PUNAKAIKI FUND LIMITED

Annual Report

For the year ended 31 March 2021

30 July 2021

Raised $2.4 million

- At an average of $25.76 per share
- Investor net asset value per share $27.35 at year end.

Invested $2.4 million

Main Investments

Core Schedule

Weirdly

Get Home Safe

Mobi2Go

Realised $0.934 million **(including dividends)**

$73.3 million

in Total Assets

$14.4 million

change in fair value of investments

$1.4 million

net cash used in operating activities (1.9% of year-end assets)

$9.7 million

Profit After Tax

Four Exits

- **Mindfull Limited** – assets sold to Fusion 5
- **EveredgeIP Group** –shares sold, debt held
- **Vend – company sold**, closed after year-end
- **Timely – company sold**, signed after year-end

21.8% IRR

Annualised increase in unrealised and realised portfolio company value since inception

(Up 109% on initial investment value)

$163 million

Estimated, and unverified FY2021 revenue from all companies

Table of Contents

Chair's Report

Kia ora tātou

While venture capital investing has an exciting reputation, when well executed it's a long-term buy and hold process, punctuated by moments of rapid change.

In FY2021 we certainly saw rapid change.

While COVID-19 wasn't the change anyone was anticipating, we saw how technology firms, even those exposed to the retail sector, exhibited strong resilience to market conditions.

As the year concluded, we learned about two major exits, Timely and Vend, companies that we invested into back in 2014 and 2015. These delivered substantial results for the founders and all investors, including Punakaiki Fund.

Our year-end valuations reflect these two exits, and the portfolio was revalued upwards by $14.4 million, our best ever result. We now have $73.3 million of assets, rising from $58.0 million a year ago, including the $2.4 million raised from investors.

So it was pleasing, in what we initially thought would be a challenging year, to see the investor net asset value per share rise to $27.35, up from $23.31 a year earlier.

Valuation Rigor

We performed our usual rigorous valuation and audit this year, including commissioning an external valuation for our biggest holding, Devoli. For all companies we focused on ensuring that the impacts of COVID-19 did not undermine the integrity of our systematic revenue, growth and EBITDA valuation methodology.

We continue to see that we have a high-quality investment portfolio, which we report on in detail in this report.

Path to IPO

We are proud to be the only local venture capital investor offering access to retail as well as wholesale and institutional investors. We operate in a very open manner, publishing on our website not just our results, but even the policies that guide our governance, approaches to investment, valuation, diversity and much more.

We still aspire to bring Punakaiki Fund to a wider range of investors through a listing on a public stock exchange, such as the NZX. The Board continues to believe that we will need total assets, after an IPO, of at least $100 million, if not more. While we are not there yet, we are starting to see early interest from listed market participants, helped along by the high profile exits both inside and outside Punakaiki Fund's portfolio.

We will continue to keep investors well informed about any potential plans for listing, and to ask for your opinions before making any commitments.

Governance

Punakaiki Fund has the team of investment professionals at LWCM supporting new and existing investments. That team is constantly learning, and also steadily increasing in size.

Your Board is evolving too, with Teressa Betty joining us as the first independent non-shareholder director , and John Berry standing down early in 2021. We have an active search underway for new directors, enabling the Board to be ready for a potential public listing. To facilitate this, we will present a proposal to increase the overall director compensation at the Annual Shareholders' Meeting in September.

Our thanks to you for your support of Punakaiki Fund.

Mike Bennetts

Manager's Report

Kia ora tātou

Clearly the news of the year was the exits of Vend and, announced after the year-end, Timely.

But the bigger event was of course the COVID-19 pandemic. We are deeply impressed, again, with the manner in which our founders and their management teams and staff responded during the peak of the pandemic, as well as the time afterwards.

Coping Well with the Pandemic

Almost every company was affected by the global pandemic, with impacts split between extraordinarily positive, negative and relatively neutral.

The performance of restaurant ordering specialist Mobi2Go stands out – they reported that their annualised revenue more than tripled due to the restaurant industry's response to the pandemic. We have supported Mobi2Go since our initial investment in October 2015, with follow-on investments in most years since then. We were delighted to be able to support a $10 million round recently, investing $1.25 million.

We also saw strong performance from Onceit, who delivered two tremendous months during the first New Zealand lockdown, and exceeded that performance during the Christmas seasonal period.

Melon Health also showed strong revenue growth, landing a government contract to help people deal with anxiety related to COVID-19. They helped thousands of people through the stressful pandemic period, and we heard first-hand accounts of how Melon's platform helped people lessen anxiety and maintain their own mental health.

The pandemic is not over of course, and some scientists are saying it never will be. Many other countries are searching for a new normal, a chance to live, or die, with the deadly virus. Here in New Zealand our founders and staff are safe, and able to focus on growing their respective businesses without fear for their families. That's re-emphasised New Zealand's strength – we live in a place where it is easy to start and grow businesses, at least to a certain level.

Strong Financial Results

Once again, our investor net asset value per share rose, this year from $23.31 to $27.35. Total assets rose from $58.0 million to $73.3 million, and profit increased from $3.7 million to $9.7 million.

Our annualised internal rate of return since inception from our investment portfolio (before operating costs and provision for performance fees) was 21.8%.

We are happy with these results, and yet still see that it is early in the growth journey for many of our investments.

Two Major Exits

In late March, retail point of sale company Vend announced its sale to Lightspeed. This was followed by salon software provider Timely announcing its sale to EverCommerce in May.

We are delighted for Vaughan, Mel, Ryan, Andrew and Will, and the many staff from both companies who also benefited from these transactions. Our congratulations to everyone involved.

Both companies built substantial success based on delivering high quality products and service, placing customers and end-users at the centre of their journey. They each built a business that enabled tens of thousands of other businesses. The companies created hundreds of high paying jobs, and of course generated excellent returns for their investors.

Vend was sold to Lightspeed (NYSE:LSPD) in March 2021 for US$350 million. The transaction resulted in Punakaiki Fund receiving $5.79 million in cash, including the proceeds of the first tranche of Lightspeed shares that we sold. We still hold 31,293 Lightspeed shares, which, at the closing price of US$85.33 on 30 June 2021 represented an additional NZ$3.82 million. Together with a small escrowed amount, this totals $9.8 million, and is higher than our earlier estimates due to increases in Lightspeed's share price. Our remaining shares are unable to be sold until mid-October 2021, and in the meantime, we are exposed to any changes in both the share price and the exchange rate.

Timely was acquired by EverCommerce (Nasdaq:EVCM), with the announcement in May 2021 and deal completion in July 2020. Between the public announcement and the deal completion, EverCommerce itself filed for Initial Public Offering then successfully listed on the Nasdaq in early July 2021. The final prospectus revealed that "*the aggregate purchase consideration related to the acquisition is expected to be approximately [US]$95 million*."

Punakaiki Fund received $4.57 million from the Timely sale in early July, with certain further payments held in escrow. This initial payment alone represents over 32% annualised return from our original investment in 2014.

Two Smaller Exits

Vend and Timely were the headlines, but we also sold our investments in two other companies in FY2021. We sold our EverEdgeIP Global shares, and now hold debt in the company. All of the parties involved recognised that EverEdge was better off if Punakaiki Fund's shares were in the hands of Singaporean investors and management.

We also saw the sale of the assets of Mindfull Limited, a subsidiary of Mindfull Group, to a local owner, Fusion 5, who once again was better suited to take the company forward. We still retain our shares in Mindfull Group, which in turn owns QubeDocs, a SaaS company that is expanding well. Founders Belinda and Richard Johnson have now moved to Hawaii to drive the QubeDocs business, which is predominantly focused on the US market.

Each of these two investments was already tracking, to some extent, to sell before the pandemic, and each at potentially substantially better prices. In the end we operated in the best interests of all parties, including our Punakaiki Fund shareholders, and the transactions were completed.

Two Investments in New Companies

The proceeds from the exits of EverEdge and Mindfull, along with other funds we held, were used to finance two new investments. The first was Core Schedule, a provider of scheduling systems for hospital departments, which we completed in June 2020.

The second was Get Home Safe, a company providing remote workers welfare management and journey planning, which we completed in December 2020. These companies are at earlier stages of growth, and we look forward to re-investing into them, and other portfolio companies, as they grow.

Several Other Investments

Punakaiki Fund was also part of a $10 million round for Mobi2Go, both before and after the year-end, and closed out the final tranches of our investment in Devoli during the financial year.

We also made smaller investments into RedSeed and Weirdly during the year, with another investment in Weirdly after the year-end.

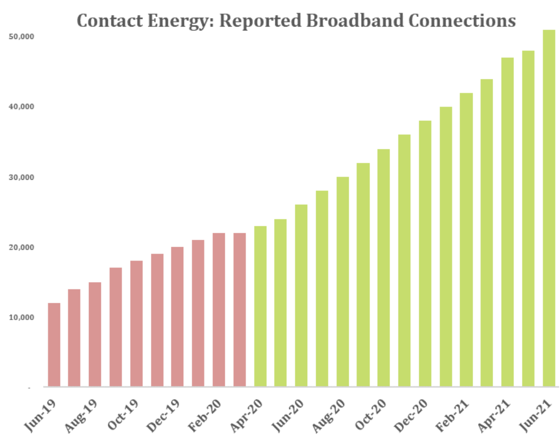
Quantifi's $15 million Round

In June and July 2021 we were very happy to lead a $15 million investment round into Quantifi Photonics, using some of the proceeds from the Vend sale. The co-investors included three new investors to the sector – Simplicity, who started their direct private equity investing with this investment; Pacific Channel, a new venture capital fund that has New Zealand government co-investment; and Nuance Connected Capital, another new local venture capital fund. We are thrilled to have their support for the investment. The round was much larger than we initially thought we would be able to achieve, even a few months ago, reflecting maturation of the venture capital market in New Zealand.

Devoli Highlights

Devoli is our largest investment holding, representing between 20% and 25% of the portfolio value at year-end, rising to over 25% after accounting for the sale of Vend and Timely, as well as recent investments. The company had a superb financial year, as it delivered on its new contract as Contact Energy's broadband supplier. This key contract took a while to be finalised and then executed, but by the end of November 2020 the transition of existing broadband accounts from Vocus to Devoli was largely complete.

The results for Contact Energy have been spectacular, with increased efficiency for customer service staff, and far more rapid growth. Contact Energy reported 51,000 connections as at 30 June 2021, adding a net 25,000 connections over the previous year. The chart below shows how the growth rate changed when Devoli, in green, took over provisioning new customers early in the financial year, followed by all customers after September 2020.



There was some uncertainty in the energy market when the only other major electricity company providing broadband, Trustpower, offered up its retail arm, including its broadband offering, for sale. The sale process was won by Mercury Energy, and is expected to close later this year.

Meanwhile it is increasingly clear that all electricity retailers are seeing broadband as a necessary future addition to their customer facing products, and Devoli is the only credible independent supplier for those services.

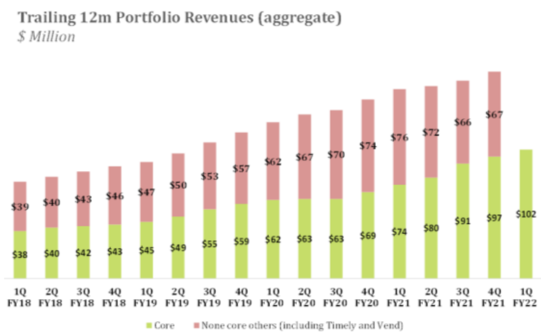
The one competitor, Vocus, also has its own retail internet service brands, so in essence competes with its own wholesale partners.

The market saw additional uncertainty this year when Vocus New Zealand was slated to IPO. This didn't proceed as its parent was subject to a takeover offer. That takeover process is almost completed, and we may yet see Vocus New Zealand listed on the NZX.

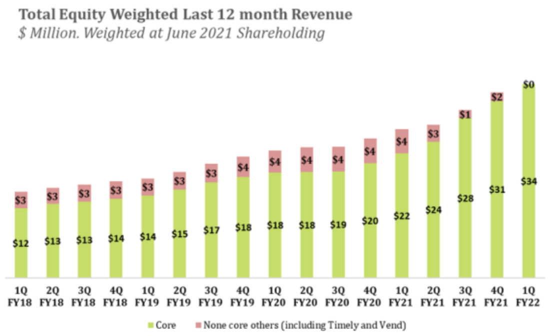
Meanwhile, as noted above, Devoli and Contact Energy have continued to grow the number of broadband connections.

Aggregated Portfolio Company Revenue

With the departure of Mindfull Limited, Everedge, Timely, and Vend, our last twelve months revenue chart has lost a substantial amount of revenue – down to $102 million in the twelve months to the end of June 2021. The revised chart, below, shows a steeper growth curve than the previous chart, and is dominated by the revenue from Devoli and Onceit.



The equity weighted revenue chart also shows a slightly steeper curve, but we did hold very small shares in Timely and Vend, so it is less apparent.



Portfolio Exposure by Company Size

The sale of Vend and Timely does alter the look of our investment portfolio. We have significantly lowered our exposure to the retail sector, and lowered the average and total revenue from the portfolio companies.

The core portfolio is now focused on 13 companies, with Devoli, Onceit and Mobi2Go representing over half of the investment assets (excluding cash and pending proceeds from the Vend and Timely exits).

In this report we have focused on those larger companies, as well as Vend and Timely.

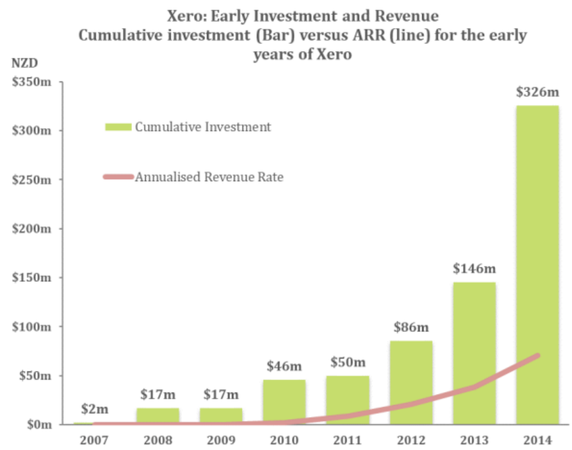
Commentary: Crossing the finance chasm

When growth businesses reach around $20-$100 million in revenue we have observed that they can hit a transition point. Such companies are embarking on their first steps towards becoming a multinational corporation, rather than a New Zealand corporation with offshore markets. To maintain growth rates, the companies require major offices offshore, very senior (and highly paid) leadership, and they need to add hundreds and eventually even thousands of staff each year.

These are all solvable issues, but they require very large amounts of capital. It's also very hard work for the founders, and they need very senior management teams with enterprise experience and discipline to take on the operational burdens.

Xero succeeded in bridging this gap, raising considerable amounts of capital. Before Xero had reached $20 million in recurring revenue, the company had raised a cumulative total of over $85 million. That was in 2012, and the company went on to raise another $60 million in 2013 and $180 million in 2014. Eventually, after other funding rounds, Xero exceeded a valuation of $20 billion.

Xero managed this funding effort through first listing on New Zealand's local stock exchange, and then raising investments from a series of ever larger international investors.



New Zealand's recent exits, including Vend and Timely, but also EzyVet and Unleashed, amongst others, were trade sales, where the companies chose to sell to a much larger offshore counterpart, rather than continuing to invest in growth. This was generally not a choice. While there may have been offers to invest to continue growth at pace, we suspect there were no offers to invest the $60 million or even $180 million needed to properly accelerate growth.

The local stock market does not yet present compelling options for founders and investors to ensure they can continuously raise these amounts of funds year after year. There has been some success on the ASX in Australia, but that doesn't solve the asset allocation issue here in New Zealand.

At Punakaiki Fund we do celebrate the exits, but we also seek to do what we can to help solve the larger funding issues, and the best way to do that is by showing results. Paradoxically, the recent exits have certainly helped, and our conversations with listed equity investors have become a lot more tangible. We have also seen a number of new venture capital funds emerge over the last few months.

But there is still a long way to go, and the only way to attract large amounts of capital to venture investing is to continue to show a track record of results for the ecosystem.

The Rising Pressure for Exits

In our business we often have one or more companies subject to potential offers to be acquired. We tend not to get too energised about these as they almost always fail to conclude.

But as Punakaiki Fund itself ages, so too do the companies we have invested in. We invested in Timely in 2014, and Vend, Everedge and Mindfull in 2015, and they all sold within the last 12 months.

Our original investments in Devoli and Onceit date from 2014 and 2015, and they are substantial businesses today, each with over $30 million in revenue. The remaining companies are earlier in their growth, and in general growing well, with three reporting $5-10 million in revenue.

As time goes by we expect the companies will continue to entertain offers to be acquired, and where we can we will balance the short-term needs of founders and other investors against the long-term net present value we see for Punakaiki Fund. We do appreciate that investors and potential investors like the excitement of an exit, but as always our preference is to be long-term holders so we can earn far larger returns for investors.

So we have some work on our hands – to try to help companies access large pools of capital in New Zealand and offshore, to continue to drive the value of every company up to help founders create multi-billion dollar businesses, and to constantly look for and invest in new businesses, while always focussing on growing value for our investors.

All that from a fund that has raised only $41 million so far, and in an investment market where investor appetite for relatively small, high-growth companies is very low. I've said before this is a long journey, but we feel we are well on the way, and also that our impact on the industry is far larger than our size.

Expanded Team at LWCM

As Punakaiki Fund grows, so too has our team. Our Investment Director Nadine Hill leads the investment team, and has also taken on directorships at Melon Health, Get Home Safe, and Core Schedule.

Lance Wiggs has resigned, meanwhile, from the Boards of Melon Health (after the year-end) and EverEdge.

Our Investment Analyst Anum Malik recently departed on maternity leave, and was a bedrock in creating and tracking financial models and business cases for prospective and existing portfolio companies. We've very recently welcomed Anahita Haridasani to the team as Anum's maternity cover, adding to our sub-continent contingent. In 2020 we also welcomed Vincent Heeringa to the team, and he has been responsible for the uptick in the quality of our communications. However, for this report we can credit not just Finance Manager Yvonne Gao, but also Andy Magness, who has transitioned from the outdoor tourism industry in Te Anau to venture capital.

Governance

We upgraded our socially responsible investment policy and a number of other Punakaiki Fund policies through the year, steadily increasing our mandate and operating discipline. We have placed most of our policies on our website, and even encouraged other funds to copy them.

We are also continuously expanding and improving the internal policies and procedures at the manager, LWCM. By continually reviewing and enhancing our policy suite and associated governance, we are enabling both Punakaiki and LWCM to operate in a robust and transparent way, meeting our obligations to our shareholders, our regulators, other stakeholders, and the market more generally.

Summary

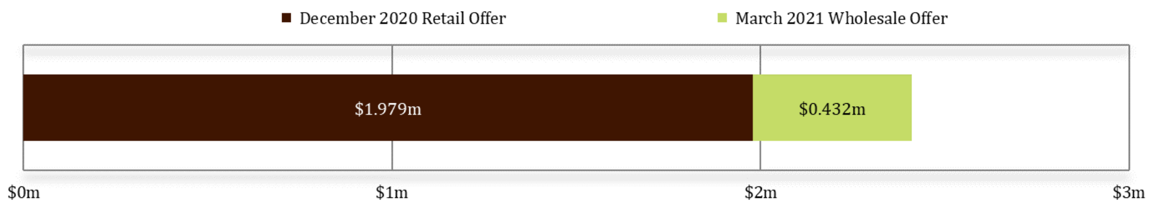
The year marked an important step in our journey, showing both resilience and performance from the investment portfolio.

We could not be here without your support, many of you from the very earliest days. Your investments are helping to grow New Zealand companies with lasting economic and social value, and we thank you for that.

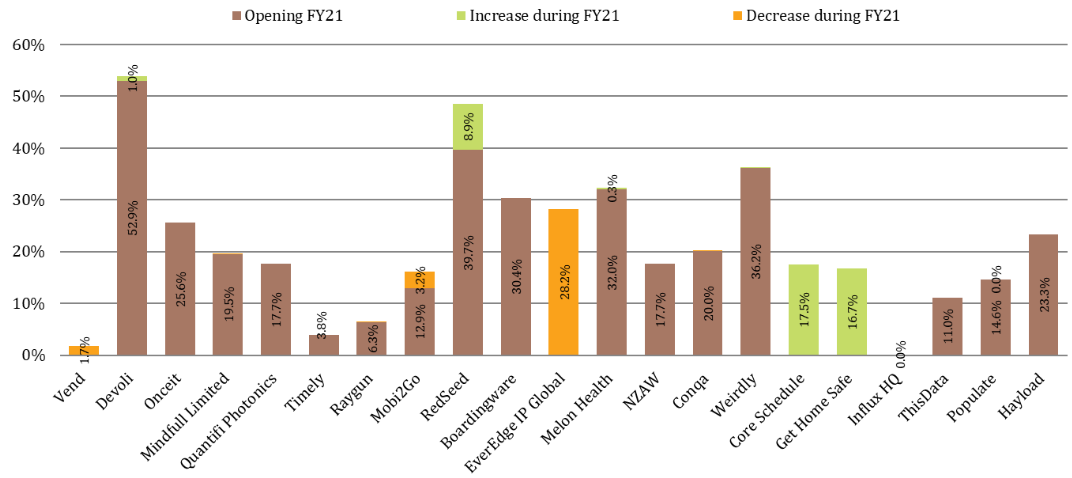
Lance Wiggs

Highlights - The Year to March 2021

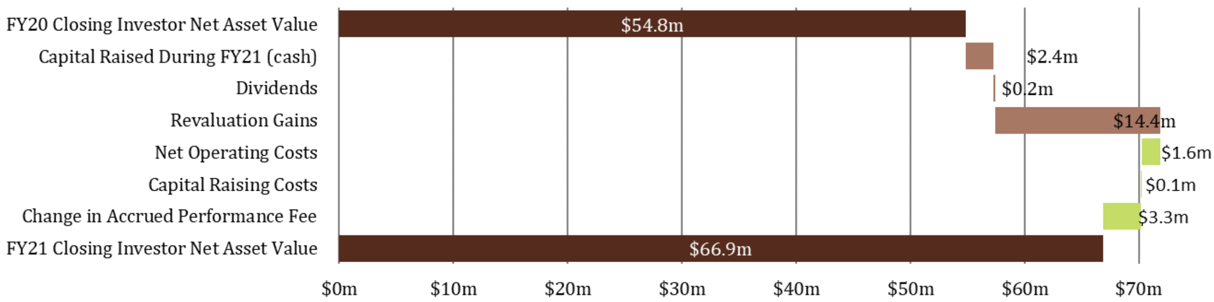
Raised $2.4 million



Invested $2.4 million

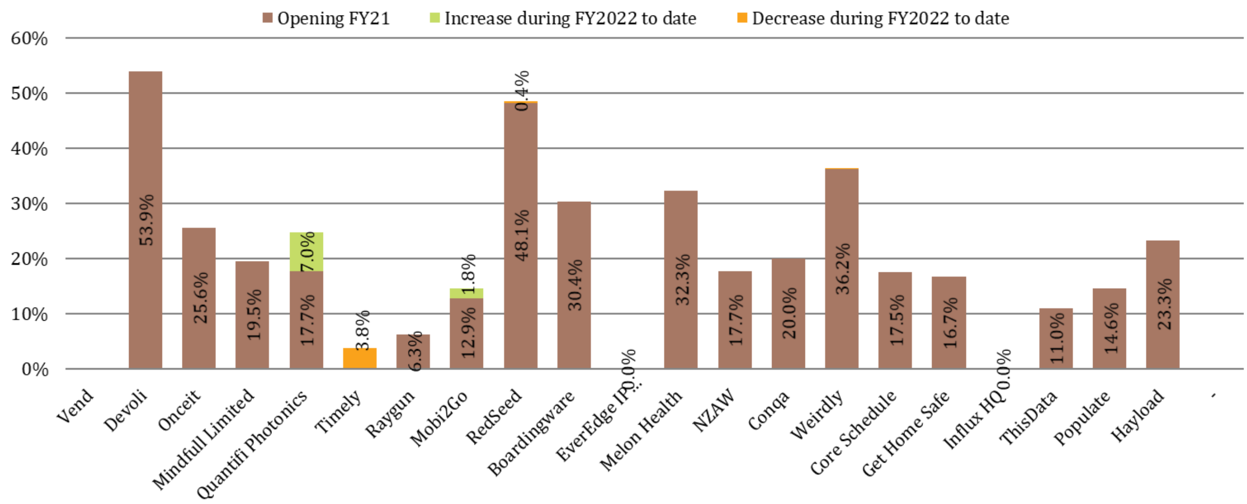


Booked a Revaluation Gain of $14.4 million

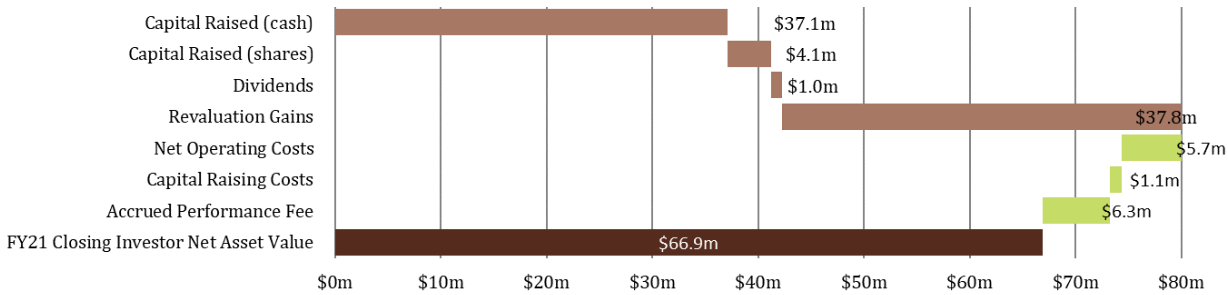


Highlights – Since Starting

Since March 2021 - Invested another $6.4 million



Between April 2014 and March 2021



As at 31 March 2021, Punakaiki Fund had:

943 Shareholders

and

Investments in 21 Companies, of which 13 are active "core companies" and 2 more major exits pending,

and made over

115 Separate Investment Tranches

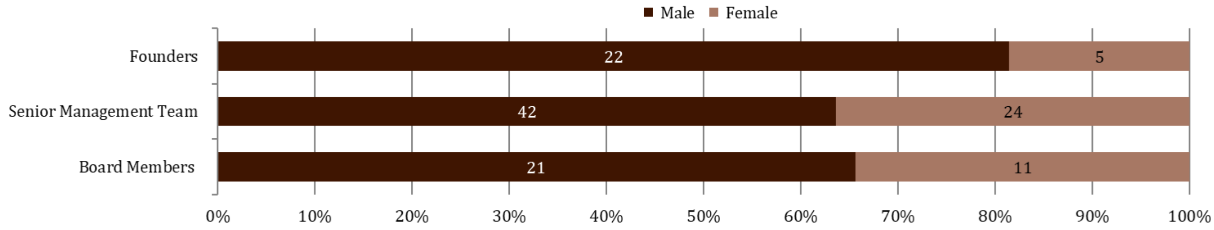
and now has an

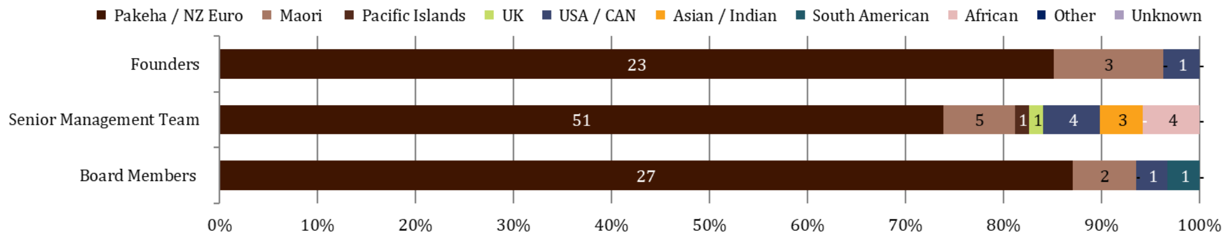
Average Shareholding Value of Over $4.74 million per Core Company, and after Vend and Timely's exists, the Average Shareholding Value increased to $5.47 million per Active Core Company

Diversity Report

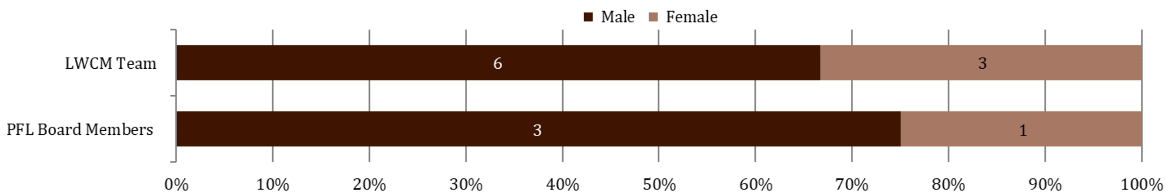
Here is a diversity snapshot at the financial year-end.

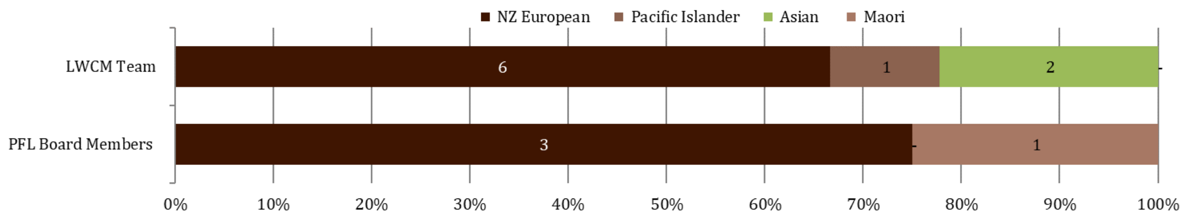
Within Punakaiki Fund Limited's portfolio companies:





And within Punakaiki Fund itself:





FY2021 Timeline

Investments		Corporate
	February 2020	
	March 2020	
Weirdly Redseed	April 2020	Anti-money Laundering Audit Amanda Simpson Resigned as Director
Mobi2Go	May 2020	
	June 2020	Financial Audit
Core Schedule Redseed Devoli	July 2020	
	August 2020	2020 Annual Report Released
EverEdge (divestment)	September 2020	Teressa Betty Appointed as Director Annual Shareholder's Meeting
	October 2020	John Berry Reappointed as Director Lance Wiggs Reappointed as Director
	November 2020	
Weirdly Get Home Safe	December 2020	Share Offer - Raised $1.979m
	January 2021	
	February 2021	John Berry Resigned as Director
Mindfull (divestment) Vend (divestment)	March 2021	
	April 2021	Share Offer - Raised $0.432m
	May 2021	Share Offer – Raised $0.169m
Mobi2Go Quantifi Photonics Timely (divestment)	June 2021	Financial Audit

Investments

vend

Shareholding: **1.9%***

First Investment: **Aug 2015**

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

EXIT

"Having fun as you go is important, and celebrating the wins as much so. But at the same time you need to be great at what you do, or it's just fun and cakes."
Vaughan Fergusson, Founder.

Vend's Venders sporting new digs

The big news is, well, big. Big for Vend, its founder Vaughan Fergusson (formerly Vaughan Roswell) and his family, big for the employee-shareholders, big for the large number of investors (including Punakaiki Fund) that backed Vend over the years, and big for New Zealand.

Vend's sale to Canada's Lightspeed in March for US$350 million (~NZD$500 million) made national news as one of the largest tech exits of the year (second only to Christchurch-based Seequent). The sale price necessitated a revision upward of our valuation of Vend by over 2.7 times and, as we write this, is showing an estimated $9.7 million in returns (between cash and our remaining Lightspeed shares).

Vaughan started Vend in 2010 with an intention to help retailers around the world grow their businesses. In doing so, he managed to grow his own business as well, and at a blistering pace. Their initial product offering of point-of-sale software expanded to include e-commerce functionalities, allowing small and medium-sized retailers to add online sales to existing brick and mortar ones. In just over 10 years Vend developed relationships with customers in 130 countries and opened offices in eight locations around the world.

Vend's Vaughan Fergusson, dreaming big

More important than the growth itself, however, is what and how Vend grew. Vend is, to put it simply, an example of what it looks like when you get it right. Vaughan and his team not only imagined, designed and developed a product that seriously improved the lives of their customers, but did so while simultaneously imagining, designing and developing a company culture that added value to the lives of the Venders (the name given to Vend's employees) themselves.

In hindsight, however, this should be no surprise. Vaughan's dedication to hard, meaningful work, his willingness to innovate at the risk of failure, his passion for philanthropy, and his compassion for his team are qualities that make leaders great and entrepreneurs successful. Vaughn and his Venders should be proud of their accomplishments. We certainly are.

Vend's acquisition by Lightspeed represents Punakaiki Fund's largest exit since the fund was founded back in 2014.

So what's next? Vend itself will stay in New Zealand and carry on doing what it does, adding value to small and medium-sized retailers and e-commerce providers around the world, only now as part of Lightspeed. As for Vaughan? There's the Pam Fergusson Charitable Trust, founded by Vaughan and his partner Zoe Timbrell in 2014, aimed at inspiring and teaching kids from all backgrounds about technology. Or maybe Vaughan's next bike challenge (like his traverse of the Southern Hemisphere over 60 days in 2017) will span seasons rather than weeks. Or perhaps there's some other project—some entrepreneurial itch that needs scratching—that will blossom, with all likelihood, into another unequivocal success with Vaughan at the helm. Whatever is in the works, we're sure it'll be an adventure, and we're sure it'll be awesome.

Company highlights over the years include:

- 2011 NZ Innovators Awards—ICT category and Supreme Award
- 2014 NZ Hi-Tech Awards—IBM Hi-Tech Exporter of the Year (under $5 million revenue) and Cisco Hi-Tech Emerging Company of the Year categories
- 2014 Gold Stevie Award for Vend's homepage video (American Business Awards)
- 2014 Monocle Magazines's Top 25 in Retail
- 2015 Gold Stevie Award for Customer Service (American Business Awards)
- 2015 Silver Stevie Award for Vend's video with TopShelf Style (American Business Awards)
- 2015 Deloitte NZ Fast50—7th fastest growing company in NZ
- 2015 Industry Specific App of the Year - Xero UK
- 2016 Deloitte NZ Fast50—38th fastest growing company in NZ
- 2016 TIN100 Hot Emerging Companies New Zealand (2nd)
- 2017 Vend named as the best all-in-one POS system for small businesses by Business News Daily
- 2019 Newsweek Best Business Tools - POS

One more for the mantlepiece! Vend's won many awards over the last decade

Punakaiki Fund's initial investment in Vend took place in 2015, relatively late in Vend's Journey. Total investments, including shares purchased from existing investors in September 2019, amounted to $2.8 million and a shareholding, before dilution from employee incentive plans, of 1.9%.

www.vendhq.com

** Excludes the dilutionary impact of employee options and is prior to the sale of Punakaiki Fund's shareholding.*

timely

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.

EXIT

“You guys are like one giant heart, disguised as a tech company!”
Megan Panozzo, Timely customer

Not long after the close of the 2021 financial year, it was announced that EverCommerce, a leading service commerce platform focusing on solutions for small and medium-sized businesses in the fitness and wellness industries, would acquire Timely. A prospectus issued by EverCommerce on 30 June 2021 stated “*the aggregate purchase consideration related to the acquisition is expected to be approximately [US]$95 million*.”

Ryan Baker, co-founder of Timely

The initial $4.57 million from the Timely sale was received by Punakaiki Fund in early July, with a relatively small additional amount held in escrow. This initial payment represents a 32% annualised return from our original investment in 2014.

Timely, founded in 2011 by Ryan Baker, Andrew Schofield, and Will Berger has grown quicky from its humble beginnings a decade ago. It now employs over 125 staff between Australia, New Zealand, and the United Kingdom, and helps more than 50,000 clients in over 90 countries around the globe book over 30 million appointments a year.

Timely’s success hinges largely on its people and service-centred values, which Ryan reiterated on the company’s blog when Timely announced the EverCommerce deal to their customers:

- We build technology that supports your success
- We are your advocates
- We help connect you all to each other

These values were exemplified during the Pandemic, when 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. 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 helped fuel a big increase in demand from new customers, despite the resulting global financial slowdown.

Mary Haddock-Staniland, Timely's Chief People Inclusion Officer

Timely also led the way in terms of workplace diversity by hiring a People Inclusion Officer, Mary Haddock-Staniland, in November of 2020. Believed to be the first role of its kind at an executive level in New Zealand, the move sent a strong message to other businesses across the county. It was an important step along the path to develop a company culture that not only allows for employees to ‘bring their whole self to work’, but thrive as a result. In Mary’s own words, “Diversity and inclusion in the workplace is a journey that never ends, but the most important thing is to start”.

While we remain constrained in what we can share about the Timely sale, we can share that nearly all Timely's current (and some former) employees, were beneficiaries thanks to a generous employee scheme.

Timely's operations are expected to continue more or less normally in the wake of the sale. With EverCommerce's US$3.3 billion market capitalisation behind them, however, the company should be able to "scale bigger and move faster," adding benefit for Timely's current and future customers.

Company Highlights over the years include:

- 2013 Winner—Webstock BNZ Start-up Alley
- 2013 Finalist—PwC Hi-Tech Awards, Pre-Commercialisation Category
- 2014 Winner—OBIZ Awards, Emerging Business Awards
- 2014 Finalist—PwC Hi-Tech Awards, Start-up Company Category
- 2014 Highly Commended—PwC Hi-Tech Awards, Start-up Company Category
- 2015 Finalist—PwC Hi-Tech Awards, Start-up Company Category
- 2015 Finalist—Microsoft Partner Awards, Cloud Platform
- 2015 Finalist—Microsoft Partner Awards, Rising Star
- 2016 Winner—Microsoft Partner Awards, Rising Star
- 2016 Best Emerging Business—New Zealand International Business Awards
- 2016 Finalist—Microsoft Partner Awards, Cloud Platform
- 2016 Finalist—PwC Hi-Tech Awards, Innovative Hi-Tech Software Product
- 2017 Winner—Deloitte Fast 50 Regional Awards, Fastest Growing Technology Business
- 2017 Highly Commended—Innovation Awards, Export Innovator of the Year
- 2017 Winner—Hi-Tech Awards, Emerging Company of the Year
- 2018 Winner—Microsoft Partner Awards, Engaging Customers Award
- 2020 Winner—Stevie Award for Sales and Customer Service

Punakaiki Fund invested relatively early in Timely's journey, with a total amount invested of $0.65 million and ultimately a shareholding of 3.8%. The sale represents at least a 7.2x return on investment over seven years, or an annualised return of over 32%.

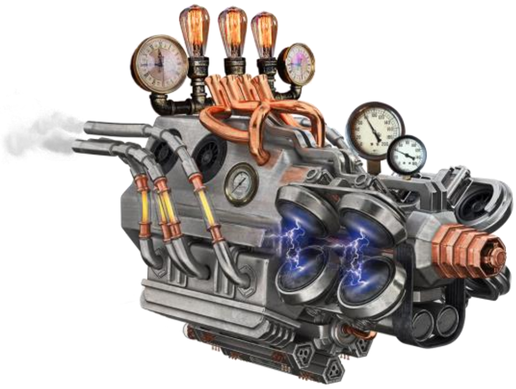
www.gettimely.com

devoli

Shareholding: **53.9%***

First Investment: **Jun 2014**

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



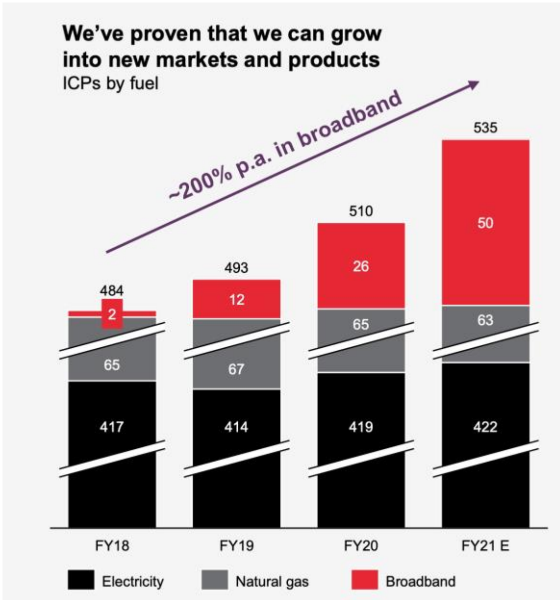
"We've managed to solve a challenging set of problems across diverse networks, and long distances, to provide a beautiful interface for our customers." Karl Rosnell, CEO Devoli

FY2021 was by all measures a breakout year for Devoli, with the company tripling its monthly revenue and proving to be a premium provider of wholesale telecommunications. This is fantastic news, particularly because Devoli is Punakaiki Fund's largest investment.

The story of this last year for Devoli is something of a rollercoaster, but one worth riding. The year began on a downhill trajectory due to the loss of Stuff Fibre as a customer, thanks to Stuff's purchase by Vocus. Stuff, which had won four Tuanz Broadband Compare Awards in previous years (when Devoli was their supplier), transitioned their customers to Vocus late in the 2020 calendar year. It could have been a bad blow, but Devoli took it in stride, as the company had already landed Contact Energy as a new key customer.

Using Devoli's virtual ISP system, Contact doubled their number of broadband customers between May 2020 and May 2021. As old customers were migrated to Devoli, and new customers continued to come on board, Contact also reported a 52% increase in broadband connections per full time employee, a key metric of efficiency, and attributed this change to Devoli. As for Devoli itself, the company's revenues were up nearly 50% year-on-year.

"These results really validate the Devoli model," says Rohan MacMahon, LWCM's telecommunications market expert and a Devoli director. It also points positively to the future. "If a high-quality broadband offering can play a key part in the revenue generation of an energy company like Contact, particularly in such an intensely competitive market, then we should expect to see more players coming to the virtual ISP table. Devoli has demonstrated their ability to onboard customers quickly, increase staff productivity, and provide award winning customer service, essentially positioning themselves as the premium player in the marketplace."



Contact Energy is committed to broadband driven growth

The Devoli ship underwent a few crew changes this year. Notably, founders Davey Goode and Barry Murphy stepped down as company executives. The pair created a great business and leave things now in the capable hands of the new chair, Brook Paterson and the rest of the board. New members of the executive team include Blair Woodbury, who replaces Grant Wakelin as CFO, Jan Behrens as CTO, and Ken Nicod as Director of Networks.

With the new team and governance, Karl Rosnell, Devoli's CEO, is working to expand into Australia and attract more clients, particularly in the virtual ISP market space which is becoming more active with many larger power and content companies looking to add broadband services to their offerings. Devoli is well positioned to take advantage of this trend and offers potential partners superior services and a fast rollout compared to their competitors.

Business highlights from FY2021 include:

- Launching the Contact Energy partnership, and helping Contact double its number of broadband customers in one year
- Welcoming Brook Paterson as the new chair of the Board, and Rohan MacMahon from LWCM as a new board member
- Posting strong revenue growth throughout the year
- Increasing its focus on enterprise clients and the virtual ISP market

Our early commitment to Devoli, along with on-going investment into Devoli shares and strong LWCM representation at the leadership level, are all factors in the companies continued success. The annualised growth of our investment value remains high.

www.devoli.com

**Excludes the dilutionary impact of employee options.*

Karl Rosnell, Devoli CEO

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.

"Have a resolute belief in your idea. If you don't no one else will." Jay Goodey

Founder Jay Goodey in the Onceit warehouse

Onceit had another great year in FY2021. After an initial downturn in sales due to March's lockdowns, the company quickly rebounded. Sales soared in April and May and the company established several records in terms of sales and revenue across multiple categories. Ultimately, the company benefited from COVID-19 and the uptick in online sales both during and after the associated lockdowns, along with many other companies in the online retail industry.

Although the pandemic may have been net positive for Onceit, it poses ongoing challenges. There have been meaningful changes to the demand and supply structure due to the disruption of global shipping channels. These headwinds will continue to be felt in the coming year as securing stock to meet customer demand remains difficult. While this problem is significant, Onceit is working to optimise their systems and aim to meet this issue head on. Key efforts include increasing the range and stock level of Onceit-branded merchandise and developing an Open-To-Buy model to improve stock level forecasting. These changes should help the company cope with the residual effects of the global shipping woes and maintain their upward growth trajectory.

Onceit also signed a supplier services agreement with Boston-based Mirakl, a company that "provides the technology and the partner ecosystem to launch an ecommerce marketplace." The implementation of this new platform is expected to dramatically improve Onceit's ability to increase sales through their Marketplace offering, and be fit for purpose to allow merchandising volumes to grow by an order of magnitude or more. The upgrade is progressing well, and the onboarding of new brands and merchants is well underway, with increased sales expected to hit the books in the latter part of the 2021 calendar year. Marketplace sales are at a small margin but also require little overhead and are easily scalable at low cost.

Business highlights from FY2021 include:

- Hitting its biggest ever sales month in May 2020, later exceeded by November 2020 monthly sales
- Achieving a new biggest sales week in November of 2020
- Recording a new single day sales record, also in November
- Implementing the new Marketplace platform which is expected to dramatically improve Onceit's ability to increase sales and drive growth

Onceit again paid dividends to its shareholders, including Punakaiki Fund, which has now received total dividends in excess of the amount we've invested in the company. This, along with strong company performance, contribute to a high annualised growth in Onceit's investment value.

www.onceit.co.nz

RAYGUN

Shareholding: **6.3%**

First Investment: **Apr 2014**

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


John-Daniel Trask, CEO and founder of Raygun

"It's been hugely rewarding to help grow the next generation to take on the world of software from right here in New Zealand. There's nothing we can't do."

John-Daniel Trask

Raygun spent much of the year doing what it does best - rolling out new and innovative products to detect, diagnose, and resolve errors quickly so that its clients can deliver flawless digital experiences to their customers. This year's advancements included the launching of an APM (Application Performance Management) for Ruby Support that is a significantly superior product compared to existing APMs, along with completing and deploying V2 of their ingestion pipeline for crash reporting. This latter change has enabled Raygun to process more data for its customers and reduced Raygun's own costs.

The pipeline project was part of a broader effort by Raygun to improve company-wide efficiencies. The efforts were rewarded with the company seeing a continuing trend downward in both the average cost to acquire new customers and the time to recoup the acquisition costs, which is now below the industry standard of 12 months.

Raygun has also spent much of the year changing its pricing model, migrating the bulk of clients to on-demand billing. The shift led to the lowering of revenues from some customers in the short term, but promises increased revenues moving forward. It has also reduced customer churn, and has helped land new clients. All in all, the change has been extremely well received. The new pricing structure is more in line with what larger companies are used to and it is expected to both open the doors for increased revenue from larger enterprise clients, and help attract and retain smaller ones.

Looking forward, developments in the world of software performance—specifically the rollout of Google's Core Web Vitals—look promising for Raygun. Core Web Vital's will factor site-performance into Google's website ranking algorithm, effectively penalising websites with poor performance. As a leading solution provider in this space, Raygun should experience a significant tail wind before and as the rollout occurs.

Business highlights from FY2021 include:

- Shifting to a use-based revenue model, which has been well received by clients of all sizes and resulted in new customers
- Implementation of a Spike Protection mechanism that protects clients from data usage spikes (and the associated bill shock)
- Winning the 2020 Duncan Cotterill Most Innovative Hi-Tech Software Solution Award
- Receiving an R&D loan, Growth Grant, and Student Grant from Callaghan Innovation
- Welcoming Roger Nesbitt as the new CTO, taking over for Jeremy Norman who moves into a new role as Principal Engineer
- Advancement of the Partnership program, a key experiment in 2021 aimed at connecting with larger clients

Punakaiki Fund's shareholding has remained unchanged, and our annualised growth in assessed investment value is currently low.

www.raygun.com

QUANTIFI PHOTONICS

Shareholding: **24.3%***

First Investment: **Nov 2017**

Quantifi Photonics (formerly Coherent Solutions) develops and manufactures test equipment for the global fibre optical communications market.

"Andy and his team have built an incredible business with strong prospects in the US, Asia and Europe. It's great to see the capital for a Kiwi tech company being raised right here in New Zealand."

Lance Wiggs

Andy Stevens, co-founder and CEO

An exploding transceiver market, a very successful capital raise, and a name change are all part of the story for Quantifi this year. Let's get the obvious out of the way first: the company changed its name from Coherent Solutions to Quantifi Photonics. This name better reflects the broader market segment they now address.

Rebranding aside, the bigger news was the completion of Quantifi Photonics' Series-B capital raising round. This round, which was extended to $15 million due to investor demand, was led by Punakaiki Fund's $5 million investment, making our biggest single investment in a company to date. Five other investors also participated in the round. The strength of the round says a lot about what the Quantifi team are building, as well as the health of the ecosystem.

Quantifi's industry leading optical transceiver test equipment

That ecosystem, or at least part of it, is based on the rapidly developing market in optical transceivers, which turn high speed electrical data to and from optical data. Optical equipment transmits data at far higher rates and with lower system requirements, increasing performance and lowering energy use. Hence it is in high demand. Quantifi Photonics is one of only two companies realistically able to meet the exacting requirements for the testing of very high-end optical transceivers, and they are working hard to consolidate their lead.

Towards this end, Quantifi is investigating acquiring a key partner in the transceiver industry. The company, who they have already been working with for some time, is a major supplier of critical technology for some of Quantifi's products.

Quantifi also made very good progress through the year with a large partner customer, working with them as they develop their future production roadmap. This relationship shows great potential for the company.

Successes notwithstanding, the year *has* produced its share of challenges for the company, with Quantifi acutely feeling the effects of the COVID-19 pandemic. Its growth was hampered by a number of factors including limited sales opportunities due to cancelled tradeshows (its primary venue for getting new technology in front of potential customers), cancelled orders due to the financial downturn, and global supply chain issues that caused year-end delays and thus lower revenues.

Despite these significant challenges, the company continued to secure new clients and show growth, albeit less than what was forecast, and its sales pipeline remains strong.

Business highlights from FY2021 include:

- Rebranding as Quantifi Photonics
- The establishment of Quantifi Photonics USA, Inc.
- Strengthening the senior team by welcoming Daniel Henmi as VP of Sales in North America and Billy Aucamp as CFO
- Successfully completing a Series-B round and raising $15 million to drive overseas expansion and to enable a strategic acquisition
- Partnering with a key existing customer to pursue a significant growth opportunity to provide equipment for testing certain high-volume products

As a result of the recent fundraising round, Punakaiki Fund's total shareholding has increased to 24.3%. We are still very early in our investment journey with Quantifi Photonics, and look forward to many future years of growth.

www.quantifiphotonics.com

**Excludes the dilutionary impacts of employee options.*

Shareholding: **12.9%**

First Investment: **Oct 2015**

Mobi2Go helps food service businesses sell more by offering online and table-based ordering products, as well as merchant solution services.

"We're on a mission to make digital ordering as easy as opening the fridge."

Tarik Mallett

Tarik Mallet in the Mobi2Go staff kitchen, cooking things up

Mobi2Go's business has been booming this last year. The company, which provides online and contactless in-store ordering for restaurants, has turned the challenges of a global pandemic into an opportunity for growth. In doing so, it played no small role in providing some comfort during the difficult times by helping people reconnect with their favourite food establishments.

The company's proven product, which saw increased adoption during and after lockdowns, and in the wake of strong social distancing protocols, has proven sticky. Although a few of the smaller new COVID-related customers churned away when diners were able to 'return to the table', many have remained. This is due to the restaurant industry recognising the importance of online (takeaway) and contactless table ordering as a means of futureproofing, which increases the value of Mobi2Go's service offering.

Mobi2Go continued to sign up new customers this year and move other customers to a success-based pricing model which charges a lower fixed monthly price plus a percentage of sales. This shift has been well received by clients and has added a substantial amount of transactional revenue to the company's revenue.

The company completed a Series A bridging round earlier in the year, and a Series B round later in the year. These fundraising efforts injected Mobi2Go with a large amount of capital which they are using to bolster the executive team and drive further enterprise sales. The company is investing for growth and continues to have a strong sales pipeline and a number of new, large clients onboarding.

Business highlights from FY2021 include:

- Turning the challenges of COVID-19 into a driver for tremendous growth
- Signing two large chains at the close of FY2021 which should add significantly to the company's revenues
- Extension of the company's reach to include 14 'enterprise brands'
- Hiring a new VP of Growth
- Continued rollout of their success-based pricing option

The investment rounds mentioned above resulted in the dilution of Punakaiki Fund's shareholding to 12.9% at the end of FY2021. However, this has subsequently increased to 14.6% after year end, when Punakaiki Fund invested a second tranche into the company's Series B capital raising round. The annualised growth in the assessed value of Punakaiki Fund's investment remains reasonable.

www.mobi2go.com

CONQA

Shareholding: **20.0%**

First Investment: **Feb 2017**

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

"CONQA has helped our business leap to the next level in Quality reporting."

Wayne McLean, Signal and Hobbs

Conqa fared reasonably well in FY2021, all things considered. The company ended the year with growth despite the challenges presented by COVID-19, which included the cancelling of many trade shows—a key way Conqa is introduced to potential new clients. In addition, many projects were postponed due to supply issues or cancelled altogether. In New Zealand, construction activity was included in the lockdown and despite being considered an essential service in Victoria & New South Wales, activity was reduced to 25% at a maximum, which effectively halted many sites. Conqa, however, acted quickly to respond to the situation and pivoted away from vertical commercial builds (apartments and offices) towards horizontal ones (infrastructure) to take advantage of the shift in the construction industry's focus after lockdowns.

Conqa continues to sign new deals on both sides of the Tasman, both in the private sector and with government contractors. These include a pilot with Piritahi , the New Zealand government's Civil works alliance, four Multiplex contracts in Australia, work on a Farmer's development in Tauranga, and engagement with Ryman Healthcare's seven active developments.

The feedback Conqa receives from customers is the driving force behind their product development, which continues at pace. That this feedback is overwhelmingly positive is having an equally positive effect on their sales process due to the increased credibility the testimonies of some of their larger clients are giving to the company. Conqa is seeing conversations with potential clients progress faster, and thus the sales cycle timeline shrink.

Conqa's new native app (released mid-2020) is an example of this commitment. The app has proven to be a key step in meeting client needs and has received favourable qualitative and quantitative reviews from their customers. The app contains improved functionality and reliability and leads to greater and more reliable user engagement, which adds to the overall value of the Quality Assurance tools that Conqa provides.

The company's sales pipeline is strong and the founders are confident and motivated to return the company to a high revenue growth status over the next year.

Team Conqa-delivering a world class solution to the construction industry

Business highlights from FY2021 include:

- Adding four new Multiplex deals in Australia. This includes the $1.5 billion new Footscray Project. These contracts introduce Conqa to a significant number of new trade customers
- Receiving positive feedback from a case study with AE Smith, one of NZ's largest HVAC contractors, in which Conqa was detailed as being instrumental in allowing them to complete a 700-unit development with nearly zero defects
- Engaging in pilot deals with two of NZ's largest civil and infrastructure companies, Downer and Piritahi
- Welcoming Stephen Farrell onto the team as the new Product Manager

Punakaiki Fund was Conqa's first institutional shareholder and continued to support the company with smaller funding rounds through FY2020, while Conqa was focused on a material capital raise. Following this fundraising effort (also supported by Punakaiki Fund), which closed in December 2019, Punakaiki Fund's shareholding in now 20.0%. Our assessed annualised growth in the value of Punakaiki Fund's investment is still relatively low.

www.conqa.nz

Shareholding: **48.5%**

First Investment: **Mar 2015**

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

"Our business is picking up again. We have 20 projects on the go!" Anya Anderson

Bespoke training videos are one of RedSeed's core products

Of the many companies in Punakaiki Fund's portfolio, RedSeed was particularly exposed to the global pandemic. Serving primarily large brick-and-mortar retailers, RedSeed saw many of their customers reeling, first because of the lockdowns, and then later when people looked towards e-commerce and online shopping as a means of addressing social distancing requirements. Retail chains laid off huge numbers or staff as demand diminished. The situation could indeed have been dire for RedSeed.

But the team at RedSeed was undaunted and reacted quickly, putting plans in place to see the company through. The company used the time to assess its market position, launch a new training app, and continued to develop and curate its product library of online trainings, courses, and tools. In additional, it investigated ways to move its offerings more towards a SaaS model and away from its then high-touch, site-specific, and staff-intensive product.

It was time well spent. Even before things settled, clients were using RedSeed's products to keep staff busy with training while they were at home. As stores reopened and shoppers returned, RedSeed's customers re-engaged to deal with new hiring demands. RedSeed rebounded strongly and managed not only to minimise COVID-related churn, but also to acquire several new clients.


KiwiHost founder, Jared Brixton

With COVID safely in the rear-view mirror, RedSeed made another big move, expanding its customer base with the acquisition of KiwiHost, an iconic New Zealand company with a 30-year history of providing customer service and business skills training to over 250,000 people (representing over 50,000 businesses). KiwiHost's training courses are being added to the RedSeed library which will bring the company's total number of business ready offerings up to more than 100. In addition, former KiwiHost CEO Jared Brixton has joined RedSeed as the Market Development Manager, bringing a valuable wealth of experience to the team.

Business highlights from FY2021 include:

- Surviving lockdowns with the entire RedSeed team and its customer base intact
- Signing on and completing the related filming and production projects for two new clients during the year
- Acquiring KiwiHost, its loyal and diverse customer base, and retaining its owner as an employee who brings sales talent to the company
- Expanding its product library to include training in leadership, communication, diversity, and inclusion.
- Progressing its offering of training courses in specialised areas, such as a working partnership and course on-selling arrangement with a cyber security expert
- Landing its first US client

In late FY2020 and early FY2021, Punakaiki Fund purchased the shares of one of RedSeed's co-founders. These purchases increased Punakaiki Fund's shareholding to 48.5%. The growth in the assessed value of Punakaiki Fund's investment in RedSeed is reasonable.

www.redseed.com

Shareholding: **30.4%**

First Investment: **Feb 2015**

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

"Orah is for schools that are determined to help each and every student reach their full potential."

The new name and logo reflect the company's New Zealand roots

Boardingware is to become Orah! During the year the company initiated a branding shift to Orah, positioning itself as a leader in a new category of tech solutions focused on 'student engagement.' The change is part of a multi-year company-wide evolution aimed at significantly expanding the company's reach. While the company's early products were developed to address the needs of residential schools, it has now come a long way and offers a host of technologies on its platform that add value not only to boarding schools, but to schools in general.

As part of the change, Orah has segmented its offerings into five distinct products (Safeguard, Supervise, Coordinate, Nurture, and Unify). Each of the products has multiple pricing and functionality tiers, allowing a high degree of customisation, another key factor in allowing Orah to increase the size of their addressable market.

The company saw moderate but steady growth in revenue during the year, even though schools in many of its markets (particularly the USA) were closed for long periods. It was able to successfully gain new clients in the day-school market, in part due to the contact tracing solutions and student symptom surveys developed because of the global pandemic—with these tools proving useful as schools reopened. Several new, longer-term contracts offered customers the first year of service for free (to help schools deal with the global uncertainty surrounding COVID-19), resulting in the FY2021 revenue actually understating the company's true growth position.

Orah continues to develop its platform, adding optional modules to meet the needs of its clients and is quickly earning a reputation for offering a superior product over its competitors. The company is operating sustainably and investing in internally funded growth.

Business highlights from FY2021 include:

- Maintaining profitability through the challenges of a global pandemic
- Developing an effective systematic sales process that efficiently uses their team and meshes well with the onboarding timelines of potential customers
- Rebranding to Orah, and launching a new category of student enablement

Punakaiki Fund acquired a 16.7% shareholding in Boardingware in its first external round in February 2015 and followed this with an additional investment in July 2015, increasing its shareholding to 28.6%. In FY2019, Punakaiki Fund made another small investment in Boardingware, and now holds a 30.4% shareholding. The annualised growth in the assessed value of Punakaiki Fund's investment is reasonable.

www.boardingware.com

melon

Shareholding: **32.0%***

First Investment: **Dec 2014**

Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.

"The more we can empower people to understand and manage their own health…the better it is for everyone."

Siobhan Bulfin, CEO Melon

Melon Health founder, Siobhan Bulfin

The pandemic environment provided a unique opportunity for Melon to showcase its offerings by filling an unmet need to support New Zealanders' mental wellbeing during Covid-19. Melon Health launched several new offerings as part of a suite of COVID-related public health contracts, including Melon Manual, a tool-kit of CBT based youth friendly resources aimed at 13 to 17 year-olds. Melon Manual received a fantastic response with almost 2,000,000 views and downloads.

The consolidation of the New Zealand public healthcare system presents significant opportunity and uncertainty for Melon. Instead of having multiple agencies and district health boards as potential customers, the movement to a single procurement desk may put Melon in a win-or-lose position in respect of any particular Melon program being adopted in New Zealand going forward.

Business highlights from FY2021 include:

- Landing and then extending the COVID-19 Psychosocial and Mental Wellbeing contract with the Ministry of Health
- Winning a contract with the Ministry of Social Development, in partnership with APM Workcare, to support New Zealanders impacted by COVID-19
- Launching a Cardiac Rehabilitation programme with Hutt Valley District Health Board that provides online support
- Signing a contract with Resmed, the world's largest connected care platform, to support people in New Zealand struggling with chronic obstructive sleep apnea. Pending successful results of the trial it may be scaled to other geographies with Australia first
- Welcoming Nadine Hill, investment manager of LWCM, onto the Melon Board, with Lance Wiggs subsequently stepping down
- Appointing Iono Elkin as Head of Product. Iono's background includes product lead roles at Trade Me and Sailthru

In FY2019, Punakaiki Fund lead Melon Health's $3.3 million funding round with $2.0 million commitment, with Co-investors included K1W1 and Impact Enterprise Fund. Punakaiki Fund's shareholding in Melon as at the end of FY2021 is 32.0%*. The assessed annualised growth in the value in Punakaiki Fund's shareholding is negative.

www.melonhealth.com

**Excludes the dilutionary impact of employee options.*

Shareholding: **37.7%***

First Investment: **Feb 2015**

Weirdly helps companies with high-volume recruitment in the retail, customer service, and quick service restaurant industries.

The Weirdly team is awesome. And, of course, weird.

"The boost of having exciting brands knocking on our door has given our people a renewed burst of energy."
Keren Phillips, Weirdly co-founder

Weirdly helps their clients, mainly large retailers, deal with the influx of thousands, or even hundreds of thousands, of young people looking for jobs. Obviously FY2020 was a tough year – with Weirdly's clients having to close, then reopen, then suffering a variety of impacts as lockdowns appeared in different regions. Meanwhile Weirdly continued upgrading its platform throughout the year, and increased their ability to engage, manage, and track their talent community. Weirdly added the ability to radically increase speed of processing of candidates for their clients, including the ability to send and manage employment contracts at scale. It has also moved forward with a new customer and candidate communications tool, Customer.io, which will allow it to fine tune its focus on specific candidate markets (i.e. 14-21 year olds) using communication channels such as SMS, WhatsApp and Messenger.

The company is well positioned to take advantage of the move towards remote recruiting, a trend which surged last year and does not seem likely to subside anytime soon. Similarly, Weirdly's commitment to supporting candidate diversity and inclusion (in terms of attraction, reporting, and engagement in the process) makes it an attractive recruitment option for potential clients as more companies are showing a desire to make these values front and centre in their hiring processes.

The company is expanding its reach beyond the high-volume retail and customer facing sector and into quick service restaurants. As Weirdly secures a foothold here, it will substantially grow its addressable market.

Business highlights from FY2021 include:

- Moving into the quick service restaurant space and implementing a pilot with a large chain
- Launching a pilot with a large Australian retail group
- Rebounding vigorously from lost revenues at the start of FY2021 to finish the year with strong growth
- Becoming a finalist in the Hi-Tech Kamupene Maori o te Tau – Maori Company of the Year category at the Hi-Tech awards

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 assessed annualised growth in the value of Punakaiki Fund's investment is reasonable.

www.weirdlyhub.com

**Excludes the dilutionary impact of employee options.*

Shareholding: **19.5%**

First Investment: **Dec 2015**

QUBEdocs is a software as a service business that automates documentation for IBM TM1 on premise and Planning & Analytics in the cloud.

"For data to be worth something, it must be organized."

Belinda Johnson

Richard Johnson, co-founder

QUBEdocs had a good year, showing strong traction globally, and for good reason. They have a premium, one-of-a-kind product that is proving valuable to data intensive companies the world over.

The strength of QUBEdocs offering comes from its ability to organise and interpret complicated financial models that businesses rely on for planning and reporting. The realm of the modern CFO is one in which machine-learning forecasts and real time fully integrated analytics supported by IBM's TM1 (or similar) software is becoming a necessity. The benefit of these tools is the deep insights offered by the models they provide and their ability to address the requirements of ever-increasing regulatory scrutiny more readily. The downside is that the learning curve to utilise these tools is often incredibly steep and understanding the complex architecture behind them (and thus fully benefiting from their powerful features) can be difficult.

QUBEdocs solves these issues, effectively harnessing the full power of TM1 for companies. The product provides automatically generated model documentation, a normally time intensive-task, and allows for many associated activities such as making accurate changes to complicated models to be completed easily and at pace. Further, it allows for planning analytic models to be depicted visually. Put simply, QUBEdocs helps companies maximise their investments in planning analytic tools.

The unique value proposition of their product has enabled the launch of a cloud-based partnership reseller program where businesses involved in implementing planning analytics for other companies are able to on-sell the QUBEdocs product. This has proven particularly successful because these partners are also QUBEdocs users, and are fully versed in the benefits of the product.

The product continues to be developed, with work now underway on an offering that would integrate with Oracle's analytics tools, one of the other big players in the data analytics space. Additionally, a new software feature is expected to be rolled out later in the calendar year aimed at addressing Sarbanes-Oxley Act compliance, a regulatory requirement impacting many US-based companies.

With the US market being seen as one of their largest opportunities, the founders relocated to USA in mid-2021. With the sale of Mindfull Limited's consulting business to Fusion5 towards the end of FY2021, the pair, led by Richard, are now able to focus solely on the continued growth of QUBEdocs, and we expect big things.

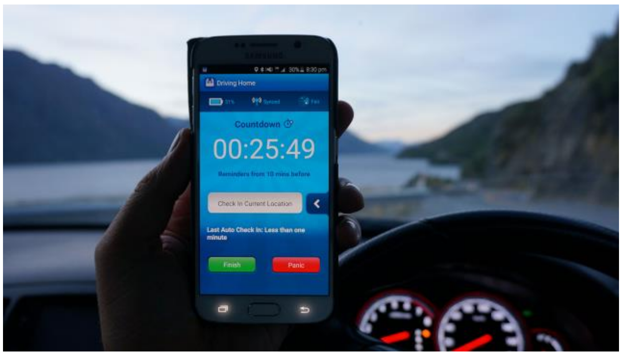
Business highlights from FY2021 include:

- Launching their cloud partnership program and expanding it to 18 participants with global reach
- Signing a paid Proof of Concept deal with the world's 4th largest pharmaceutical company
- Signing a deal with Germany's largest automobile manufacturer

Punakaiki Fund's current shareholding in QUBEdocs is held through a 19.5% holding in Mindfull Group. Our assessed annualised growth in the value of Punakaiki Fund's investment in Qubedocs is high.

www.qubedocs.com

NEW investment	Shareholding: **16.7%** First Investment: **Dec 2020**	*Get Home Safe delivers personal safety, lone worker, and journey management software solutions to businesses and agencies of any size.*



"We're now serving 10,000 people globally."
Boyd Peacock

We'd like to welcome Get Home Safe to the Punakaiki Fund family. Started by Boyd Peacock in 2013, the Dunedin based Get Home Safe provides a welfare monitoring platform which leverages existing mobile phone, radio and satelite technology to provide improved safety for workers across multiple sectors, including lone workers and workers operating in wilderness settings. The company serves over 10,000 people across more than 250 customers in New Zealand, Australia, the USA, Canada. Its clients include local government entities, health and social care operators, security firms, utilities, private businesses and more.

The company is already proving itself performance-wise, posting a strong year with revenues rising 83% in FY2021. This growth was driven in part by the initial success of the company's new reseller program which extends the reach of the platform by allowing indirect sales to reselling partners' clients. Additionally, Get Home Safe continues to add product functionality, which is increasing the number of subscriptions used by existing customers who need different tools for different departments with their organisations.

The company has a strong sales pipeline and the team feel confident enough with the New Zealand sales process that they are looking to pursue greater sales in Australia and the United Kingdom this year. The latter effort is being spearheaded by Sophie Cranfield, a loyal employee whose return to her native United Kingdom provided the perfect opportunity to get the right person for the job.

Get Home Safe's Sophie Cranfield

Business highlights from FY2021 include:

- Completing a successful funding round early in the year, raising more than initially expected
- Adding several hundred new users within the Kiwifruit industry
- Receiving two great validations of its reseller program, with one reseller using their platform with Hawkes Bay District Health Board and another with Environment Canterbury
- Getting strong interest in their new Journey Management feature from a large offshore mining company in Australia

We made our first investment in Get Home Safe in December of FY2021, leading the round. Our current shareholding is 16.7% and the assessed annualised growth in the value of Punakaiki Fund's investment is reasonable.

www.gethomesafe.com

NEW investment

Core Schedule
People ★ Essential

Shareholding: **17.5%**

First Investment: **Jun 2020**

Core Schedule provides scheduling software that allows hospitals and other medical service providers to administer staffing rosters

"Core Schedule has been invaluable in managing our roster…this is the best rostering software we have ever used or seen." Andre Cromhut, Director of Emergency Medicine, Wellington Hospital

Core Schedule is Punakaiki Fund's other new investment of the year. The company - started by Dr. Stephen Pool, an emergency medicine specialist and entrepreneur - provides superior rostering software to emergency rooms, clinics and health departments around the world.

The software has recently played an important role in helping hospitals cope with the impacts of COVID-19. Outside of the pandemic, the company continued to improve its offerings, working to tailor its platform to better meet the scheduling needs of target customers groups. These efforts included the release of Anaesthesia and Operating Theatre Modules, both of which received positive reviews and high levels of interest.

Over the course of the year Core Schedule has built out its team, adding a highly talented Tech Lead, a data scientist/program engineer, and a head of New Zealand sales. The company considers itself fully staffed in terms of their current progress and medium-term requirements.

Core Schedule secured several key customers during the year in both Australia and the USA, as well New Zealand. The latter involved a contract to provide rostering for residential medical officer staff at the Lakes District Health Board.

Business highlights from FY2021 include:

- Receiving a $172K grant from the MBIE COVID-19 Innovation Acceleration Fund to continue the development of its Disaster Contingency Rostering application
- Migrating their platform to Azure Cloud
- Introducing a new module for rotation tracking and allocation of Medical Trainees
- Signing a contract with a new US customer for COVID-19 Vaccine scheduling

Punakaiki Fund made our first investment in Core Schedule in early FY2021, leading a $1 million capital raising round. Our current shareholding is 17.5% and our assessed annualised growth in the value of Punakaiki Fund's investment is reasonable.

https://coreschedule.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).

With the founders firmly back in control of New Zealand Artesian Water (NZAW), the company went through a year of restructuring, cost cutting and relocation to a new factory, which saw the company emerge from several years of poor trading. While the company's planned expansion into China proved sluggish during the year due to global shipping delays, the company forecasts continued profitability even at their current lower levels of revenue.

Business highlights from the year include:

- Upgrades to internal systems and outdated warehouse equipment increasing the speed at which orders can now be fulfilled
- Moving to more modern and fit for purpose premises
- Repaying a significant amount of debt
- Securing a contract for a new water supply that allows for year-on-year production growth going forward

Following significant write-downs in Punakaiki Fund's carry value for its NZAW investment in the past, this investment was written-up in value by a small amount at year-end, based on the company's improving performance and valuation strength in the sector.

Punakaiki Fund first invested in NZAW in June 2016. However due to changes in the focus of the fund as well as a stronger Socially Responsible Investment Policy, the investment in NZAW is now considered out of mandate. Lance resigned as a director during FY2020 and Punakaiki fund no longer has board representation. We intend sell our shares in NZAW in an orderly fashion.

**Subject to reduction following the completion of previous investment by third parties.*

www.estel.nz

Other Holdings

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

- A 11.1% shareholding in ThisData, a non-operating company that holds OneLogin shares. This investment is held for exit.
- 600,000 unlisted performance shares in ASX-listed company Family Zone that were received as part payment on the sale of our shares in the Linewize group of companies. We believe that the criteria required to convert these shares into ordinary shares (which would allow us to sell them on the ASX) is unlikely to occur prior to the vesting deadline of October 2022. These performance shares are held at a nil value.
- Shareholdings in Hayload and Populate, which no longer operate. Punakaiki Fund's investment in both companies have been written off.

EverEdgeIP Global Limited EXIT

In August 2020 Punakaiki Fund sold its shares to a Singaporean investor. This sale provided EverEdge the Singaporean shareholder base required to supply advisory services to Singaporean government entities and maintain its business during the COVID-19 pandemic. The payment for the sale included an upfront cash payment and two loans to be repaid by EverEdgeIP. The first loan is repayable in instalments over the next four years and the second loan is repayable following a company exit event. In conjunction with this sale, Lance Wiggs resigned as a director in EverEdge in August 2020.

Mindfull Group Limited EXIT

Punakaiki Fund retains a 19.5% shareholding in Mindfull Group Limited, which sold its consulting business to Fusion5 during the year in an all-cash deal. The acquisition was structured as a series of payments, all of which have now (as at the date of this report) been received. In February 2021 and again in July 2021, the company made returns of capital to Punakaiki Fund, with the balance of the group's funds invested into subsidiary QubeDocs. The company's assets now comprise its shares in Qubedocs and a small amount of cash. Lance Wiggs remains a director of Mindfull Group Limited.

Directors’ Statement and Statutory Information

FOR THE PERIOD ENDED 31 MARCH 2021

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 2021.

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 2021. John Charles Berry resigned as a director during the financial year, and held office until 31 January 2021. No other person held office as a director of Punakaiki Fund during the 12-month period ending 31 March 2021.

- Michael John Bennetts
- Teressa Rachelle Betty (appointed 2 September 2020)
- Blake Thomson Richardson
- Graeme Lance Turner Wiggs

Directors’ Remuneration

Punakaiki Fund Limited - Directors' Remuneration						NZ$
Director	FY2021			FY2020		
	Base Fees	GST	Total	Base Fees	GST	Total
Michael John Bennetts	20,000	-	20,000	20,000	-	20,000
John Charles Berry	12,500	-	12,500	15,000	1,500	16,500
Blake Thomson Richardson	15,000	-	15,000	15,000	-	15,000
Teressa Rachelle Betty	5,863	1,313	7,175	-	-	-
Graeme Lance Turner Wiggs	-	-	-	-	-	-
Total	**53,363**	**1,313**	**54,675**	**50,000**	**1,500**	**51,500**

The remuneration set out in the table above sets out the directors’ fees received by the directors. Blake Richardson received $205 (including GST) in reimbursements for out-of-pocket travel costs associated with his director duties. No other directors received any other payments or benefits in their role as director.

Directors' Shareholdings

Punakaiki Fund Limited - Directors' Relevant Interests - FY2021	
Director	**Number of shares in which a relevant interest is held**
Michael John Bennetts	56,571
John Charles Berry	11,037
Teressa Betty	200
Blake Thomson Richardson	63,924
Graeme Lance Turner Wiggs*	69,514
Total	**201,246**

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

Punakaiki Fund Limited - Directors' Relevant Interests - FY2020	
Director	**Number of shares in which a relevant interest is held**
Michael John Bennetts	56,571
John Charles Berry	11,037
Teressa Betty	-
Blake Thomson Richardson	63,924
Graeme Lance Turner Wiggs*	69,214
Total	**200,746**

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

No other changes to the number of shares set out in the table above have occurred since Punakaiki Fund's 31 March 2021 balance date.

Lance Wiggs' shareholding in FY2021 include a partial interest in 6,214 shares held by LWCM Limited (FY2020: 214 shares) and 500 shares held by immediately family members (FY2020: 200 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 2021:

Michael John Bennetts:

- Executive of Z Energy Limited

John Charles Berry (Ceased to be a director of the company as at 31 January 2021)

- 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

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 (Ceased to be a director of the company on 15 June 2021)
- Director of RedSeed Limited
- Director of Mindfull Group Limited
- Director of QA Tech Limited, trading as Conqa
- Director of Quantifi Photonics Limited
- Lance's brother is a shareholder in Devoli Limited
- Director/shareholder of 200Square, alongside Grant Wakelin, employed by Devoli until April 2021
- Periodic external practitioner for NZTE Investments (potentially advising companies prior to investment by Punakaiki Fund). Average 2-5 days per year.
- Director and shareholder of Define Instruments Limited and Pocketsmith Limited
- Shareholder of Matu Fund LP
- Judge for the High Tech Awards, where LWCM is also a sponsor on behalf of Punakaiki Fund

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 2020 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 $47,048 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 2021.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2021

Shareholder	Ordinary Shares	% of Class
Phaben Holdings Limited	80,204	3.28%
Graeme Lance Turner Wiggs*	63,000	2.58%
Michael John Bennetts & Karen Allanah-Maree Bennetts	56,571	2.31%
Neil Andrew Richardson, Claire Thomson Richardson & Blake Thomson Richardson	50,286	2.06%
Collette Glen Payne	48,030	1.96%
Quayside Holdings Limited	42,858	1.75%
Kennerley Investments Limited	34,970	1.43%
Todd Reynal Stevens	33,594	1.37%
Southern Hills Imperial Timber (1932) Pty Limited	33,000	1.35%
Clarence Mervyn Hislop	33,000	1.35%
Wills Private Equity Investments Limited	30,250	1.24%
Phizzy Limited	30,000	1.23%
Lewis Holdings Limited	29,250	1.20%
Krassimir Nikolov Modkov	28,500	1.17%
Ross Inglis	28,400	1.16%
Mark Gary Hackner & Bastiankoralage Belinda Valerie Jayamaha Rodrigo	27,858	1.14%
Chunjing Song	23,900	0.98%
Davey John Goode & Keegan Alexander Trustee Company Limited	23,878	0.98%
Peter Thomas Fenton	20,500	0.84%
Margaret Oenone O'Neill Field	20,040	0.82%
Top 20 Shareholders	**738,089**	**30.18%**
Remaining Shareholders	1,707,333	69.82%
All Shareholders	**2,445,422**	**100.00%**

** Graeme Lance Turner Wiggs also has a beneficial interest in 6,214 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 FY2021 and FY2020. 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 Company's assets.

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

Calculation of Net Asset Value and Investor Net Asset Value	FY2021	FY2020
Total Asset Value	$73,295,532	$57,974,958
less Current Liabilities	$(90,819)	$(81,015)
less Non-Current Liabilities	$(1,769,842)	$(857,377)
Net Asset Value (NAV)	**$71,434,871**	**$57,036,566**
less Share Based Payment Reserve	$(4,551,022)	$(2,204,684)
Investor Net Asset Value (iNAV)	**$66,883,849**	**$54,831,881**
Shares on Issue at 31 March	2,445,422	2,351,822
iNAV per Share	**$27.35**	**$23.31**

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 2021 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 Financial Markets Conduct Act 2013.

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

The Board of Directors of Punakaiki Fund Limited authorised the financial statements set out on pages 44 to 61 for issue on 30 July 2021.

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
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Punakaiki Fund Limited (“the Company”) on pages 44 to 61, which comprise the statement of financial position of the Company as at 31 March 2021, 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 44 to 61 present fairly, in all material respects, the financial position of the Company as at 31 March 2021 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 financial instruments held at fair value

Why significant	How our audit addressed the key audit matter
The Company has invested primarily in unlisted companies. As an investment entity, in accordance with NZ IFRS 10 *Consolidated Financial Statements*, the Company records all its investments at fair value irrespective of whether it controls or significantly influences any of the companies it has invested in. Note 3.1.1 to the financial statements describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments. These investments are valued using assumptions which require significant judgment and estimation as they are not based on directly comparable or otherwise observable metrics. As a result, 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 $71.09m (FY20: $55.1m), have a higher potential risk of misstatement. The following methodologies were used by the Company as part of the valuation process: ► Conventional multiples based valuation approach; and ► Growth multiples method to estimate revenue multiples. A combined discount for liquidity, size and control premium was applied to the overall enterprise value or revenue multiples as applicable. The significant judgements involved in valuing some of these assets include: ► The determination of the categorisation of financial instruments based on the IFRS 13 Fair Value Measurement fair value hierarchy; ► The sample companies used for benchmarking relevant metrics; ► The use of linear regression in the growth multiples method when non-linear conditions may exist; ► The factor used to estimate the appropriate revenue multiple (being the most recent growth rate);	In performing our audit procedures, we: ► Obtained, with the assistance of our internal valuation specialists, a detailed understanding of the valuation processes used and identified the factors which had a greater impact on the valuations. We assessed the appropriateness of the valuation methodologies; ► Evaluated the 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 or revenue multiple. We involved our internal valuation specialists to assist in considering the significant assumptions that affect the fair value assessment of the model-based calculations and whether those assumptions adopted fell within a reasonable range. 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. For valuing the SaaS investments, the Company has concluded revenue multiples implied through a regression model. We understand that this was done due to challenges involved in finding an appropriate set of publicly listed companies that would be comparable to the investee companies. In our audit we have focussed on the resulting multiples and have assessed whether these fall in a reasonable range. ► Where applicable, the Company has selected guideline public companies within the same/similar industry as each investee company that Management believe are similar in financial and/or operational characteristics to the investee. Multiples have been adjusted for size and liquidity based on various parameters assessed by the Company. We have considered the adjustments made with the assistance of our specialist and assessed whether the combined adjustments fell in a reasonable range. ► The Company has also made an adjustment to the multiples used to reflect a subjective assessment of factors such as the size of the market and effects of recent market

► The explanatory power of the regression in the growth multiples method; and

► The calculation methodology and inputs for the valuation adjustments relating to liquidity, size and level of control.

Disclosures regarding the Company's investments are included in Note 4 to the financial statements.

transactions We have reviewed the overall reasonableness of the concluded multiple used for estimating the fair value.

► Considered events subsequent to balance date, for evidence of further transactions in the investments, that could have impacted the valuations; and

► Assessed the adequacy of the disclosures in Note 4 to the financial statements.

Performance fees

Why significant

One of the Company's principal expenses is the performance fee earned by the investment manager.

For the year ended 31 March 2021, the performance fee calculation resulted in a credit to profit or loss of $3.259m (FY20: expense of $0.031m).

Performance fees are incurred and calculated in accordance with the Investment Management Agreement and Product Disclosure Statement and prior to a liquidity event are assessed based on the current expected amounts.

The performance fee is based on 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. 28% of the total performance fee will be paid out in cash with the remaining issued as ordinary shares. This constitutes a share-based payment arrangement in accordance with NZ IFRS 2.

The quantum of this expense and the impact that the variability of market-based returns can have on the recognition and earning of performance fees results in this being an area of significant audit focus.

Disclosures relating to this expense are included in Notes 6.2 and 8 to the financial statements.

How our audit addressed the key audit matter

In performing our audit procedures, we:

► Obtained an understanding of the process used to calculate the performance fee;

► Performed a recalculation of performance fees based on the formula outlined in the Investment Management Agreement and Product Disclosure Statement, including the split between cash fees and the amount recorded as a share-based payment; and

► Assessed the adequacy of the relevant disclosures in 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
30 July 2021

Financial Statements

Punakaiki Fund Limited
Statement of comprehensive income
For the year ended 31 March 2021

	Notes	Year ended 31/03/2021 $'000	Year ended 31/03/2020 $'000
Interest income		1	2
Dividend income		193	165
Change in fair value of investments	4.6	14,388	4,958
Accrued contingent performance fees	8.1.4	(3,259)	31
Management fees	8.1.1	(1,167)	(991)
Administration fees	8.1.2	(171)	(271)
Insurance		(51)	(46)
Consulting and accounting expenses		(77)	(32)
Audit fees	9	(49)	(51)
Legal expenses		(26)	-
Other		(68)	(66)
Profit before tax		9,714	3,699
Income tax expense	5.1	-	-
Profit and total comprehensive income for the year		9,714	3,699

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

Punakaiki Fund Limited
Statement of financial position
At 31 March 2021

	Notes	31/03/2021 $'000	31/03/2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	2,168	2,903
Resident withholding tax receivable		-	12
Prepayments		30	30
Trade and other receivables		9	11
Total current assets		2,207	2,956
Non-current assets			
Investments	4.1	71,090	55,020
Deferred tax assets		-	-
Total non-current assets		71,090	55,020
Total assets		73,297	57,976
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		91	81
Total current liabilities		91	81
Non-current liabilities			
Performance fee payable	8.1.4	1,770	857
Total non-current liabilities		1,770	857
Total liabilities		1,861	938
Capital and reserves			
Issued capital	6	40,135	37,797
Share based payment reserve	6.2	4,551	2,205
Retained earnings	6.3	26,750	17,036
Total equity		71,436	57,038
Total equity and liabilities		73,297	57,976

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 2021

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2019	30,736	2,227	13,337	46,300
Loss 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
Balance at 1 April 2020	37,797	2,205	17,036	57,038
Profit and total comprehensive income for the year	-	-	9,714	9,714
Contributed capital	2,410	-	-	2,410
Transaction costs	(72)	-	-	(72)
Share based payments in relation to performance fee	-	2,346	-	2,346
Balance at 31 March 2021	40,135	4,551	26,750	71,436

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 2021

	Notes	Year ended 31/03/2021 $'000	Year ended 31/03/2020 $'000
Cash flows from operating activities			
Interest received		1	2
Dividend received		193	165
Payments to suppliers		(431)	(501)
Management fees		(1,167)	(991)
Resident withholding tax refunded/(paid)		12	27
Net cash used in operating activities	10	(1,392)	(1,298)
Cash flows from investing activities			
Proceeds from sale of Investments		741	282
Payments to acquire Investments		(2,422)	(4,174)
Net cash used in investing activities		(1,681)	(3,892)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		2,410	7,279
Payment of transaction costs on issue of equity instruments		(72)	(218)
Net cash generated by financing activities		2,338	7,061
Net increase in cash and cash equivalents		(735)	1,871
Cash and cash equivalents at the beginning of the year		2,903	1,032
Cash and cash equivalents at the end of the year	11	2,168	2,903

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 2021

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 2021.

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), the IPEV Board Special Valuation Guidance (released 27 March 2020) and the IPEV statement reiterating the March 2020 Special Guidance (released 11 December 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
5. Discounted Cash Flows - From an Investment (the projected future distributions to shareholders, discounted at firm's cost of equity); and

2.3 Basis of preparation (continued)

Replacement Cost Approach:

6. Net Assets (the value of a firm's assets, rather than a firm's business).

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 relative to comparable companies, 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 relative to comparable companies, the assessed value of the impact is deducted when deriving the equity value of the investment.

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 reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.5 Taxation

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

2.5.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.5.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.5.2 Deferred tax (continued)

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 11.2% (2020: 11.1%).

2.6 Financial instruments

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

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

2.6.1 Investments

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

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 basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gains or losses recognised in profit or loss exclude any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 2.3 and note 4.

2.6.2 Other financial assets

Trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2.7 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

2.8 Share-based payment arrangements

2.8.1 Share-based payment transactions of the Company

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 6.2.

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

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. The Company's investment in Devoli was valued by an independent valuer for the 2021 financial year. Further detail on the valuation approach and techniques adopted is provided in Note 4. The Board acknowledges the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted companies.

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 $71.09 million (2020: $55.02 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of $14.389 million (2020: net gain of $4.958 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 (except for Vend Limited) 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	**2021 March**[1]			**2020 March**		
	Shares Held	**Total Shares**	**Fund %**	**Shares Held**	**Total Shares**	**Fund %**
Devoli Limited[3]	2,965,000	5,501,000	53.9%	2,907,434	5,499,000	52.9%
Onceit Limited[2]	25,625	100,000	25.6%	25,625	100,000	25.6%
Raygun Limited	501,445	8,000,796	6.3%	501,445	7,990,550	6.3%
Quantifi Photonics Limited[2]	49,439	279,677	17.7%	49,439	279,677	17.7%
Mobi2Go Limited	322,920	2,506,444	12.9%	305,850	1,900,583	16.1%
QA Tech Limited (Conqa)[2]	31,669	158,140	20.0%	31,669	157,630	20.1%
RedSeed Limited[2]	54,774	112,878	48.5%	44,774	112,878	39.7%
New Zealand Artesian Water Limited	7,213	30,545	23.6%	7,213	30,545	23.6%
Boardingware International Limited[2,8]	446,000	1,467,780	30.4%	446,000	1,467,780	30.4%
Melon Health Limited[2,4,5]	931,711	2,915,415	32.0%	931,711	2,888,415	32.3%
Weirdly Limited[2,5]	213,167	566,171	37.7%	213,167	566,171	37.7%
Core Schedule NZ Limited[5]	233,333	1,333,333	17.5%	n/a	n/a	n/a
Get Home Safe Limited	335	2,012	16.7%	n/a	n/a	n/a
Timely Limited[7]	63,647	1,662,417	3.8%	63,647	1,662,417	3.8%
Vend Limited[7]	-	41,685,870	-	700,000	36,355,722	1.9%
Mindfull Limited[7]	277	1,417	19.5%	327	1,670	19.6%
EverEdge Global Limited	-	13,967,167	-	3,937,915	13,967,167	28.2%
TD Limited	302,669	2,731,080	11.1%	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[6]	-	331,635,133	-	-	240,983,176	-
Hayload Limited	4,338	18,618	23.3%	4,338	18,618	23.3%

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

[2] Lance Wiggs, a director of LWCM and the Company is also 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 during the period.

[4] Bridget Winstone-Kight, a previous employee of LWCM, and resigned as a director of this company during the period.

[5] Nadine Hill, an employee of LWCM is also a director of this company during the period.

[6] 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.

[7] Sold as at 31 March 2021 or after 31 March 2021.

[8] 2020 March Total Shares includes the dilutionary impact of employee options.

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

Fair value as at 31 March 2021

Investment Type	Valuation technique(s) and unobservable input(s)	Fair value ($)
1) Substantial - Devoli - OnceIt - Timely	Revenue multiple, EBITDA multiple or Independent Valuation	$30.89 million
2) Well-established businesses - Raygun - Melon Health - RedSeed - Mobi2Go - Quantifi Photonics - Boardingware - Conqa	Revenue multiple	$23.68 million
3) Early Stage - Weirdly - Core Schedule - Get Home Safe - Qubedocs - InfluxHQ - ThisData - Populate - New Zealand Artesian Water - Hayload	Revenue multiples (including weighted methods), or fully impaired	$7.86 million
4) Listed & Exiting - Family Zone - Vend - Mindfull	Market price, cash receivables, or forecast vesting data	$8.66 million
Total Investment at fair value		**$71.09 million**

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

Fair value as at 31 March 2020

Investment Type	Valuation technique(s) and unobservable input(s)	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	$27.47 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	Forecast vesting data	$0 million
Total Investment at fair value		**$55.02 million**

4.3 Fair value hierarchy

	Notes	Level 1	Level 2	Level 3	Total
As at 31 March 2021					
Investments	4.5	-	8,561	62,529	**71,090**
Total		-	8,561	62,529	**71,090**
As at 31 March 2020					
Investments		-	-	55,020	**55,020**
Total		-	-	55,020	**55,020**

4.4 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range (weighted average)	Sensitivity to changes in significant unobservable
EBITDA multiple	6.7 - 11.4 (8.3)	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	1.5- 7.9 (5.6)	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.

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

- *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 relative to the companies from which comparable valuation metrics are observed. No adjustments of this type have been made in the 2021 financial year, therefore the adjustments applied range from 1.0x to 1.0x (2020: 0.7x to 1.5x). However, it should be noted that where the revenue growth rates or EBITDA for equity investments have been impacted by the COVID-19 pandemic or other factors, these have been normalised.

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 were nil for the 2021 financial year (2020: ranging from a value deduction of $600,000 to a nil adjustment).

4.5 Sensitivity of fair value measurement to changes in unobservable inputs

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

	Favourable	(Unfavourable)
2021	**$'000**	**$'000**
Investments	79,730	63,760
2020		
Investments	63,800	46,340

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	
Revenue multiples used in valuations at:	Actual	Favourable	(Unfavourable)
31 March 2021	1.5 - 7.9	1.8 - 9.5	1.2 - 6.3
31 March 2020	1.0 - 13.1	1.2 - 15.7	0.8 - 10.5
EBITDA multiples used in valuations at:			
31 March 2021	6.7 - 11.4	8.1 - 13.7	5.4 - 9.1
31 March 2020	4.8 - 7.3	5.8 - 8.8	3.8 - 5.9

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

4.6 Reconciliation of level 3 fair value measurements

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

	Year ended 31/03/2021 $'000	Year ended 31/03/2020 $'000
Unlisted equity investments		
Balance at beginning of year	55,020	46,170
Purchases - cash	2,422	4,174
Disposals - cash	(741)	(282)
Purchases - issue of shares	-	-
Transfer to level 2 investments	(8,561)	-
Change in fair value of investments	14,389	4,958
Balance at end of year	62,529	55,020

Included within the change in fair value of investments in the table above is $14.389 million (2020: gain of $4.958 million) of unrealised gains in relation to investments still held at balance date.

As at 31 March 2021, the Company's had entered into an agreement to sell its equity investment in Vend and was awaiting the receipt of its share of Vend sale proceeds. The total valuation of the Vend equity investment sale proceeds was $8.561 million, which comprised $4.572 million cash receivable ($0.2 million of which is held in escrow for warranty claims) and $3.988 million of shares in Lightspeed, which are listed on the New York Stock Exchange.

5 Income taxes

5.1 Income tax recognised in profit or loss

	Year ended 31/03/2021 $'000	Year ended 31/03/2020 $'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 31/03/2021 $'000	Year ended 31/03/2020 $'000
Profit before tax from continuing operations	9,714	3,699
Income tax (benefit)/expense calculated at 28%	2,720	1,036
Effect of income that is exempt from taxation	(4,029)	(1,388)
Effect of non-deductible expenses	666	(6)
Effect of unused tax losses and tax offsets not recognised as deferred tax asse	622	340
Others (imputation credits gross up)	21	18
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

	31/03/2021 $'000	31/03/2020 $'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)	1,604	1,162
- deductible temporary differences	496	240
	2,100	1,402

6 Issued capital

	31/03/2021 $'000	31/03/2020 $'000
Issued capital comprises:		
2,445,422 fully paid ordinary shares (31 March 2020: 2,351,822)	40,135	37,797
	40,135	37,797

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2021 were $0.059 million (2020: $0.218 million).

6.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 April 2020	2,352	37,797
Shares issued during the year	94	2,338
Balance at 31 March 2021	2,446	40,135
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

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 2021, there are no unpaid shares on issue (31 March 2020: None) and no unpaid options (31 March 2020: None) on issue.

6.2 Share based payment reserve

	31/03/2021 $'000	31/03/2020 $'000
Balance at beginning of year	2,205	2,227
Arising on share-based payments (performance fee)	2,346	(22)
Balance at end of year	4,551	2,205

The share based payment reserve 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

	31/03/2021 $'000	31/03/2020 $'000
Balance at beginning of year	17,036	13,337
Profit attributable to owners of the Company	9,714	3,699
Balance at end of year	26,750	17,036

7 Financial instruments

7.1 Categories of financial instruments

	31/03/2021 $'000	31/03/2020 $'000
Financial assets		
Fair Value Through Profit or Loss		
Investments	71,090	55,020
At amortised cost		
Cash and cash equivalents	2,168	2,903
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	1,770	857
Accounts payable	91	81

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 2021 the management fee paid was $1.17 million (2020: $0.991 million).

8.1.2 Administration fees

The administration fee is fixed annually by the Board and paid quarterly in advance. Total administration fees expensed in the year ended 31 March 2021 were $0.171 million, relating to services rendered in the year ended 31 March 2021 (2020: $0.271 million).

8.1.3 Equity raising fee

The Manager receives an equity raising fee of 3% of the total capital raised. During the year ended 31 March 2021 an equity raising fee of $0.072 million was paid (2020: $0.218 million). At balance date $0.013 million was outstanding (2020: 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 2021, an expense of $3.259 million (2020: gain of $0.031 million) has been recognised in profit or loss. Of this expense, $0.913 million was recognised as an increase in the performance fee liability of $1.770 million (2020: $0.857 million) in relation to the cash settled portion of the performance fee and $2.346 million was recognised as an increase of the share based payment reserve of $4.551 million (2020: $2.205 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. The quantum of the performance fee is based on the assumption that the Company's shares would trade at a zero discount to the net asset value per share when the performance fee is paid. This may not be the case if the Company's shares are listed on a recognised exchange.

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:

	31/03/2021	31/03/2020
Lance Wiggs[1]	63,000	69,000
Michael Bennetts	56,571	56,571
John Berry[4]	11,037	11,037
Blake Richardson	63,924	63,924
Amanda Simpson[3]	7,850	7,850
Teressa Betty	200	-
Chris Humphreys[1,2]	366	366
LWCM	6,214	214

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

[4] John Berry ceased to be a director of the company as at 31 January 2021.

8.2.2 Directors' fees

Director fees paid by the Company during the year have been disclosed on page 34 of the Annual Report.

9 Audit fees

	31/03/2021 $'000	31/03/2020 $'000
Audit of financial statements (Ernst & Young)	46	46
Other services (audit of share register - Ernst & Young)	3	3
Other services (AML audit - Strategi)	-	2
Total audit fees	49	51

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

	31/03/2021 $'000	31/03/2020 $'000
Profit for the year	9,714	3,699
Adjustments for:		
Change in fair value of investments	(14,388)	(4,958)
Accrued performance fees	3,259	(31)
	(1,415)	(1,290)
Movements in working capital:		
(Decrease)/Increase in trade and other payables	10	(25)
Decrease/(Increase) in prepayments	-	(7)
Decrease/(Increase) in trade and other receivables	2	(3)
Decrease/(Increase) in withholding tax receivable	11	27
Net cash used in operating activities	(1,392)	(1,298)

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:

	31/03/2021 $'000	31/03/2020 $'000
Cash on hand and demand deposits	2,168	2,903
Short term deposits	-	-
Total cash and cash equivalents	2,168	2,903

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

12 Financial risks

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

12.1 Market risk

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

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

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

The investments in Devoli Limited, Onceit Limited and the Company's residual interest in Vend Limited (cash receivable and listed Lightspeed POS Inc. shares) are individually more than 10% but individually less than 25% of total investments at balance date.

The Company has no significant interest risk. The Company is exposed to currency risk in respect of its holding of Lightspeed POS Inc. shares which are listed on the New York Stock Erxchange and denominated in US dollars.

Sensitivity analysis

If the value of the Company's investments weakened by 30%, holding all other variables constant, profit and equity would be $21.33m lower. If the value of the Company's investments strengthened by 30%, holding all other variables constant, profit and equity would be $21.33m 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, along with Vend Limited sale proceeds owed to the Company by Lightspeed POS Inc.

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.

Lightspeed POS is a US-listed company with a market capitalisation of US$9 billion. Subsequent to the balance date, this receivable was received by the Company.

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, the Company:

- entered into an agreement to sell its shares in Timely Limited to EverCommerce Solutions Inc., and received payment (excluding escrow amounts) for the sale;
- made new investments in Mobi2Go Limited, Quantifi Photonics Limited and Weirdly Limited;
- received the cash receivable associated with the sales of its Vend Limited shares;
- received a return of capital from Mindfull Group Limited;
- sold 15,413 of its Lightspeed POS Inc. shares (approximately one third of its total holding);
- received a dividend from OnceIt; and
- raised $0.169 million by issuing 6,250 new shares as part of its March 2021 wholesale offer.

Directory

Board of Directors of Punakaiki Fund Limited

Michael John Bennetts

Blake Thomson Richardson

Teressa Rachelle Betty

Graeme Lance Turner Wiggs

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

Level 6

2 Kitchener Street

Auckland 1010

Manager

LWCM Limited

Level 6

2 Kitchener Street

Auckland 1010

Solicitors

WynnWilliams

Level 25, Vero Centre

48 Shortland Street

Auckland 1010

Auditor

Ernst & Young

2 Takutai Square

Britomart

Auckland 1010

Registrar

The Share Register is maintained by LWCM Limited

Level 6

2 Kitchener Street

Auckland 1010