PUNAKAIKI FUND LIMITED

Annual Report

For the year ended 31 March 2020

31 July 2020

Raised $7.3 million

- Including $4.7 million in $16 Rights Issue
- Overall average price of $17.83 per share

Invested $4.2 million

Major Investments

Devoli

Weirdly

Conqa

Melon Health

Realised $0.45 million **(including dividends)**

$58.0 million

in Total Assets

$5.0 million

change in fair value of investments

$1.3 million

net cash used in operating activities (2.2% of assets)

$3.7 million

Profit After Tax

Estimated COVID-19 Impact:
$8.7 million loss, $4.1 million gain

Portfolio Company Sales

- Influx – shares sold back to founder
- Family Zone – all shares sold except for final tranche of performance shares, which is unlikely to be issued.

21.3% IRR

Annualised increase in unrealised and realised portfolio company value since inception

(Up 73.5% on initial investment value)

$141 million

estimated reported FY20 revenue from all companies

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Chair’s Report

Kia ora tātou

Our warmest regard to you all as we report our results in what has been tumultuous times for New Zealand. In rapid succession New Zealand faced the horrific Christchurch mosque shootings, the Whakaaari/White Island volcano eruption and a global pandemic. That we collectively managed the impact of these demonstrated the high quality of our community response.

We are comforted to report that so far, the COVID-19 pandemic has had no known health impacts on any of the founders or staff from our investments. We were pleased to see companies largely react with empathy to their staff and clients, and their people were largely unaffected by COVID-19.

The past financial year was important in the evolution of Punakaiki Fund. We saw the fund pass $50 million in size, a number seen by many as the minimum required for venture capital fund sustainability. Lance and Chris have worked hard on your behalf to get to this stage, and Punakaiki Fund has a well-regarded and resilient investment portfolio.

During the year we tightened our mandate to focus on later stage companies, which lowers our risk of complete loss. We also made it clear that our focus is investing into technology companies. We applied our Socially Responsible Investment Policy at Board level on more than one occasion, ensuring that we meet our shareholders investment expectations.

The close of the financial year saw the retirement, with thanks, of Mandy Simpson as a director. Mandy contributed strongly to the Board, and we are actively searching for her replacement.

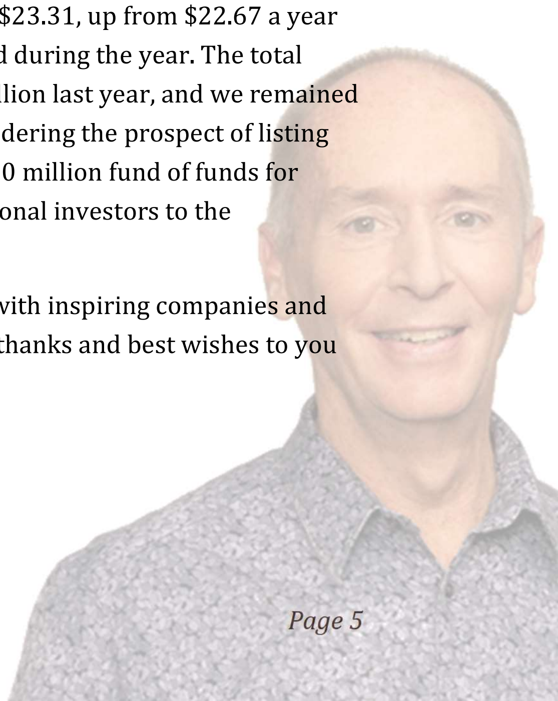
This year’s valuation and audit processes were as robust as always, with LWCM producing a thorough 184-page valuation report as the primary input for the Board. We commissioned an external valuation for Devoli, as the largest company in the portfolio. In addition to the normal cross-checking methodologies, this year we introduced COVID factors to reflect any impact (good or bad) on each portfolio company’s future financial prospects and performance. These approaches were reviewed and approved by our auditors, applying the usual rigour in ensuring that the valuation approach and result is fair and reasonable.

We spend time, as your Board, thinking about risk, and it is very pleasing to report solid results for the year, in the context of the pandemic. The net asset value per share rose to $23.31, up from $22.67 a year earlier, a positive performance given the dilutive rights issue that occurred during the year. The total assets under management at year end were $58 million, up from $47.3 million last year, and we remained focused on building towards assets of at least $100 million before re-considering the prospect of listing the company. We are encouraged by the creation of the government’s $300 million fund of funds for venture capital in New Zealand, as well as a gradual awakening of institutional investors to the opportunities in venture capital.

We are in uncertain times, but our focus remains on making investments with inspiring companies and founders, and generating long-term outsized returns to our investors. My thanks and best wishes to you and your families for supporting us in this journey.

Mike Bennetts

Chair



Manager's Report

Kia ora tātou

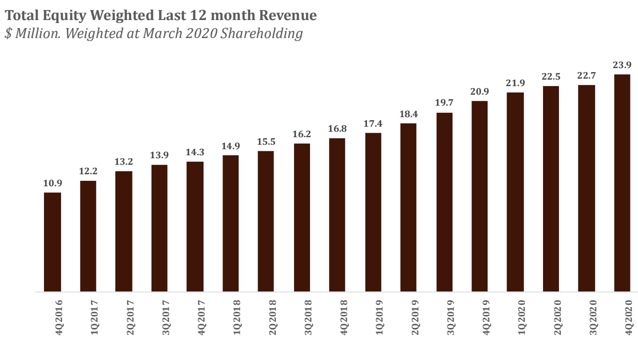
The strength, kindness and self-discipline by our 5-million strong team held New Zealand calm in the storm of the pandemic, worldwide pressure and public opinion. We are privileged to be here.

That resilience and selflessness are the sorts of values also make New Zealand a fantastic place to start and grow global businesses, and that has never been more apparent than now.

In this letter we cover the year-end financial results, the impact of COVID-19 and how companies have responded.

A Year of Consolidation - before COVID-19

Our 15 active portfolio companies all continued to grow in FY20, with aggregate financial year revenues rising to $141 million, while equity weighted revenues rose to $23.9 million. That is an average of $9.4 million and a median of $3.8 million in revenue, and of $1.6 million in equity weighted revenue per company.



All but one of the 15 active companies reported FY20 revenue of over $1 million, and that last company has now met that mark on a committed revenue basis.

The aggregate revenue growth rates were disappointing, with revenue rising at 22% and equity weighted revenue at just 14.5%. Two companies, including Devoli, had growth rates of under 10%, but they have now each locked in revenue growth of at least 50% for FY21.

Last year also saw continued strengthening of the management teams, governance and staff of portfolio companies, with the increasing professionalism making our jobs a lot easier. We are blessed with founders and CEOs, averaging almost two people per company, who continuously learn, have built good teams around them and who understand their end users. Our diversity report, on page 22, shows that the group is dominated by white males, which means we are not capturing the economic and sustainability advantages that diversity brings. A diverse leadership team and board will bring a far wider set of experiences and perspectives, and when they work well together the result is more powerful than the potentially narrower perspective from groups of people with similar backgrounds.

We have a positive Diversity Policy, and fight hard as investors to reduce the well-known effect that people who look like venture capital firm partners are able to obtain funding more easily than their more diverse peers. We see large pools of opportunity in funding companies with diverse founders, and I am happy that 7 out of 16 of the active companies, as at July 2020 (which includes our new investment in Core Schedule), have at least one diverse founder or CEO.

We consolidated our portfolio in FY20, investing more into seven companies, and lowering our exposure to smaller companies through write-downs. In particular, we wrote down NZ Artesian Water, and our portfolio value and focus were concentrated on the remaining 14 core companies. We made significant new investments into Devoli, Conqa, Melon Health and Weirdly, and have now invested over $2 million into seven companies, with another close to that mark. After the end of FY20, we invested into a new company, Core Schedule, and will own 17.5% after the round is finalised. Core Schedule has yet to reach $1 million in revenue, and we will likely invest again, if required, as the company grows.

Our investments have seen our shareholdings continue to rise, and we now have five investments where we hold over 30% of the company. Indeed, our weighted average holding is 30%.

While we have small holdings in great SaaS companies like Vend (1.7% shareholding), Timely (3.8%), and Raygun (6.3%), our larger holdings in earlier stage but also great SaaS companies like Mobi2Go (16%), Conqa (20%), Boardingware (30%), Weirdly (36%) and RedSeed (48% in June 2020) mean that we will benefit far more as these companies grow.

We started last year with a few companies in need of funding, and some facing uncertain futures. So, it was very pleasing as we approached the end of the financial year to see that all 14 core companies were in good shape, with strong capital plans and balance sheets. They all had the ability to invest in growth, or to weather any storms ahead.

And then they were hit by the COVID-19 pandemic.

Three Headwinds

This year the financial year-end valuation faced three compounding headwinds.

The first headwind was the immediate impact of COVID-19, starting with supply from China issues, and then suddenly with companies having to rapidly cope with lockdown, loss of sales and more. That saw changes, sometimes material, in those companies' financial performance at the end of FY20 and into the start of FY21.

Secondly, the COVID-19 related share market crashes that occurred around the end of March 2020 removed all gains over the last 12 months and depressed many investment portfolios. The Nasdaq was down 5.5% for the year, the S&P500 down 9.2% and the Russell 2000 down 26.8%, while the NZX was down 1% and the average growth fund was down 6%.

The market crash coincided nicely with the New Zealand financial year-end, but the share markets, somewhat strangely given the global pandemic and future prospects, subsequently recovered, and even strengthened.

In our product disclosure statements we warn that there is a risk of "higher volatility in the valuation of Punakaiki Fund investments than in public market indices", but that was not proven to be the case for this particular financial year-end. The share market crash's impact on our Software as a Service (SaaS) company valuations was shielded by the caps that we place on the market multiples we use when we value our SaaS companies. But the fall in the market multiples for our non-SaaS companies did drive a loss of $6 million in the value of those companies.

The third headwind was that the companies we have invested into themselves are exposed in different ways to the ongoing impacts of the global pandemic. We worked with them, to varying extents, to help them weather the storm and reposition to survive and prosper through and beyond COVID-19.

We are not just lucky to be in New Zealand, but also largely fortunate with the mix of companies that we have invested into. We had no investment exposure to travel and tourism, advertising technology or commercial real estate, although we have reviewed companies in those spaces in the past.

We did have investments in several companies, including Timely, Vend, RedSeed and Weirdly, with exposure to physical retail or service stores, and these were all marked down in our year-end process. In general, we expect these companies to bounce back, but we are being prudent about our expectations. They have all done magnificently well to help their customers through the toughest times, and we are encouraged by the support they received from their customers in return.

We also have investments in Mobi2Go and Onceit: hospitality and retail sector companies that were ideally situated to perform well during and after the lockdown. Mobi2Go is in the business of helping restaurants with contactless ordering and payments, while Onceit is an ecommerce store. Each of these companies has experienced very strong growth since the year-end.

In general, companies that rely on face-to-face selling in international markets, or do not provide essential services (e.g. Timely's customers rely on Timely's software to run their business) are finding it hardest to recover. We are not out of the woods yet, and we can easily forget that the rest of the world is still buried in COVID-19, but the sunlight is starting to shine through.

For our year-end valuation we applied COVID-19 discounts and adjustments to compensate for the short and longer-term impacts of the pandemic on the value of our portfolio companies. The deliberate diversity of our portfolio came through, and while we revalued some companies down by a total of $8.7 million due to the market crash and COVID valuation adjustments, we also revalued other companies up by $4.1 million, so the net impact was a drop of $4.6 million. This understates the overall impact, as we did not separate out the impact of lower revenue and profits due to performance challenges at the end of March.

During the year we raised $7.3 million at an average price of $17.83 per share, driven by the successful $4.7 million 1 for 7 discounted rights issue in November 2019. This was priced at $16.00 per share, well below the then investor net asset value per share of $22.95. This lowered the investor net asset value per share by $0.85, shifting the goalposts for our year-on-year comparisons.

Steady Financial Results

Despite these impacts we still saw the net asset value per share rise to $23.31, up 2.8% from $22.67 a year earlier. If we include the impact of the rights issue, then the change in investor net asset value for shareholders was 6.6% for the year. That is after all fees, and we acknowledge this is well beneath our target returns of 20%.

I am happy with the year end result given the circumstances, but it is disappointing as we were set for a substantially better result before the impacts of COVID-19 and the sale of a key Devoli client. A higher result would have been fleeting though, given these impacts would have hit at some point, and we are confident in the year-end valuation that was assessed.

Total assets rose in the financial year to $58 million, up from $47.3 million, with a $5.0 million gain in asset valuation, and a profit of $3.7 million. Underlying that change was a 10.6% return on the investment portfolio (which was $47.3 million at 31 March 2019), which is again well beneath our targeted return.

Despite the tough year our investing performance over time is strong, with an annualised internal rate of return of 21.3% for the portfolio (before operating costs).

Tough Learning

Last year we reviewed our historic investment performance, and decided to tighten our mandate to focus on later stage and technology companies only. If we look back at only our historic investments that would have been within the new mandate then they show a return of 24.7%, again before any costs.

The downside is that the return from the investments we made, all prior to July 2019, that are now not in mandate, is negative 43%. This loss was driven by our investment into NZ Artesian Water, largely three years ago, which was revalued down sharply well before the FY20 year-end. Our last investment was for a relatively small amount, albeit at very favourable terms, in April 2019.

We do not like, but do accept, that sometimes we will make investments that do not work out, although there is a still promise ahead for NZ Artesian Water despite our valuation. Our main learnings from this adventure were the change in our mandate, and to apply our environmental, social and governance policies more rigorously. All investments made since April 2019 have been within the new mandate.

Independent Valuation

This year the Board requested an independent valuation for Devoli, which represents well over 20% of our investment portfolio value. During the course of that valuation we received news that Stuff Fibre, a key customer of Devoli, was being acquired by Vocus Communications, a competitor. We asked the external valuation company to revise their draft valuation, and this material news and its negative impacts is included in the final valuation.

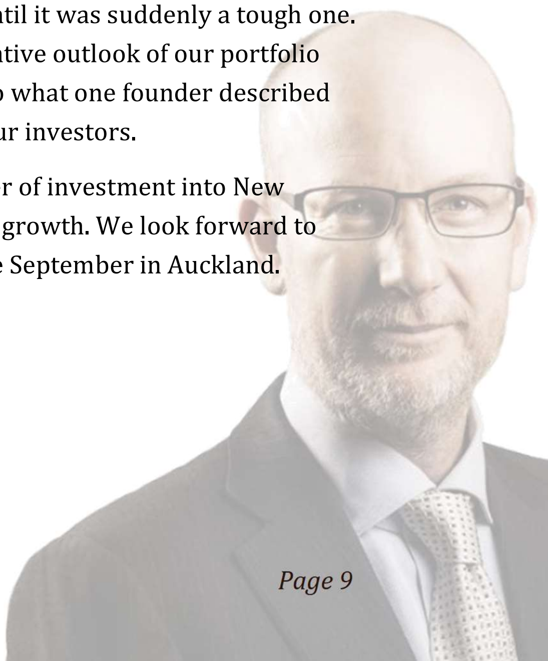
Devoli originally won Stuff Fibre's business from Vocus due to their far better service, where they created far lower costs and better customer outcomes for Stuff Fibre, allowing them to win Broadband Provider of the Year several times. It is flattering that Vocus needed to acquire Stuff Fibre to win the business back. Last year Devoli won another large Vocus customer, which we cannot yet name as their business is yet to fully transition across. This customer is a substantial business in its own right, and it is highly unlikely to be acquired by Vocus. We are happy to introduce any New Zealand enterprise, preferably with tens or hundreds of thousands of customers, to Devoli. Let them show how they can help any business sell internet services their customers for a lower cost, with better customer service and essentially no capital expenditure.

Summary

In summary it was a great year for Punakaiki Fund and our investments, until it was suddenly a tough one. We are very happy with the resilience of our investments, and with the relative outlook of our portfolio versus other investment opportunities. While the markets have returned to what one founder described as their "bizarro land" heights, we are well positioned to out-perform for our investors.

We are grateful to you for your support as a shareholder, and as a supporter of investment into New Zealand technology companies and their resulting export and employment growth. We look forward to meeting many of you at our Annual Shareholders Meeting, to be held in late September in Auckland.

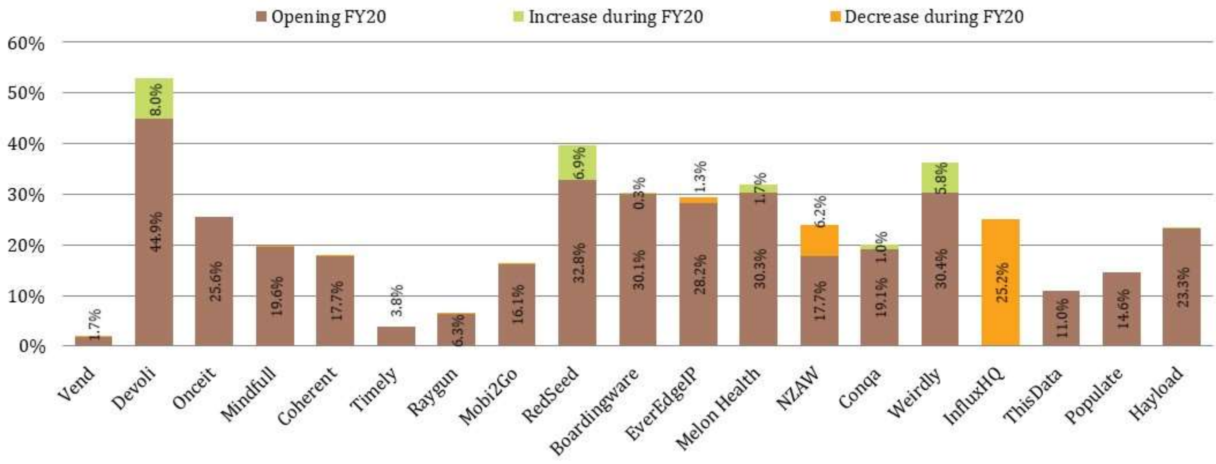
Lance Wiggs
Director and Manager



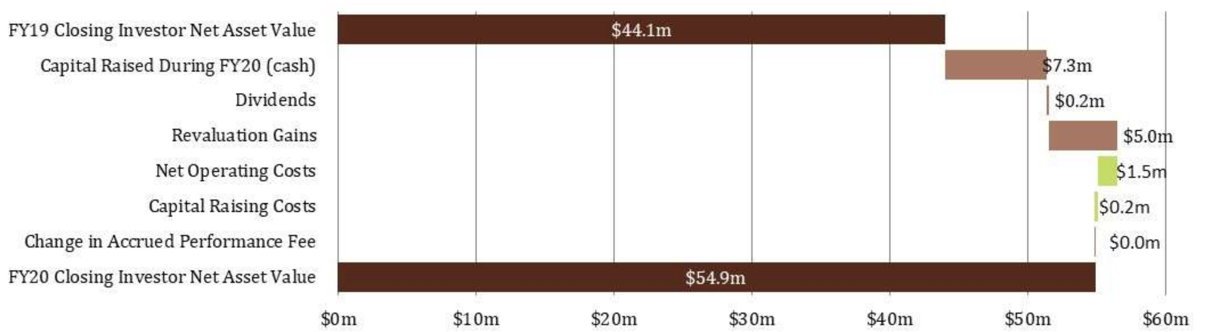
Highlights - The Year to March 2020

Raised $7.279 million

Invested $4.174 million

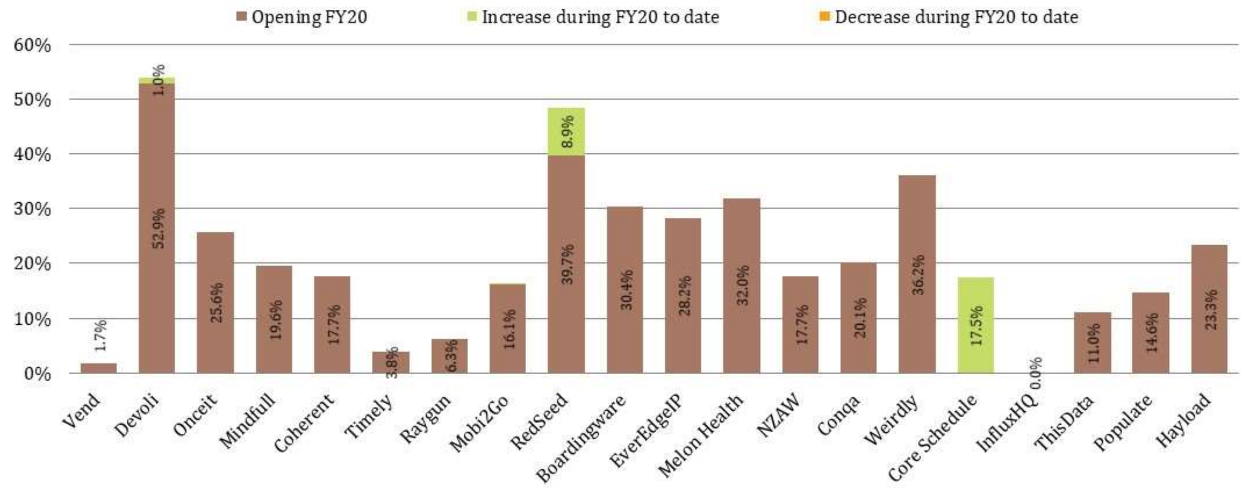


Booked a Revaluation Gain of $4.964 million

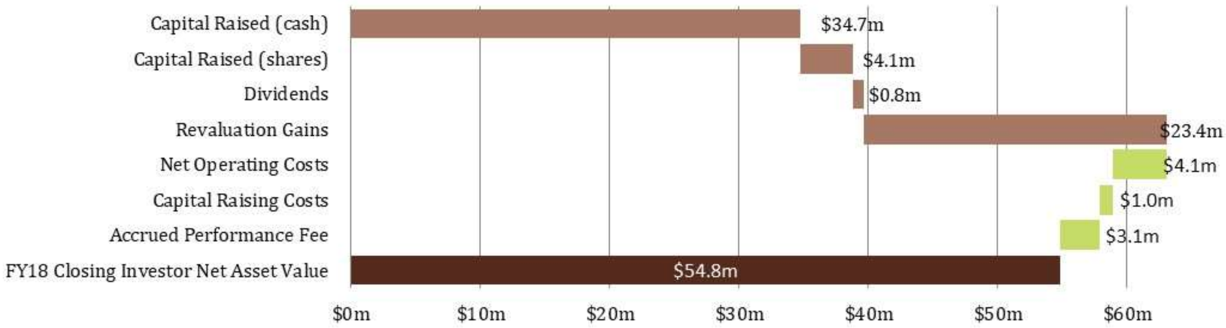


Highlights – Since Starting

Since March 2020 - Invested another $1.173 million



Between April 2014 and March 2020



As at 31 March 2020, Punakaiki Fund had:

882 Shareholders

and

Investments in 19 Companies

and made over

107 Separate Investment Tranches

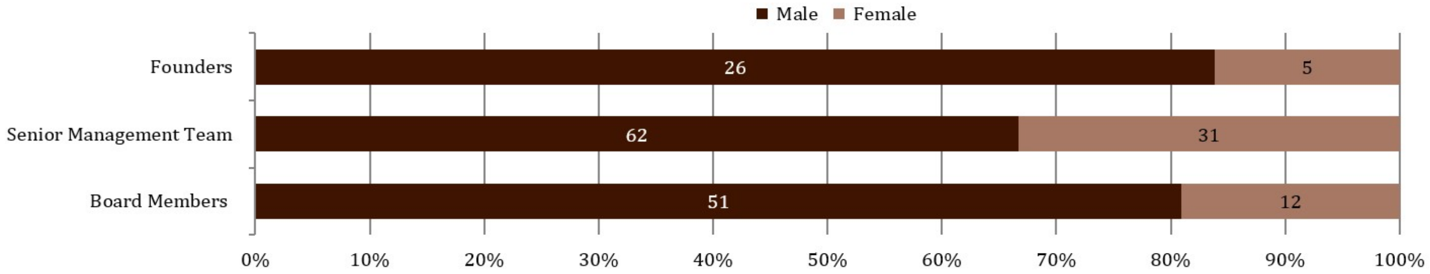
and now has an

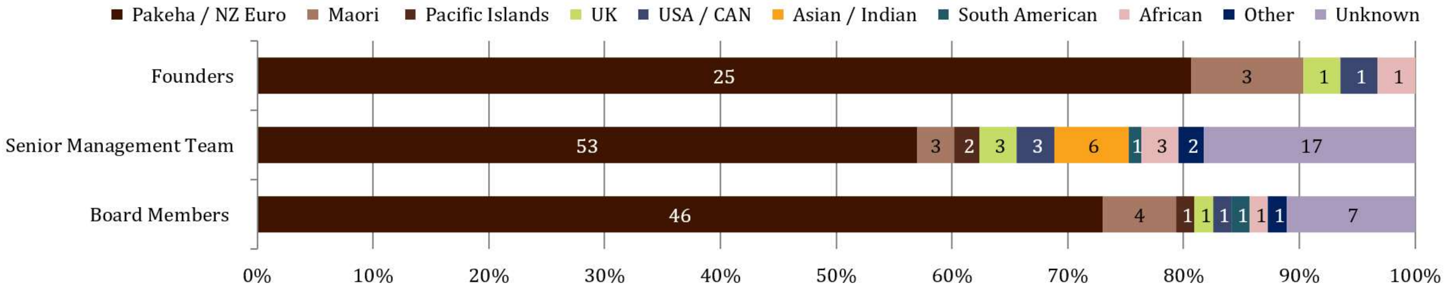
Average Shareholding Value of Over $3.66 million per Core Company

Diversity Report

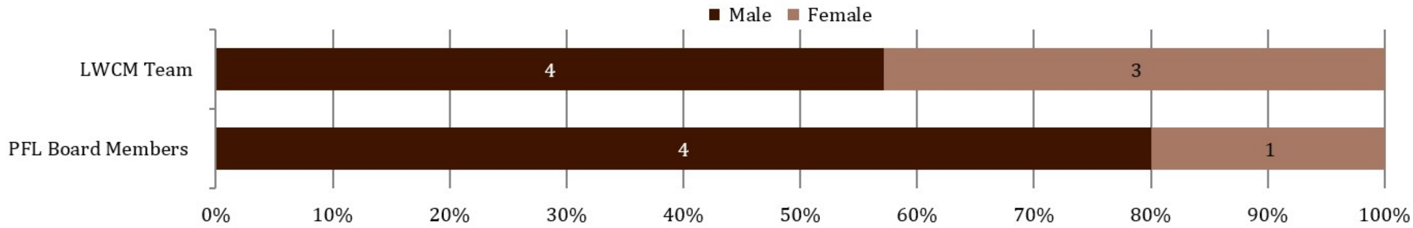
Here is a diversity snapshot at the financial year-end.

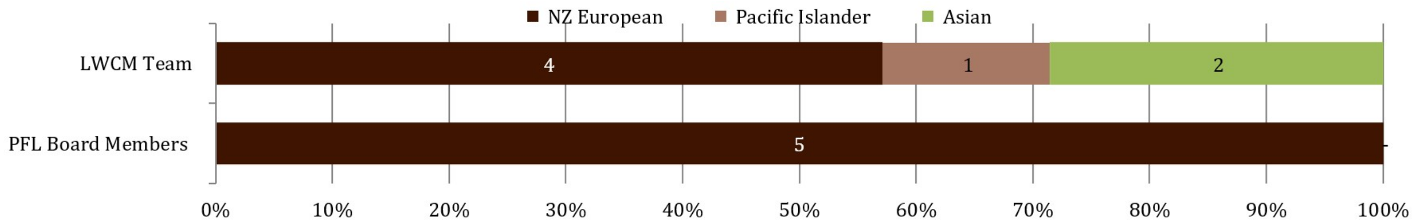
Within Punakaiki Fund Limited's portfolio companies:



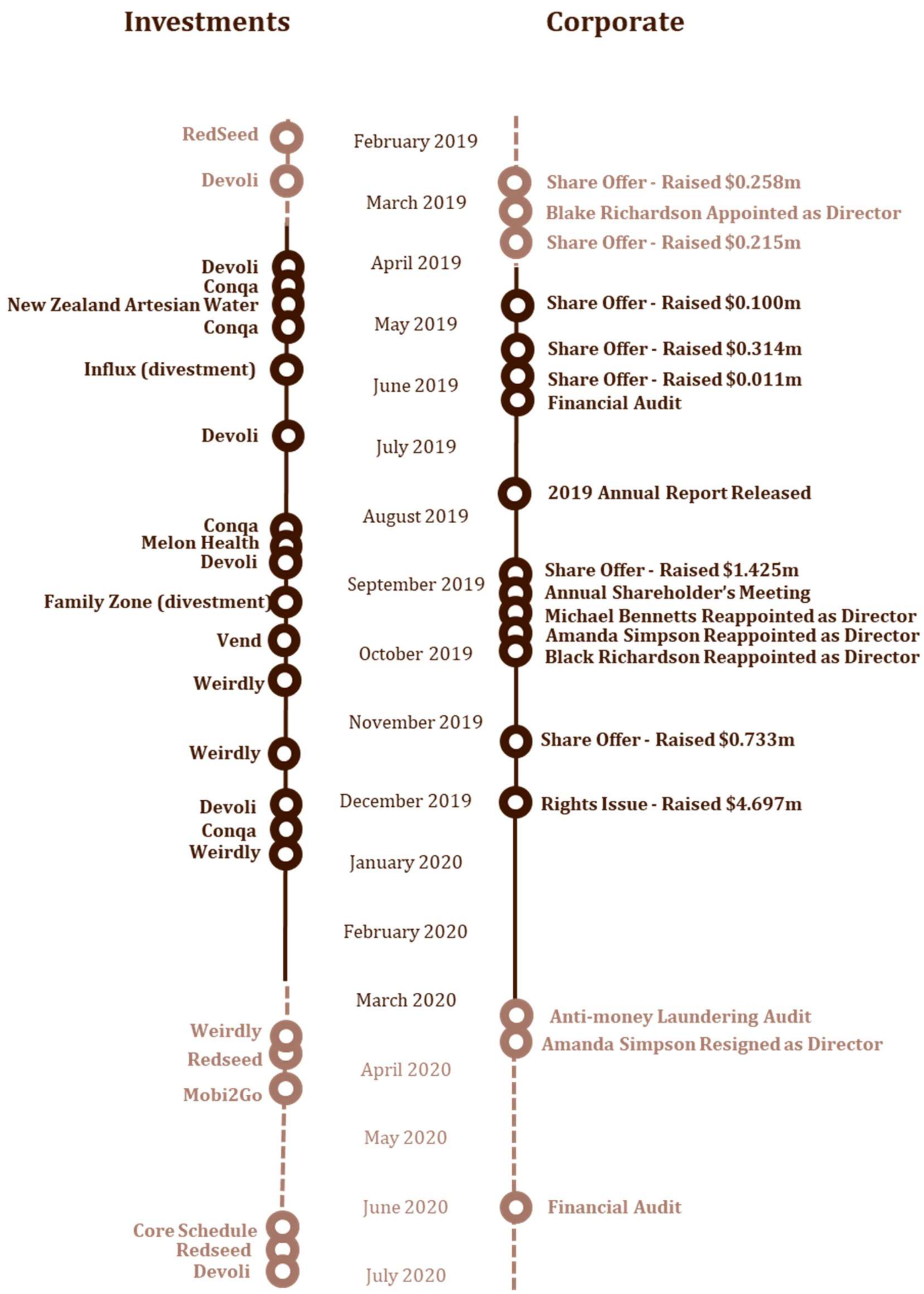


And within Punakaiki Fund itself:





FY20 Timeline



Investments

Shareholding: **1.9%***

First Investment: **Aug 2015**

Vend provides cloud-based point-of-sale software that includes ecommerce, inventory, customer loyalty and analytics.

Vend reaped the benefits of its improved support operations with exceptional customer satisfaction and a strong financial year. There was a change at the helm with Alex Fala stepping down near the end of the year after five years at Vend, four as CEO, and Ana Wight, the company's former CFO, stepping into the role of acting CEO.

Business highlights from FY20 include:

- Strong pre-COVID-19 results, with the North American and Asia-Pacific teams having some of their biggest ever sales months;
- Launching the Klarna partnership allowing UK-based Vend retailers to offer "buy now pay later" through Europe's leading provider;
- Surpassing the milestone of over 700 Vend retailers now using loyalty integration to engage and retain their customers;
- Various product development improvements such as improved cashier workflows, sales history reporting, integrations with BigCommerce and WooCommerce, enhancing Quickbooks online integration to allow the use of store credits and the release of a product serial number reporting tool;
- Vend Support receiving a customer satisfaction score of over 90%, an extremely high rating, exceeding targets for the end of FY20, and driven by the transformation of its support operations; and
- Gail Hambly joining Vend as a non-executive director, Andrew Harrison as Chair, and Andrew Fraser appointed as Chief Revenue Officer.

Vend is obviously impacted by COVID-19, as they serve physical retailers, and people are less likely or, under lockdowns, unable to shop in person. Initially the company appears to be more resilient than we expected to the immediate effects of COVID-19, but the physical retailers that they serve, particularly in countries that have managed COVID-19 poorly, are facing lengthy uncertain times. The company has a diversified global reach, and the physical restrictions on retailers created an acceleration towards Vend's online shopping and payments solutions, each of which have somewhat mitigated Vend's exposure to the pandemic.

COVID-19 restrictions saw Vend's retail customers experienced significant falls in revenue across most jurisdictions. When measured as Gross Merchandise Volume (GMV), Vend saw its customers' sales fall by 70% at worst (in New Zealand) and between 30-40% at best (in Australia) after various lockdowns where initiated. However, its GMV has been bouncing back to normal levels when lockdowns are lifted. Through their partnerships with BigCommerce and Marsello, Vend offered promotions to help get retailers setup to trade online, and many retailers took the opportunity to update their systems and sales activity.

Punakaiki Fund purchased shares from existing investors in February 2020, increasing its shareholding to 1.9%. The company was significantly marked down due to COVID-19 this year, and, also acknowledging we invested relatively late in Vend's journey, as a result our annualised growth in assessed investment value (internal rate of return) is currently low.

www.vendhq.com

** Excludes the dilutionary impact of employee options.*

devoli

Shareholding: **52.9%***

First Investment: **Jun 2014**

Devoli is a wholesale ISP that provides wholesale and corporate telecommunication services delivered with smart software.

Devoli focused on developing its software products to provide even more value for its customers, and allowing the company to expand its customer base in New Zealand further. The company improved its capacity and reliability through the rollout of its new core network, landed a highly material yet-to-be-named client and is attracting interest in its virtual ISP product, which allows non-ISP brands to become ISPs.

Business highlights from FY20 include:

- Signing two significant multi-year contracts which will materially increase the company's revenue;
- Industry-wide interest in and approaches from major players due to Devoli's ability to lower the burden on retail ISP staff;
- Onboarding two significant hires in Jonathan Hoskin, Director of Software Engineering, and Ken Nicod, Director of Network Engineering;
- Becoming the first company in New Zealand with a Microsoft ExpressRoute Azure link;
- Being a finalist in the Innovation Category for the Broadband Compare TUANZ Awards; and
- Re-signing a multi-year contract with a major customer.

As a telco, Devoli was deemed an essential business, so continued to operate during COVID-19 Pandemic Levels 4 and 3, with staff successfully transitioning to working from home. Whilst business end-users in New Zealand used very little on-premise capacity, at-home users consumed a lot more capacity, resulting in large increases in data and calling volumes, as well as usage plan upgrades.

After the end of FY20, Vocus Communications purchased key Devoli customer Stuff Fibre, which will, as underlying internet customers are migrated to Vocus, result in the loss of business to Devoli. The impact of this was incorporated into the year-end valuation.

Just before the year-end Devoli commenced onboarding newly signed customers for a large yet-to-be-named client, and revenue has since increased steadily from this source.

Punakaiki Fund purchased 439,632 Devoli shares from founders in FY20 and at the end of FY20 had agreements in place to purchase an additional 57,566 shares from founders. These additional shares were purchased in June 2020, and there are now no remaining legacy agreements to purchase shares. Punakaiki Fund's shareholding in Devoli is now 53.9%.

Our early commitment to Devoli, along with strong on-going investment into Devoli shares relatively recently and good committed business means our annualised growth in investment value is currently very high.

www.devoli.co.nz

**Excludes the dilutionary impact of employee options.*

ONCE·IT

Shareholding: **25.6%**

First Investment: **Feb 2015**

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

Onceit continued its year-on-year trend of strong and stable performance through FY20, with solid revenue growth, multiple record sales months, new membership milestones, and efficiencies gained in their warehouse operations. The company also bolstered its management team with some excellent external hires.

Business highlights from FY20 include:

- Hitting its biggest ever sales month in November 2019 since the company started trading, later dwarfed by the COVID-19 affected orders from the website in May 2020;
- Exceeding 600,000 members;
- Achieving fourteenth place in the Deloitte 2019 Master of Growth;
- Developing a new system tool and adjusting its pick, pack and dispatch operations to allow for a more efficient use of warehousing storage capabilities;
- Successfully launching a Marketplace Supplier Portal for real time viewing of orders, costs and tracking. This was adopted early by suppliers for monthly invoicing; and

- Onboarding Mark Greaves as Chief Operating Officer (ex-Briscoes group) and Nikki Young as Finance Manager (ex-Max Fashions).

Despite a tough start to the COVID-19 period, with only essential goods being able to supplied to customers with a skeleton crew at its distribution centre, Onceit bounced back and performed well overall, benefitting from the general trend to online retailing, and catching up on the shipping of orders received during the lockdown once restrictions eased.

No investment occurred into Onceit in FY20 by Punakaiki Fund or other investors. Onceit paid $153,750 in dividends to Punakaiki Fund during the year. Punakaiki Fund has received total dividends from Onceit of nearly the same amount that we invested into Onceit. This, along with strong growth, has contributed to a very high annualised growth in investment value.

www.onceit.co.nz

MINDFULL	Shareholding: **19.6%** First Investment: **Dec 2015**	*Mindfull is a global advanced analytics practice that helps businesses manage their data, do their budgeting and planning work while adhering to all reporting requirements.*

Mindfull had another steady year in New Zealand, and invested in expanding their Qubedocs and MiBi sales and staff presence in the USA.

Business highlights from FY20 include:

- Securing a deal to provide Qubedocs Cloud to Amazon in the USA;
- Signing a large new software and services deal with a large NZ Government agency;
- Signing significant deals with a government agency and a construction company to use Mindfull to deliver their cloud-based planning solutions;
- Signing up to become an Adaptive Insight partner in order to re-sell Informatica software;
- Adding three new sales staff to their USA team to help drive sales for Qubedocs in the region;
- Receiving NZTE and Callaghan Innovation grants to assist with ongoing development of their software business and increased presence in the USA;
- Qubedocs launching their Oracle product at the Oracle conference in San Francisco, and negotiating with a global brand name media company to become a new Qubedocs client;
- Launching MiBI in the USA; and
- Assisting customers to convert from their on-premise planning & analytics tools onto cloud-based tools.

Mindfull's core consulting and software reselling business is built on long-term relationships, and has shown to be relatively resilient to COVID-19. Whilst consulting revenue was affected in the short-term by COVID-19 as Mindfull's clients dealt with their own lockdown implications, the business has managed these impacts and is trading well through the crisis.

Mindfull is a sustainable business and no investments were made by Punakaiki Fund or any other external investors during the year. The original investment thesis for Mindfull was that the core business had a long-term sustainable future, while QubeDocs subsidiary had strong global potential. We are seeing increasing evidence that Qubedocs will deliver on its promise, and, driven by that, our annualised growth in investment value is reasonable.

www.mindfull.nz

Shareholding: **3.8%**

First Investment: **Jun 2014**

Timely provides a software platform to beauty and wellbeing businesses to manage bookings, reminders, marketing, point of sale and reporting.

Timely had another extremely good year overall, reaching new recurring revenue milestones and executing on its United Kingdom expansion plans.
Business highlights from FY20 include:

- Hitting a new record for the highest quarterly revenue and number of new customers onboarded;
- Achieving over $1m in monthly recurring revenue for the first time;
- Appointing Deborah Farnworth-Wood, the founder of medi-aesthetic franchise Australian Skin Clinics, as a director;
- Adding four new staff to the United Kingdom team to execute the company's United Kingdom market expansion plans, with great exposure coming from back-to-back industry expos in London in September and October; and
- Receiving an International Growth Fund grant from NZTE to assist with their United Kingdom expansion.

Much of Timely's customer base around the world was forced to temporarily close as countries implemented measures to slow the spread of Covid-19 and therefore we applied a COVID-19 discount to Timely's year-end valuation to reflect the uncertainty of the impact on Timely's revenue. Timely acted swiftly through the early stages of the various lockdowns to support its customers by offering payment holidays and discounts, which generated a lot of goodwill among the existing customer base. The company also refocused their product roadmap and marketing efforts to support their customers' urgent needs, and this has helped fuel a big increase in demand from new customers, with record new sales months in May and June 2020.

Timely has once again shown it has disciplined cost controls and there were no investment rounds made during the year. We invested early in Timely's journey and the company has performed consistently well. Our annualised growth in assessed investment value is reasonable.

www.gettimely.com

Shareholding: **6.3%**

First Investment: **Apr 2014**

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

Raygun has shown to be largely unaffected by the COVID-19 pandemic, and while the company did not experience any material growth during the period, neither did it suffer a significant contraction in revenues. Over time however, as the global economic downturn inevitably affects their clients' businesses, Raygun may in turn see some increase in customer churn.

Business highlights from FY20 include:

- Joining the Amazon Web Services (AWS) Marketplace, and running a national Tech Leader Series with AWS and Microsoft targeting senior technical leaders in the industry;
- Dramatically increasing the addressable market for its Raygun APM (Application Performance Monitoring) product by expanding its language support;
- Being named as a finalist in the 2020 Hi-Tech Awards for the Most Innovative Hi-Tech Software Solution;
- Raygun's Business Intelligence team having a marked positive impact on the business;
- Running on millions of devices and more than 125,000 Xbox's in Europe for HBO, as an example of how Raygun continues to grow its base of large customers; and
- Continuing to work on code and process improvements, and shifting to specialised individual product teams as opposed a single monolithic development team.

In FY19, Raygun announced a $15m self-funded investment into its New Zealand operations, including the hiring of 70 additional team members over the next two years. Raygun has grown sustainably and has not raised any additional capital this year. Punakaiki Fund's shareholding has remained unchanged, and our annualised growth in assessed investment value is low.

www.raygun.com

	Shareholding: **17.7%** First Investment: **Nov 2017**	*Coherent Solutions develops and manufactures test equipment for the global fibre optical communications market.*

Coherent Solutions has continued to grow in FY20, and has shown to be remarkably resilient to any lasting effects of COVID-19.

Business highlights from FY20 include:

- Agreeing an exclusive deal with a very significant manufacturing customer;
- Shipping its largest ever single order in late March, which was a custom production test system for a large US-based customer;
- Opening a US office;
- Appointing Roy Moody, already a director of the company, to Chair of the board; and
- Identifying significant emerging opportunities outside of the telecommunications industry, including in consumer electronics, 3D sensing and LiDAR.

Despite the cancellation of or poor attendance at international trade shows, Coherent Solutions closed the financial year with a very strong March quarter. While delivery delays and supply chain disruption had a short term negative effect on Coherent Solutions, the sales pipeline is strong, and the continued rise in demand for high-end photonics equipment should continue to fuel the rise in demand for Coherent Solutions' products, promising a strong FY21 and beyond.

During the year, the Company closed a material capital raising using convertible notes. Punakaiki Fund did not participate in this round, with its total shareholding remaining unchanged at 17.7%. We are very early in our investment journey with Coherent Solutions, and our annualised growth in assessed investment value is still relatively low.

www.coherent-solutions.com

	Shareholding: **16.1%** First Investment: **Oct 2015**	*Mobi2Go helps food service businesses sell more by adding an ordering function to their marketing website.*

Mobi2Go had a year of putting a substantial amount of new capital raised in FY19 to work. The company kept busy with a significant expansion of the team, opening its Canadian office, rolling out a new pricing structure, as well as some product additions.

Business highlights from FY20 include:

- Rolling out a new base + success fee pricing model to existing customers, reducing the base fee by more than 50% with a variable top-up based on customer revenues. The success-based revenue structure was viewed favourably by customers, with strong uptake from existing and new customers alike;
- Continuing to hire new staff to scale up sales, product development and market expansion, moving the company's number of staff from 21 to 34;
- Opening a new office in Toronto, Canada, which will serve sales, support and customer success functions and be the base of their North American go-to-market strategy;
- Releasing their Kiosk product in beta to their first Australian customers, which attracted very positive feedback. Customers increasingly want to be able to emulate the success of in-store kiosks in McDonalds and see Kiosks materially contributing to revenue in the short term; and
- Adding 'order and pay at table' functionality to their platform, as a result of customer demand.

COVID-19 had a strongly positive effect on Mobi2Go, which was and is well positioned to help its customers during the crisis by lowering customer touch points and enabling takeaway orders for dine-in restaurant customers. While being exposed to the hospitality sector more generally (which has been severely impacted by the pandemic), Mobi2Go is in good shape and is positioned well as New Zealand and other geographies reopen. Mobi2Go experienced a significant increase in revenues immediately following the end of FY20.

In FY19, Mobi2Go's Series A investment round was led by Movac with a small contribution from Punakaiki Fund, resulting Punakaiki Fund's shareholding being diluted to 16.1% as at March 2019. Punakaiki Fund's shareholding was diluted further following a similar round after the end of FY20, to 15.6%. Our annualised growth in assessed investment value is reasonable.

www.mobi2go.com

Shareholding: **28.2%***

First Investment: **Jul 2015**

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

EverEdge enjoyed a strong year, with key metrics increasing and good customer impact across all three offices.

Everedge saw the impact of COVID-19 earlier than most companies, with their Singapore office signalling that doing business was going to become more difficult. The company was well positioned to survive the early changes, and with offices and clients spread across Singapore, Australia and New Zealand, EverEdge has a degree of diversity. Their services and their approach to business development are evolving quickly.

Punakaiki Fund first invested in EverEdge in July 2015 taking a 4.8% shareholding. Punakaiki Fund increased its shareholding in EverEdge over time, and as at the end of FY20, its shareholding was 28.2%*. Founder, Paul Adams, owns 55.1%*. Due largely to the impact of COVID-19, our annualised growth in assessed investment value for Everedge is negative.

www.everedgeip.com

**Excludes the dilutionary impact of employee options.*

Shareholding: **20.1%**

First Investment: **Feb 2017**

Conqa provides software allowing the construction industry to do their quality assurance planning and execution online.

Conqa (officially QA Tech Limited) provides quality assurance software for the construction industry, with the vision of a construction industry that is driven by quality. Conqa continued to show revenue growth in FY20, albeit flattened slightly by the distraction of extended fundraising efforts.

Business highlights from FY20 include:

- Concluding a $2m capital raise, securing investment and strong support from notable construction and property development industry players;
- Being accepted into the Australian RealTechX programme, which is designed to support sustained growth in emerging businesses and better technology adoption by established real estate corporates;
- Founder Daniel O'Donoghue relocating to Melbourne to join co-founder Barney Chunn and focus on growing the Australian market;
- Appointing Ed Costello as Principal Engineer, who was previously with Orion Health;
- Appointing Damian Sycamore as Head of Revenue, an internal promotion; and
- Erwin Hessing, a full stack developer, returning to Conqa after a nine-month stint working with Xero.

All New Zealand construction sites served by Conqa were shut down during Pandemic Level 4, however clients continued to pay monthly software subscription fees to the company. In Australia, construction was considered essential service, and work continued. Conqa is exposed to the impacts of the pandemic and resulting economic challenges on construction, but is also able to help sites and inspections through allowing more quality assurance and inspection activity to take place remotely, as well as to take advantage of fiscal stimulus into construction projects. Conqa has grown its revenue through the COVID-19 period.

Punakaiki Fund was Conqa's first institutional shareholder and has continued to support the company with smaller funding rounds through FY20, while Conqa was focused on a material capital raise. Following this fundraising effort, which closed in December 2019, Punakaiki Fund's shareholding increased to 20.1%. Our annualised growth in assessed investment value is still relatively low.

www.conqa.nz

Shareholding: **39.7%**

First Investment: **Mar 2015**

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

RedSeed had a 35% increase in revenue in FY20, with significant customer acquisitions and reaching cash flow profitability in Australia. The company has clearly proven their impact for Australian retailers.

Business highlights from FY20 include:

- Fully released a new B2B programme, which has been adopted by a number of brand name businesses, and attracted great feedback to date;
- Signing on new customers in New Zealand and Australia including Ngahuia Group (Number One Shoes and Hannahs), Anaconda (Australia), General Pants (Australia) Kiwi Kitchens, Rodd and Gunn, Harvey Furnishing, TePae, and Oceania Dairy;
- Signing off a Liquor Licensing Project (NZQA) allowing Foodstuffs to sell liquor in-store;
- Reaching profitability in their Australian operation;
- Progressing its offering of training courses in specialised areas, such as a working partnership and course on-selling arrangement with a cyber security expert; and
- Onboarding new hires, including a new account manager to upsell and expand offerings to New Zealand customers, and a learning and instructional designer.

The company is very exposed to physical retail stores and their valuation was marked down due to COVID-19. While their large retailer customers were closed during the pandemic lockdown, RedSeed has long-term customer contracts and saw its training application used heavily for staff training while staff were unable to work in-store.

RedSeed also created a wellness course in conjunction with a Christchurch-based psychologist and offered it free to all of their customers to help them help their employees, as well as providing other free training modules for retailing in an COVID-19 environment. These were very well received and enabled Redseed to start conversations with organisations outside of their core target market.

Punakaiki Fund agreed to purchase shares in two tranches from a RedSeed co-founder early in 2020. The first tranche was purchased before the financial year-end, and the second after the end of FY20. After the latter purchase Punakaiki Fund's shareholding increased to 48.5%.

Our annualised growth in assessed investment value is high.

www.redseed.com

Shareholding: **23.6%**

First Investment: **Jun 2016**

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

New Zealand Artesian Water (NZAW) experienced strong local and international growth in FY20, and has undergone significant changes at management, board and shareholder level. COVID-19 was relatively positive for NZAW, being deemed an essential business so able to operate during lockdown. During this time, NZAW saw a sharp increase in local and Australian sales.

Business highlights from FY20 include:

- Founders, Andrew and Wayne, re-entering the business, replacing Adrian Toft (outgoing CEO) and Dave Ashcroft (outgoing part-time CFO) who sold down their shares on exit;

- Attracting a new investment round (Punakaiki Fund did not participate);
- Re-energising the business, re-structuring to reduce costs and increasing sales to become profitable;
- Installing and commissioning a new capping machine, which saw reduction of staff numbers by 50% and increased speed of the PET bottling line by 100%; and
- Setting up an E'stel office in China. Great support has been received from the local provincial government and provisional agreements are in place with three key distributers.

Punakaiki Fund first invested in NZAW in June 2016 and took an initial 11.8% shareholding, raising this over time by participating in a series of funding rounds. However, due to the use of plastic in NZAW's bottles, as well as its non-technology focus, the investment in NZAW is now considered out of mandate and Punakaiki Fund will seek to sell its shares in an orderly fashion. Punakaiki Fund's current shareholding is expected to reduce to 17.7% as other investors increased their investments in NZAW. Lance resigned as a director during FY20. Our annualised growth in assessed investment value is negative as we have marked the investment value down significantly.

www.estel.nz

Boardingware

Shareholding: **30.4%**

First Investment: **Feb 2015**

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

Boardingware has, overall, seen a steady year of moderate growth, with emphasis on building Orah, a product aimed primarily at independent schools.

Business highlights from FY20 include:

- Introducing a new pricing model and subscription system for managing customer products and tiers;
- Signing a three-year contract with Eton College, following a visit and demonstration, which was planned to be implemented ready for the start of the 2020 school year in September;
- Hired two full-time engineers and one full-time UX (user experience) designer, bringing total staff to fourteen; and
- Receiving grant payments from Callaghan Innovation and NZTE to assist with their US market expansion plans.

New product features developed include:

- Workflow automation, improving communication between staff;
- The release of an open API to foster deeper integration with customers; and
- Enhanced tracking features to assist schools with contact tracing of students and staff due to COVID-19, increasing locations and looking to introduce GPS tracking where requested.

The main risk to Boardingware due to COVID-19 is from schools closing down for a long time or permanently due to loss of financial viability. This is seen as relatively unlikely for almost all of Boardingware's customers, but times are uncertain. Due to a combination of long-term contracts, the existing student tracing elements inherent in their product, and disciplined cost control, Boardingware appear to have weathered the COVID-19 storm well so far.

Punakaiki Fund acquired a 16.7% shareholding in Boardingware in their first external round in February 2015 and followed this with an additional investment in July 2015, increasing its shareholding to 28.6%. In FY19, Punakaiki Fund made another small investment in Boardingware, increasing its shareholding to 30.1%. Our annualised growth in assessed investment value is reasonable.

www.boardingware.com

melon	Shareholding: **32.3%*** First Investment: **Dec 2014**	*Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.*

Melon Health had a busy year off the back of its capital raise in FY19, which saw a big push to expand its customer base and presence in the US. Getting meaningful traction was more challenging and slower than expected, and towards the end of the financial year, Melon Health decided to retract its physical US-operations and refocus on delivering remote telehealth to both domestic and international customers, all from its New Zealand base.

Business highlights from FY20 include:

- Gaining preliminary status recognition for the CDC Diabetes Prevention Program;
- Adding product improvements such as embedded psychometric surveys in the mental health platform, a comprehensive roster system for community manager/coaches and a new community for counsellors to support each other;
- Renewing all FY19 customers;
- Launching a brand refresh and a new-look website; and
- Welcoming LWCM's Bridget Winstone-Kight to Melon Health's board of directors, joining Lance.

After the end of FY20, Melon Health was selected by the Ministry of Health to promote wellness and help people manage anxiety due to COVID-19. The company rapidly engaged in product development and launched a new programme for this purpose, signing a contract with the government for funding to allow it to be rolled out to New Zealanders for free. The company has also been fielding enquiries from significant offshore players for similar COVID-19 programmes.

In FY19, Punakaiki Fund lead Melon Health's $3.3 million funding round with $2.0 million commitment, with the option to invest another $2.4 million by the end of FY20 (which was not carried out). Co-investors included K1W1 and Impact Enterprise Fund. Punakaiki Fund's holding as at the end of FY20 is 32.3%*. Our annualised growth in assessed investment value is relatively low.

www.melonhealth.com

**Excludes the dilutionary impact of employee options.*

weirdly	Shareholding: **37.7%*** First Investment: **Feb 2015**	*Weirdly helps companies that actively recruit people to find better applicants through the use of innovative software.*

Overall, Weirdly had a strong FY20, securing a number of notable new customers and renewing others, with a solid sales pipeline and great customer feedback. The performance for Australian clients was particularly impressive.

Business highlights from FY20 include:

- Beating two UK-based competitors and one US-based competitor to win the bid and sign a deal with Vodafone UK;
- Launching their 6th and 7th successful software integrations with Greenhouse (a US-based applicant tracking system) and JobAdder to improve Weirdly's client reach;
- Taking the Weirdly Talent Platform to market, which includes Candidate HUB, CRM, Scheduling, Assessments and Insights;
- Shareholders James Sweetbaum and Marisa Fong stepping down as Advisory Board members to allow Weirdly to rebuild the Board with a focus on existing Australian market operations and moving into the US/UK markets;
- Launching their new website; and
- Significantly growing revenues, which are now spread across several global markets, with the majority of Weirdly's revenues now generated offshore.

COVID-19 presents negative short-term impact for Weirdly, with revenue from some customers at risk due to business and site closures. We applied a COVID-19 discount as the recruitment and staffing industry is suffering from hiring freezes, with existing staff returning after lockdown, rather than new staff being hired. However, Weirdly is seeing strong demand from clients looking to recruit people working from home which will mitigate this impact to some degree.

In March 2020, Punakaiki Fund lead a $1.8m investment round, including conversion of prior convertible notes, with K1W1 and New Zealand Growth Capital Partners' Aspire Fund participating. Punakaiki Fund's current shareholding is 37.7%*. Our annualised growth in assessed investment value is reasonable.

www.weirdlyhub.com

**Excludes the dilutionary impact of employee options.*

Portfolio Companies Linewize (Family Zone performance shares) and ThisData are held for exit.

Hayload and Populate have been written off. Chris Humphreys resigned as a director of Hayload on 20 May 2019. Punakaiki Fund's shares in Influx, another company which had previously been written down, were repurchased by its founder and Lance Wiggs resigned as a director on 15 May 2019.

Directors' Statement and Statutory Information

FOR THE PERIOD ENDED 31 MARCH 2020

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 2020.

Principal Activity of the Company

The principal activity of the Company is investment.

Directors Holding Office

The persons listed below held the office of director of Punakaiki Fund as at 31 March 2020. Amanda Rhean Simpson resigned as a director during the financial year, and held office until 31 March 2020. No other person held office as a director of Punakaiki Fund during the 12-month period ending 31 March 2020.

- Michael John Bennetts
- John Charles Berry
- Amanda Rhean Simpson (resigned effective 31 March 2020)
- Blake Thomson Richardson
- Graeme Lance Turner Wiggs

Directors' Remuneration

Punakaiki Fund Limited - Directors' Remuneration						NZ$
Director		FY20			FY19	
	Base Fees	GST	Total	Base Fees	GST	Total
Michael John Bennetts	20,000	-	20,000	12,500	-	12,500
John Charles Berry	15,000	1,500	16,500	10,000	1,500	11,500
Amanda Rhean Simpson	15,000	1,500	16,500	10,000	1,500	11,500
Blake Thomson Richardson	15,000	-	15,000	-	-	-
Graeme Lance Turner Wiggs	-	-	-	-	-	-
Total	**67,500**	**3,000**	**70,500**	**35,000**	**3,000**	**38,000**

The remuneration set out in the table above sets out the directors' fees received by the directors. Mandy Simpson received $248.20 (including GST) in reimbursements for out of pocket travel costs associated with her director duties. No other directors received any other payments or benefits in their role as director.

Directors' Shareholdings

Punakaiki Fund Limited - Directors' Relevant Interests - FY20	
Director	**Number of shares in which a relevant interest is held**
Michael John Bennetts	56,571
John Charles Berry	11,037
Amanda Rhean Simpson	7,850
Blake Thomson Richardson	63,924
Graeme Lance Turner Wiggs*	69,214
Total	**208,596**

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

** Includes Graeme Lance Turner Wiggs' interest in Punakaiki Fund Limited shares held by LWCM Limited*

No other changes to the number of shares set out in the table above have occurred since Punakaiki Fund's 31 March 2020 balance date.

Lance Wiggs' shareholding in FY20 include a partial interest in 214 shares held by LWCM Limited (FY19: 114 shares).

Use of Company Information

No member of the Board of the Company issued a notice requesting to use information received in their capacity as a director which would not otherwise have been available to them.

Directors' Relevant Interests

The following are relevant interests of the Company's Directors as at 31 March 2020:

Michael John Bennetts:

- Executive of Z Energy Limited

John Charles Berry

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

Amanda Rhean Simpson (Ceased to be a director of the company as at 31 March 2020)

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

Blake Thomson Richardson

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

Graeme Lance Turner Wiggs:

- Director and Shareholder of LWCM Limited
- Director of Weirdly Limited
- Director of Onceit Limited
- Director of Boardingware International Limited
- Director of Melon Health Limited
- Director of RedSeed Limited
- Chairman of EverEdgeIP Global Limited
- Director of Mindfull Group Limited
- Director of QA Tech Limited
- Director of Coherent Solutions Limited
- Director/shareholder of 200Square, alongside Grant Wakelin, currently employed by Devoli
- Periodic external practitioner for NZTE Investments (potentially advising companies prior to investment by Punakaiki Fund). Average 2-3 days per year.
- Director and shareholder of Define Instruments Limited and Pocketsmith Limited
- Shareholder of Matu Fund LP
- Judge for the High Tech Awards

Employees

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

Auditors

Punakaiki Fund's external auditor is Ernst & Young, who were reappointed by shareholders at the 2019 annual meeting in accordance with the provisions of the Companies Act 1993. The fee for the audit of the financial statements contained within this Annual Report is $45,141 excluding GST.

Donations

No donations were made in the period.

Shareholders

The table below is a list of Punakaiki Fund's twenty largest shareholders and their respective holdings of Punakaiki Fund securities at as 31 March 2020.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2020

Shareholder	Ordinary Shares	% of Class
Phaben Holdings Limited	80,204	3.41%
Graeme Lance Turner Wiggs*	69,000	2.93%
Michael John Bennetts & Karen Allanah-Maree Bennetts	56,571	2.41%
Public Trust Class 10 Nominees Limited	56,000	2.38%
Collette Glen Payne	48,030	2.04%
Quayside Holdings Limited	42,858	1.82%
Kennerley Investments Limited	34,970	1.49%
Todd Reynal Stevens	33,594	1.43%
Southern Hills Imperial Timber (1932) Pty Limited	33,000	1.40%
Clarence Mervyn Hislop	32,000	1.36%
Wills Private Equity Investments Limited	30,250	1.29%
Phizzy Limited	30,000	1.28%
Lewis Holdings Limited	29,250	1.24%
Krassimir Nikolov Modkov	28,500	1.21%
Ross Inglis	28,400	1.21%
Mark Gary Hackner & Bastiankoralage Belinda Valerie Jayamaha Rodrigo	27,858	1.18%
Chunjing Song	23,900	1.02%
Davey John Goode & Keegan Alexander Trustee Company Limited	23,878	1.02%
Peter Thomas Fenton	20,500	0.87%
Margaret Oenone O'Neill Field	20,040	0.85%
Top 20 Shareholders	**748,803**	**31.84%**
Remaining Shareholders	1,603,019	68.16%
All Shareholders	**2,351,822**	**100.00%**

** Graeme Lance Turner Wiggs also has a beneficial interest in 214 Punakaiki Fund Limited Shares held in the legal name of LWCM Limited*

Investor Net Asset Value

The table below shows the calculation of Net Asset Value (NAV) and Investor Net Asset Value (iNAV) for the Company for FY20 and FY19. These are non-GAAP measures.

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

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

Calculation of Net Asset Value and Investor Net Asset Value	FY20	FY19
Total Asset Value	$57,974,958	$47,263,826
less Current Liabilities	$(938,392)	$(964,357)
Net Asset Value (NAV)	**$57,036,566**	**$46,299,469**
less Share Based Payment Reserve	$(2,204,684)	$(2,227,652)
Investor Net Asset Value (iNAV)	**$54,831,881**	**$44,071,817**
Shares on Issue at 31 March	2,351,822	1,943,651
iNAV per Share	**$23.31**	**$22.67**

Directors' Responsibility Statement

The directors are responsible for ensuring the financial statements present fairly in all material respects the financial position of the Company as at 31 March 2020 and the financial performance and cash flows for the year ended on that date.

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

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors do not have the ability to amend these financial statements once issued.

The Board of Directors of Punakaiki Fund Limited authorised the financial statements set out on pages 34 to 49 for issue on 31 July 2020.

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

Independent Auditor’s Report

EY
Building a better working world

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 34 to 49, which comprise the statement of financial position of the Company as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 34 to 49 present fairly, in all material respects, the financial position of the Company as at 31 March 2020 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. We have no other relationship with, or interest in, the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Why significant

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

Note 3.1.1 to the financial statements describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments. These instruments are valued based on models and assumptions that are not observable and so require judgement and estimation. As a result the valuations are considered model based level 3 as disclosed in Note 4 Fair values of financial instruments. Due to the complexity and judgement required in their valuation, these investments, with a recorded value of $55.1m (FY19: $46.2m), have a higher potential risk of misstatement.

At 31 March 2020 financial markets were significantly impacted by the COVID-19 pandemic and were experiencing greater than usual volatility. At times of economic uncertainty and market volatility there is a greater range of possible valuation outcomes and less reliability can be placed on assessed market values than is usually the case. As a result, we consider the disclosures regarding valuation methods and assumptions (see Note 4) as well as in relation to relevant risks (see Note 12) are particularly important to both our audit and to readers of the financial statements.

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

- Conventional multiples based valuation approach; and
- Growth multiples method to estimate revenue multiples.

To initially assess relevant multiples for the Conventional multiples based valuation approach, the Company has selected Guideline Public Companies within the same or similar industry as each Investee Company which are believed to be similar in financial and/or operational characteristics. To initially assess relevant multiples for the Growth multiples method, the Company has selected Guideline Public Companies with the same business model (Software as a Service). The Company has made adjustments to the multiples for its subjective assessment of factors such as the size of the

How our audit addressed the key audit matter

In performing our audit procedures we:

- Obtained a detailed understanding of the valuation processes with the assistance of our internal valuation specialists and identified all factors that had a significant impact on the valuations. We assessed the appropriateness of the valuation methodologies;
- Evaluated the objectivity and expertise of the investment manager;
- Assessed the level of observability in the market of the valuation inputs to determine the fair value hierarchy of those inputs;
- Reviewed the appropriateness of financial information that was used in the calculation of investment valuations using an earnings/revenue multiple. We involved our specialist to assist in considering the significant assumptions that affect the fair value assessment of the model based calculations. We considered the significant assumptions to be the multiple and discount/premium applied;
- Considered the basis upon which the regression analysis of the revenue multiples was performed. In valuing the SaaS investments the Company has used revenue multiples implied through a regression model. This was done due to challenges involved in finding appropriate sets of publicly listed companies that would be comparable to the relevant investee companies being valued. As this approach is not commonly adopted in the market we focussed on the resulting revenue multiples and whether they fall within reasonable ranges given the nature and scale of the investee companies. We also requested that management prepare discounted cash flow valuations for two businesses in order to provide further validation of the value resulting from the regression-derived revenue multiple approach.
- Considered, with the assistance of our specialist, the discounts applied for the lack of liquidity, size and control and whether the combined discounts are within a reasonable range.
- To assess the adjustments to multiples and values made in relation to other factors, including those to reflect the impact of COVID-19 on market values, assessed the overall reasonableness of concluded multiples after these adjustments were made and

addressable market, net retention rate and efficiency. A combined discount for liquidity, size and control premium was applied to the overall enterprise value or revenue multiples as applicable. In addition an additional factor to reflect the impact of the COVID-19 pandemic on valuations has been applied.

The Company makes significant judgements because of the complexity involved in valuing some of these investments. These judgements include:

- The determination of significant unobservable inputs and the categorisation of financial instruments based on the IFRS 13 *Fair Value Measurement* fair value hierarchy;
- The calculation methodology and inputs for the valuation adjustments relating to liquidity, size and level of control;
- The sample companies used for benchmarking relevant metrics;
- The use of linear regression in the growth multiples method when non-linear conditions may exist;
- The factor used to estimate the appropriate revenue multiple (being the most recent growth rate); and
- The explanatory power of the regression in the growth multiples method.

whether the resulting multiples were within reasonable ranges.

- Considered events subsequent to balance date, for example evidence of further transactions in the investments, that could have provided additional information on the year end valuations; and
- Assessed the adequacy of the disclosures in Note 4 and Note 12 to the financial statements.

Calculation of performance and management fees

Why significant

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

For the year ended 31 March 2020, management fees paid were $0.992m (FY19: $0.810m) and the performance fees accrued resulted in a credit to profit or loss of $0.021m (FY19: expense of $1.294m).

Expenses from management and performance fees are incurred and calculated in accordance with the Investment Management Agreements and Product Disclosure Statements.

The quantum of these expenses and the impact that the variability of market based returns can have on the

How our audit addressed the key audit matter

In performing our audit procedures we:

- Obtained an understanding of the process used to calculate the management and performance fees;
- Performed a recalculation of management fees and performance fees based on the net asset value ("NAV") of the Company to assess whether the recorded amounts were in accordance with contractual arrangements;
- The management fee is approved and paid quarterly based on the quarter-end NAV. For quarterly NAVs other than the year end amount, which is based on the amounts we have audited, we agreed the NAV to Board

recognition and earning of performance fees results in this being an area of significant audit focus.	approvals and published, unaudited quarterly reports; and
Disclosures relating to these expenses are included in Note 8 to the financial statements.	► Assessed the adequacy of the disclosures in Note 8 to the financial statements.

Information other than the financial statements and auditor's report

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

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

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Bennett.

Ernst + Young

Chartered Accountants
Auckland
31 July 2020

Punakaiki Fund Limited
Statement of comprehensive income

For the year ended 31 March 2020

	Notes	Year ended 31/03/2020 $'000	Year ended 31/03/2019 $'000
Interest income		2	1
Dividend income		165	193
Change in fair value of investments	4.5	4,958	7,115
Accrued performance fees	8.1.4	31	(1,294)
Management fees	8.1.1	(991)	(810)
Administration fees	8.1.2	(271)	-
Insurance		(46)	(42)
Consulting and accounting expenses		(32)	(70)
Audit fees	9	(51)	(48)
Other		(66)	(40)
Profit before tax		3,699	5,005
Income tax expense	5.1	-	-
Profit and total comprehensive income for the year		3,699	5,005

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

Punakaiki Fund Limited
Statement of financial position

At 31 March 2020

	Notes	31/03/2020 $'000	31/03/2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	2,903	1,032
Resident withholding tax receivable		12	39
Prepayments		30	23
Trade and other receivables		11	8
Total current assets		2,956	1,102
Non-current assets			
Investments	4.1	55,020	46,170
Total non-current assets		55,020	46,170
Total assets		57,976	47,272
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		81	106
Total current liabilities		81	106
Non-current liabilities			
Performance fee payable	8.1.4	857	866
Total non-current liabilities		857	866
Total liabilities		938	972
Capital and reserves			
Issued capital	6	37,797	30,736
Share based payment reserve	6.2	2,205	2,227
Retained earnings	6.3	17,036	13,337
Total equity		57,038	46,300
Total equity and liabilities		57,976	47,272

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 2020

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2018	24,770	1,295	8,332	34,397
Loss and total comprehensive income for the year	-	-	5,005	5,005
Contributed capital	6,104	-	-	6,104
Transaction costs	(138)	-	-	(138)
Share based payments in relation to performance fee	-	932	-	932
Balance at 31 March 2019	30,736	2,227	13,337	46,300
Balance at 1 April 2019	30,736	2,227	13,337	46,300
Profit and total comprehensive income for the year	-	-	3,699	3,699
Contributed capital	7,279	-	-	7,279
Transaction costs	(218)	-	-	(218)
Share based payments in relation to performance fee	-	(22)	-	(22)
Balance at 31 March 2020	37,797	2,205	17,036	57,038

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 2020

	Notes	Year ended 31/03/2020 $'000	Year ended 31/03/2019 $'000
Cash flows from operating activities			
Interest received		2	1
Dividend received		165	193
Payments to suppliers		(501)	(149)
Management fees		(991)	(810)
Resident withholding tax refunded/(paid)		27	(8)
Net cash used in operating activities	10	(1,298)	(773)
Cash flows from investing activities			
Proceeds from sale of Investments		282	1,110
Payments to acquire Investments		(4,174)	(4,495)
Net cash used in investing activities		(3,892)	(3,385)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		7,279	4,593
Payment of transaction costs on issue of equity instruments		(218)	(138)
Net cash generated by financing activities		7,061	4,455
Net increase in cash and cash equivalents		1,871	297
Cash and cash equivalents at the beginning of the year		1,032	735
Cash and cash equivalents at the end of the year	11	2,903	1,032

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 2020

1 General information

Punakaiki Fund Limited ('Fund' or 'Company') is a company incorporated in New Zealand and registered under the Companies Act 1993. The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company was incorporated on 10 April 2013. The Company is an investor in fast growing businesses. These financial statements are for the year ended 31 March 2020.

2 Significant accounting policies

2.1 Statement of compliance and reporting framework

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These financial statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. For the purposes of complying with GAAP, the company is a for-profit entity. These financial statements have been prepared in accordance with the requirements of the Companies Act 1993.

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 2018 edition) and the IPEV Board, Special Valuation Guidance (released 31 March 2020). 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
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).

2.3 Basis of preparation (continued)

When estimating fair value, the Company has considered the actual and potential impacts on the value of its investments from the COVID-19 pandemic. Where, in the judgement of the Company, an investment has been permanently impacted by the pandemic, an adjustment is made to the multiple used to value the business. Where, in the judgement of the Company, an investment has been temporarily impacted by the pandemic, the assessed value of the impact is deducted when deriving the

The principal accounting policies adopted by the Company are set out below.

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.5.3 Current and deferred tax for the year

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

2.5.4 Goods and services tax

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

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

The GST claim ratio has been calculated in proportion to the Company's taxable and exempt supplies for GST purposes. The GST rate claimed by the Company during the year was 11.1% (2019: 10.2%).

2.6 Financial instruments

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

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

2.6.1 Investments

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

The investments are managed and performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the investments is provided internally on that

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 payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 6.2.

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Key sources of estimation uncertainty

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

3.1.1 Fair value measurements and valuation processes

The Company's investments are measured at fair value for financial reporting purposes. Valuations are undertaken by the Manager of the Company, LWCM Limited (LWCM), reviewed, adjusted and ultimately approved by the Board. The Board and management may also directly appoint independent valuers to obtain the fair value of certain investments. Further detail on the valuation approach and techniques adopted is provided in Note 4. The Board acknowledges the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted companies.

4 Fair values of financial instruments

4.1 Investments in Unlisted Equity Instruments

The Company has equity investments in a portfolio of early stage unlisted companies recognised at $55.02 million (2019: $46.17 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of $4.958 million (2019: net gain of $7.115 million) was recognised through profit or loss for these assets. The following tables give information about the Company's holdings and how the fair values of these investments are determined (in particular, the valuation technique(s) and inputs used). All of the following investments are Level 3 in the fair value hierarchy. This means the valuation techniques include inputs for which market observable data is not available (unobservable inputs).

Ownership Summary	2020			2019		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Vend Limited[6]	700,000	36,355,722	1.9%	672,178	36,355,722	1.8%
Devoli Limited[3,6]	2,907,434	5,499,000	52.9%	2,467,801	5,499,000	44.9%
Onceit Limited[1]	25,625	100,000	25.6%	25,625	100,000	25.6%
Mindfull Group Limited[1]	327	1,670	19.6%	327	1,670	19.6%
Timely Limited	63,647	1,662,417	3.8%	63,647	1,662,417	3.8%
Raygun Limited	501,445	7,990,550	6.3%	501,445	7,945,197	6.3%
Coherent Solutions Limited[1]	49,439	279,677	17.7%	49,439	279,677	17.7%
Mobi2Go Limited	305,850	1,900,583	16.1%	305,850	1,900,583	16.1%
EverEdgeIP Global Limited[1]	3,937,915	13,967,167	28.2%	3,937,915	13,367,167	29.5%
QA Tech Limited (Conqa)[1]	31,669	157,630	20.1%	26,250	137,222	19.1%
RedSeed Limited[1]	44,774	112,878	39.7%	37,174	113,336	32.8%
New Zealand Artesian Water Limited[2]	7,213	30,545	23.6%	6,657	27,877	23.9%
Boardingware International Limited[1]	446,000	1,467,780	30.4%	446,000	1,479,890	30.1%
Melon Health Limited[1,5,6]	931,711	2,888,415	32.3%	818,143	2,699,979	30.3%
Weirdly Limited[1,6]	213,167	566,171	37.7%	128,649	423,672	30.4%
TD Limited	302,669	2,744,330	11.0%	302,669	2,744,330	11.0%
Populate Limited	1,908,860	13,102,267	14.6%	1,908,860	13,102,267	14.6%
Family Zone Cyber Safety Limited[7]	-	240,983,176	0.0%	400,000	191,956,293	0.2%
Hayload Limited[4]	4,338	18,618	23.3%	4,338	18,618	23.3%
InfluxHQ Limited[2]	-	672,690	0.0%	182,491	724,881	25.2%

[1] Lance Wiggs, a director of LWCM and the Company is also a director of these companies as at 31 March 2020.

[2] Lance Wiggs, a director of LWCM and resigned as a director of these companies during the period.

[3] Chris Humphreys, a director of LWCM and a manager of the Company is also a director of this company as at 31 March 2020.

[4] Chris Humphreys, a director of LWCM and resigned as a director of this company during the period.

[5] Bridget Winstone-Kight, an employee of LWCM, is also a director of this company.

[6] Excludes the dilutionary impact of employee options.

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

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

Fair value as at 31 March 2020

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value ($)
1) Substantial - Devoli - OnceIT - Vend - Mindfull	Revenue multiple, EBITDA multiple or Independent Valuation	$24.17 million
2) Well-established businesses - Raygun - Timely - Melon Health - RedSeed - Mobi2Go - Everedge IP - Coherent Solutions - Boardingware - Conqa	Revenue multiple	$27.39 million
3) Early Stage - Weirdly - InfluxHQ - ThisData - Populate - New Zealand Artesian Water - Hayload	Revenue multiples (including weighted methods), or fully impaired	$3.46 million
4) Listed - Family Zone	Forecast vesting data	$0 million
Total Investment at fair value		**$55.02 million**

Fair value as at 31 March 2019

Investment Type	Valuation technique(s) and unobservable input(s) used	Fair value ($)
1) Substantial - Devoli - OnceIT - Vend - Mindfull	Market value on acquisition, revenue multiple, or EBITDA multiple	$18.630 million
2) Well-established businesses - Raygun - Timely - Melon Health - RedSeed - Mobi2Go - Everedge IP - Coherent Solutions	Market value on acquisition, or Transaction Evidence, or Revenue multiple	$23.040 million
3) Early Stage - Weirdly - InfluxHQ - ThisData - Populate - New Zealand Artesian Water - Hayload	Market value on acquisition, or Revenue multiples (including weighted methods), or fully impaired	$4.240 million
4) Listed - Family Zone	Forecast vesting data (including weighted multiples)	$0.260 million
Total Investment at fair value		**$46.170 million**

4.3 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
EBITDA multiple	4.8 - 7.3 (6.1)	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	1.0 - 13.1 (6.3)	The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples were lower.

Significant unobservable inputs are developed as follows:

- *EBITDA/Revenue multiples:* Represents amounts that market participants would use when pricing the investments. EBITDA/Revenue multiples are selected from comparable public companies based on geographic location, industry size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Company by its EBITDA or revenue. Discounts relating to illiquidity and size are then applied to the observed multiples to derive the adjusted multiples that are applied to the valuation of the Company's unlisted investments.
- *Market value on acquisition or transaction evidence:* represents the price paid by the Company to acquire the investment (market value on acquisition) or the price paid by third parties to acquire equity instruments in the investee (transaction evidence). These approaches are appropriate where the investment by the Company or third party was completed close to balance date and there is no other information available indicating a significant change in the underlying fair value of the investment.
- *Impaired:* represents where an investment has been written down to a zero value due to poor performance.
- *Forecast vesting data:* represents the probability of performance tranche classes vesting into ordinary shares. The probability of vesting is dependent on the recurring service revenue of the Linewize Companies or their services globally.

Where appropriate, multiples have been adjusted to reflect the assessed permanent impact on investments from the COVID-19 pandemic. These adjustments range from 0.7x to 1.5x (2019: n/a).

Where appropriate, equity valuations for investments have been adjusted to reflect the assessed temporary impact from the COVID-19 pandemic. These adjustments reflect the assessed net cash flow impact of the pandemic and range from a value deduction of $600,000 to a nil adjustment (2019: n/a).

4.4 Sensitivity of fair value measurement to changes in unobservable inputs

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level three, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on total equity.

	Favourable $'000	(Unfavourable) $'000
2020		
Investments	63,720	46,270
2019		
Investments	51,370	40,970

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 2020	1.0 - 13.1	1.2 - 15.7	0.8 - 10.5
31 March 2019	0.5 - 4.6	0.7 - 5.5	0.4 - 3.7
EBITDA multiples used in valuations at:			
31 March 2020	4.8 - 7.3	5.8 - 8.8	3.8 - 5.9
31 March 2019	10.4 - 10.4	12.4 - 12.4	8.3 - 8.3

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

4.5 Reconciliation of level 3 fair value measurements

The following table shows a reconciliation from opening to closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Year ended 31/03/2020 $'000	Year ended 31/03/2019 $'000
Unlisted equity investments		
Balance at beginning of year	46,170	34,160
Purchases - cash	4,174	4,495
Disposals - cash	(282)	(1,110)
Purchases - issue of shares	-	1,510
Change in fair value of investments	4,958	7,115
Balance at end of year	55,020	46,170

Included within the change in fair value of investments in the table above is $4.958 million (2019: gain of $7.005 million) of unrealised gains in relation to investments still held at balance date.

5 Income taxes

5.1 Income tax recognised in profit or loss	Year ended 31/03/2020 $'000	Year ended 31/03/2019 $'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 31/03/2020 $'000	Year ended 31/03/2019 $'000
Profit before tax from continuing operations	3,699	5,005
Income tax (benefit)/expense calculated at 28%	1,036	1,401
Effect of income that is exempt from taxation	(1,388)	(1,992)
Effect of non-deductible expenses	(6)	261
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	340	309
Others (imputation credits gross up)	18	21
Income tax expense recognised in profit or loss	-	-

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

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

	31/03/2020 $'000	31/03/2019 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
- tax losses (including imputation credits converted to losses)	1,162	755
- deductible temporary differences	240	242
	1,402	997

6 Issued capital

	31/03/2020 $'000	31/03/2019 $'000
Issued capital comprises:		
2,351,822 fully paid ordinary shares (31 March 2019: 1,943,651)	37,797	30,736
	37,797	30,736

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2020 were $0.218 million (2019: $0.138 million)

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2019	1,944	30,736
Shares issued during the year	408	7,061
Balance at 31 March 2020	2,352	37,797
Balance at 1 April 2018	1,656	24,770
Shares issued during the year	288	5,966
Balance at 31 March 2019	1,944	30,736

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 2020, there are no unpaid shares on issue (31 March 2019: None) and no unpaid options (31 March 2019:

6.2 Share based payment reserve

	31/03/2020 $'000	31/03/2019 $'000
Balance at beginning of year	2,227	1,295
Arising on share-based payments (performance fee)	(22)	932
Balance at end of year	2,205	2,227

The share based payment reserves relates to the portion of the Manager's performance fee that is settled through the issue of shares rather than cash. More detail on performance fees is provided in note 8.1.4.

6.3 Retained earnings

	31/03/2020 $'000	31/03/2019 $'000
Balance at beginning of year	13,337	8,332
Profit attributable to owners of the Company	3,699	5,005
Balance at end of year	17,036	13,337

7 Financial instruments

7.1 Categories of financial instruments

	31/03/2020 $'000	31/03/2019 $'000
Financial assets		
Fair Value Through Profit or Loss		
Investments	55,020	46,170
At amortised cost		
Cash and cash equivalents	2,903	1,032
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	857	866
Accounts payable	81	106

8 Related party transactions - Remuneration of the Manager

8.1 Remuneration of the Manager

LWCM Limited (LWCM) is the Manager of the Fund. Details of the remuneration of the Manager are provided below:

8.1.1 Management fees

The Manager is entitled to an annual management fee of 2% of the Net Asset Value (NAV) of the Fund up to $50 million and 1.5% thereafter. The management fee is calculated and paid quarterly in advance. During the year ended 31 March 2020 the management fee paid was $0.991 million (2019: $0.810 million).

8.1.2 Administration fees

During the year ended 31 March 2020, the Company agreed to pay the Manager an administration fee for services provided by the Manager but which has previously not been charged. The administration fee is fixed annually by the Board and paid quarterly in advance. In addition, the Company agreed to pay a lump sum amount to the Manager for administration services previously provided at no charge for the years to 31 March 2019. Total administration fees expensed in the year ended 31 March 2020, were $0.271 million with $0.090 million being in relation to the lump sum payment and $0.181 million in relation to services rendered in the year ended 31 March 2020.

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 2020 an equity raising fee of $0.218 million was paid (2019: $0.138 million). No amounts were outstanding at balance date (2019: Nil).

8.1.4 Performance fee

On the occurrence of a Liquidity Event (as defined in the management agreement, but principally on Initial Public Offering (IPO) on a recognised exchange), the Manager receives a performance fee equal to 20% of the return over the subscription price of each Share Tranche provided the relevant Share Tranche has exceeded an annualised 10% return as at the date of the Liquidity Event (e.g. IPO). The performance fee, if payable at the Liquidity Event, would be settled 72% through the issue of ordinary shares and 28% in cash based on the current corporation tax rate in New Zealand. During the year ended 31 March 2020, a gain of $0.031 million (2019: loss of $1.294 million) has been recognised in profit or loss. Of this gain, $0.009 million was recognised as a decrease in the performance fee liability of $0.857 million (2019: $0.866 million) in relation to the cash settled portion of the performance fee and $0.022 million was recognised as a decrease as part of the share based payment reserve of $2.205 million (2019: $2.227 million) in relation to the equity settled element of the performance fee.

The Company has control over the timing of a Liquidity Event and does not expect one within 12 months of balance date, therefore the liability has been recorded as non-current.

8.2 Other related party transactions

8.2.1 Directors beneficial interests in the Company

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

	31/03/2020	31/03/2019
Lance Wiggs[1]	69,000	63,500
Michael Bennetts	56,571	49,500
John Berry	11,037	9,658
Blake Richardson	63,924	37,000
Amanda Simpson[3]	7,850	6,600
Chris Humphreys[1,2]	366	286
LWCM	214	114

[1] Lance Wiggs and Chris Humphreys both have a beneficial interest in 214 Punakaiki Fund Limited Shares held in the legal name of LWCM Limited.

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

[3] Amanda Simpson ceased to be a director of the company as at 31 March 2020.

8.2.2 Directors' fees

Director fees paid by the Company during the year have been disclosed on page 24 of the Annual Report. PAYE of Directors' fees of $11,550 remains payable at year-end.

9 Audit fees

	31/03/2020 $'000	31/03/2019 $'000
Audit of financial statements (Ernst & Young)	46	45
Other services (audit of share register - Ernst & Young)	3	3
Other services (AML audit - Strategi)	2	-
Total audit fees	51	48

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

	31/03/2020 $'000	31/03/2019 $'000
Profit for the year	3,699	5,005
Adjustments for:		
Change in fair value of investments	(4,958)	(7,115)
Accrued performance fees	(31)	1,294
	(1,290)	(816)
Movements in working capital:		
(Decrease)/Increase in trade and other payables	(25)	55
Decrease/(Increase) in prepayments	(7)	3
Decrease/(Increase) in trade and other receivables	(3)	(7)
Decrease/(Increase) in withholding tax receivable	27	(8)
Net cash used in operating activities	(1,298)	(773)

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:

	31/03/2020 $'000	31/03/2019 $'000
Cash on hand and demand deposits	2,903	1,032
Total cash and cash equivalents	2,903	1,032

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.

12.1 Market risk (continued)

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

The investments in Devoli Limited and Melon Health Limited are individually more than 10% but individually less then 30% of total investments at balance date.

The Company has no significant interest or currency risk.

Sensitivity analysis
If the value of the Company's investments weakened by 30%, holding all other variables constant, profit and equity would be $16.51m lower. If the value of the Company's investments strengthened by 30%, holding all other variables constant, profit and equity would be $16.51m 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. Our current expectation is additional investments will be funded through existing cash reserves or further equity raising.

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

13 Subsequent events

Subsequent to the balance date, Punakaiki Fund Limited has made new investments in Mobi2Go Limited shares, Core Schedule NZ Limited shares, Devoli Limited shares and RedSeed Limited shares.

Directory

Board of Directors of Punakaiki Fund Limited

Michael John Bennetts

John Charles Berry

Blake Thomson Richardson

Graeme Lance Turner Wiggs

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

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Auditor

Ernst & Young

2 Takutai Square

Britomart

Auckland 1010

Registrar

The Share Register is maintained by LWCM Limited

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2 Kitchener Street

Auckland 1010