **Substantial**: Larger businesses with over $20 million in annual revenue.
- **Listed and Exit Stages**: Securities listed on recognised share markets and investments held for exit after strategic sales or write-downs.

Punakaiki Fund SIPO Diversification Targets*

STAGE TARGETS	EARLY	SUSTAINABLE	EMERGING	SUBSTANTIAL	LISTED
Typical Revenue Range: SaaS	<$1m	$1-$5m	$5-$20m	>$20m	
Typical Revenue Range: Non-SaaS	<$2m	$2-$5m	$5-$20m	>$20m	
Range (% of total investments)	**0-10%**	**10-40%**	**20-40%**	**20-50%**	**0-40%**
Maximum for Individual Investment	5%	15%	20%	20%	

PROFITABILITY TARGETS	UNPROFITABLE	PROFITABLE
Range	**25-75%**	**25-75%**
Maximum for Individual Investment	20%	20%

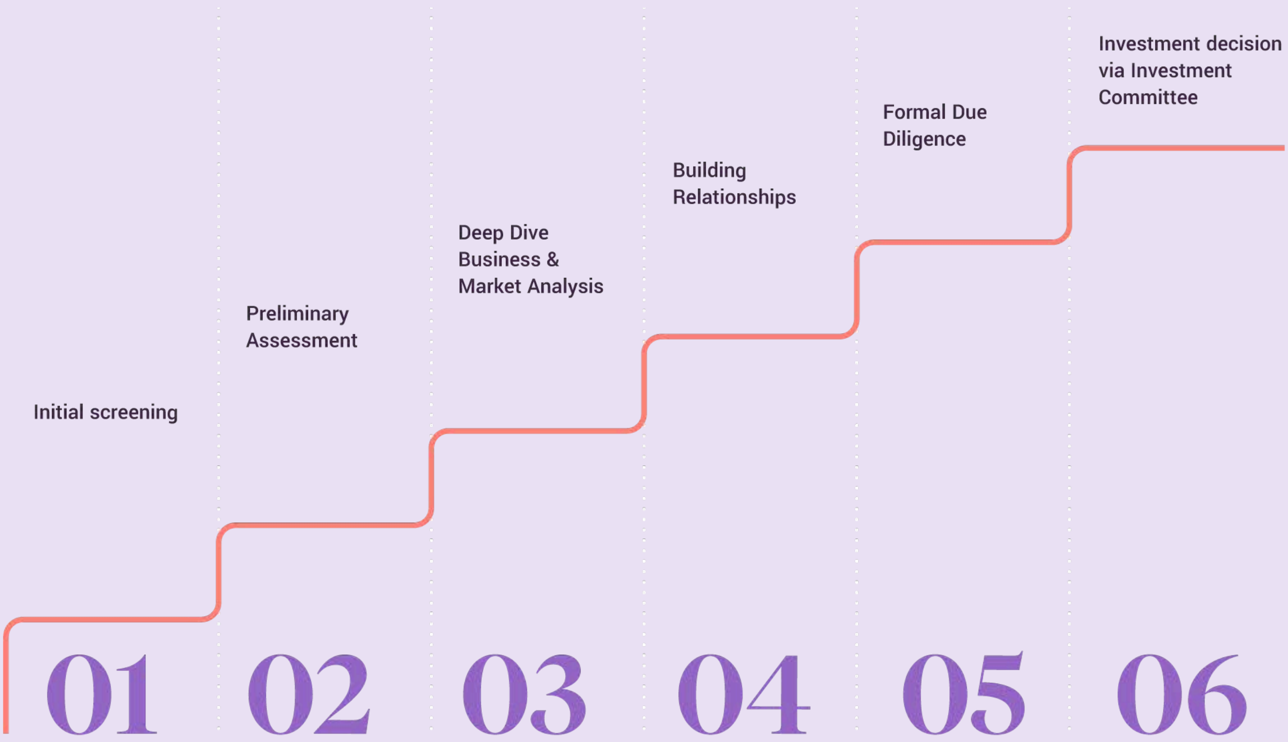
**SIPO is the Statement of Investment Policy and Objectives. The manger requires board approval for any investments that would cause a target to be exceeded or investments where a target is already exceeded.*

Investment Process

We receive and identify a steady stream of potential deals and maintain a strong understanding of New Zealand's high-tech ecosystem. We have a clearly defined mandate and a high threshold for entry to the investment process. Our selective approach ensures that only the most promising opportunities align with our strategic goals, allowing us to maintain a focused and effective portfolio.

When we identify a potential fit, we delve deeper to build an investment case. This involves rigorous internal conversations, meetings, and due diligence. We interview founders, visit sites and test products. We ensure the underlying science or engineering makes sense, using external experts if necessary. We also build a working relationship with the company to test our ability to assist them.

Our formal due diligence process validates all presented facts and assumptions. Our findings are documented in reports and reviewed by our Investment Committee where final investment decisions are made.



Investment Management Considerations

We adopt several strategies to manage and optimise our portfolio effectively:

SIZE OF SHAREHOLDING
Our initial investments typically start with a small minority stake, with potential increases through follow-on rounds and secondary share sales. We may hold substantial or majority stakes if this is aligned with our long-term goals.

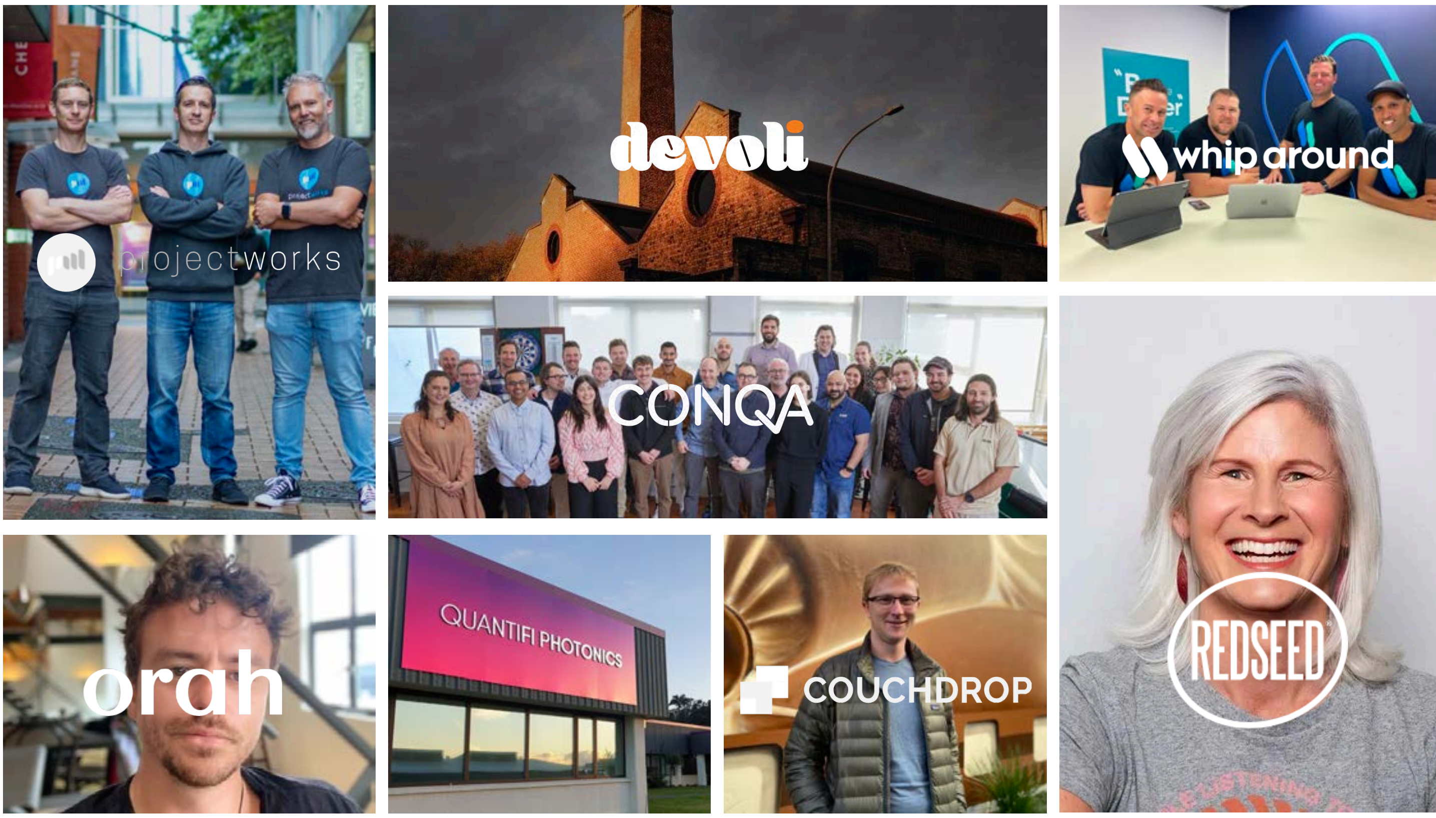
FUNDING STRATEGY
For early-stage companies, we prefer smaller initial investments, increasing funding as the company grows and its business model is validated. This approach minimises wasteful spending and supports cash flow break even within those companies.

MARGIN OF SAFETY
We minimise potential losses by investing in companies with strong growth prospects, reasonable valuations, a pathway to profitable core business, and contractual terms that protect our investments.

ACTIVE VS. PASSIVE HOLDINGS
While we provide active support and advice to many portfolio companies, we may hold certain investments passively, involving only ongoing monitoring.

GOVERNANCE
We ensure appropriate governance structures are in place, typically including independent directors and chairs, to maximise value and support the founder’s strategic direction.

LONG-TERM COMMITMENT
As a evergreen fund, we hold investments for extended periods to allow portfolio companies to mature and deliver dividends and capital gains. We avoid forced exits and support sustainable business growth.



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Board of Directors

Board of Directors

MIKE BENNETTS (CHAIR)

Mike has chaired PFL since 2015. He was formerly CEO of Z Energy, New Zealand's retail and wholesale fuel business and now coaches and consults to senior executives through his advisory business. Mike is the author of the book 'Being Extraordinary'. Mike has a BBS and Postgraduate Diploma in Corporate Management; and is a member of the Institute of Directors in New Zealand. Mike has a less than 5% shareholding and is an independent director.

LANCE WIGGS

Lance is a co-founder and Principal with 2040 Ventures, the manager of PFL, and a director of several portfolio companies. Lance combines a variety of global business experience with co-founding, investing and advising high-growth technology companies in New Zealand. Lance's prior experience includes Trade Me, including advising on its sale to Fairfax Media, and McKinsey & Co.
Lance has an MBA from Yale University (Strategy, Finance) and a Bachelor of Technology (Hons, Product Development) from Massey University. Lance is not an independent director.

TERESSA BETTY - NGĀTI RAUKAWA KI TE TONGA

Teressa has been on the Punakaiki Board since September 2020 and is currently the CEO of Toitū Envirocare. Prior to joining Toitū, Teressa had 20+ years of senior leadership and executive level experience in the financial services and legal sectors, including 16 years abroad. Upon returning to Aotearoa in 2014, Teressa was predominantly consulting to boards, executive teams and iwi in relation to enhancing and enabling strategy and business performance, ESG and sustainability, transformation and strategic change, enterprise risk management, governance, legal and compliance, and people and culture. Teressa has a Bachelor of Laws from Victoria University, is a qualified B Corp Consultant and is an independent director.

NIGEL SCOTT

Nigel has over 30 years' experience in the NZ and UK financial markets with significant depth wealth management, equity and debt capital markets, structured finance, risk and investment management. Prior to becoming a professional director, Nigel was an Executive Director at Hobson Wealth and the GM of ANZ Private Bank for 6 years. He is a director and the interim CEO at BoardPro, Chair of the Peninsula Credit Fund, Chair of Gilligan Sheppard, a director of Kōura Wealth and a Board Trustee of the Auckland Foundation. Nigel also sits on two investment committees and is a member of the Institute of Directors. He has Diplomas in Business from Massey University and CPIT.
Nigel is an independent director.

Board's Responsibilities

PFL's board is elected by shareholders, with one third of the board required to put themselves up for re-election each year.

The Board's core responsibilities are to:

- approve and monitor adherence to the investment objectives, risk management, strategies, policies and philosophies of PFL;
- ensure PFL meets its statutory obligations; and
- monitor 2040 Ventures and PFL's performance, including valuing PFL's investment portfolio, approving exits, and ensuring that expenditure by PFL is made on a prudent and appropriate basis.

04

Chair's Report

Chair's Report

Kia ora tātou

FY2024 has been challenging for businesses and households as we all experienced tough economic conditions one way or another. If anything, things were tougher than many expected, with inflation stubbornly high and interest rates higher for longer, resulting in low to zero GDP growth, declining consumer demand and low levels of business confidence.

PFL has not been immune to this, as our portfolio companies have experienced many of these impacts. For some that has been material, and for one company, it resulted in our shareholding being marked down to zero. Lance will provide further details on the portfolio's performance below in the Manager's Report, but we can take some confidence from the benefits of having a portfolio of diverse companies competing in different sectors and geographies.

These challenging trading conditions for our portfolio companies were consistent with a continuation of softer valuations for SaaS technology shares globally. While valuation multiples and company revenue growth have fallen to bottom-of-the-cycle from their highs a few years ago, there is still solid revenue growth within our portfolio with year-on-year valuation weighted growth of 30%. As growth rates and especially valuation multiples cycle up again, we will be well rewarded as we have previously seen for SaaS companies.

The net result for FY2024 was a total asset value of $89.3 million, and an overall loss of $6.1 million, primarily driven by a loss of $5.0 million in investment value. The overall result for shareholders, measured by investor net asset value, is a fall from $31.67 to $29.57 per share.

FOCUSED GOVERNANCE

The Board remains focused on the governance essentials and strengthening the foundations for a potential IPO.

The Management Agreement was renewed at its ten year anniversary with a number of changes being made to reflect what we have learnt over the past decade. We took the opportunity to remove some elements from the Management Agreement and have these reflected in company policies, which are reviewed every 1-2 years rather than being locked in for the term of the Management Agreement. This flexibility benefits both PFL and 2040 Ventures and means we can be more responsive to changing conditions.

2040 Ventures continue to challenge themselves, and in turn the portfolio companies, on performance. The Board and 2040 Ventures frequently review the management of the portfolio, seeking critical learnings and changes if required. The Board's view is that we have taken those reviews to another level in the past year which augurs well for the future.

We've challenged ourselves too, and improved our shareholder proposition through an exciting yet prudent new policy to distribute a portion of any cash returns from our investments.

Raising capital to support ongoing investment into our portfolio companies and those new opportunities remains a focus. 2040 Ventures has been very proactive in working with the newly established AIP (Active Investor Plus) visa, where we believe we have a distinctive appeal. We are also more active than ever with potential institutional investors, partly with an eye on a potential IPO, but also given their interest in the venture capital space. We expect to see the benefits of these efforts during FY2025.

This year we have expanded our ESG reporting consistent with strengthening the foundations for a potential IPO. You can see the details of this from page 54.

At the end of the financial year, we farewelled Tracey Jones from our Board. I would like to acknowledge Tracey's contribution, especially on the Management Agreement and the pathway to IPO. We decided not to replace Tracey at this stage, preferring to bank some cost savings and then recruit the skills needed when we are much closer to a potential IPO. We are confident we have the necessary skills and diversity of thought from the rest of the Board to function with one less director for the next year.

IPO STILL NOT IN SIGHT YET

The Board is very mindful that, as we celebrated our tenth anniversary in April this year, we have not yet delivered on one of the commitments that was made when PFL was first established. As one of Punakaiki's original investors I feel this both personally and in my role on the Board given some investors would like greater liquidity than our quarterly trading windows.

The Board continues to observe that we are unlikely to be able to successfully IPO PFL until we see improved market conditions, along with certain other prerequisites 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. Given the general market sentiment, the IPO market in Australia and New Zealand, particularly for growth companies or alternative assets, effectively remains closed.

We are clear about that because our pathway to IPO is prescribed by a considered and detailed plan. We know what milestones must be achieved before we commit to the IPO process, such as institutional investor support. We know what needs to change to our governance and management practices before we commit to the IPO process. You are already seeing examples of this being done, such as the move from quarterly to monthly reporting. The development of our Capital Allocation Policy is another example – it is now ready to be shared with those investors we will be targeting in the lead up to an IPO. 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.

CLOSING COMMENT

A few months ago we made it to our tenth anniversary. Much has been accomplished during that time and there are still some past commitments yet to be delivered – an IPO and delivering rolling annual returns of at least 20% net to shareholders over five years. Both the Board and 2040 Ventures are acutely aware of both of these. Technology markets moving back to mid to upper cycle valuations will positively impact both of these commitments.

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

MIKE BENNETTS

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Manager's Report

Manager's Report

Just over ten years ago, Chris Humphries and I (Lance Wiggs) launched fundraising for PFL, raising just $1.5 million from 56 wholesale investors. It was a challenging time to raise capital for venture investment, but we persevered, and from small beginnings have arrived at our ten-year anniversary. We are delighted to have so many people invest into PFL, to enable and be part of that journey.

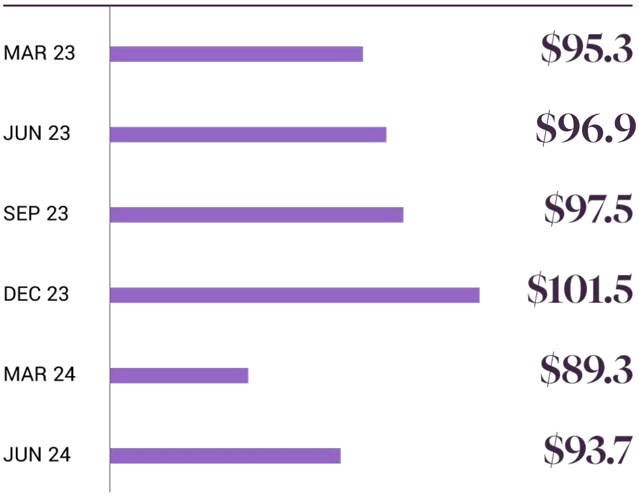
After a decade, we've learned that there is no substitute for the experience that comes from repeated investing, helping companies and learning how your decisions and advice can impact results. We are well positioned for the future, confident of our portfolio and our ability to invest your funds well.

YEAR END RESULTS

The financial year was not kind to our sector, or to PFL. Over the year, eight of PFL's investments were marked down, for a combined drop of $14.9 million versus a year prior. We held six investments at the same value, and increased just four in value, for a combined rise of $9.8 million. Overall, that was a net reduction of $5.0 million due to revaluation. However, we also reported as at 30 June 2024 that the portfolio had regained $5.1 million in value.

We are exposed to global technology company trends. The performance of most listed technology companies has been poor, aside from a handful of heroes, with lower revenue growth a systemic issue. That also appears true for private technology companies, with global reports of lower growth, difficulty in fundraising, and much lower valuations.

PUNAKAIKI FUND ASSET VALUE



...while companies are targeting higher growth this year, it will not be at the expense of sustainability.

The double whammy of low growth and low multiples, along with constrained capital in NZ, has meant challenging times here. We weathered the conditions well, with our portfolio proving resilient until the March 2024 quarter, when we marked down Quantifi Photonics.

The large markdown was only possible because Quantifi Photonics had previously been marked up after performing very well, and we look forward to a future of improved performance and increased valuation. Meanwhile, as at 30 June 2024, we benefited from the recent outperformance of Projectworks, and marked our portfolio value back up to $93.7 million.

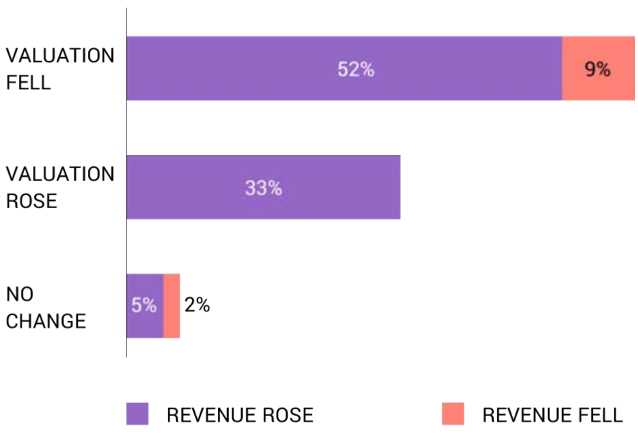
The overall result is that, despite the volatility and poor result as at 31 March 2024, between March 2023 and June 2024 there was essentially no net revaluation movement.

We are pleased with this result given the global and local economic and company valuation context.

FOCUS ON LONG-TERM GROWTH

We work diligently to accurately report our valuations, but we know that the long-term value of our investments is largely determined by sustained growth and how big portfolio companies become. So, while we marked down eight companies, the chart below shows that almost all this holding value was underpinned by companies that showed increased year-on-year revenue.

VALUATION CHANGE BY CHANGE IN REVENUE (PERCENTAGE OF PORTFOLIO)



Meanwhile, we expect that the three companies reporting lower revenue will return to revenue growth over the next year.

Growth does help, of course. The four companies that rose in value represented 32% of the year-end portfolio value (rising to 36% using the June valuations) and grew at a weighted average rate of over 50%.

When weighted by holding value, our companies grew at an average of 30%. We generally expect average growth rates to be much higher than this, but for many the growth is welcome considering the market conditions. We see that growing by “only” 30% in a tough year is a good result, and while companies are targeting higher growth this year, it will not be at the expense of long-term sustainability.

As a diverse fund, we have exposure to a wide range of sectors, and while we see general malaise across the local and global economy, some sectors and companies are doing very well. Onceit is an ecommerce site that fashion buyers turn to when money is tight. Many companies, including RedSeed and Couchdrop, help their customers save money performing business processes. Some companies are exposed to perennial sectors such as education and healthcare, and the portfolio companies do business across the world. We expect some countries, sectors, and thus companies to improve performance before others and that will be reflected in the portfolio value.

Our aim is to deliver 20% annual returns to investors. While we are currently well short of that, we believe that underlying company growth combined with restored market multiples will help bridge the gap. As venture capital investors we know there is always potential, albeit at lower probability, for one or two companies to provide outsized performance that delivers extraordinary returns.

ACTION ORIENTED

The companies are not sitting on their hands during the tough times. Quite the opposite. This year alone, we've seen the founder-CEOs of two of our largest investments, Projectworks and Quantifi Photonics, voluntarily take a step back to empower their companies to enter their next phase of growth. Projectworks new CEO, Mark Orttung, is based in the USA, while co-founder and CTO Iannick Monfils is the new Quantifi Photonics CEO. We are grateful to Matt Hayter and Andy Stevens, who have dedicated many years to lead the creation of the two successful businesses.

We’ve done the same. We’ve increasingly focused our own efforts where it makes most impact. We look for companies and moments where our time and experience can make a tangible difference, and have increasingly high conviction standards when making investment allocation decisions.

During the year, we took advantage of an investment bank’s offer to market our shares in Devoli without upfront cost and ran a process of engaging with potential investors. We learned that the company, while substantial, still had work to do to be investable by later-stage funds, and we also observed that the market values were cyclically low. So we’ve worked with the other Devoli investors to double down on helping the company, giving CEO Karl Rosnell and his team the shareholder stability and guidance they need to drive that successful business forward. The team knows what to do, and the signs so far this year are promising indeed.

Anya Anderson - RedSeed founder & CEO

Karl Rosnell - Devoli CEO

At RedSeed, Anya and the team are bravely pivoting RedSeed from a sales-led approach to product-led approach, while down the street in Christchurch Michael Lawson and the team at Couchdrop have split the company into two units, focused on their Movebot and Couchdrop products.

Mobi, after the year-end, completed a long process to merge with its Australian peer HungryHungry. The company is now operated by the HungryHungry founders, and we have the right to appoint a director.

And there is much more. We are not waiting for the tide to turn, and neither are the founders and leaders of the companies we are invested into.

Unfortunately, the trading conditions and need for change has meant that we have seen some, at times quite large, cuts to the number of people working at some companies over the past two years. This helps the companies, especially those serving challenged sectors, to ensure that they are sustainable, focused on their core value generation activities, and ready to take advantage as markets return.

We are grateful for the founders of the companies in the portfolio. Their journey is not the easy one, and they take vast amounts of energy and commitment to build their companies. We also get to experience what wonderful people they are, even under the stresses they endure. The pace of decision making inside start-ups is high, the consequences felt quickly and the personal impact on your own wealth is directly apparent. Founders and executives inside startups build a high set of skills, and their experiences allow them to thrive. But you can’t stop that entrepreneurial zeal either, and it’s delightful to see almost all the former founders, including from Vend, Timely, Linewize, Melon Health and ThisData are more actively involved in investing, advising, working in or starting their own new companies.

OUR PEOPLE

Over the last year we farewelled Anum Malik, who arrived in November 2019 and managed to successfully juggle that role with completing her PhD, growing her family, and taking control of the valuations process. Later in the year, we welcomed Cormac McCullough into the Investments team, and he has ably taken on the investments and valuation roles.

Nadine Hill retained her directorships in Projectworks, now a US company, Orah, and Core Schedule. Her duties with Get Home Safe and Weirdly came to an end, and she joined the HHM Global Group board after year end. Also after year end, Cormac took over the role of Get Home Safe director and Chris stepped down both as a director of Devoli and board observer for Mobi. I maintained my directorships for Couchdrop, Onceit, RedSeed, Conqa and Quantifi Photonics, and leaned in to assist with Devoli.

PFL is designed as a long-term investment. Even if we were listed, we would ask for your patience as the portfolio matures and markets recover. We are grateful that investors can sell shares if they must, but also that the trading volumes are very small.

When we started, we raised $1.5 million, and Chris and I were part-time. Today we have a strong investor base, a substantial portfolio of assets, experienced operations and investment teams, and good growth prospects.

We protect investors with our management and board structure, with a professional Board, ably led by our Chair, Mike Bennetts, who negotiated well on your behalf as we signed a new management agreement between 2040 Ventures and PFL in March this year. We have extensive internal and external policies and procedures that allow us to better manage shareholder matters including the register, share trading and offers to invest.

PFL has invested in and steadily enhanced our risk management and ESG frameworks during the financial year, and we see ourselves as a clear leader in diversity and climate impact reporting for venture capital funds in New Zealand. The fund is also committed to transparent external financial reporting and Tier 1 audited accounts via EY. Our valuation process is robust and has stood the test of time, including moving to a monthly valuation cycle during FY2024.

Our Statement of Investment Policies and Objectives (SIPO) is a comprehensive document that communicates what we believe, and how we invest in and help our companies. That document and our approach has evolved over time as we have learned, and we are able to invest with confidence.

WHERE WE ARE GOING

PFL is structured to deliver both dependability as well as the prospect of outsized returns. Our track record combines resilience with growth, and we see ourselves as an attractive and easy way to expose investors to venture capital in New Zealand, avoiding the complexity, drawdown requirements and illiquidity of the traditional funds.

OUR NEW CAPITAL RETURNS POLICY

We do maintain our path towards an eventual IPO, but in the meantime, we are making an exciting change to our Capital Allocation Policy.

We have a maturing portfolio, and as companies grow they are increasingly attractive to potential acquirers. We expect that sometimes founders might choose to sell, and that we would receive cash returns.

The Board has agreed to distribute, after provisioning for operating expenses, up to 35% of all returns we receive from exits, and 100% of returns received from dividends. Any capital return would be optional for shareholders, and we would be thoughtful about tax efficiency for investors.

We'd expect to use share buy-back programs for very large distributions, share trading market support for smaller amounts and, in the longer-term, pass through imputed dividends from portfolio companies.

Thank you for help in the journey, in our mission to change the game for technology companies in New Zealand, and the world itself. We work hard every day to help manage and grow your investment, and appreciate your support, emails and calls.

Ngā Mihi Nui

LANCE

About the Manager

2040 Ventures Limited was founded in 2013 to be the manager of PFL, and also manages Climate Venture Capital Fund Limited Partnership.

Founders Lance Wiggs and Chris Humphreys remain the key principals. Nadine Hill leads the PFL Investments team, while Ben Kay serves as CFO. The wider team focuses on operations, funding, and investment management.

2040 Ventures also has access to the expertise of Climate Venture Capital Fund partners, Rohan MacMahon, who is a director of Devoli, and Dr Jez Weston.

Under the Management Agreement, 2040 Ventures has broad powers and responsibility for investment, managing investments, fundraising and administrative services.

2040
VENTURES

CHRIS HUMPHREYS
Founding Partner

LANCE WIGGS
Founding Partner

NADINE HILL
Partner

BEN KAY
CFO

ROHAN MACMAHON
Partner

DR. JEZ WESTON
Partner

06

Corporate Update

Corporate Update

Capital Raising

ACTIVE INVESTOR PLUS

The Active Investor Plus (AIP) Visa programme is a New Zealand government initiative designed to attract high-net-worth individuals who are willing to invest significantly in New Zealand businesses and managed funds. This programme offers a pathway to residency for investors committing a substantial investment, with a focus on driving economic growth and supporting innovative enterprises.

Since being accepted as an AIP Visa managed fund in April 2023, PFL has actively engaged with potential investors, welcoming our first AIP investor in December 2023.

PFL’S UNIQUE APPEAL FOR AIP INVESTORS

PFL remains a distinctly appealing and financially savvy vehicle for visa applicants for a number of reasons:

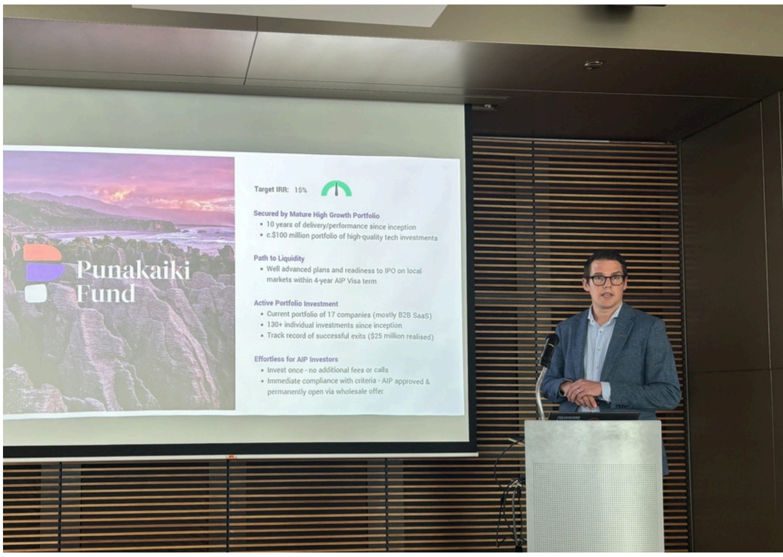
- **Double the Investment Impact**: An 'Acceptable Managed Fund' under the programme, every $1 invested counts as $2 towards the applicant’s visa conditions. That means a $7.5 million investment in PFL meets the minimum investment requirement of $15 million for the visa.
- **Open for Investment**: Our evergreen model allows us to accept investment on-demand, 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.
- **Transparency**: Our publicly disclosed monthly (previously quarterly) and annual reports are highly regarded, and public, with annual audited financial reporting to an IFRS Tier 1 standard. We are experts at high-growth private company valuation.
- **Path to Liquidity**: We continue to explore the potential for a future IPO to enhance liquidity and broaden access, which we believe is executable before a visa holder’s four year visa term expires.

MARKET ENGAGEMENT STRATEGY

To drive investment from AIP Visa holders, PFL has undertaken a comprehensive market engagement strategy, focusing on high-quality leads and leveraging strategic partnerships across the ecosystem, including immigration advisors, wealth managers, private bankers, lawyers, and other key participants.

Beginning in November 2023, PFL has been actively meeting with AIP Visa prospects in the US and Asia, alongside our strategic partners. This approach has generated a compelling pipeline of prospective investors at various stages of their visa journey that we continue to engage with, support and hope to welcome to the fund in due course.

Through these initiatives, PFL is positioning itself as a preferred investment choice for AIP Visa holders, contributing to New Zealand’s economic growth and supporting the success of innovative technology companies.



Ben Kay, Punakaiki Fund CFO, presents to AIP Visa prospects in Singapore | June 2024

Capital Raising

PATH TO IPO

Since its inception, PFL has aimed to list the fund on a recognised stock exchange.

We developed our corporate structure, as an evergreen, permanent capital vehicle with an external investment manager, and our foundational constitution, with a future listing in mind.

STRATEGIC RATIONALE FOR AN IPO:

- **Providing Liquidity**: Offering liquidity to current and prospective investors through the listed market.
- **Access to New Zealand Technology Companies**: Allowing investors to access New Zealand technology companies and increasing local allocation to venture capital as an asset class.
- **Raising Permanent Capital**: Attracting a broad and deep pool of equity investors to fund growth and investment, and shift investment allocation to the venture capital sector.

We have the opportunity to replicate the precedent set by listed venture capital funds in Australia, the United Kingdom, Europe, and North America.

Our CFO, Ben Kay, has led the recent work engaging with the market and preparing the company for a potential IPO in the medium term and a considerable amount of work is already complete.

The Board considers it unlikely PFL will list during FY2025. The Board notes that PFL needs to be substantially larger, driven by funding and portfolio revaluations, so that we can raise substantial funds at or around Net Asset Value. We will need to wait for current external market conditions to improve, and obtain investor support so that PFL can thrive as a listed company, with scale, ongoing institutional investor support, and liquidity being key success factors.

We continue to engage with investors, brokers, and advisors regarding our future listing intentions. Encouragingly, there is ongoing interest and preparedness to invest in or support a listed venture capital fund, particularly given several global precedents over the past decade. This market engagement will continue leading up to and beyond an IPO.

Management Agreement

In late March 2024, PFL's Board entered into a revised Management Agreement with 2040 Ventures (Manager) following on from the original Management Agreement which was entered into during March 2014.

The revised Management Agreement provides shareholders with certainty regarding the management and administration of the fund. It ensures a contemporary, fit-for-purpose agreement that aligns with current and anticipated future settings and strategic goals for PFL.

During the renewal process we seized the opportunity to remove some historical and less relevant elements from the agreement.

These elements are now reflected in company policies reviewed every 1-2 years, rather than being locked in for the full term of the agreement. This flexibility benefits both PFL and 2040 Ventures, allowing us to be more responsive to changing conditions.

The terms of the revised Management Agreement, which can be found on our website at punakaikifund.co.nz, are materially similar to the original agreement. Below, we provide key terms and a summary comparison against the original Management Agreement.

Management Agreement

	ORIGINAL MANAGEMENT AGREEMENT	REVISED MANAGEMENT AGREEMENT
Initial Term	10 years, renewable for 10 years	10 years, or 5 years from PFL listing. Renewable each 5 years.
Services	Manager to exclusively provide investment management, administration and equity raising services for and on behalf of PFL	No change
Management Fee	PFL to pay Manager each quarter in advance 25% of the aggregate of: • 2% of Net Asset Value up to $50m; plus • 1.5% of Net Asset Value above $50m	PFL to pay Manager each quarter in advance 25% of the aggregate of: • $250,000; plus • 1.5% of Asset Value
Performance Fee	Performance fee shall equal 20% of annual return provided that: • an annual performance threshold value is met (10%); and • the annual return exceeds a high-water mark test The performance fee is only paid to the Manager if a liquidity event occurs, which includes: (1) a distribution by PFL, (2) quotation of PFL on a recognised stock exchange, (3) post-quotation of PFL, on the last day of each financial year, (4) termination or expiration of the agreement or (5) if the Board determines that non-payment of the performance fee is inequitable to the Manager	Performance fee shall equal 20% of annual return provided that: • an annual performance threshold value is met (10%); and • the annual return exceeds a high-water mark test The performance fee is only paid to the Manager if a liquidity event occurs, which includes: (1) a distribution by PFL, (2) the listing of PFL on a recognised stock exchange, (3) post-listing of PFL, on the last day of each financial year, (4) termination or expiration of the agreement or (5) any date the Board determines that payment of the performance fee is equitable to PFL and the Manager
Administration Fee	At the sole cost of PFL - with itemised services on-charged.	Agreed annually between PFL and the Manager using the scope of services in the Administration Policy
Fundraising Fee	3% of value of all equity capital raised by PFL	3% of value of all equity capital raised by PFL, unless otherwise agreed (e.g. for listing) Any fees on debt capital raised to be agreed with PFL on a case-by-case basis No fees paid for share swap transactions
Change of Control Event	Not specified	During a Change of Control event, PFL and Manager will abide by a mutually agreed Takeover Response policy (which will include a right for the Manager to communicate/consult with shareholders on a basis agreed with the Board)
Termination - Manager (by Shareholders)	Manager may be terminated without cause by ordinary resolution of shareholders (50%+ voting in favour). Manager entitled to performance fee entitlement, plus termination fee (1 x quarterly management fee)	Manager may be terminated without cause by ordinary resolution of shareholders (50%+ voting in favour). Manager entitled to any performance fee entitlement, management fee for period required to continue performing services, plus termination fee (12 x quarterly management fee)
Termination – Manager (with notice)	Manager may resign from appointment with 90 days' notice to PFL. Manager is entitled to any performance fee entitlement, but no management fee from date of termination	Manager may resign from appointment with 12 months' notice to PFL. Manager is entitled to any performance fee entitlement, but no management fee from date of termination

Capital Allocation Policy

In March 2024, PFL finalised its first Capital Allocation Policy (CAP) alongside 2040 Ventures. This reflected PFL's existing capital management practices. It was revised in July 2024 to reflect a commitment to capital returns.

PFL is dedicated to ensuring financial resilience by focusing on investing in and enhancing the value of our investment portfolio. Our goal is to deliver attractive long-term returns, targeting an average annual net return of 20% over 5 years.

This policy reflects our commitment to strategic, effective capital management, ensuring that we meet the needs of our investors and support the growth of our portfolio companies.

Key Features of the Capital Allocation Policy

Sources of Capital

INTERNAL
- Cash balances

INVESTMENT RETURNS
- Dividends and distributions from portfolio companies
- Realisations/exits from sale of portfolio companies

EXTERNAL
- Debt issues (up to 25% of Net Asset Value)
- Equity (and equity-like issues) to existing and prospective investors

Uses of Capital

FINANCIAL RESILIENCE
- Operating reserve maintenance – provision to meet operating costs for minimum 12 month forward period
- Reserve period to be increased to 18 months following next significant capital raising or exit

INVESTMENT
- Surplus capital not required to meet operating reserve able to be used for investment purposes
- Target net portfolio return of 20%, averaged over 5 years (current WACC of 15%)

CAPITAL RETURNS
- Distribute 100% of all returns received from dividends and, after provisioning for operating expenses, up to 35% of all returns received from exits.
- Any distribution would be optional for shareholders, and structured to consider shareholder tax efficiency.

07

A Decade of Venture Capital

Celebrating 10 Years

Photos of Lance and Chris taken for original share offer documents in 2014

Ten years ago was a deeply challenging time to raise funds for venture capital in New Zealand. Investors had seen such poor performance from the first wave of government-backed venture capital funds, that we avoided the term “venture capital” in our investment documents. Instead, we said that PFL would make investments in “early and growth stage New Zealand-based technology, internet and design-led businesses.”

We’ve done exactly that, and present 10 highlights from our journey over the following pages.

At the Beginning

We were part of a new era of investors, independently seeking to change the way that early-stage investing was done in New Zealand.

We led by example, with founder friendly engagement and contracts, clear and timely reporting, tier 1 audited accounts and being very public with what we did.

We were joined shortly afterwards by an Auckland based angel group and two other funds, while other existing groups and funds steadily evolved their approach.

We're proud to be one of the original funds and managers, at the core of a now much broader venture capital ecosystem, and have maintained our founder partners for the duration. We are delighted to see the growth of the number and size of other venture capital funds, and the expanded number of investors and limited partners supporting venture capital investors and companies.

We have invested in both great and not-so-great companies. We doubled down, fortunately and unfortunately, into each category. We are now wiser and more disciplined in our decision making, and have a lot more knowledge about what great, and not-so-great, looks like. Meanwhile our experience allows us to act quickly and decisively when required, capturing compelling investment opportunities sometimes with limited information.

The irrepressible Vaughan Fergusson, founder of Vend.

Lance unveiling the new branding

After ten years, it is clear there is no substitute for the experience of repeated investing, helping companies, and learning how your decisions and advice can impact results. We are well-positioned for the future.

1. Our First Quarterly Report

We reported that we'd raised $1.565 million in April 2014, and had already invested $1.46 million of it by the time we published our first quarterly report, as at 30 June 2014.

We did well – with that $1.46 million turning into $13.4 million of value, including over $5 million in cash. We are an evergreen fund, so all cash returns have been reused to make further investments.

Highlights

During the quarter we completed the raising of $1.525m from 56 private investors. We issued 152,500 Shares along with the two sets of Options expiring in November 2014 and June 2015.

We invested essentially all of the proceeds (after brokerage), and now own:

- 20.00% of Vibe Communications, a corporate and wholesale ISP;
- 4.71% of Timely, an appointment booking SaaS company;
- 18.33% of InfluxHQ, who have a SaaS gym management solution; and
- 5.26% of Mindscape, developer of Raygun.io, which tracks software errors.

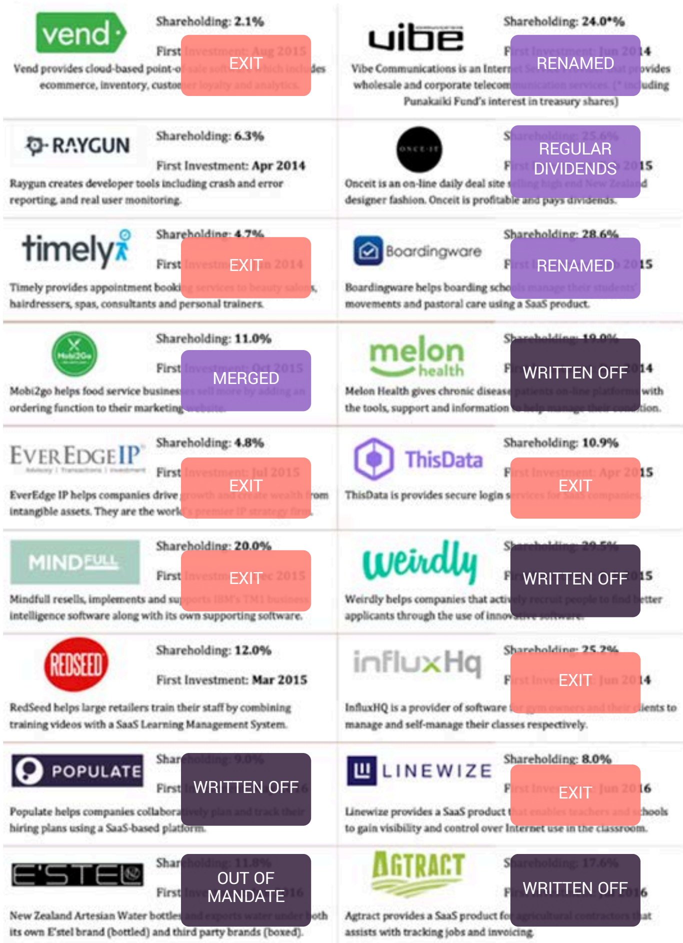
Highlights from the first, June 2014, quarterly report.

2. Evolution of our July 2016 Portfolio

By 31 July 2016, we had raised $12.8 million and invested $11.9 million into 18 investments, shown in the table extracted from the FY2016 Annual report.

Today only six of those 18 investments are visible in the portfolio, and three of those have changed their name. We sold investments in seven companies, merged one company with a peer, wrote off four investments, and continue to hold another as 'out of mandate'.

The $11.9 million invested in that July 2016 portfolio matured well, returning $40.7 million, with $17.2 million in cash and $23.5 million in holding value. While our Vend and Timely investments produced strong cash returns, the July 2016 holdings in Devoli, RedSeed, Orah and Onceit are performing better, with aggregate returns of over nine times investment.

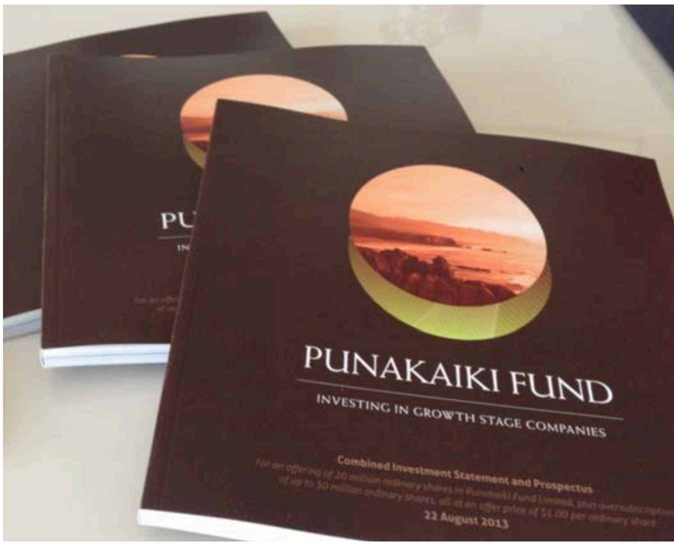


June 2016 holdings - extracted from the March 2016 Annual report, now with labels showing what has since happened to those companies.

3. Our Funding Journey

Venture capital funds tend to take a long time to show returns. While we quickly marked up our earliest investments, progress slowed as we evolved, and the slow pace of venture capital appreciation became dominant. We promptly wrote down poor investments, took our losses from write-offs, and became increasingly cautious about defining fair value for the remaining portfolio. We didn't over-value the portfolio when markets were soaring, though we benefited from exits in those markets. Our cautious valuations perhaps made fundraising harder, but we are pleased with the portfolio's resilience after subsequent market corrections.

The relatively low new funding received during the middle years made it difficult to commit meaningful amounts to the best companies. We often supported companies with less than they needed, which wasn't beneficial for either the company or the fund. However, our results from FY2022 investments, when we had ample free capital, are very strong, highlighting the importance of adequate funding for success.



The 2013 public offer Investment Statement and Prospectus that failed to reach its minimum, but led to the successful launch in 2014.

4. Shareholder Offers

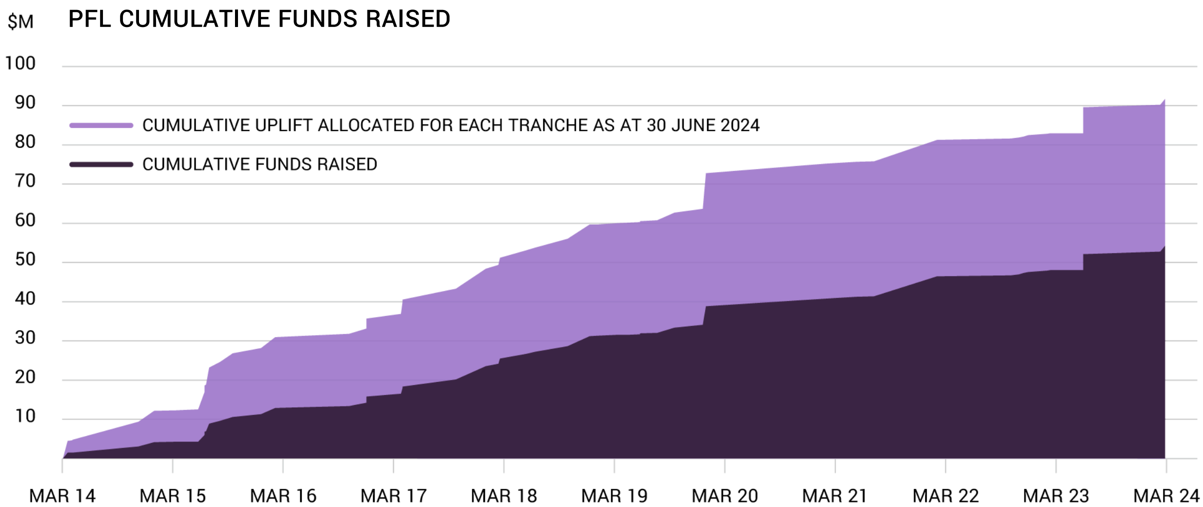
After launching to wholesale investors in 2014, we wanted to create opportunities for retail investors to join us. In 2015, we partnered with Snowball Effect to raise funds using the (then) new crowdfunding approach, becoming only the second crowdfunding offer to reach the $2 million maximum.

Not content with that, in 2016 we issued our first Product Disclosure Statement (PDS), a retail offer under the new Financial Markets Conduct Act. We appreciated the simplicity of the PDS process and Financial Market Authority's assistance in ensuring compliance. Since then, we have released seven more PDS's, making a total of nine retail offers.

Along the way, we've held several wholesale offers and now maintain an essentially continuous offer available to wholesale investors. This experience has taught us the discipline of creating offers, fact-checking, not over-promising, and maintaining extensive supporting documentation.

We are proud to have helped over 1,200 people invest in venture capital, with their funds directly investing in New Zealand technology companies.

The chart below shows the cumulative funds raised and cumulative lift in iNAV attributed to each tranche. On a weighted average, the value of PFL's various share issue tranches has increased by 77%.



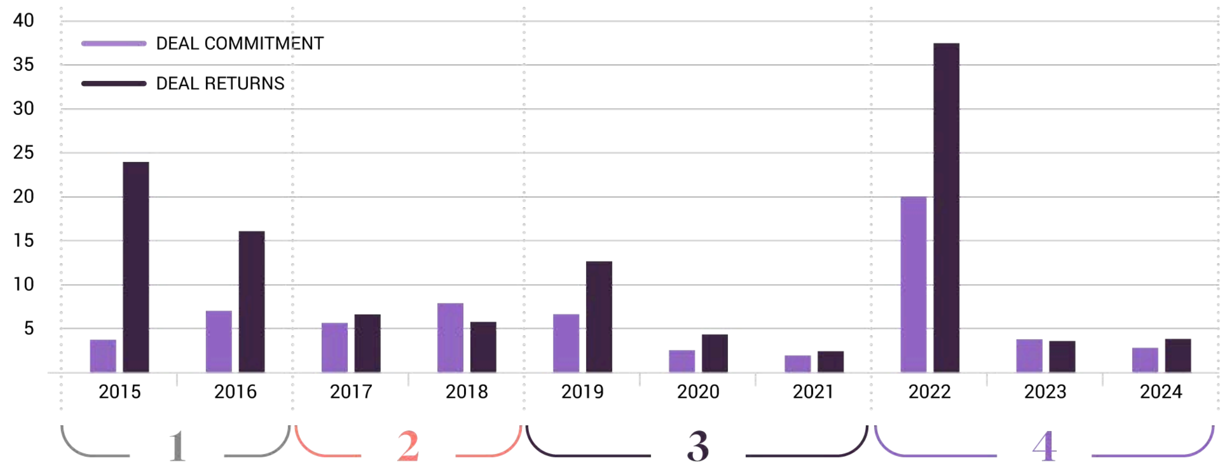
5. Our Four Investment Stages

We have learned a considerable amount over the years and can identify four distinct phases, or virtual funds, in our journey.

Most of these phases have been very successful, and all are still maturing. We anticipate that returns will continue to grow as the companies continue to grow.

We now have good evidence that we can invest funds well and we are continually refining our processes to minimise decisions that lead to poor outcomes.

$M PFL INVESTMENTS AND RETURNS



INVESTING ONLY
- Thoughtful investments
- Long-term ecosystem relationships
- Minimal adinistrative burden

HIGH ADMIN, TINY TEAM
- High administrative costs
- Tiny fund
- Less optimal investment choices

TIGHTENED MANDATE
- Expanded team
- Tightened mandate
- More strategic investments

EXPERIENCED OPERATORS
- Further team expansion
- Increased funds
- Eleveated investment standards
- Strong performance despite market pressure

We hold $92.0 million in investment assets, as at June 2024. Although current market prices are compressed, our portfolio includes some companies with excellent returns.

Our first investment in Devoli shows a 24x uplift based on the 31 March 2024 holding value. We followed on to that investment with substantially more funds and now hold 54% of the company, acquired at an average valuation well below the current holding value. Devoli continues to grow.

Our investment in Onceit, made over two rounds, was fully paid off several years ago through a dividend stream that started almost immediately after our first investment.

And after investing just over two years, we have a combined uplift of over 4x from our investments into Projectworks and Couchdrop, with each company growing steeply.

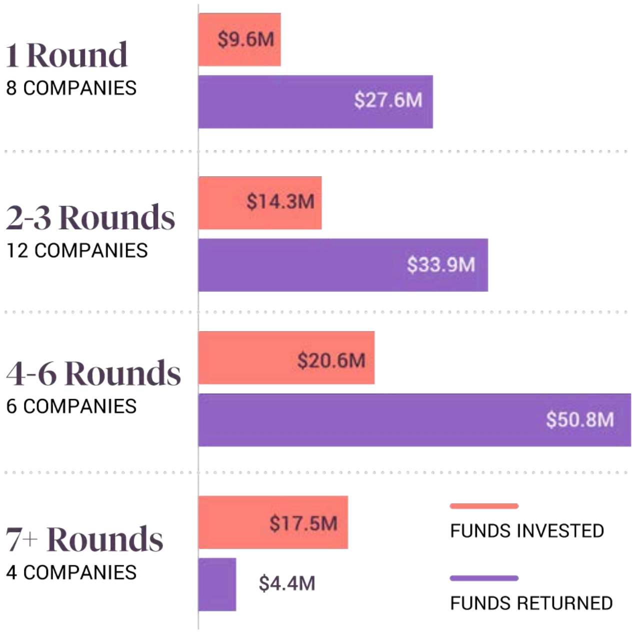
FUND STAGE	INVESTED ($M)	CASH RETURN ($M)	UNREALISED RETURN ($M)	TOTAL GROSS RETURN ($M)	CASH RETURN (DPI)	GROSS RETURN (TVPI)	NOTABLE UPLIFTS
FY15-FY16	$10.8	$16.7	$23.4	$40.1	1.5x	**3.7x**	Timely, Vend, Onceit, Devoli, Orah
FY17-FY18	$12.1	$2.2	$7.7	$9.8	0.2x	**0.8x**	Linewize, Devoli
FY19-FY21	$12.6	$0.4	$21.7	$22.2	0.03x	**1.8x**	RedSeed, Devoli
FY22-FY24	$26.6	$5.8	$39.1	$44.9	0.2x	**1.7x**	Moxion, Couchdrop, Projectworks
ALL TIME	**$62.1**	**$25.0**	**$92.0**	**$117.0**	**0.4x**	**1.9x**	

6. Just One More Round – To a Limit

We have invested in 30 companies across almost 100 investment rounds, involving over 175 tranches.

We've made good returns by investing across multiple rounds into the best companies. However, there are limits to this approach. In earlier years we were the main funder for companies that failed to grow and stayed hopeful for too long. We've since learned to be more disciplined.

INVESTMENTS OVER MULTIPLE ROUNDS



7. A Larger, More Mature Portfolio

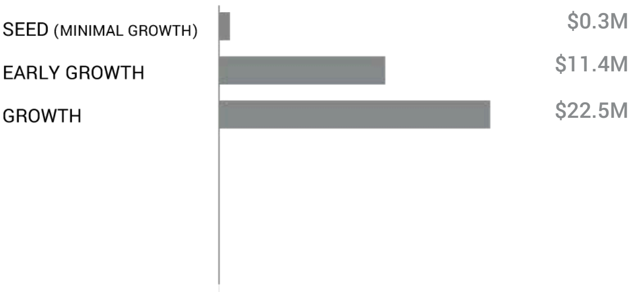
In March 2018, we invested according to our 2016 Statement of Investment Priorities and Objectives, which allowed us to invest up to 10% in "Seed" stage companies with near zero revenue. At that time, 40% of our investments were in Seed and Early Growth companies.

This approach didn't produce good early results, so in 2019 we updated the mandate to focus on larger, later-stage companies.

Meanwhile, over the years our existing investments kept growing and graduating through the stages.

Today, our exposure to the old "Seed and Early Growth" stages has reduced to just 1.2%, with none in the Seed stage. This change significantly reduces portfolio risk, and we are far more confident in the sustainability of the portfolio companies.

PORTFOLIO VALUE BY STAGE - MARCH 2018



$34.2m

March 2018 Portfolio Value

PORTFOLIO VALUE BY STAGE - JUNE 2024

$92.0m

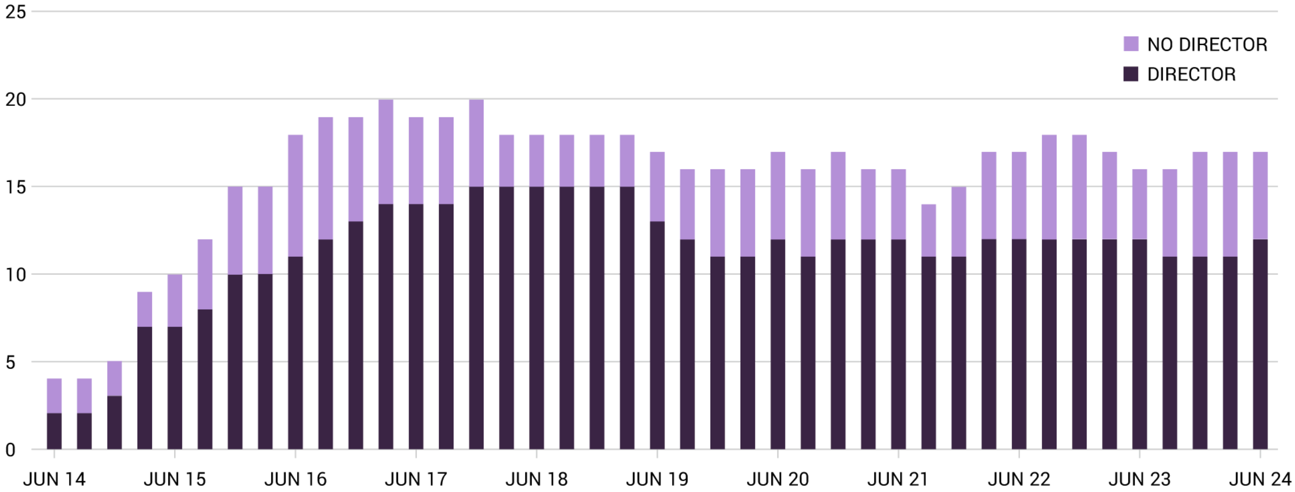
June 2024 Portfolio Value

8. Active Investments

While we invested in 30 entities over the past ten years, our peak number of active investments was only 20, with 17 active today. As we added newer investments, portfolio companies also exited, failed or fell out of mandate. The outlier was Moxion, which was a portfolio company for only four months before being acquired.

We work hard to help portfolio companies, particularly where we are the lead investor and have directorships. We actively manage our directorships to ensure we can allocate appropriate time and manage our other time commitments to focus on driving material outcomes for investors.

NUMBER OF ACTIVE INVESTMENTS (NOT SOLD, WRITTEN OFF, OR OUT OF MANDATE)



9. Exits

NOTABLE EXITS	TVPI	IRR
timely	>7x	33%
vend	3.6x	24%
MOXION	3.4x	>3,500%
Linewize by Family Zone	1.38x	18%

PFL is an evergreen fund. We invest with the intent to hold indefinitely, marking up the value of investments as they grow, and eventually receiving dividends.

However, sometimes events overtake us and companies exit. As a result, we've received capital returns of $25 million, representing 46% of all-time capital raised. We believe this is currently the second-largest dollar return across all New Zealand fund managers, perhaps by a significant margin.

Over 65% of the returns came from investments made in our first 18 months, when we placed relatively small investments for tiny holdings. Aside from our investment into Vend, these were earlier stage investments which took time to mature, and we are pleased with the gains we have cashed in from dividends and exits.

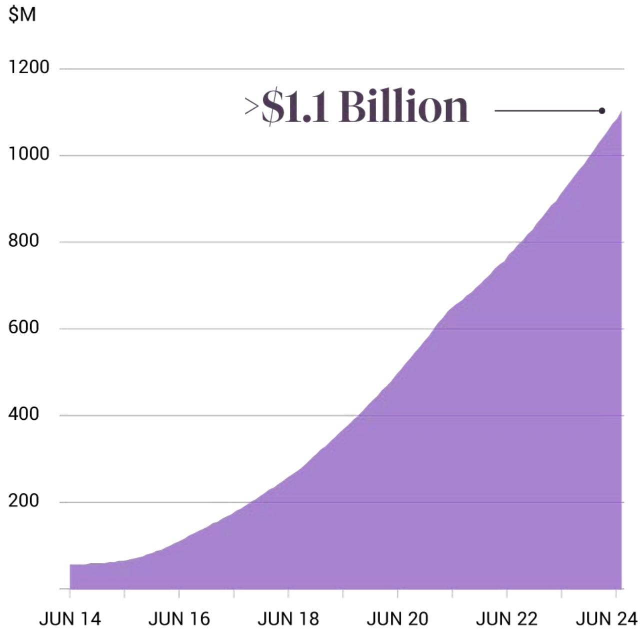
Our investment in Linewize, our first exit, achieved an 18% per annum return, just shy of our 20% target. We learned valuable lessons from this, particularly regarding the liquidity of the received listed shares. When the exit of Vend occurred, we acted swiftly, selling the listed shares we received for over 5x the value of those shares today. Timely delivered well past a 30% annualised return, but the absolute standout success was Moxion, with an annualised return of over 3,500% following a very short holding period.

10. Company Impact

We have invested $62 million into high-growth New Zealand companies, both directly and through secondary share purchases from founders. These companies have collectively employed thousands of people, some of whom have journeyed through several portfolio companies. Most of the jobs are supported by recurring revenue, creating sustainable value for staff, their families and the economy.

Collectively, the companies earned over $187 million in annual revenue in the last year. More impressively, we have recorded over $1.1 billion in total revenue from all our investments, counted from when we first invested and excluding trading after exits. This is a remarkable achievement.

CUMULATIVE REVENUE FROM ACTIVE COMPANIES

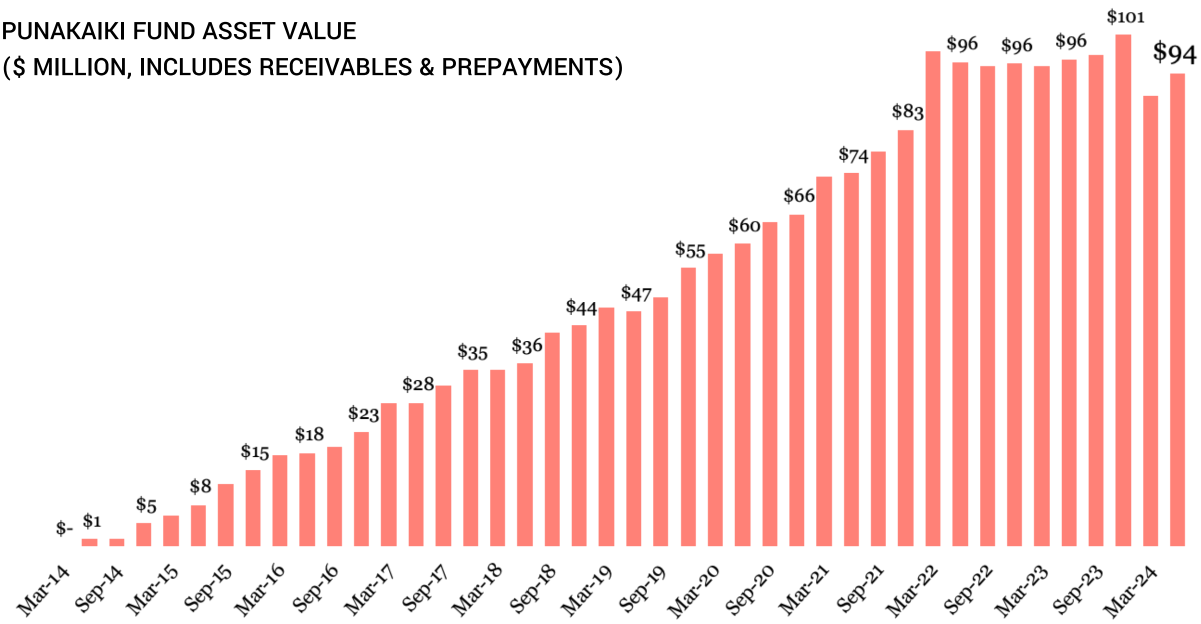


In Summary - Asset Value

Over the years, our asset value has shown steady growth and resilience, reflecting our long-term, diversified investment strategy and the potential being delivered from New Zealand's technology sector.

As we reflect on the past decade, we are grateful to shareholders for the journey we've undertaken together, and for the milestones achieved. We look forward with excitement towards the next ten years.

PUNAKAIKI FUND ASSET VALUE
($ MILLION, INCLUDES RECEIVABLES & PREPAYMENTS)



08

Portfolio Review

Top 10 Investments

Portfolio Net Asset Value - As at 31 March 2024

	Company	Company description	Shareholding	ROI	Last Valuation	Next Valuation	Holding Value
SUBSTANTIAL $20m+	devoli	Wholesale internet service provider powering Contact Energy & Nova	53.9%	3.5x	**Mar-24** ▼	Mar-25	$26.7m TTM Revenue $114m
	ONCE·IT	New Zealand discount ecommerce site for fashion, furniture and more	25.6%	5.9x	Dec-23 ▲	Aug-24	
EMERGING $5-$20m	projectworks	Software to run small technical and management consultancies	12.7%	3.5x	Feb-24 ▲	Jan-25	$24.8m TTM Revenue $46m
	QUANTIFI PHOTONICS	Optical photonics test & measurement equipment & software	16.4%	1.0x	**Mar-24** ▼	May-24	
	MOBI	On and off-premises hospitality digital ordering and engagement platform	17.7%	0.7x	Sep-23 ▼	Jul-24	
	CONQA	Quality assurance and productivity software for the construction sector	20.5%	1.0x	Dec-23 ▼	Sep-24	
	whip around	Digital fleet maintenance solution serving USA trucking market	3.0%	0.9x	Feb-24 ▼	Feb-25	
SUSTAINABLE $1-$5M	COUCHDROP	Software for moving vast amounts of data between platforms	21.8%	3.3x	Dec-23 ▲	Aug-24	$27.0m TTM Revenue $10m
	REDSEED	Coach-led off-the-shelf and customised learning for frontline staff	47.8%	7.9x	Dec-23 ▼	Oct-24	
	orah	Student engagement and wellbeing software used by elite schools	28.9%	4.6x	Feb-24 ▶	Feb-25	

ASSET VALUE		
	Total Holding Value for top 10 investments	**$78.5m**
	Holding Value for other active investments	**$7.1m**
	Investments Held For Exit (Escrow cash & companies)	**$1.3m**
	Cash (net)	**$2.3m**
	Portfolio Net Asset Value	**$89.2m**

Notes:
We perform or obtain an audited valuation for each investment at least once per year. All valuations are reviewed monthly and quarterly, checking for major changes in company and market performance, as well as other valuation inputs.

Net Asset Value is the value of the portfolio plus cash adjusted for net working capital liabilities, excluding any impact of performance fee liabilities.

devoli

Devoli is a telecommunications company that enables business clients to provide their own retail and business telecommunication services.

SHAREHOLDING:
53.9%

FIRST INVESTMENT:
June 2014

DEVOLI.COM

Devoli continues to grow, with preliminary year-end results showing 25% revenue growth and improved profitability, with revenue over $91m. However, performance versus expectations and lower comparative market valuations led to a downward revaluation to close out FY2024.

COMPANY OVERVIEW

Based in Auckland, Devoli is a fast-growing telecommunications company that uses software to help clients provide telecommunications services to their end users. Devoli simplifies the process for clients to bundle broadband and other telecommunication services without requiring significant investment.

The Devoli automation platform and resilient network enables virtual ISP clients, including Contact Energy and Nova Energy, to provide a combined total of over 113,000 broadband connections to their retail customers. Devoli is the largest provider of bundled broadband services to energy companies by a substantial margin and has an unrivalled record of enabling fast and sustained growth in its partners' retail connections. Devoli does not provide retail products that compete with those of its customers.

The Devoli platform also enables hundreds of Managed Service Providers (MSPs) to easily scope, quote, and provide tailored telecommunications products that generate recurring revenue for their business clients. Devoli aggregates client demand to generate scale and is, by broadband connection count, one of the largest providers of telecommunication services in New Zealand.

BUSINESS UPDATE

Devoli added over 13,000 new broadband connections during the year, expanding and enhancing the underlying network to meet existing and future demand. Its core network upgrade to 400G saw its first equipment installed and operational in September 2023. The company also signed a number of wholesale agreements with several large New Zealand-based MSPs to grow its business user base.

Devoli launched mobile services during the year to its business clients, including through MSPs. Additionally, Devoli launched industry-leading outage notification services, allowing real-time updates for all end users.

Devoli also completed a $2 million convertible note issuance to existing shareholders, including PFL. This funding was used to expand the network following strong growth in demand and marked the first significant capital raise for the company. Devoli has grown almost entirely organically, generating high revenue, and building a resilient network with low investor capital. Investments by PFL, other than participating in the convertible note issue, were purchases of shares from the founders.

PFL is the majority shareholder of Devoli, with Takutai Trust holding over 40.8% of the shares on issue. The third largest shareholder is John Wiggs who has control over 4.0% of shares currently on issue. John is the former CEO of Devoli and the brother of Lance Wiggs.

PFL, as part of its regular assessment of investments, explored a partial or full sale of its investment in Devoli during 2023. A leading investment bank led the process on behalf of PFL, which ultimately did not produce offers that were considered acceptable.

We are very optimistic about Devoli’s future, especially given recent operational successes and the focus on laying a strong foundation for ongoing growth and success in, and beyond, 2025.

ONCE·IT

Onceit is an e-commerce daily deal site providing high-end New Zealand designer fashion.

SHAREHOLDING:

25.6%

FIRST INVESTMENT:

Feb 2015

ONCEIT.CO.NZ

Onceit has rebounded well from challenging post-COVID market conditions, with strong growth and sales since July 2023.

COMPANY OVERVIEW

Onceit is an e-commerce online retailer offering 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 and international brands, serving over 600,000 loyal members.

BUSINESS UPDATE

Trading conditions for Onceit have returned to pre-COVID norms since July 2023. The company saw an increased supply of products, strong demand for high-quality fashion at great prices, and reduced uncertainty in both supply and demand. Onceit refocused its marketplace business on its core strengths and worked diligently to improve business efficiencies and environmental stewardship throughout the year.

The company replaced plastic infill packaging with paper, implemented an ethical sourcing policy, and published an ethical sourcing and sustainability statement.

Operationally, Onceit increased efficiencies through new shipping initiatives, optimised storage capacity, and achieved MAF certification, which streamlined distribution. These efforts have improved margins, reduced costs, and enhanced customer satisfaction.

Onceit's returned sales performance has led to the announcement of the resumption of dividend payments. PFL has already received dividend payments totalling in excess of the amount invested.

projectworks

Projectworks provides intelligent business management software targeted at engineers, architects and other professional services firms.

SHAREHOLDING:
12.7%

FIRST INVESTMENT:
March 2022

PROJECTWORKS.IO

Projectworks demonstrated significant growth by more than doubling its revenue, making it one of the fastest growing companies in the portfolio. The company appointed a US-based CEO, transferred their headquarters to the US and expanded the team there to drive US growth.

COMPANY OVERVIEW

Projectworks offers project and business management software for mid-sized consulting firms in engineering, software, and management consulting. Launched from Wellington in 2019, the company has grown quickly, now serving over 430 customers across more than 50 countries.

BUSINESS UPDATE

Projectworks has benefited from strong core customer growth in its Australian and New Zealand base, accelerated by the closure of Workflow Max by Xero, with many customers migrating across to Projectworks. The company is making good early inroads in the US, where it is clear the product is working well with clients.

In 2024 the company appointed US-based Mark Orttung as CEO. Mark is an experienced high growth SaaS company CEO, and was formerly with Nexient and bill.com. Former CEO and founder Matt Hayter remains in New Zealand, and is now President and Chief Product Officer.

The company also moved its headquarters to the US, providing a strong platform for US expansion.

Projectworks released several new features, including budget-level resourcing, default margins, and a people cost report with enhancements to timesheet reporting. These updates aim to improve overall project management and efficiency for their clients.

The company's listing in the QuickBooks App Marketplace further solidified its presence in the US market. Additionally, Projectworks exhibited at Xerocon in Sydney and launched a joint marketing campaign with Intuit. With these advancements, Projectworks is well-positioned to achieve its lofty goal of a $100 million company valuation in the not too distant future.

Projectworks CEO, Mark Orttung

QUANTIFI PHOTONICS™

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

SHAREHOLDING:
16.4%

FIRST INVESTMENT:
Nov 2017

QUANTIFIPHOTONICS.COM

Quantifi Photonics launched new products and expanded its market presence, yet faced a significant downward revaluation due to performance and market conditions.

COMPANY OVERVIEW

Quantifi Photonics supplies photonics developers and manufacturers with test and measurement solutions that deliver a competitive edge. Their innovative benchtop, modular, and customised test solutions support all stages of the product life cycle from research & development to high-volume manufacturing. The company's scalable product architecture enables efficient testing of next-generation processors (GPUs/CPUs/ASICs), network switches, and optical transceivers used by hyperscalers and network operators to support the explosive growth in AI, machine learning and high-performance computing.

BUSINESS UPDATE

Quantifi Photonics had a year of substantial product development and addressable market expansion.

The company launched its new Sampling Oscilloscope Platform, receiving strong interest from the industry.

Quantifi Photonics have traditionally focused on equipment that works with optical signals, converting optical to electrical signals for analysis on very expensive and large industry oscilloscopes. The new oscilloscope provides comparable performance to the market leading incumbent, has a disruptively small size, and is priced to enable scale-up of testing for manufacturing facilities. The oscilloscope also opens up the electrical testing market to Quantifi Photonics.

The company opened a European subsidiary and a German office to support its growing customer base in Europe.

In FY2024 the company experienced even tougher than expected trading, as major clients themselves faced difficult trading and lowered capital spending. This resulted in a substantial markdown of the company, exacerbated by the structure of the preference share stack. The company has undertaken significant changes, and has strong support from shareholders, and is well positioned as the market returns over the next periods.

MOBI

MOBI merged with HungryHungry in May 2024. The companies help food service businesses sell more by offering online and table-based ordering products, as well as merchant solution services.

SHAREHOLDING:

17.7% (15.0% post-merger*)

FIRST INVESTMENT:

Oct 2015

MOBIHQ.COM

MOBI has made significant strides this year, culminating in a merger with Australian peer HungryHungry to form HHMGlobal Group Pty Ltd, expanding its market presence and capabilities.

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 over 2,300 active locations across Australasia, North America, and the United Kingdom.

BUSINESS UPDATE

MOBI has undergone a transformative year, highlighted by its merger with HungryHungry to form HHMGlobal Group Pty Ltd. This merger combines MOBI's expertise in serving medium and large chains of quick-serve retail, casual dining, and ghost kitchens with HungryHungry's focus on smaller clients requiring rapid rollout and simplicity. The combined entity, led by HungryHungry founders, is poised to serve the entire market spectrum more effectively. Already, the merger has led to the successful launch of HungryHungry Pay using MOBI's North American marketing channels.

The merged company is structured as an all-shares merger of equals. PFL holds its HHMGlobal Group shares in two lots. The first lot reflects the transfer of our MOBI shareholding to the merged group. The second lot consists of shares formerly owned by MOBI founders, with most economic rights remaining with those founders. PFL retains voting rights for shares from both groups, representing 15.1% of HHMGlobal Group.

MOBI's continued focus on enhancing customer experience and product offerings lead to the introduction of several new product offerings like MOBI V4, Google redirect and Auto upsell, which have had a significant improvement on order numbers and average order values. The company's strategic partnerships and innovations have positioned it well for sustained growth and market leadership. With Nadine Hill joining the Board of the new group, PFL is confident in the combined entity's potential to drive future success.

**PFL's shareholding of MOBI HQ was 17.7% as at the end of FY2024. PFL's shareholding of the new combined entity, HHM Global Group Pty Ltd, is 15.0% as at 30 June 2024.*

CONQA

CONQA (QA Tech Limited) provides quality-first construction field management software for contractors to prove site progress.

SHAREHOLDING:
20.5%

FIRST INVESTMENT:
Feb 2017

CONQA.COM

CONQA has expanded its market presence in Australia and introduced new product features, driving significant growth.

COMPANY OVERVIEW

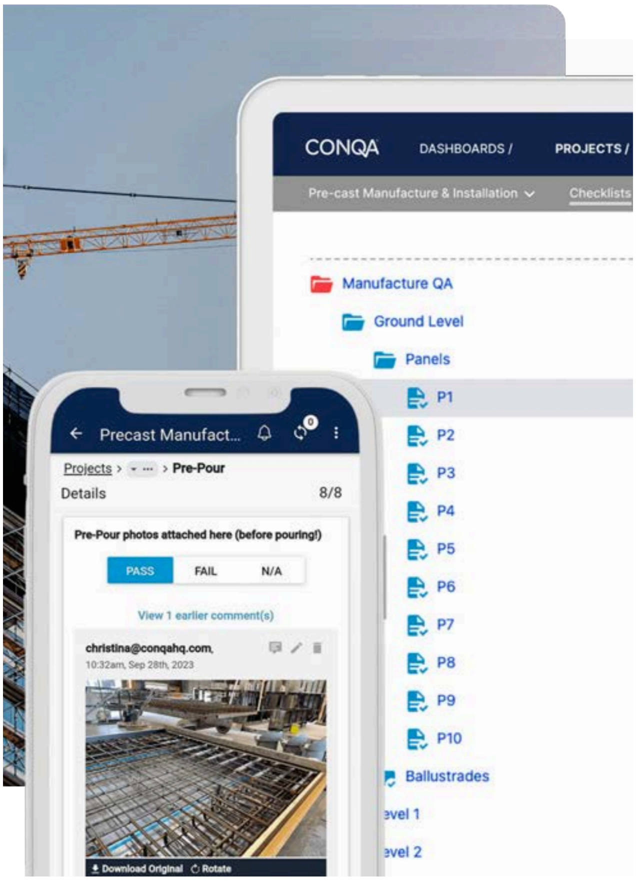
CONQA makes it easy to capture a record of construction site activity, report accurately and get paid fairly. CONQA's software has a proven record of helping the building industry deliver projects on time and with significantly less rework, by integrating digital quality assurance into contractors' workflows. The software provides evidence of progress and quality through photo-backed checklists, formal approvals, and accurate reports. Clients can capture and approve variations, provide quality assurance reporting, lot management and templated checklists.

BUSINESS UPDATE

Conqa shifted focus and extended the product from quality assurance to the wider field of construction field management, focusing on helping clients prove site progress. The construction industry demand has suffered in recent economic conditions, and the company has added more features aimed at the more resilient infrastructure clients.

This included a new Lot Management feature for infrastructure sector clients, helping them manage and document discrete deliverables on projects. This new feature has been well received and is driving strong growth for CONQA in the sector.

CONQA delivered a Variations module, which helps clients and lead contractors more tightly manage projects and formally agree on changes.



whip around

Whip Around provides a fleet maintenance platform that improves equipment uptime by streamlining inspections, work orders and fleet health data into easy-to-use preventative maintenance software.

SHAREHOLDING:

3%

FIRST INVESTMENT:

Oct 2021

WHIPAROUND.COM

Whip Around achieved significant revenue growth while maintaining a sustainable business model and delivering product enhancements and market expansion.

COMPANY OVERVIEW

Focused on the USA market, Whip Around helps lower the operating costs of fleet equipment by improving asset utilisation through better vehicle inspection and fleet maintenance processes. The company assists over 150,000 fleet professionals and numerous fleet operators, to manage recurring vehicle and equipment inspections, ensure legal compliance, and complete critical maintenance. In the US' Spring of 2024, the company was been ranked #1 in several categories, including "Best Results," "Easiest to Use," "Best Usability," and "Best Meets Requirements" for fleet maintenance software by G2, a popular software review platform.

In the most recent Deloitte Fast 50 awards, it debuted at number 37 as one of the fastest growing companies in New Zealand.

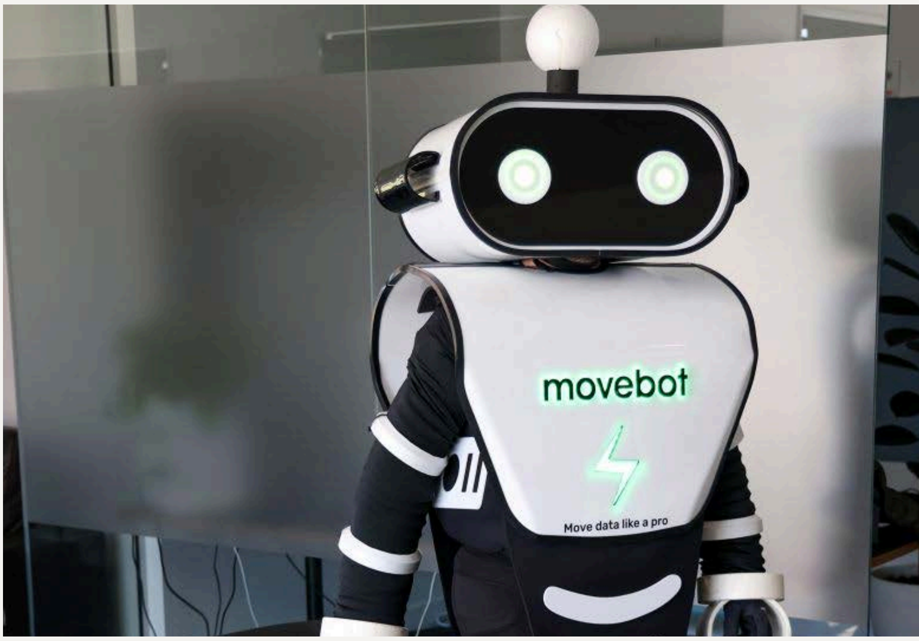
BUSINESS UPDATE

Whip Around extended its engagement with larger fleet owners, signing its largest new customer to date and expanding existing customer accounts.

Key product developments include delivering best in class features on reporting, dashboarding and workflow management in the fleet maintenance modules of its software.

During the year they also launched a 'first of its kind' pricing package for the industry called 'FixedUnlimited' which allows fleet owners to upload their entire fleet onto the platform for fixed price with unlimited licenses. This has received a warm reception from its customer base and prospects.

COUCHDROP



Couchdrop is a secure file transfer platform built for the cloud. Movebot migrates file and email data between cloud platforms.

SHAREHOLDING:
21.8%

FIRST INVESTMENT:
March 2022

COUCHDROP.IO

Couchdrop has continued its exceptional performance, with strong development and growth in each of its two products - Movebot and Couchdrop.

COMPANY OVERVIEW

Movebot enables companies of all sizes, including some of the world's largest, to seamlessly migrate files between cloud platforms, on-premise storage, and even between cloud tenants. For example, merging two Google Workspace accounts is simpler with Movebot than any other method. This SaaS solution is exceptionally affordable and user-friendly, catering to individuals, companies, managed service providers (MSPs) and global enterprises. By reducing the complexities of migrations, Movebot empowers MSPs to help their clients transition to the most suitable cloud systems.

Movebot is the preferred migration partner for Dropbox and has partnerships with Egnyte, Google Cloud and Backblaze, supporting over 30 platforms.

Couchdrop serves clients in the financial, healthcare, government, and other sectors, facilitating secure file transfers across various cloud platforms and on-premise systems. As a managed file transfer platform, Couchdrop ensures secure and efficient file exchanges with a wide range of counterparties. This platform provides robust security and compatibility, making it an essential tool for organisations that need to maintain seamless and secure file transfers.

BUSINESS UPDATE

Movebot revolutionised the economics and simplicity of major email migrations (e.g., between Gmail, Outlook, Exchange, IMAP providers) by introducing Mailbox Mover. This product features simple configuration and is priced per Terabyte rather than per user, significantly lowering costs compared to competitors.

The company split into two teams—Couchdrop and Movebot—to focus on dedicated product and marketing efforts.

Movebot expanded its MSP programme, and is now serving many hundreds of providers and their clients. The company also introduced the Movebot robot at MSP conferences to further promote their services.

Couchdrop has continued to grow organically and the team is developing a new marketing strategy to dramatically fuel future growth around the world.

The team held a week-long strategy off-site (it was actually on-site), bringing back team members from the EU/Canada and the US for the first time.

REDSEED®

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

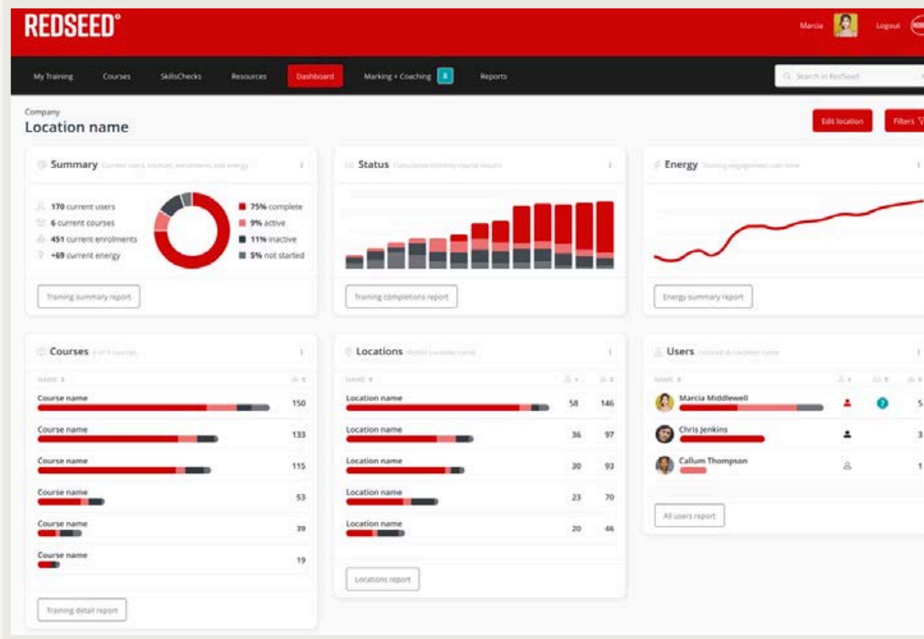
SHAREHOLDING:

47.8%

FIRST INVESTMENT:

March 2015

REDSEED.COM



In a challenging year for retailers, RedSeed launched a new programme with New Zealand industry body Shopcare and released a stand-alone course authoring tool that incorporates coaching.

COMPANY OVERVIEW

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

BUSINESS UPDATE

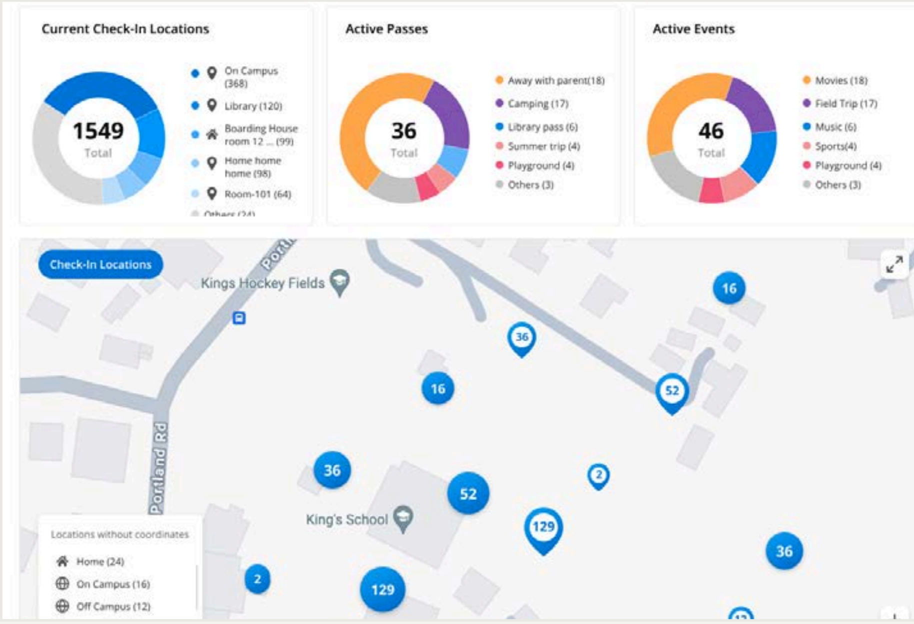
RedSeed has focused on expanding its product offerings and increasing its market presence. The company reported over 76,000 active trainees across more than 84 organisations.

RedSeed launched RedSeed Courses, allowing their content to be used on other Learning Management System platforms. This new feature provides customers with more flexibility in delivering learning solutions to their staff.

RedSeed introduced Redseed Build, a new collaborative course authoring tool that incorporates face to face coaching between managers and staff.

RedSeed landed significant client wins, providing resilience in what was a challenging year for the retail sector.

orah



Orah helps independent schools meet and exceed their duty of care to their students. Trusted by Eton College, Merchiston Castle School and Phillips Exeter Academy to manage attendance, wellbeing and communications.

SHAREHOLDING:

28.9%

FIRST INVESTMENT:

Feb 2015

ORAH.COM

Orah has made material progress on their product suite including launching a new product for day schools called 'Orah Attendance' and strategic focus on supporting their customers' "Duty of Care" for students.

COMPANY OVERVIEW

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

BUSINESS UPDATE

After 10 years of helping boarding schools keep track of students, Orah has expanded into the day-school market and now offers a suite of products forming a category-defining 'Student Enablement Platform. This includes the ability for independent day schools to take attendance in Orah. 'Attendance' serves as Orah's beachhead product into day schools.

Of the company's expansion products, 'Nurture' focuses on student wellbeing, helping schools and parents proactively understand student sentiments, identify at-risk students and address issues. The 'Connect' product facilitates communication between parents, teachers and students, which now includes secure & monitored two-way messaging.

Orah has just completed an encouraging quarter focused on new day school acquisition, which represents a burgeoning opportunity. Continuing positive customer feedback and retention emphasise both Orah's strong market reputation and growing potential.

Other Investments

SHAREHOLDING: 6.3% | RAYGUN.COM

Raygun enables software providers to detect, diagnose and resolve issues that are affecting end users in real time. FY2024 highlights include:

- Scott Hanselman, VP of the Developer Community at Microsoft, joining the Raygun board.
- Launching AI Error Resolution, its first customer-facing AI product.

SHAREHOLDING: 3.0% | FORMUSLABS.COM

The first automated 3D planner for joint replacement surgeries. FY2024 highlights include:

- Winning two 2023 NZ Hi-Tech Awards, including: 'Most Innovative Deep Tech Solution' and 'Most Innovative Hi-Tech Software Solution'
- Focusing on market expansion efforts, targeting growth in the US healthcare sector.

SHAREHOLDING:3.2% | ASTUTESMARTLOCKS.COM

Pioneering enterprise smart lock solutions providing game-changing keyless locking technology for utilities and critical infrastructure. FY2024 highlights include:

- Astute Access continuing to refine its technology for network infrastructure management.
- They are investing in product enhancements to meet the evolving needs of the telecommunications industry.

SHAREHOLDING: 16.7% | GETHOMESAFE.COM

A SaaS platform improving welfare monitoring for remote or lone employees. FY2024 highlights include:

- Get Home Safe's steady growth continuing, including securing a new multi-year deal with the Department of Conservation, with a number of other promising deals in the pipeline.

SHAREHOLDING: 17.5% | CORESCHEDULE.COM

Scheduling software helping medical service providers ensure the right people, with the right skills, are in the right place at the right time. FY2024 highlights include:

- Core Schedule now being used by 85% of NZ emergency departments.
- Duane Attree joining as Chair of Core Schedule's Board bringing extensive experience and networks from across the Australian health industry.

SHAREHOLDING: 26.5% | QUBEDOCS.COM

Giving Chief Financial Officers comfort by tracking integrity and changes in their financial models. FY2024 highlights include:

- Qubedocs securing a deal with Macquarie Bank.
- Reaching financial sustainability after reducing costs last year.

SHAREHOLDING: 3.7% | GETFRELLO.COM

Time-saving club management and administration automation software enabling clubs to focus on the game. FY2024 highlights include:

- Friendly Manager officially merging with Hello Club in April 2023 to form the new combined entity, Frello.

Other Investments

IN ADDITION TO THE INVESTMENTS DISCUSSED ABOVE, AT THE BALANCE DATE PFL ALSO HELD THE FOLLOWING MINOR INVESTMENT INTERESTS:

- An amount held in escrow relating to the sale of PFL's shareholdings in Vend Limited. This amount ($0.12 million) was released to PFL in April 2024, after the balance date.
- An 11.0% shareholding in New Zealand Artesian Water Limited, a water bottling business located in Nelson. The value of PFL's shareholding is less than 1% of PFL's total portfolio value. This investment is patiently held for exit.
- Two loans to be repaid by EverEdgeIP relating to the sale of PFL's shareholding. The first loan is repayable in instalments over four years (with the first three instalments received) and the second loan is repayable following a company exit event. The value of PFL's investment is less than 1% of PFL's total portfolio value.
- A 49.6% shareholding in Weirdly Limited, which sold its business to Inside Recruitment for a nominal sum during the year. PFL's investment in this company has been valued at nil.
- A 23.3% shareholding in Hayload Limited, which no longer operates. PFL's investment in this company has been valued at nil.

09

Environment, Social and Governance

Environment

Climate Reporting

PFL remains dedicated to resilience amidst climate change impacts. We align our climate reporting with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), following the Climate Related Disclosures Standard NZ CS 1. Although not currently a mandated Climate Reporting Entity, we are committed to transparent and robust climate-related reporting.

GOVERNANCE:
Our Board oversees climate-related risks and opportunities, with 2040 Ventures managing these risks as part of its investment assessment. We disclose information on the role of dedicated committees in these processes.

STRATEGY:
We identify and assess climate-related risks and opportunities across short, medium, and long-term horizons. Scenario analyses evaluate our strategy's resilience in a 2°C or lower warming pathway, informing our investment strategy and financial planning.

RISK MANAGEMENT:
Our process for identifying, assessing, and managing climate-related risks is integrated into our broader risk management framework. We develop and disclose a comprehensive risk and opportunity matrix covering transitional and physical risks and opportunities.

METRICS AND TARGETS:
We disclose metrics and targets used to assess and manage climate-related risks and opportunities, including:

- Total energy consumption
- Scope 1-3 emissions
- Carbon intensity ratios
- Data collection from portfolio companies on their carbon footprint

Our commitment ensures we contribute to a sustainable, low-carbon economy while delivering robust returns.

2024 Commentary for Portfolio Companies

We continue to prioritise transparency and accountability in our climate reporting. This year, we asked for scope 1-3 emissions data from our portfolio companies.

EMISSIONS BREAKDOWN:
- **Scope 1**: The primary contributors to Scope 1 emissions remain company vehicles.
- **Scope 2**: Electricity consumption from home or office use is the main source of Scope 2 emissions.
- **Scope 3**: The majority of Scope 3 emissions reported stem from national and international travel (flights, rental cars, fuel), data centres, and raw materials.

EXPOSURE TO EMISSIONS:
Most of our portfolio companies have limited Scope 1 and Scope 2 emissions but are more significantly exposed to Scope 3 emissions, primarily due to the electricity used by servers for data-intensive services. This is particularly relevant for companies like Raygun and Couchdrop.

We anticipate a reduction in carbon intensity from data centres as more centres migrate to New Zealand, leveraging sustainable electricity sources and enhanced energy efficiency.

NOTABLE EMISSIONS PROFILES:
- **New Zealand Artesian Water**: This company, which is out of our investment mandate, remains inactive in our portfolio. Its emissions come from electricity used in its production plant and the use of plastic in packaging and transportation.
- **Onceit**: As an e-commerce site, Onceit deals with high carbon intensity embedded in its products and emissions from warehousing and transportation.

Impact Through Mitigation

We are proud to highlight the positive climate impacts delivered by our investments:

- **Quantifi Photonics**: By promoting the shift from copper to optical fibre for high-speed data transmission, Quantifi Photonics significantly reduces energy costs in data centres, although the net impact is challenging to quantify.

- **Devoli**: Devoli facilitates the transition from copper to fibre optic broadband, contributing to higher speeds and lower energy costs for customers.

- **Digitising Processes**: Companies like CONQA, Whip Around, Formus Labs, Orah, RedSeed, and Weirdly are digitising processes, reducing the need for paperwork and energy-intensive activities, though these impacts are currently difficult to quantify.

Our commitment to sustainability and climate action remains steadfast as we continue to support our portfolio companies in their efforts to mitigate climate impacts.

Scope 1 emissions

Company vehicles

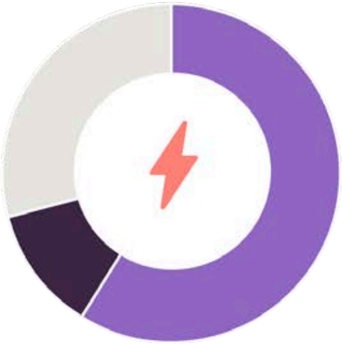
29% VEHICLES, TAXI / UBER

41% NO VEHICLES

29% DID NOT REPORT

Scope 2 emissions

Purchased electricity



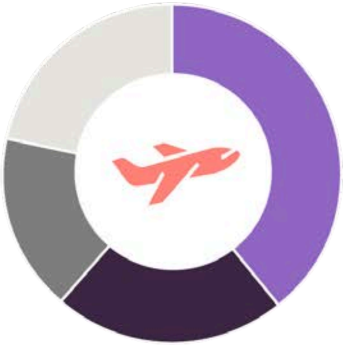
59% OFFICE ELECTRICITY

12% NO OFFICE USE

29% DID NOT REPORT

Scope 3 emissions

Travel, freight, data centres



53% BUSINESS TRAVEL

30% DATA CENTRES

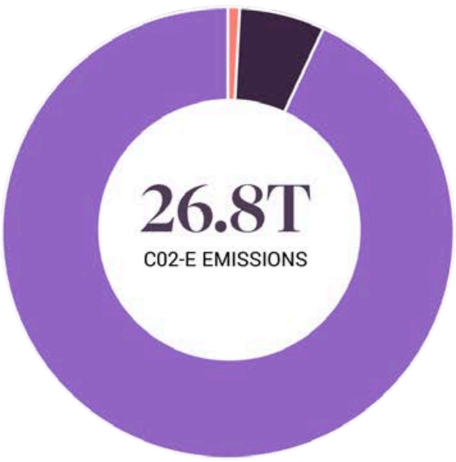
23% SHIPPING / FREIGHT

29% DID NOT REPORT

PERCENTAGES BASED ON % OF COMPANIES REPORTING THE SOURCES OF THEIR EMISSIONS

Emissions breakdown for the manager on behalf of PFL:

2040 Ventures tracks emissions attributable to its duties as the Manager of PFL. The vast majority of these emissions are a result of travel to support fundraising efforts or directorship duties for portfolio companies. Emissions are tracked and then converted using the Ministry for the Environment Measuring Emissions Guidance 2023.



SCOPE 1

0.3% — 0.77 Tonnes (GAS)

SCOPE 2

6.8% — 1.84 Tonnes (ELECTRICITY)

SCOPE 3

92.9% — 24.97 Tonnes (MOSTLY TRAVEL: CARS, FLIGHTS)

Social Responsibility

Diversity & Inclusion

The below chart represents the gender and ethnic diversity within portfolio companies and PFL. We remain dedicated to promoting inclusivity and ensuring an equitable and supportive environment for all employees.

GENDER DIVERSITY WITHIN PFL PORTFOLIO COMPANIES

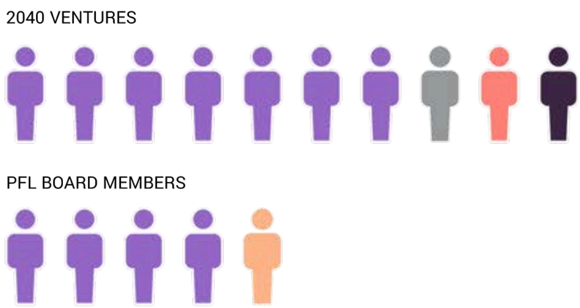
	FOUNDERS	SENIOR MANAGEMENT	BOARD MEMBERS	TOTAL GENDER SPLIT
♂	36	66	55	74.4%
♀	5	31	18	25.6%

ETHNIC DIVERSITY WITHIN PFL PORTFOLIO COMPANIES

GENDER DIVERSITY WITHIN PFL/2040 VENTURES

	2040 VENTURES	PFL BOARD MEMBERS
♂	8	3
♀	2	2

ETHNIC DIVERSITY WITHIN PFL/2040 VENTURES



NZ / EUROPEAN · MAORI · PACIFIC ISLANDS · UK/EU · USA/CAN · CHINA/SE ASIA · AFRICAN · AUSTRALIAN · INDIAN · OTHER

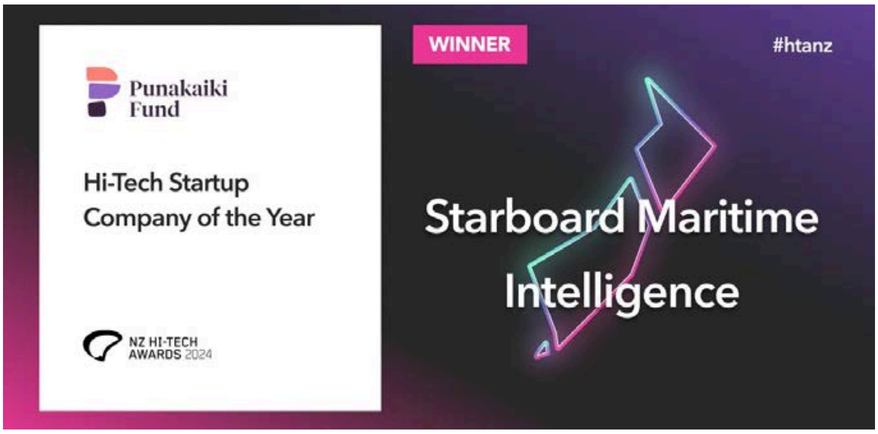
Our commitment to diversity, equity and inclusion (DEI) is codified in our Diversity, Equity and Inclusion Policy. We are committed to fostering an inclusive culture that values the unique experiences and perspectives of individuals, ensuring everyone is treated with respect and given equal opportunities to contribute and thrive. Our DEI policy emphasises diversity in skills, education, race, ethnicity, gender, age, sexual orientation, cultural background, family responsibilities, physical abilities, perspectives, and beliefs.

Community

PFL supports and gives back to the tech sector through active engagement and sponsorship.

We are long-time and proud sponsors of the 2024 NZ Hi-Tech Awards, celebrating the success of New Zealand's tech sector. Our sponsored category, the 'Punakaiki Fund Start-up Company of the Year,' highlights our commitment to nurturing early-stage ventures and contributing to the sector's growth.

We also sponsor Electrify Aotearoa, an initiative dedicated to empowering women entrepreneurs in the tech industry. Electrify Aotearoa stands for accelerating the success of female founders and fostering a supportive community for women in technology. The event includes inspirational talks, workshops, and networking opportunities designed to elevate and connect women entrepreneurs.



Sustainable Business Network
IMPACT INVESTOR

riaa Responsible Investment Association Australasia

Governance

The PFL Board remains focused on governance essentials and strengthening the foundations for a potential IPO of PFL over the medium-term. To this end, there has been significant focus on and progress with enhancing the governance framework of PFL during the year, including:

- Completion of the IPO strategic review by the IPO sub-committee which provided effective oversight/structure to the process – as noted earlier, the Board is not envisaging an IPO of PFL during FY2025.
- The Management Agreement between PFL and 2040 Ventures was successfully renewed (at its ten year anniversary) providing certainty to management, operations and administrative functions.
- Several Board and company policies have been updated during the year and an inaugural Capital Allocation Policy approved, and amended in July 2024, by the Board.
- The risk management framework has been refreshed, with regular reviews completed by the Board into risk appetite and material enterprise-level risks.
- Board strategy and context sessions have been held with 2040 Ventures to ensure alignment on strategic priorities and goals.
- A refreshed approach to capital raising for PFL has been decided, including a focus on addressing the Active Investor Plus Visa programme in conjunction with domestic and offshore partners.
- Extensive stakeholder engagement by the Board including with 2040 Ventures and its staff, shareholders, financiers, media and the broader capital markets/venture capital ecosystem has been undertaken.
- Expanded ESG and climate reporting for PFL and the commencement of monthly Net Asset Value reporting, consistent with the approach of listed investment companies in Australia and New Zealand has been achieved.
- There has been a focus on leveraging the skills, background and diversity of the Board to support strategic goals of PFL.

10

Directors' Statement & Statutory Information

Directors' Statement & Statutory Information

FOR THE PERIOD ENDED 31 MARCH 2024

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 2024.

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 PFL as at 31 March 2024. Tracey Jones resigned as a director during the financial year and held office until 31 March 2024. No other person held office as a director of PFL during the 12-month period ending 31 March 2024.

- Mike Bennetts
- Teressa Betty
- Tracey Jones (resigned 31 March 2024)
- Nigel Scott
- Lance Wiggs

PUNAKAIKI FUND LIMITED - DIRECTORS REMUNERATION (NZ$)

	FY2024			FY2023		
Director	Base Fees	GST	Total	Base Fees	GST	Total
Mike Bennetts	61,250	9,188	70,438	60,000	2,250	62,250
Teressa Betty	46,250	-	46,250	45,000	6,750	51,750
Tracey Jones	46,250	6,868	53,188	45,000	6,750	51,750
Nigel Scott	46,250	6,868	53,188	45,000	6,750	51,750
Candace Kinser	-	-	-	45,000	6,750	51,750
Lance Wiggs	-	-	-	-	-	-
Total	**200,000**	**22,924**	**223,064**	**240,000**	**29,250**	**269,250**

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

PUNAKAIKI FUND LIMITED - DIRECTORS' RELEVANT INTERESTS

Number of securities in which a relevant interest is held

	FY2024		FY2023	
Director	Shares	Options*	Shares	Options*
Mike Bennetts	61,500	-	61,500	1,000
Teressa Betty	770	-	770	-
Tracey Jones	1,980	-	1,980	-
Nigel Scott	2,860	-	2,860	-
Lance Wiggs**	74,495	-	73,495	-
Total	**141,605**	**-**	**140,605**	**1,000**

*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 PFL's 31 March 2024 balance date. Lance Wiggs' shareholding in FY2024 included a partial interest in 7,835 shares held by 2040 Ventures Limited (FY2023: 6,835 shares) and 660 shares held by immediate family members (FY2023: 660 shares).

Directors' Statement & Statutory Information

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 2024:

MIKE BENNETTS:

- Director and Consultant of Taumata Advisory Limited

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, Onceit Limited, RedSeed Limited, QA Tech Limited (trading as CONQA), Quantifi Photonics Limited, and NovoLabs Limited
- Lance's brother John Wiggs is a shareholder in Devoli Limited
- Director of Climate Venture Capital Fund GP Limited, and Climate Venture Capital Fund Extension GP Limited
- Limited partner in Climate Venture Capital Fund Limited Partnership and Climate Venture Capital Fund Extension Limited Partnership
- Director and shareholder of Define Instruments Limited and Pocketsmith Limited
- Shareholder of WMAC Cloud Limited
- Limited Partner in Matu Karihi Fund Limited Partnership
- Judge for the Hi-Tech Awards, where 2040 Ventures is also a sponsor on behalf of PFL
- Shareholder via Climate Venture Capital Fund Limited Partnership in Cleanery, NovoLabs (Climate Venture Capital Fund investments that may fall within PFL's mandate in the future)

NIGEL SCOTT:

- Board Trustee of Auckland Foundation
- Director of Syndex Limited and Syndex Group Limited (ceased as Director August 2023), Hobson Wealth Partners Limited (ceased as Director in December 2023), Let's Powow Limited and Powow International Limited(ceased as Director in December 2023), Winnow Software Limited Director and Shareholder and Director of Koura Wealth Holdings Limited, Hobson Wealth Holdings Limited (ceased as Director in December 2023), Moa Holdings 2015 Limited, One Room Limited (ceased as Director in December 2023).
- Shareholder, Director and Interim CEO of BoardPro Limited, investor in Pohutukawa Private Equity II Limited, Waterman Fund 2 Limited and Waterman Fund 3 Limited, Pencarrow V Investment Fund LP and Pencarrow VI Investment Fund LP, New Ground Living (Remarkables Park) LP, TPC Fortlock LP, Nutrient Rescue NZ Limited and shareholder in Syndex Group Limited.

TRACEY JONES:

- Director of Nikko Asset Management New Zealand Limited, RC Custodian Limited, Harmoney Corp Limited (retired as at 15 November 2023), Harmoney Share Sale Company Limited, LamCam Limited (formerly Tutanekai Investments Limited), Iris Group Holdings Limited, Iris Services Limited, Iris Life Limited, Partners Group Nominee Limited, PGH Shareplan Trustee Limited, Evince Limited, Stride Holdings Limited, Stride Property Limited, and Stride Investment Management Limited
- Director and Shareholder of Jones Family Office Partners Limited, Cove Road Soapworks Limited, Kepa Investments Limited, Sandat Consulting Limited
- Shareholder in Sharesies Limited, Veriphi Limited, Powered by Flossie Limited, Footfalls and Heartbeats Limited, MARS Bioimaging Limited, Flexiroof Limited, Ooooby Limited, and Our Energy Limited
- Limited partner in TPC Fortlock Limited Partnership, and TPC II Fund, Icehouse Ventures - Showcase Fund IX, VGI Partners Fund, Powerhouse Ventures Fund
- Director and Audit Committee Chair for Partners Life Limited and Partners Group Holdings Limited
- Trustee/Settlor of N'Godwi Trust
- Trustee for Daffodil Trust

EMPLOYEES

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

AUDITOR

PFL'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, and of the share registry, is $115,000 including GST. This fee also includes cost overruns from the FY2023 audit process.

DONATIONS

No donations were made in the period.

SHAREHOLDERS

The table below is a list of PFL's twenty largest shareholders and their respective holdings of PFL securities as at 31 March 2024.

Shareholder	Ordinary Shares
Phaben Holdings Limited	88,224
Lance Wiggs*	66,000
Michael Bennetts and Karen Bennetts	61,500
Neil Richardson, Claire Richardson and Blake Richardson	49,427
David Bennett Rosenauer	46,875
Quayside Holdings Limited	42,858
Kennerley Investments Limited	39,050
Todd Stevens	36,953
Wills Private Equity Investments Limited	36,750
Clarence Hislop	36,300
Southern Hills Imperial Timber [1932] Pty Limited	36,000
Krassimir Modkov	31,350
Ross Inglis	31,240
Mark Hackner and Bastiankoralage Rodrigo	31,143
Phizzy Trustee Limited	30,000
Lewis Holdings Limited	29,250
Chunjing Song	23,900
Peter Charles McLeod, Joanne Margaret McLeod, EM Trustee No 8 Limited	23,572
New Tricks Limited	23,500
Margaret Field	22,044
Top 20 Shareholders	**785,936**
Remaining Shareholders	2,178,416
All Shareholders	**2,964,352**

*Lance Wiggs also has a beneficial interest in 7,835 PFL Shares held in the legal name of 2040 Ventures Limited

Investor Net Asset Value

The table below shows the calculation of Gross Asset Value (GAV), Net Asset Value (NAV) and Investor Net Asset Value (iNAV) for the Company for FY2024 and FY2023. 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 PFL’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 PFL 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 GROSS ASSET VALUE, NET ASSET VALUE AND INVESTOR NET ASSET VALUE

($'000)	FY2024	FY2023
Gross Assets	89,346	95,258
less: Liabilities	(978)	(1,395)
Net Asset Value (NAV)	**88,369**	**93,863**
less: Share-based payment reserve	(705)	(2,117)
Investor Net Asset Value (iNAV)	**87,664**	**91,746**
Shares on Issue (at 31 March)	2,964,352	2,897,013
iNAV per Share ($ per share)	**29.57**	**31.67**

Directors' Responsibility Statement

The directors are pleased to present the financial statements of Punakaiki Fund Limited for the year ended 31 March 2024.

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 2024 and the financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all the relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial 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 71 to 88 for issue on 10 July 2024.

For and on behalf of the Board

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

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Independent Auditor’s Report

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

Opinion

We have audited the financial statements of Punakaiki Fund Limited (the "Company") on pages 71 to 88, which comprise the statement of financial position of the Company as at 31 March 2024, 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 material accounting policy information.

In our opinion, the financial statements on pages 71 to 88 present fairly, in all material respects, the financial position of the Company as at 31 March 2024 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.

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Valuation of investments

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 4 Fair values of financial instruments. Due to the complexity and judgment required in their valuation these investments, with a total recorded value of \$86.80m (FY23: \$89.22m), have a higher risk of misstatement. The following methodologies were used by the Company as part of the valuation process: ► Conventional multiples based valuation approaches; and ► Growth multiples method to estimate revenue multiples. Disclosures regarding the Company's investments are included in Note 4 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 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; ► Tested the appropriateness of financial information that was used in the calculation of investment valuations using an earnings or revenue multiple. ► 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 or 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 adjustments 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 informed the valuations; and ► Assessed the adequacy of the disclosures in the financial statements in relation to the valuation of investments.

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Information other than the financial statements and auditor’s report

The directors of the Company are responsible for the annual report, which includes information other than the financial statements and auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors’ responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the entity the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor’s responsibilities for the audit of the financial statements is located at the External Reporting Board’s website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-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
10 July 2024

A member firm of Ernst & Young Global Limited

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Financial Statements

Financial Statements

Punakaiki Fund Limited
Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	Year ended 31/03/2024 $'000	Year ended 31/03/2023 $'000
Interest income		72	8
Dividend income		-	-
Change in fair value of investments	4.2 - 4.6	(4,953)	(5,928)
Other income		6	3
Reversal of contingent performance fees	8.1.4	1,733	2,644
Management fees	8.1.1	(1,703)	(1,654)
Administration fees	8.1.2	(574)	(355)
Insurance		(82)	(78)
Consulting and accounting expenses		(201)	(156)
Audit fees	9	(115)	(78)
Legal expenses		(64)	(6)
Other		(251)	(287)
(Loss) before tax		(6,132)	(5,887)
Income tax expense	5.1	-	-
Loss and total comprehensive loss for the year		(6,132)	(5,887)

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

Punakaiki Fund Limited
Statement of financial position

AT 31 MARCH 2024

	Notes	31/03/2024 $'000	31/03/2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	2,331	4,980
Prepayments		71	53
Trade and other receivables		34	25
Total current assets		2,436	5,058
Non-current assets			
Investments	4.1	86,910	90,200
Total non-current assets		86,910	90,200
Total assets		89,346	95,258
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		145	242
Performance fee payable	8.1.4	832	1,153
Total liabilities		977	1,395
Capital and reserves			
Issued capital	6	52,746	50,696
Share based payment reserve	6.2	705	2,117
Retained earnings	6.3	34,918	41,050
Total equity		88,369	93,863
Total equity and liabilities		89,346	95,258

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 2024

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2022	45,156	3,648	46,937	95,741
Loss and total comprehensive loss 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
Balance at 1 April 2023	50,696	2,117	41,050	93,863
Loss and total comprehensive loss for the year	-	-	(6,132)	(6,132)
Contributed capital	2,114	-	-	2,114
Transaction costs	(64)	-	-	(64)
Share based payments in relation to performance fee	-	(1,412)	-	(1,412)
Balance at 31 March 2024	52,746	705	34,918	88,369

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 2024

	Notes	Year ended 31/03/2024 $'000	Year ended 31/03/2023 $'000
Cash flows from operating activities			
Interest received		72	8
Dividend received		-	-
Payments to suppliers		(1,280)	(1,048)
Management fees		(1,703)	(1,654)
Net cash used in operating activities	10	(2,911)	(2,694)
Cash flows from investing activities			
Proceeds from sale of Investments		1,170	665
Payments to acquire Investments		(2,833)	(3,723)
Net cash used in investing activities		(1,663)	(3,058)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		2,114	5,711
Payment of transaction costs on issue of equity instruments		(189)	(47)
Net cash generated by financing activities		1,925	5,664
Net decrease in cash and cash equivalents		(2,649)	(88)
Cash and cash equivalents at the beginning of the year		4,980	5,068
Cash and cash equivalents at the end of the year	11	2,331	4,980

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

Punakaiki Fund Limited
Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2024

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 2024.

2 Material 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.

Punakaiki Fund Limited
Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2024

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.

Punakaiki Fund Limited
Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2024

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 12.97% (2023: 13.1%).

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) such that at each balance sheet date investments are re-measured to fair value and any movement in that fair value is taken directly to the profit & loss statement.

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 4.

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 6.2.

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.

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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 Limited was valued by an independent valuer for the 2024 financial year. Further detail on the valuation approach and techniques adopted is provided in Note 4. The Board acknowledges the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted companies.

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 50% through the issue of ordinary shares and 50% in cash. This allocation between equity and cash changed when a new management agreement was signed between the Company and the Manager on 22 March 2024 (previously 72% equity, 28% cash).

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 updated its measurement approach of both the equity and cash settled portions of the share-based payment for the 2023 financial period which has been adopted again for the 2024 financial period.

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 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, 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% (2023: 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.

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4 Fair values of financial instruments

4.1 Investments in Unlisted Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at $86.9 million (2023: $90.2 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net loss of $4.953 million (2023: net loss of $5.928 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	2024 March[1]			2023 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%
Couchdrop Limited[2]	277	1,271	21.8%	227	1,271	17.9%
Spiderworks Limited (Projectworks)[4]	4,000,000	31,398,880	12.7%	200,000	1,560,622	12.8%
Quantifi Photonics Limited[2]	120,400	732,001	16.4%	120,400	706,398	17.0%
RedSeed Limited[2]	54,774	114,686	47.8%	54,774	114,686	47.8%
Boardingware International Limited[4]	469,870	1,623,095	28.9%	469,870	1,623,095	28.9%
Onceit Limited[2]	25,625	100,000	25.6%	25,625	100,000	25.6%
Mobi HQ Limited	769,595	4,355,351	17.7%	769,595	4,355,351	17.7%
QA Tech Limited (Conqa)[2]	31,669	154,315	20.5%	31,669	154,315	20.5%
Whip Around (NZ) Limited	27,559	905,609	3.0%	27,559	905,609	3.0%

[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.

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

Fair value as at 31 March 2024

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value ($)
1) Substantial - Devoli - OnceIt	Revenue multiples or Independent Valuation	$26.73 million
2) Emerging - Projectworks - Whip Around - Quantifi Photonics - Conqa - Mobi - Raygun	Revenue multiples or Independent Valuation	$26.07 million
2) Sustainable - RedSeed - Couchdrop - Core Schedule - Orah - Get Home Safe - QUBEdocs - Frello	Revenue multiples or Independent Valuation	$31.61 million
3) Early Stage - Formus Labs - Astute Access	Revenue multiples or impaired	$1.21 million
4) Listed & Exiting - Vend - EverEdge - New Zealand Artesian Water - Moxion - Weirdly	Discounted cash receivables, impaired or nil	$1.29 million
Total Investment at fair value		**$86.91 million**

**As at March 2024, the reallocation of Investment Types reflects the categories used in the Statement of Investment Policies and Objectives between the Company and the Manager*

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

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**

4.3 Fair value hierarchy

	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
As at 31 March 2024					
Investments	4.6	-	110	86,800	**86,910**
Total		-	110	86,800	**86,910**
As at 31 March 2023					
Investments	4.6	-	980	89,220	**90,200**
Total		-	980	89,220	**90,200**

4.4 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	8.0 - 11.3 (8.5) (2023: 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	1.7 - 15.6 (6.5) (2023: 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.

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4.4 Unobservable inputs used in fair value of measuring investments (continued)

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.

4.5 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**
2024		
Investments	95,910	73,540
2023		
Investments	103,320	76,710

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 2024	1.7 - 15.6	2.0 - 15.6	1.4 - 15.6
31 March 2023	0.3 -45.8	0.3 - 45.8	0.2 - 45.8
EBITDA multiples used in valuations at:			
31 March 2024	8.0 - 11.3	9.6 - 13.6	6.4 - 9.0
31 March 2023	7.2 - 7.2	8.7 - 8.7	5.8 - 5.8

The application of favourable and unfavourable estimates of Revenue and EBITDA multiples, as set out in ranges in the table above, does not necessary result in valuation changes for individual portfolio companies if such a change is below 1% of the company's total asset value for those investments that do not have their primary annual revaluation on the balance date.

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 change in favourable and/or unfavourable scenarios.

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4.6 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 31/03/2024	Year ended 31/03/2023
	$'000	$'000
Unlisted equity investments		
Balance at beginning of year	89,220	91,655
Purchases - cash	2,833	3,723
Disposals - cash	(182)	(114)
Purchases - issue of shares	-	-
Transfer to level 2 investments	-	-
Change in fair value of investments	(5,072)	(6,044)
Balance at end of year	86,800	89,220

Included within the change in fair value of investments in the table above is $5.072 million (2023: loss of $6.044 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.

5 Income taxes

5.1 Income tax recognised in profit or loss

	Year ended 31/03/2024	Year ended 31/03/2023
	$'000	$'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 31/03/2024	Year ended 31/03/2023
	$'000	$'000
(Loss) before tax from continuing operations	(6,132)	(5,887)
Income tax (benefit) calculated at 28%	(1,717)	(1,648)
Plus/(Less) tax effect of:		-
Non-taxable income	-	-
Non-deductible expenses	1,009	1,240
Other	-	
Taxable income arising on investments	52	58
Prior year adjustment	-	-
Effect of unused losses not recognised in deferred tax	656	350
Tax expense	-	-

The tax rate used for the reconciliations above is the corporate tax rate of 28% payable by corporate entities in New Zealand on taxable profits under tax law in that jurisdiction.

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

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

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	31/03/2024 $'000	31/03/2023 $'000
Tax losses (including imputation credits converted to losses)	3,463	2,716
Deductible temporary differences	236	327
	3,699	3,043

6 Issued capital

	31/03/2024 $'000	31/03/2023 $'000
Issued capital comprises:		
2,964,352 fully paid ordinary shares (31 March 2023: 2,897,013)	52,746	50,696
	52,746	50,696

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2024 were $0.064 million (2023: $0.171 million).

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2023	2,897	50,696
Shares issued during the year	67	2,050
Balance at 31 March 2024	2,964	52,746
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

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 2024, there are no unpaid shares on issue (31 March 2023: None) and there are no options on issue (31 March 2023: 51,961 November 2023 $30 options on issue)

6.2 Share based payment reserve	31/03/2024 $'000	31/03/2023 $'000
Balance at beginning of year	2,117	3,648
Arising on share-based payments (performance fee)	(1,412)	(1,531)
Balance at end of year	705	2,117

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 8.1.4.

6.3 Retained earnings	31/03/2024 $'000	31/03/2023 $'000
Balance at beginning of year	41,050	46,937
(Loss) attributable to owners of the Company	(6,132)	(5,887)
Balance at end of year	34,918	41,050

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7 Financial instruments

7.1 Categories of financial instruments

	31/03/2024 $'000	31/03/2023 $'000
Financial assets		
Fair Value Through Profit or Loss		
Investments	86,910	90,200
At amortised cost		
Cash and cash equivalents	2,331	4,980
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	832	1,153
Accounts payable	145	242

8 Related party transactions - Remuneration of the Manager

8.1 Remuneration of the Manager

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

8.1.1 Management fees

During the year ended 31 March 2024, the Manager was 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 was calculated and paid quarterly in advance. During the year, the management fee paid was $1.70 million (2023: $1.66 million). Following the Company and the Manager entering into a new management agreement on 22 March 2024, a revised management fee was agreed between the parties as $0.25 million (plus GST) + 1.5% of the Gross Assets of the Fund (to be paid quarterly in advance).

8.1.2 Administration fees

The administration fee is fixed annually by the Company and paid quarterly in advance. Total administration fees expensed in the year ended 31 March 2024 were $0.574 million, relating to services rendered during the period (2023: $0.355 million).

8.1.3 Equity raising fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2024, an equity raising fee of $0.064 million was paid (2023: $0.046 million)

8.1.4 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 2024, an expense reversal of $1.733 million (2023: expense of $2.644 million) has been recognised in profit or loss. Of this expense reversal, $0.321 million was recognised as a reduction in the cash portion of the performance fee, ending balance of $0.832 million (2023: $1.114 million was recognised as a reduction in the cash portion of the performance fee, ending balance of $1.153 million). In relation to the equity settled portion of the performance fee, $1.412 million was recognised as a reduction of the share based payment reserve, ending balance of $0.705 million (2023: $1.531 million was recognised as a reduction of the share based payment reserve, ending balance of $2.117 million) in relation to the equity settled element of the performance fee.

The liability is reflected as current, as termination of the management agreement by the Manager (which requires a 12 months notice, previously 90 days) or the Company (immediately with cause) would trigger payment of the performance fee within a 12 month period.

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8.2 Other related party transactions

8.2.1 Directors beneficial interests in the Company

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

	31/03/2024	31/03/2023
Lance Wiggs[1]	66,000	66,000
Michael Bennetts	61,500	61,500
Teressa Betty	770	770
Tracey Jones[3]	1,980	1,980
Candace Kinser[4]	100	100
Nigel Scott	2,860	2,860
Chris Humphreys[1,2]	1,000	1,000
2040 Ventures	7,835	6,835

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

	31/03/2024	31/03/2023
Lance Wiggs[1]	-	-
Michael Bennetts	-	1,000
Teressa Betty	-	-
Tracey Jones[3]	-	-
Candace Kinser[4]	-	-
Nigel Scott	-	-
Chris Humphreys[1,2]	-	-
2040 Ventures	-	-

[1] Lance Wiggs and Chris Humphreys both have a beneficial interest in 7,835 Punakaiki Fund Limited Shares held in the legal name of 2040 Ventures Limited.

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

[3] Tracey Jones resigned at a director of the Company effective 31 March 2024.

[4] Candice Kinser resigned at a director of the Company effective 31 March 2023.

8.2.2 Directors' fees

Director fees paid by the Company during the year have been disclosed on page 62 of the Annual Report.

9 Audit fees

	31/03/2024 $'000	31/03/2023 $'000
Audit of financial statements (Ernst & Young)	112	73
Other services (audit of share register - Ernst & Young)	3	3
Other services (anti-money laundering audit - Strategi)	-	2
Total audit fees	115	78

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

	31/03/2024 $'000	31/03/2023 $'000
Loss for the year	(6,132)	(5,887)
Adjustments for:		
Change in fair value of investments	4,953	5,928
Accrued performance fees	(1,733)	(2,644)
	(2,912)	(2,603)
Movements in working capital:		
Decrease/(increase) in trade and other payables	28	(72)
Decrease/(increase) in prepayments	(18)	(17)
(Increase) in trade and other receivables	(9)	(2)
Net cash used in operating activities	(2,911)	(2,694)

10.1 Non-cash transactions

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

11 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31/03/2024 $'000	31/03/2023 $'000
Cash on hand and demand deposits	2,331	4,980
Total cash and cash equivalents	2,331	4,980

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

12 Financial risks

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

12.1 Market risk

The Company is exposed to the risk of fluctuations in the fair value of its investments.

All equity investments and particularly those in early stage companies present a risk of loss of capital, often due to factors beyond the Company’s control such as competition and changes in general economic climates domestically and internationally. The Manager moderates this risk through careful investment selection and diversification, and regular reporting to the Board.

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, RedSeed Limited and Couchdrop Limited are individually more than 10% but individually less than 30% of total investments at balance date.

The Company has no significant interest risk. As at 31 March 2024, the Company was exposed to currency risk in respect of its interest in escrowed amounts relating to the sale of its holdings in Vend Limited (denominated in US dollars). As per note 13, the final escrow amount from Vend Limited was received in full on 29 April 2024.

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12.1 Market risk (continued)

Sensitivity analysis

If the value of the Company's investments weakened by 30%, holding all other variables constant, profit and equity would be $24.54m lower. If the value of the Company's investments strengthened by 30%, holding all other variables constant, profit and equity would be $21.24m 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.

12.2 Credit risk

Credit risk arises principally from cash and cash equivalents. The Company's cash and cash equivalents are all held with Bank of New Zealand, which is rated AA- based on rating agency Standard & Poors. The maximum exposure to credit risk is the carrying value at balance date.

12.3 Liquidity risk

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

12.4 Capital risk management

The Company's objective when managing capital (share capital and reserves) is to safeguard the Company's ability to continue as a going concern.

The Company is fully equity funded at this time. The 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.

13 Subsequent events

Subsequent to the balance date the following events occurred:
- The final escrow payment of $0.11 million was received on 29 April 2024 from the previous sale of Vend Limited.
- The business and assets of Weirdly Limited were sold to Inside Recruitment on 1 May 2024 for a nominal amount.
- Mobi HQ entered into a merger with Hungry Hungry Trading PTY Limited (an Australian-based hospitality solutions business) on 31 May 2024.
- The domiciliation of Spiderworks Limited (Projectworks) was transferred from New Zealand to Delaware (United States) with the share transfer occurring during early April 2024.
- A funding round for Spiderworks Limited (Projectworks) was proposed by an existing shareholder during late June 2024, at a material premium to Punakaiki Fund's holding value for the company as at 31 March 2024. The funding round is expected to occur during July 2024.

Directory

Board of Directors of Punakaiki Fund Limited

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

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

Auditor

Ernst & Young
2 Takutai Square
Britomart, Auckland 1010

Solicitors

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

Registrar

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


Punakaiki
Fund