Punakaiki Fund

Annual Report

For the year ended 31 March 2022

26 JULY 2022

2022 Snapshot

Raised:

$5.2 million

- At an average of $28.45 per share
- Investor net asset value per share $33.38 at year end

Invested:

$20.1 million

Main Investments:

Quantifi Photonics
Weirdly
Whip Around
Couchdrop
Projectworks

Realised:

$19.9 million

(Including dividends)

$98.2 million

In Total Assets

$21.7 million

Increase in fair value of investments

$1.8 million

Net cash used in operating activities (1.8% of year-end assets)

$15.8 million

Profit After Tax

Three Exits

- **Vend** – company sold, shares sold to Lightspeed
- **Timely** – company sold, shares sold to EverCommerce
- **Moxion** – company sold, shares sold to Autodesk

23.3% IRR

Annualised increase in unrealised and realised portfolio company value since inception

(Up 107% on initial investment value)

$131 million

Estimated, and unverified FY2022 revenue from our 17 core portfolio companies

Contents

Chair's Report ... 6

Manager's Report ... 8

Highlights - The year to March 2022 ... 14

Highlights - Since Starting ... 17

Diversity Report ... 19

FY2022 Timeline ... 21

Investments ... 23

Directors' Statement and Statutory Information ... 43

Independent Auditor's Report ... 50

Financial Statements ... 54

Directory ... 73

01.

Chair's Report

01. Chair’s Report

Kia ora tātou

The last year saw major exits, substantial investments and governance changes that sets us up for future success.

The sale of Vend, Timely and Moxion before the end of the calendar year combined to contribute over $19 million in proceeds and allowed Punakaiki Fund to in-turn invest over $20 million into new opportunities.

We welcomed five new companies to Punakaiki Fund in the financial year, including Moxion, as well as Whip Around, Formus Labs, Couchdrop and Projectworks. We look forward to many years of growth from the four remaining companies.

In early 2022 we welcomed Nigel Scott, Candace Kinser and Tracey Jones to the Board, and farewelled, with thanks, Blake Richardson. The new directors are ready and able to help bring Punakaiki Fund to an initial public offering, if that is the path we choose.

For a long time, we have said we would reassess the prospects of an IPO when we reached $100 million in assets. As at the end of the financial year we are very close, at $98.2 million.

Since then, however, the capital markets, in particular for technology stocks, have fallen substantially, and we anticipate that it would be a difficult time to make an initial public offer, but will continue to work towards the potential for an IPO.

Our asset value of $98.2 million is up by $24.9 million over last year’s $73.3 million, and up by $40 million versus $58 million two years ago. This increase is largely driven by company performance, which drives $33 million of this increase.

In the 2021 financial year we slowed our fund raising given the COVID-19 pandemic, and in 2022 our $20 million in exit returns meant that we did not need to raise more capital to make significant investments.

Our FY2022 returns, measured by investor net asset value, rose 22% from $27.35 to $33.38 per share.

These results are formalised through our annual valuation process, which is owned by the Board, with oversight and challenge by our external auditors. This year we were assisted with external validation, either through independent valuation or investment events led by credible third-party investors, for over 60% of the portfolio value.

We cannot control what happens to global stock markets, but the Board is able to look through to the very real companies in our portfolio to determine and manage our long-term prospects. We have very high confidence in the continued performance of the overwhelming majority of our investments. But this is also venture capital, and failures do occur, so we allow for that in our valuation approach.

Governance

The Board and the Manager are in a considered process to review the company’s settings as we navigate a path to potential IPO. Some changes, such as any to the management agreement, would require a formal shareholder vote, and your Board will only recommend this if they are advantageous to shareholders.

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

Mike Bennetts

02.

Manager's Report

02. Manager's Report

Tēnā koutou

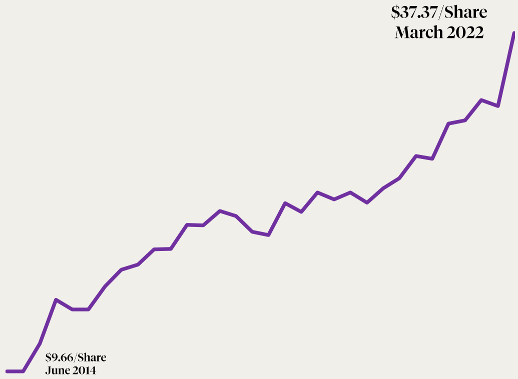
This report marks our best year yet, with a record profit of $15.785 million for the financial year ended 31 March 2022. We ended the year with assets of $98.197 million, up $24.900 million from $73.297 million a year ago.

The profit was driven by the revaluation of the investment portfolio by $21.664 million, which in turn was underpinned by the exit of three companies that collectively generated over $19 million in cash proceeds.

The assets were also boosted by raising $5.176 million from investors during the year, and we are grateful for the support. We were able to make total investments during the financial year of $20 million, including into five new companies.

We ended the year with assets per share of $37.37, up 3.87 times from $9.66 per share in our first reporting quarter in June 2014.

Asset Value Per share

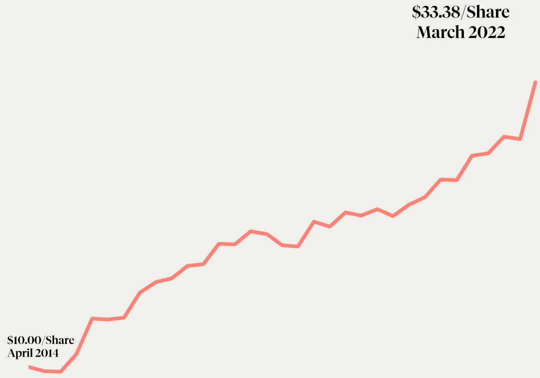


Our net cash used in operating activities was $1.805 million, representing 1.84% of the year-end asset value. This includes all costs of running Punakaiki Fund, and we remain proud at how efficient we are with our costs. Venture capital is a very hands-on investment class, requiring not just significant work to decide to make investments, but a substantial amount of work managing investments and negotiating follow-on rounds and exits.

Record Uplift

Our investor net asset value per share, which lowers the asset value principally by subtracting a contingent performance fee, was $33.38 per share, up 3.38 times from our initial share price of $10.00 in April 2014.

Investor Net Asset Value Per share



Three Major Exits

A year ago, we reported on the exits of Vend and Timely, but we had no idea about our third major exit, Moxion. Indeed, we didn't even invest in Moxion until August 2021, with our second tranche on investment made in September 2021. However, we received the funds from the sale of the business before the end of December 2021.

The three major exits delivered $20.9 million in value, mostly in cash with some escrowed amounts to come later. This was a total of 4.0 times their combined original investment, lower than we would normally look for, but providing a collective annualised return rate of over 30%.

The three exits also required us to mark up their holding value by an aggregate of 2.2x times from their holding value before we knew about each transaction. We generally do expect to be holding companies at values underneath their exit value, but were pleasantly surprised by how much we needed to increase our valuations.

Five New Companies

We welcomed Whip Around, Moxion, Formus Labs, Couchdrop and Projectworks to our portfolio during the year. We placed an average of just under $2 million into each of these companies. Our largest investment was with Whip Around, where we were the largest investor in a round that eventually raised a total of $21 million. Our smallest investment was with Formus Labs, where we followed a round led by fellow venture capital firm Global from Day 1.

We report on each of these companies later in this report, along with the existing portfolio companies.

Directorships

We took active directorship roles in Projectworks (Nadine Hill), Couchdrop (myself, Lance Wiggs), and I acted as Board observer to assist with the exit process for Moxion. We rely on the existing Board for Whip Around, and the lead investors and Board for Formus Labs.

We work hard to balance our efforts, and focus our governance and assistance efforts on companies where we have a larger percentage shareholding, and can generate value for the company. We also have to be aware that it is healthy for the companies to rotate directorships, and sometimes that might mean no 2040 Ventures director. We've made a few changes to our directorships, both during and after the financial year.

I've now reduced my own Punakaiki Fund directorships down to five: CONQA, Onceit, RedSeed, Couchdrop and Quantifi Photonics.

Nadine Hill holds six directorships, including Projectworks, Get Home Safe, Orah, Core Schedule, Weirdly and QUBEdocs. Chris Humphreys and Rohan MacMahon are directors for Devoli, while Anum Malik and Chris are observers of boards of other companies.

The amount of effort can vary a lot, and gets quite intense during capital events. I've mentioned Moxion above, and I also pitched in to help Quantifi Photonics navigate a major fundraising Series C round, as well as a prior acquisition of an offshore company. Nadine, Chris and I also leaned-in to assist with certain important events at other companies. Unfortunately not everything succeeds, and even when it does, we can't necessarily disclose anything. But as investor-directors we are expected to step up on these events, which can obviously add a lot of value if done well, and vice versa.

We have the five 2040 Ventures partners as well as the investments and operations teams to call on when help is required.

People

Our investments team is led by the ever-popular Nadine Hill, and supported full time by Anum Malik and Anahita Haridasani. Nadine, Chris and I form the investment committee, and any one of the wider team can bring an investment deal to the table. That includes Andy Magness, who resides in Te Anau, focusses on operations but spends some of his time assisting the investments team. He is currently driving one company persistently through our investment process.

Chris and Andy were joined in Te Anau by our most recent hire, our finance analyst Angela James. In Auckland we welcomed Anahita Haridasani, and we farewelled Olo Brown who may still act in an investor relations role on occasion.

With the ongoing changes over the years, we felt that our old name, LWCM Limited, formerly Lance Wiggs Capital Management Limited, no longer reflected the reality of how we work. So we are now known as 2040 Ventures, and when we invest, we try to think that far ahead. As we get closer to the year 2040, the importance of the date, for both New Zealand and the climate crisis will become more apparent.

We formally appointed Nadine Hill, as well as Rohan MacMahon and Jez Weston from the Climate Venture Capital Fund, as 2040 Ventures partners, joining Chris and myself. Rohan and Jez are able to bring their expertise to Punakaiki Fund where required, and Rohan is already on the Board of Devoli, putting his years of telecommunications experience to work.

Company News

This year we have taken a more conversational approach with our company updates, which we hope you find interesting. We saw strong performance across most companies, and were particularly impressed with the growth driven by internal actions shown by CONQA, Whip Around and many others.

We are also very happy to see the ongoing progress of Quantifi Photonics, with a large funding round led by Punakaiki Fund in 2021 followed in early July 2022 by a $25 million Series C round led by Intel.

We were also very happy to report that Orah is progressing well. We first invested into what was then Boardingware 2015, when the company was very small. Over the years the founders, Paul Organ and Kurt Meyer steadily and frugally build a sustainable and increasingly high value business. They have extended their market and raised funding from highly regarded local investors just after the year end.

Fund raising is not a way to judge success, but it does provide external evidence that sophisticated investors are seeing strong results and potential (which we are).

And a thank-you to Rich Chetwynd, founder of ThisData, which was sold a number of years ago to OneLogin in return for OneLogin shares. Rich went across to work at OneLogin, leaving only after that company in turn was sold. The shareholders of ThisData received a distribution late in 2021, and we have now formally closed out the investment. We received 50% of our investment back, and learned a lot, which is not the worst result for a company that was too early for its market and didn't get material revenue traction. Today the ThisData investment would be out of mandate as the revenue would be under our investment thresholds.

Scoring Company Performance

After eight years we are increasing our resilience to the ongoing changes in portfolio valuation.

We expect that companies will have great years, but also know that they will occasionally have poor years. We also understand and expect that company valuations can sometimes move quite sharply, due to poor prospects or performance, or due to capital events. But we also expect and observe that the portfolio effect will absorb many of the valuation ups and downs when we report our results.

This year we saw an unusually large amount of year-end valuation activity, as several companies saw large mark-ups or write downs based on capital events, company performance and capital market conditions.

We don't disclose individual valuations, but as one measure we held five investments that were valued at over $5 million at the end of both FY2021 and FY2022, but only one company was on the list twice.

Two of the companies from FY2021 sold, and another two were marked down under $5 million for this financial year, while four were promoted due to their good performance and further investment.

Eight companies represented over 80% of the value of our investments at the end of the year. Devoli, at over 20%, is the largest, and the others are CONQA, Onceit, Quantifi Photonics, Orah, RedSeed, Weirdly and Whip Around. These are not in order.

Return to Performance

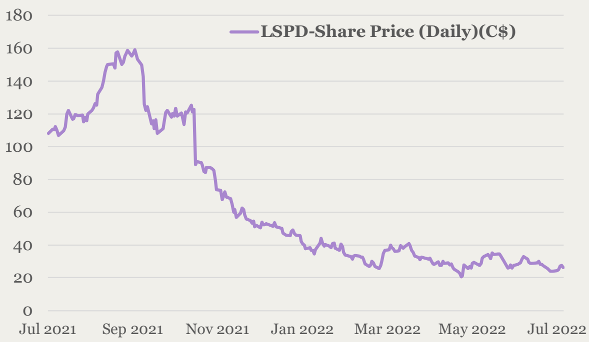
This year we saw more companies performing well, as they emerged from the wilderness of the difficult COVID operating environment. We've also seen continued growth at Devoli, and an enduring relationship with Contact Energy based on strong outcomes. We've also seen challenging trading for Onceit, driven by market conditions, but strong growth at CONQA, along with some excellent under-time and under-budget commercial building outcomes for their clients. We are very excited about the medium-term prospects for Projectworks and Couchdrop, and are delighted with the evidence that capital rounds led by significant investors provides for Orah and Quantifi Photonics prospects and performance.

We are very content with performance overall – holding to the adage that growth conquers a lot of issues. Growth allows companies to employ more people, to extend, perhaps forever, the period of time between needing to raise new capital, and to focus on longer-term strategic initiatives. Growth provides opportunities for founders and staff to extend their roles, and to upgrade the membership of their boards of directors. And growth is highly attractive to investors, particularly in challenging market conditions.

Commentary: Coping with Markets

Technology stocks have been on quite the journey in the last few months. A great example of this is what happened when we acquired Lightspeed shares as part of our exit from Vend.

We were very happy to close out our exit of Vend by selling our Lightspeed shares across two tranches, for an average of US$86.80 per share. Our previous experience with the exit of Linewize to Family Zone told us that if we believed the acquirer's valuation was high then we should sell our shares as soon as possible, as listed markets are incredibly volatile. We also learned that just obtaining shares to be able to sell them could be challenging, and worked with our broker to ensure that we could manage this well.

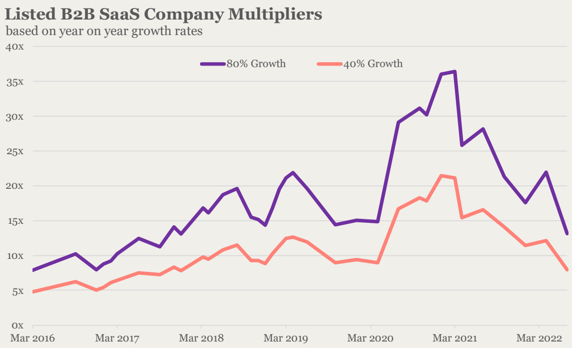


Source Statement: Capital IQ

That's proven out quite remarkably, with the shares in Lightspeed subsequently dropping to trade under US$20 per share, a quite remarkable fall. Similarly, the tech stocks we track appear to have fallen by 40-60% from their peaks last year to the end of June.

We track an ever-evolving selection of Business-to-Business Software as a Service (B2B SaaS) companies as part of our approach to valuation. These companies are valued by stock markets based on their revenue and their growth rates, and we have seen very strong correlations between these two factors over the years.

However, a few years ago we noticed that the revenue multiples seen in capital markets were becoming unreasonably high. The chart below gives a flavour of this, and shows the market multiples that two companies, one growing annual revenue at 40% a year and the other at 80% a year, would have attracted over time. The lower growth company would have, for example, received an enterprise valuation of 4.8 times its revenue in March 2014, and a rather absurd 21.4 times its revenue in December 2020.



We started capping the multiples we used in our valuations in 2018, and so were protected from the valuation impact of the irrational highs and the subsequent falls. We missed out on sharing some fantastical valuations with you, but we did benefit to some extent with the three exits last year, where the North American based acquirers were exposed to higher multiples than we are here in New Zealand.

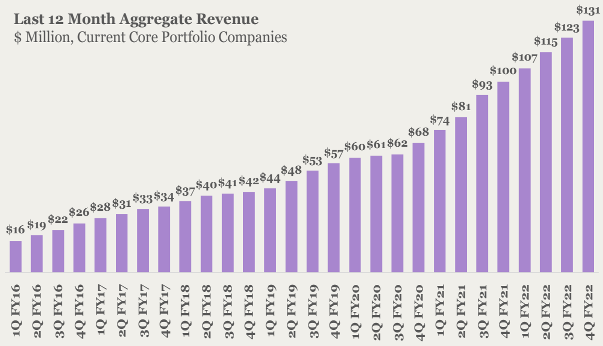
We've continued to have a conservative valuation mindset when evaluating investments as well, driven from our formative years, starting with our first B2B SaaS investment in 2014.

At the very end of the chart above, we can see multiples starting to come back to historic levels, and our valuation caps are no longer needed for most of our portfolio companies. In the chart above, the multiples fell by 35-40% in the quarter ending 30 June 2022.

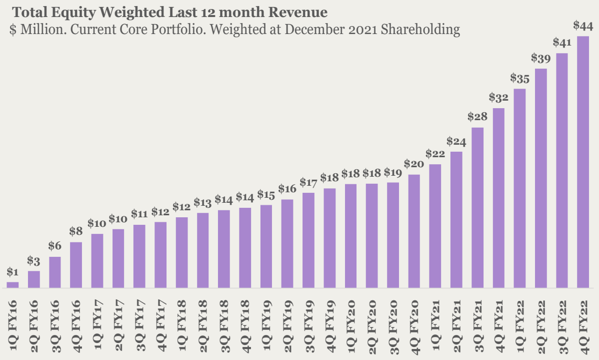
But because of our caps, and assisted by ongoing company growth and capital raising events, our total assets for June have fallen under 2.28%, and the investor net asset value per share by around $0.68.

Aggregated Portfolio Company Revenue

While stock markets are impossible to control, we can focus on helping portfolio companies grow. It's pleasing to report a strong year of revenue growth, with the current 17 core portfolio companies showed last twelve-month aggregate revenue of $131 million at the end of the financial year. Devoli alone delivered over $50 million of that total.



The equity-weighted revenue was $44 million at year-end. Once again, this chart does not incorporate revenue from companies that we have exited.



Path to IPO

With the asset value now close to $100 million, our long-standing target, we can start to look more seriously at the prospects of a listing on a stock market such as the NZX. We have slowed this work down, however, in response to the rapid falls in the value of technology stocks on capital markets. We have no immediate plans for a listing, but if we did it is likely that it would need to be in 2023. As always, we will keep shareholders updated through our regular communications, and we note that a successful shareholder vote would be required before any listing.

Governance

Mike Bennetts led the efforts last year to recruit three new directors – Candace Kinser, Nigel Scott and Tracey Jones. They bring individually relevant and collectively diverse experiences to the boardroom. Mike also leads an ongoing effort to continuously improve our governance processes, and we are constantly evolving our policies and procedures. This year we lowered the risks associated with management of the share register by outsourcing this to Catalist, and shareholders can now self-manage their holdings.

Summary

The financial year was a fulfilling one, even as we were constrained in many ways due to the pandemic. We are strongly encouraged by the resilience of companies we have invested into, and are looking forward to ongoing growth from them. At 2040 Ventures we are also set up to continue to grow, and have capacity to both invest in and manage more, and we anticipate strong opportunities will keep emerging. As we go to press, we have a number of very strong candidates for investment and see a pressing need to raise funds for the company.

Many thanks for your investment and support. We are eight years into our journey, and making a dent in our mission to find, fund and assist great New Zealand companies to grow.

Lance Wiggs

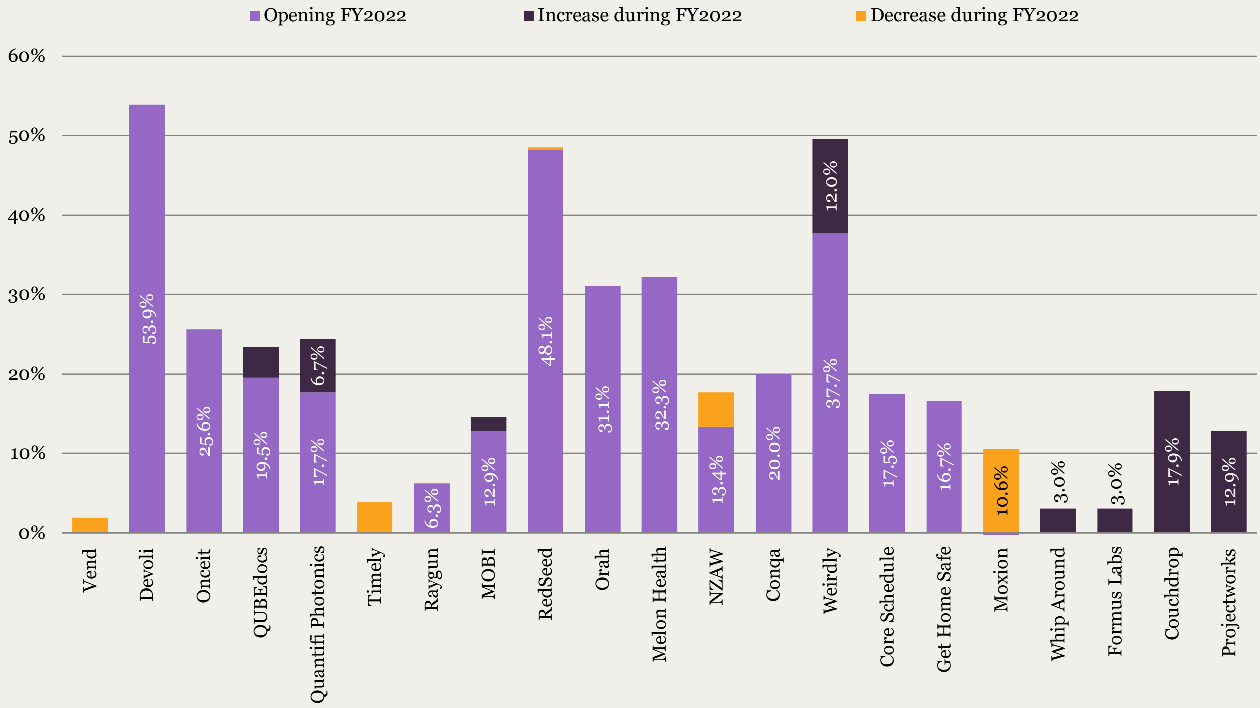
03.

Highlights - The year to March 2022

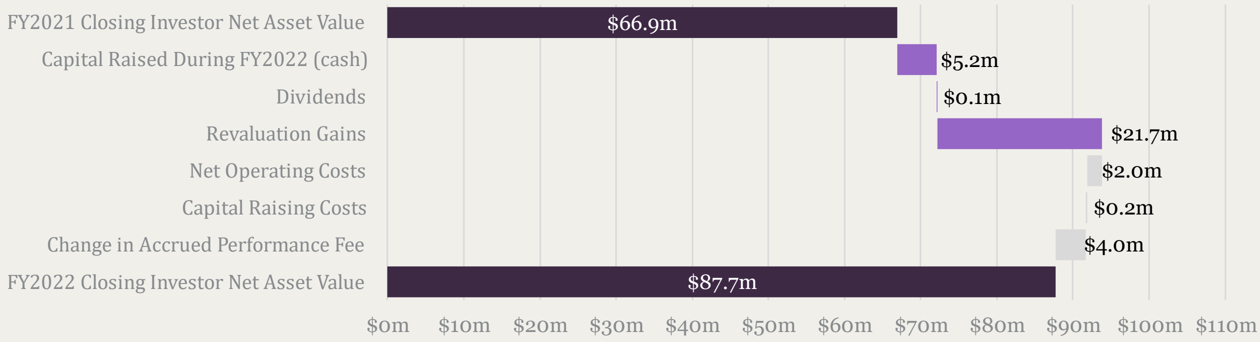
03. Highlights

Raised $5.2 million

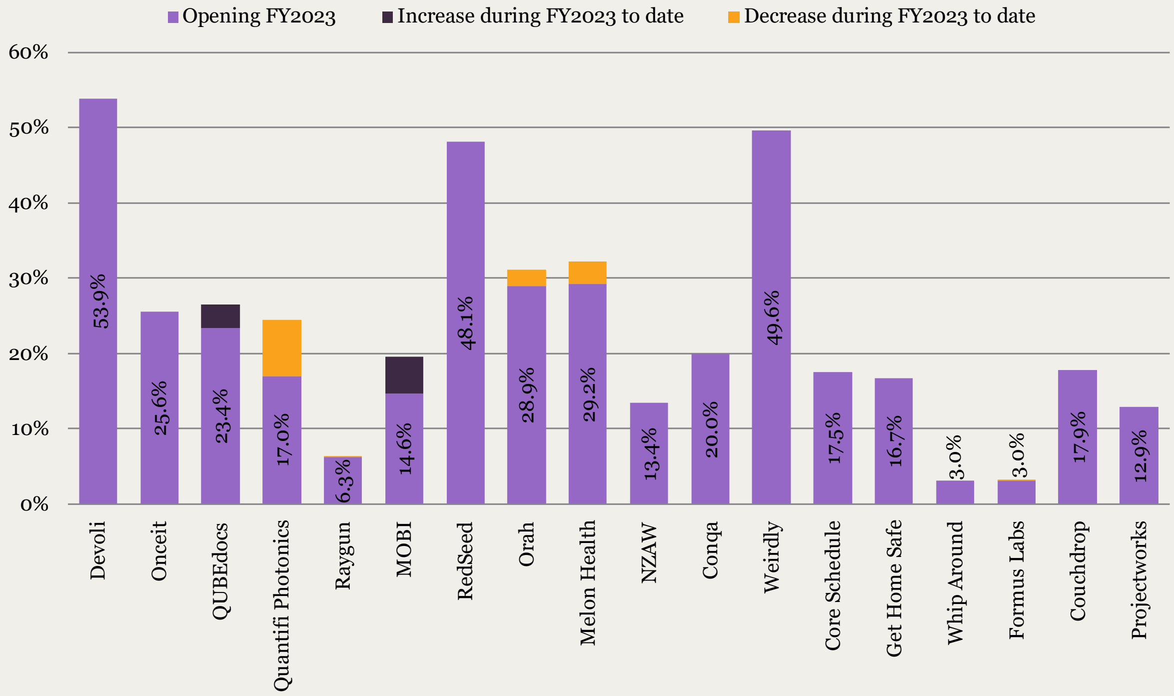
Invested $20.1 million



Booked a Revaluation Gain of $21.7 million

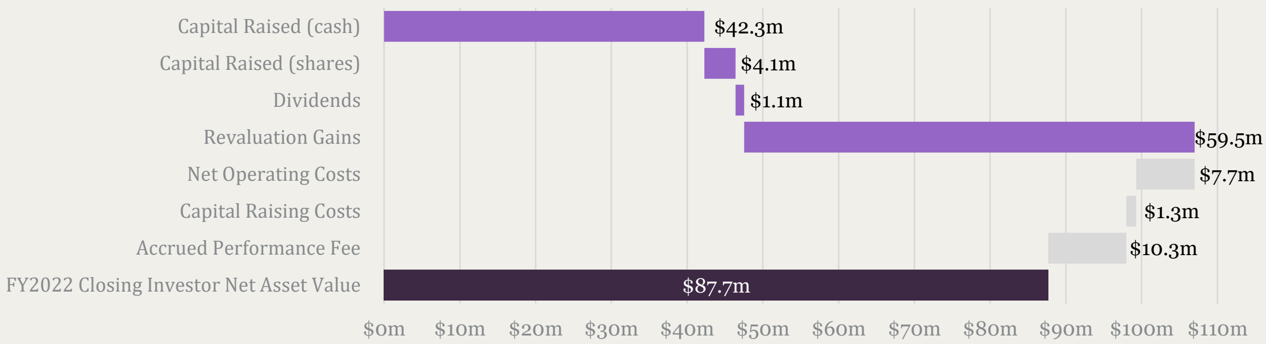


Since March 2022 - Invested another $3.4 million



* *With external investment diluting our shareholdings in Quantifi Photonics, Orah and Melon Health.*

Between April 2014 and March 2022



04.

Highlights - Since Starting

04. Highlights Since Starting

1,047

Shareholders

21

Investments in **21** Companies, of which **17** are active "core companies"

133

Over 133 Separate Investment Tranches

$5.32m

Average Shareholding Value per Core Company

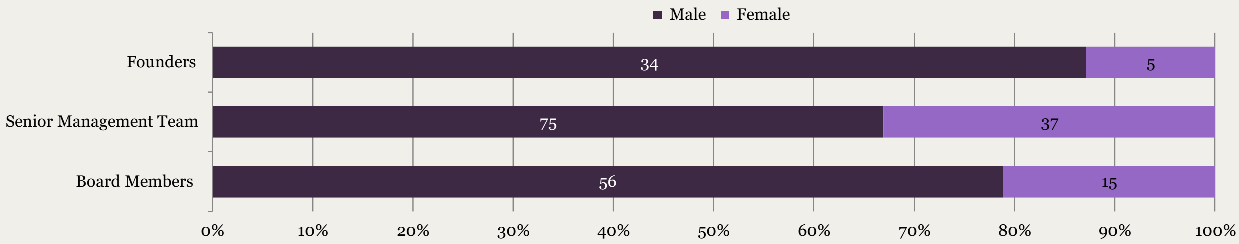
05.

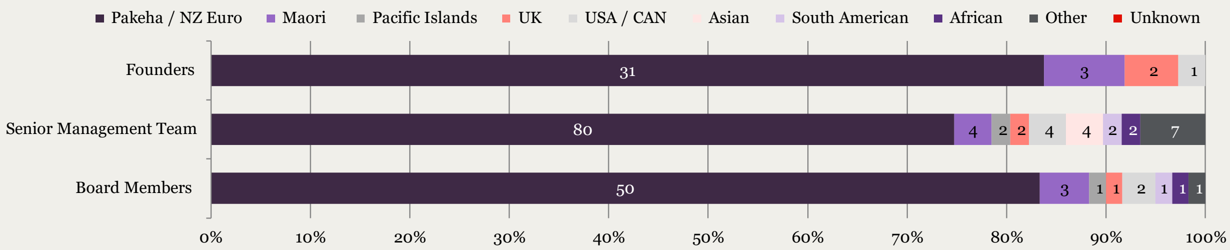
Diversity Report

05. Diversity Report

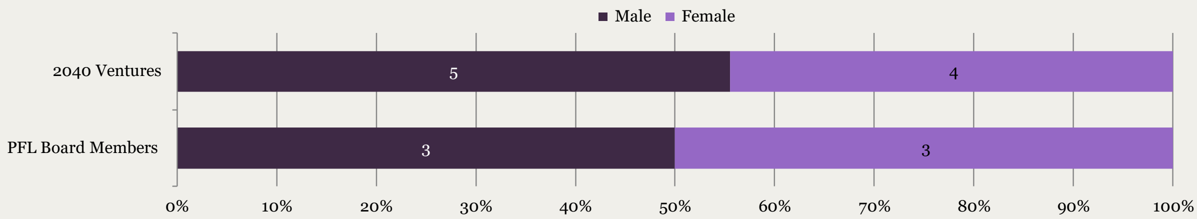
Here is a diversity snapshot at the financial year-end.

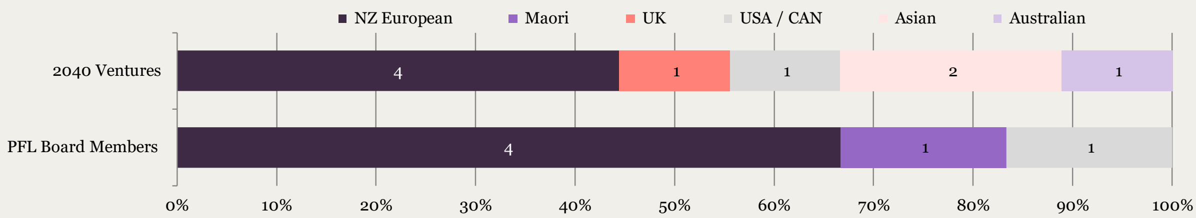
Within Punakaiki Fund Limited’s portfolio companies





And within Punakaiki Fund itself:





06.

FY2022 Timeline

06. Timeline

Investments		Corporate
	Feb 2021	
Mindful (divestment) Mobi	**Mar 2021**	Share Offer – Raised $0.43m
Vend (divestment)	**Apr 2021**	
Mobi Coherent Solutions Vend (divestment)	**May 2021**	Share Offer – Raised $0.2m
Coherent Solutions	**June 2021**	Financial Audit
Mindfull (divestment) Timely (divestment) Weirdly	**July 2021**	2021 Annual Report Released
Moxion	**Aug 2021**	
Vend (divestment) Moxion	**Sept 2021**	Blake Richardson Re-elected as Director Constitution Amended
CONQA Vend (divestment) Whip Around	**Oct 2021**	
EverEdge (divestment) Coherent Solutions	**Nov 2021**	
Weirdly Formus Labs Moxion (divestment) Revert (divestment)	**Dec 2021**	Share Offer – Raised $5.0m
	Jan 2022	Tracey Jones Appointed as Director Candace Kinser Appointed as Director Nigel Scott Appointed as Director
Couchdrop	**Feb 2022**	Blake Richardson Ceased as Director
Projectworks QUBEdocs	**Mar 2022**	
Boardingware Melon Health	**Apr 2022**	
Mobi	**May 2022**	AML Audit
Melon Health QUBEdocs	**Jun 2022**	

07.

Investments

07. Investments

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

Shareholding: 53.9%*

First Investment: Jun 2014

Devoli has chalked up another great year and has grown significantly since our first investment in 2014. Devoli now manages over 75,000 broadband connections and has seen significant and continued growth over this last year driven by both Contact Energy (its largest customer) and (after the financial year-end) winning a new high-profile customer who we can't talk about yet. Contact's broadband connections numbered 67,000 at the end of the financial year, up from 44,000 a year earlier. The most recent data, released in early July 2022, indicates that new broadband signups have continued at pace with Contact Energy now having over 70,000 broadband customers, and more recently we understand that Contact Energy now has more broadband connections than they do for gas!

"Devoli has undertaken significant network modernisation and investment over the last few years with Devoli's telecommunications network now being one of the most advanced in New Zealand, allowing Devoli to compete head-to-head with the larger incumbent telco businesses, leveraging their agility and ability to deliver complex network-based solutions. Coupled with their software automation driving highly efficient customer service, Devoli is well positioned for growth moving forward".

But don't take our word for it. In November, Devoli was ranked 47th in the Deloitte Fast 50, and 10th in the Masters of Growth category. And if the budget forecast is anything to go by, their performance will only improve this year. They were also named one of the top 27 New Zealand-based Network Security Firms and Companies, and had a material role in helping Contact Energy claim multiple accolades at the New Zealand Compare Awards including the Supreme Champion Award and the prize for Best Customer Support.

Throughout the year Devoli continued to develop its offerings, launching its first mobile network-based service, adding zero-touch onboarding for clients, and developed a trans- Tasman broadband pre-qualification and ordering tool.

The latter feature will prove useful as Devoli looks to secure businesses that operate Trans-Tasman with a simple, single process for managing networks on both sides of the Tasman Sea. During the year the Company increased its resources in Australia to build relationships and expand its beachhead revenues. In New Zealand, two senior leaders joined the team, Jan Behrens in a new Chief Technology Officer role and Blair Woodbury replacing Grant Wakelin as Chief Financial Officer. We'd like to thank Grant for his role in Devoli's success over the last three years.

www.devoli.com

*Excludes the dilutionary impacts of employee options.

ONCE·IT

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

Shareholding:
25.6%*

First Investment:
Feb 2015

It's been a challenging year for the ecommerce sector this year, with COVID-related difficulties being dealt with across the entire industry. While COVID-19 and the related lockdowns initially proved a boon for online sales, the longer-term effects of the pandemic have, on balance, been negative. Supply shortages, disruption in supply chains, and an overwhelmed delivery infrastructure have challenged online retailers' ability to get new stock and fulfil orders. Additionally, the increase in consumer spending that initially resulted as COVID-19 swept through New Zealand and Australia has subsided and been replaced with generally higher rates of saving among consumers due to ongoing economic uncertainties and inflation concerns.

Onceit has felt some of this pain, with many premium retailers now selling their own remainder stock, rather than selling the product via discount retailers such as Onceit. They have experienced tougher trading this year as a result, and although the Gross Merchandising Volume transaction through Onceit was about the same this year as last, this was mostly due to an increase in revenue from the Marketplace platform which comes with lower margins.

Challenges aside, Onceit remains a relatively strong company. The MIRAKL marketplace platform which was rolled out at the start of last year has continued to onboard new customers and is beginning to realise some of its potential. Early signs of accelerating Marketplace growth, along with an expanded private label range, are expected to support the company in meeting more positive forecasts in FY2023.

www.onceit.co.nz

*Excludes the dilutionary impacts of employee options.

Meanwhile, the company continues to mature. Their senior executive team has developed a comprehensive set of priorities and we are encouraged by the progress being made against them. A new director, Melanie Gapes, has joined the board as a director and brings retail CFO experience to the team. Onceit also developed an Ethical Compliance and Sourcing policy, with an attached employment role within the company, to formalise their commitment to ensure that merchandise isn't sourced or manufactured in ways that are unethical or cause harm to human welfare.

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

Shareholding:
6.3%*

First Investment:
Apr 2014

Raygun has had a strong year in terms of product development, beginning with their introduction of Core Web Vitals, a tool which allows their customers to track Google's modern, customer-centric metrics which stand to penalise websites in terms of search queries in response to poor user experiences. They also went live with their much-anticipated Alerts functionality, a feature that enables users to set up alerts and monitor events within their software applications, receiving alert emails when specific conditions are met. This feature set was then further improved by connecting Alerts to third party integrations such as Slack, Microsoft Teams and other similar tools.

Revenue growth during the earlier part of the year has been characterised by organic growth, with a shift to 'on-demand' pricing impacting the revenues generated by some customers, although this change is expected to ultimately result in greater customers satisfaction and improved utilisation of Raygun's products through-out their customer's organisations. Towards the end of the financial year, Raygun closed two new key deals and expanded four of its existing contracts to increase ARR materially.

Additionally, they have hired a new Vice President of Growth based in Australia, and are working towards a period of higher sustained growth.

www.raygun.com

*Excludes the dilutionary impacts of employee options.

Raygun is still operating profitably and at present continues to be self-funded. However, the company is considering a capital raise in the current year to help accelerate growth.

Other company highlights for the year include being awarded the 2021 Amazon Web Services Independent Software Vendor Partner of the Year for New Zealand and Australia.

QUANTIFI PHOTONICS™

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

Shareholding:
24.4%*

First Investment:
Nov 2017

Quantifi Photonics year has been capped at both ends by successful capital raises, with the details of these raises highlighting the company's amazing growth.

The first raise, a Series B round, was completed in June and resulted in $13 million of new capital being raised, with an additional $2 million in convertible notes converting to equity as part of the round. Punakaiki Fund led the round with an investment of $5 million and was also material in bringing the other investors—including new New Zealand venture capital funds Pacific Channel and Nuance Connected Capital, along with Kiwisaver fund Simplicity, to the table.

Well-funded, the company began executing on its growth strategy which involved ramping up production, pursuing the acquisition of SmarTest Thailand (a producer of several key high-end testing components), and continuing to deepen the company's relationship with Intel. The SmarTest deal was prioritised during the year, partly due to SmarTest's late-stage development of a quality oscilloscope, with the acquisition completed just after the close of the financial year, on 5 April 2022.

Some aspects of this strategy were, however, hampered by Covid-19. Logistics and shipping delays disrupted the company's supply chain, while the Auckland lockdowns slowed the fit-out of and relocation to the company's new offices. Additionally, international travel to trade shows or to meet with SmarTest became almost impossible.

Throughout the year, Quantifi Photonics made consistent progress with Intel, one of its key partners, expanding the range of testing equipment provided. This relationship further developed in the third quarter of FY2022 when discussions began with Intel Capital about potential funding opportunities. Just prior to this annual report being published, these discussions culminated in a $25 million Series C capital raising round, led by Intel Capital.

Although Punakaiki Fund didn't participate in the Series C capital raising round, we're absolutely thrilled at what it means. From our initial investment back in 2017, Quantifi Photonics has grown substantially and is now well supported by a number of funds and international investors.

www.quantifiphotonics.com

*Excludes the dilutionary impacts of employee options.

MOBI

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

Shareholding:
14.6%*

First Investment:
Oct 2015

MOBI started the year by raising $10 million in its Series B capital raising round, which was led by new Australian investor Capital Z and supported by existing investors Movac and Punakaiki Fund. Following this raise, the company embarked on enterprise customer focus and rapidly scaled their team, moving from 46 employees to 109 by the end of 2021. Over the year, MOBI contracted a significant level of new revenues, securing large new customers, each with lots of locations, in both North America (especially in Canada) and in Australasia.

Despite this success in both expanding the operations of the company and signing up new customers, the company has experienced delays onboarding new customers due to the level of bespoke software development required for each one. This has resulted in slower than hoped for revenue growth and a resulting increase in cash burn.

Early in FY2023, MOBI's three venture capital shareholders (including Punakaiki Fund) became the cornerstone funders of the company's Series C round. As part of the round, the company has committed to cut costs in order to manage its cash burn, and has highlighted several other issues to tackle, including improving onboarding efficiency and providing more product configurability (which will further reduce onboarding time by minimising the need for timely customisations). In addition, founder Tarik Mallett has stepped away from the day-to-day operations of the business, with MOBI's Chief Revenue Officer Mark Raso stepping into the CEO role.

The company has a great product with significant traction in both the small & medium business and enterprise markets, which they continue to add value to by developing new tools such as their popular 'group tabs', improved analytics, and pay-at-table options. These features expand the company's revenue opportunities from existing customers and selling these features to existing customers will be a core focus of the company for the coming year.

www.mobihq.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding:
20.0%*

First Investment:
Feb 2017

CONQA is going gangbusters. They started the 2022 financial year shaking off the previous year's mantle of muted growth by landing a contract for one of their largest projects to date, a new hospital in Australia. From this promising start we were hopeful this was the start of another chapter of strong growth for the company.

We were not disappointed. The company continued to perform well, expanding the team with more than a dozen new hires, including a new Business Manager in Queensland. Their growth was fuelled by a convertible note round during the year led by Punakaiki Fund, with investors confident in CONQA's best-in-class product and market fit.

By the end of the fiscal year, CONQA had sustained their renewed pace of growth, recruited a large team, and reached a record high of 678 daily active users on their platform, despite that time of year typically being slow for the industry. The team is invigorated from the year's successes, are currently looking at the next geography for expansion. CONQA envisions itself as the global market leader in subcontractor-driven Quality Assurance, making quality the driving motivator for the entire construction industry and they aim to do it all with an employee focused culture.

www.conqahq.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding:
48.1%*

First Investment:
Mar 2015

RedSeed has had had a good year, which has been all about both expanding their addressable market and making steady sales.

Their acquisition of KiwiHost early last year has borne fruit for the company. Not only does KiwiHost contribute a significant amount of revenue to the RedSeed group, but it also has expanded RedSeed's client base, with long time KiwiHost customers starting to take advantage of RedSeed's other offerings. Beyond its wins with KiwiHost, RedSeed has also developed a slew of new partnerships during the year, including with Kepler Analytics, Trurating, Resonate, and Active and Thriving, all of which provide RedSeed exposure to these company's customers. RedSeed also put in considerable effort with its multi-lingual programmes and now offer some of their trainings in as many as six languages, a critical step in pursuing sales with larger, multi-national customers.

Existing customers continue to contract with RedSeed for new content as well, so much so that the company now considers bespoke content development a potential future revenue stream of significance. The company is also working with an Australian marketing company to develop a strategy to target their services more directly towards Human Resources and Head of People job roles this year, given that this group represents an ideal demographic for driving future sales.

And speaking of sales, the company is performing well here too. They met their targets for the year, signing 17 new clients, including Weber and Rip Curl, the latter being their largest single customer to date. Sitting behind all this sales success, the team at RedSeed continues to develop more content—including courses in Inclusion and Diversity, a Level 2 Leadership course, and a Level 4 Sales programme, along with professionalising their studio and developing a strong sales pipeline.

The team as a whole is energised and looks forward to another year of strong performance.

www.redseed.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding:
30.1%*

First Investment:
Feb 2015

A bit about Boardingware, er, Orah... old name or new, the company is thriving.

Their sales team continues to convert new clients and the company is solidly and steadily on the path to market dominance in the New Zealand, Australian and US boarding schools market. With this market in hand, they have expanded their products and offerings to begin targeting day schools, opening-up a new market and adding significantly to their growth potential.

One of these new products is Nurture, which takes a science-backed approach to tracking student's social, emotional and mental well-being and then allocating pastoral care resources as needed. Nurture was officially released in early 2022 with significant levels of pre-sales - a clear sign of both its excellent product-market fit and Orah's reputation as a top tier educational SaaS provider.

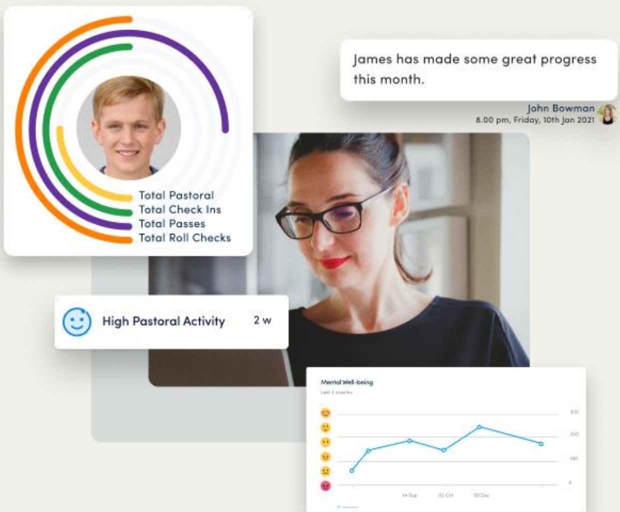
Additionally, Orah has moved towards more of a 'ala carte' and self-service model, the aim being to allow smaller day schools to pick from Orah's menu of offerings based on their specific needs, and then onboard themselves in many instances. Feedback about this new feature set has been overwhelmingly positive.

The company is geared for growth and has steadily expanded their team over the past year, at the sales and customer service level, and at the senior management level. Many new hires are part of a process to outsourcing a portion of development, marketing, and sales roles to a globally distributed team. This decision has been a good one, and the remote team is performing well.

The company's growth is expected to continue at pace and is well supported, with Orah completing a capital raise just after the close of the 2022 financial year. The round included investment from new investors associated with Peter Huljich (Pushpay), Vaughan Fergusson (Vend) and Aaron Bhatnagar, with Punakaiki Fund participating in the acquisition of existing shares from founders. Bruce Gordan, former chief executive and executive director of Pushpay, also invested in the round and joins Orah's board as the new chair.

www.orah.com/boardingware

*Excludes the dilutionary impacts of employee options.



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

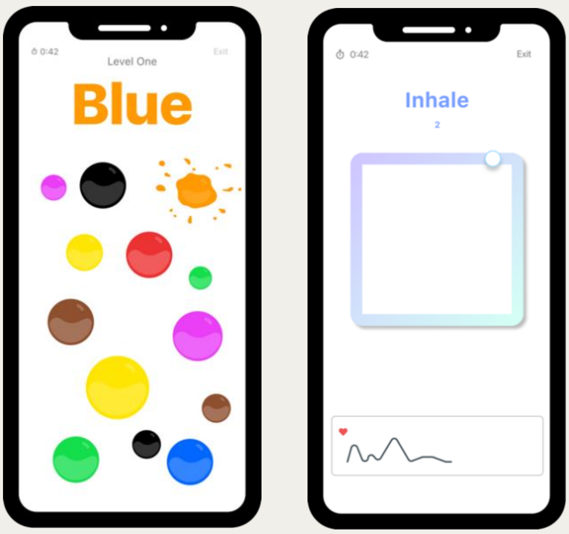
Shareholding: 32.3%*

First Investment: Dec 2014

During FY2022, Melon Health continued to sign new trials and pilot programs both in New Zealand and the USA. These included contracts with Marlborough Bays and West Coast Primary Health Organisation, an ACC pilot for sensitive claims support, a deal with San Joachim Health Plan in California aimed at Diabetes prevention, and a trial with ResMed for sleep apnoea. A contract with the Ministry of Health for psychosocial wellbeing during the pandemic came to an end in January 2022. This coupled with the restructuring of the New Zealand health system and move from a number of regional health entities to a single national one, stands to have significant impact on potential program providers, including Melon, with this viewed as being negative in the short-term as procurement is stalled – and positive in the long term.

That being said, the company has taken steps to create resilience in the face of this uncertainty. They have cut costs to a degree and undertaken a bridging round, to which Punakaiki Fund contributed. This extends their runway until their planned Series-A round later in the year. More importantly, they have initiated a pivot away from the limited funding space of Government contracts and towards a Business to Business (B2B) enterprise offering.

This has resulted in the recent release of a Minimally Viable Product (MVP) version of their new Bubble app, designed to improve the mental health of teens by facilitating positive engagements between them and their parents or other appropriate support networks. The app is being marketed primarily in the US and initial feedback is positive.



www.melonhealth.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding:
49.6%*

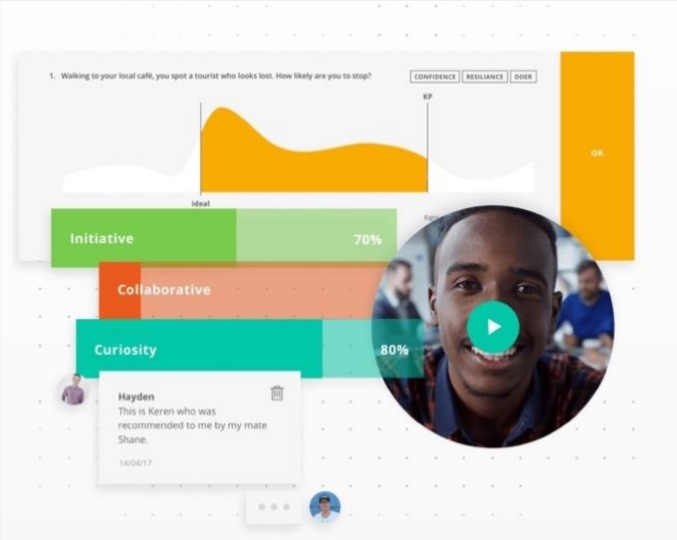
First Investment:
Feb 2015

Weirdly's year has been a mixture of successes and challenges. During the year, the company restructured its team including hiring a number of sales staff including a new Senior Sales executive for Australia with a strong background in recruitment and good connections throughout the market. The results were swift and an impressive sales pipeline was soon developed, although closing sales has been hampered by the spread of Omicron, as many of the decision makers within potential customers were busy dealing with the impacts of the pandemic.

Weirdly's relationship with their largest client, Target/Kmart continued to strengthen, with the company contracting with Weirdly for a number of additional one-off pieces of software development work. The revenue from Kmart represents a large portion of Weirdly's revenues, reflective of the strong relationship between the two businesses and the high regard in which the Kmart team hold Weirdly. The relationship with Kmart demonstrated that value that can be delivered by Weirdly's software, and the ability to replicate this with other large retailers will be key to Weirdly's future.

Mid-way through FY2022, Punakaiki Fund led a capital raising round to fund the company through the year, including providing funding to investigate the ability to monetise Weirdly's existing pool of over 700,000 candidates. While the Weirdly team have identified several potential revenue streams, initial engagement from the candidate pool has been relatively limited.

The company is currently focusing their resources on sales, aiming to close six large deals that represent a significant increase to Weirdly's revenue should they be secured. Weirdly is also working on an international opportunity focused on supporting the employment of Ukrainian refugee migrants in Germany. These and other opportunities provide the company with good growth prospects for FY2023.



www.getweirdly.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding: 23.4%*

First Investment: Dec 2015

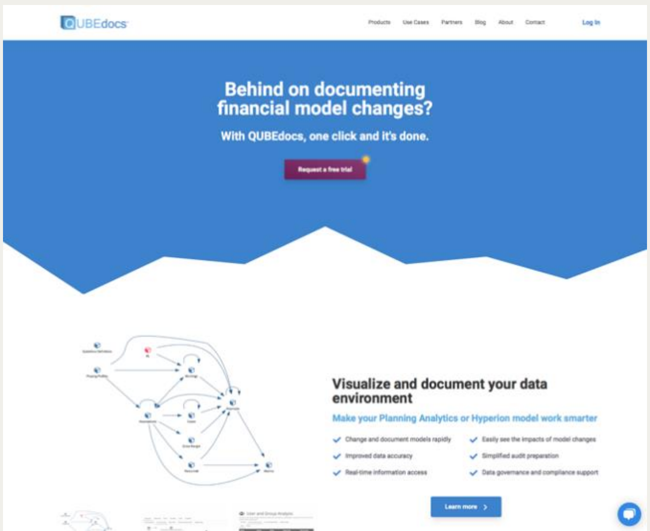
QUBEdocs has made a number of hires during the year as it gears up for growth. Following the sale of Mindfull Group's consultancy business to Fusion 5 in FY2021, The Group's has decided to focus the bulk of its attention (and funding) on its remaining software subsidiaries. Group founders Richard and Belinda Jonhson have moved to the USA to be closer to QUBEdocs primary market and turned their attention fully towards seeing how far they can progress their innovative product.

The early part of the year was spent modularising the QUBEdocs solution and rolling out new product features. These included a Live Object Compare function and a beta version of Audit Log File search capability. The new al-la-carte nature of the offering proved popular and the company has begun to see initial revenue growth. Most new customers are US-based and the list includes some Fortune 500 companies such as Amazon, Johnson & Johnson, Boeing, Audi, Blackrock, and VW—clients that provide great credibility for the business and demonstrate the strength of the QUBEdocs' software and the potential to roll out QUBEdocs across their global organisations.

The company's software customers aren't confined to the core QUBEdoc product or the USA, however. They have also had success closer to home, with their MiBI product being embedded into an Enterprise Resource Planning solution provided via Datacom to local government councils across New Zealand and Australia.

A number of new key hires were made during the year—a US-based Vice President of Sales, a Chief Marketing Officer, and a Vice President of Customer Service. The Vice President of sales in particular has been instrumental in driving growth and is looking at significantly improving QUBEdocs' sales process and increasing ARPU (average revenue per user) for their larger enterprise customers. In addition, Nadine Hill has joined the Mindfull Group board, taking over from Lance Wiggs. One other independent director from the US with SaaS scaling experience is also planning to join the board.

To fuel its growth, QUBEdocs undertook two small capital raising rounds, one at the end of FY2022 and one early in FY2023. These rounds extended the company's cash runway through to the end of 2022, at which time it is planning to undertake a Series A funding round.



www.qubedocs.com

*Excludes the dilutionary impacts of employee options.

GetHomeSafe

Get Home Safe delivers personal safety, lone worker, and journey management software solutions to businesses and agencies of any size.

Shareholding:
16.7%*

First Investment:
Dec 2020

Get Home Safe is operating at full steam ahead, with continual product development, new integrations, a company branding facelift, and international expansion (including new clients and sales partners) all driving solid growth during the year.

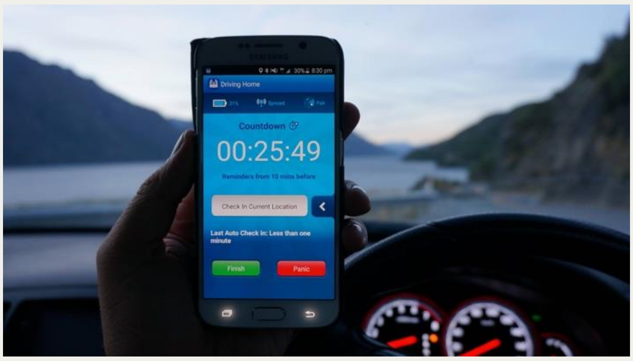
Earlier in the year the company released their Journey Management platform, which has been well received by both new and existing customers, increasing their average revenue per user for the latter group in many cases. The company also released version 4.0 of their mobile app, completing a 14-month rebuild of the product and future-proofing this vital asset.

Get Home Safe has successfully integrated their safety management system with Motorola radios and are actively pursuing integrations with other brands. These integrations allow for many of the company's tools to be used in remote areas without cell-phone coverage and expand their market considerably. Further integrations, spurred by a large contract with Delta, required software integration with both Satellite Devices and EROAD, a major telematics provider.

The company has also been busy with a company rebrand which included a new logo and website overhaul, along with a renaming of products. The result is a cleaner and clearer user interface, and more clarity about their product offerings, which has subsequently resulted in an increase in leads. Meanwhile, the team continues to expand, and after hiring a pair of new developers, Get Home Safe is now capable of managing all of their development needs in-house.

The company has grown revenues strongly over the year from a combination of the acquisition of new clients, expanded sales to existing customers and the implementing of a small price increase. Even with this price increase, Get Home Safe's solutions remain the most cost-effective on the market. During the year the company won a paid trial with South32, a global mining and metals company, which represents an opportunity for significant future growth. Late in the fiscal year a partnership with Webfleet, a leading European telematics company, was announced, which gives Get Home Safe access to their customer base. Additional partner deals with potential resellers are being discussed with companies in Kuwait and Cameroon.

Finally, the company's on the ground expansion into the UK which began at the end of FY2021 is taking shape. All of the formalities (office, company status, etc.) have been sorted and the UK team is working hard to sort compliance with new legislative requirements while gaining traction and making their first sales.



www.gethomesafe.com

*Excludes the dilutionary impacts of employee options.

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

Shareholding:
17.5%*

First Investment:
Jun 2020

Core Schedule has grown strongly this year, despite facing some challenges. Early in the year the company dealt with staffing issues, losing some key staff and struggling to recruit others that were required to scale. By the end of the year however, most hires had been made and the company is now operating well, and is in a strongly position to grow in the coming year.

COVID-19 in general, and Omicron specifically, has also had significant impacts on health systems in all the company's major markets, and in particular in Australasia. However, improved understanding of how health systems can deal with new waves of the pandemic highlighted the critical importance of staff rostering to maintain viable levels of health services. This in turn served to highlight the value of Core Schedule's offering and as a result the company has developed a very strong pipeline of sales opportunities.

This sales pipeline was further strengthened by referrals from existing customers, where the team continued to find champions for their products, particularly in Emergency Departments. By the end of the financial year, Core Schedule had converted a number of sales leads into customers, fuelling strong revenue growth. These included two new clients in New South Wales, an aged care clinic in Western Australia (which provides a toe hold in this sector of potential future growth) and a Central Adelaide Local Health Network Covid-19 response project.

Core Schedule are either in the final stages of discussion or have been shortlisted for several regional or nation-wide deals that, if closed, would double their existing revenues. Decisions on these deals are expected to be made in mid-2022. Additionally, the company's software is currently used in 16 out of 20 New Zealand District Health Boards, putting them in a good position to win a national contract when New Zealand's health system becomes centralised.

The company is currently operating at pace with product development, adding to their sales pipeline and winning new customers. Their ability to continue to grow revenues and scale their staff to meet the needs of larger clients will likely require the company to raise capital this year. Given the company's strong position, Punakaiki Fund would like to lead the funding of this round.

www.coreschedule.com

*Excludes the dilutionary impacts of employee options.

New Investment

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

Shareholding:
3.0%*

First Investment:
Oct 2021

Punakaiki Fund's investment into new portfolio company Whip Around was completed in the third quarter of FY2022 with Punakaiki Fund being the largest investors in an oversubscribed $21 million capital raising round. The company, which provides inspections and maintenance SaaS software for commercial transport firms, serves clients primarily in the US, and has shown strong and steady growth based on its easy-to-use software and strong sales ability, as recognised by its win in the Hi-Tech Emerging Company of the Year category of the New Zealand Hi-Tech Awards.

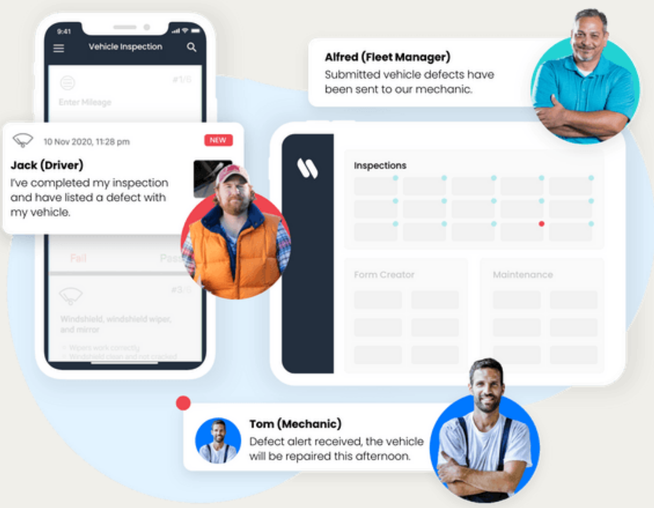
During the last half of FY2022 the company successfully completed two of the three planned integrations with top fleet management and telematics companies, first with Keep Truckin', and then with Samsara. These integrations both increase Whip Around's functionality for their existing customer base and expand their potential customer base via Keep Truckin' and Samsara.

Whip Around continues to work toward optimising their sales team and go to market strategy, both of which are already strong. These efforts are paying off, with the company having their best month in new sales in March 2022.

www.whiparound.com

*Excludes the dilutionary impacts of employee options.

Whip Around will be a 'light touch' investment for Punakaiki, as our somewhat later stage investor status means we have a smaller shareholding (3.0%) and therefore we do not have board representation. We are confident that the company is in good hands - its leadership team is one of the most impressive we have seen, with executives coming from Xero and ezyVet, and with CEO Noah Hickey being well connected for future funding needs.



New Investment

Moxion provides an advanced dailies and content review platform for the film and television product industry.

Shareholding:
0.0%

First Investment:
Oct 2021

Tinderbox Media Limited, trading as Moxion, was Punakaiki Fund's first new portfolio company investment of FY2022. Aptly named, this nuggety company turned out to be a bit of a flash-in-the-pan investment, in the best possible sense.

Moxion was hot. In mid-2021 it won the Hi-Tech Startup Company of the Year category at the New Zealand Hi-Tech Awards. And the prize was well deserved. The company's product—secure, cloud-based delivery of dailies for the motion picture industry at speed—was just what the industry was looking for. As streaming services backed by mega corporations ramped up competition for slices of a hundred-billion-dollar pie, their offering was set to become the standard must have tool for the job.

Punakaiki Fund's investment was made in August 2021. We'd previously missed out on a convertible note oversubscribed by existing shareholders (who get first dibs), but jumped at the chance to join the company on their journey when several existing shareholders were looking to sell. But only a few weeks later, while holding preliminary discussions with potential investors for a Series A round, Moxion received a term sheet from Autodesk to buy the company.

When the deal was done in December 2021, Punakaiki Fund's original investment return a 3.39x multiple on funds invested. For our part, we are excited to have been a part of Moxion's adventure, albeit briefly, and have no doubt that their continued success with Autodesk, rather than a flash-in-the-pan, will be anything but.

Caveat: This scenario is the result of a rather 'perfect storm' of factors all coming together at once. It's an extremely rare occurrence in the venture investment world, even when you're doing everything right. That being said, when you take advantage of your opportunities, exercise due diligence, and are rewarded with a little bit of luck, you can indeed enjoy such good fortune.

www.moxion.io

New Investment

Formus Labs employs cutting-edge automation, advanced machine learnings and personalized patient care plans to improve outcomes in joint replacement surgery.

Shareholding:
3.0%*

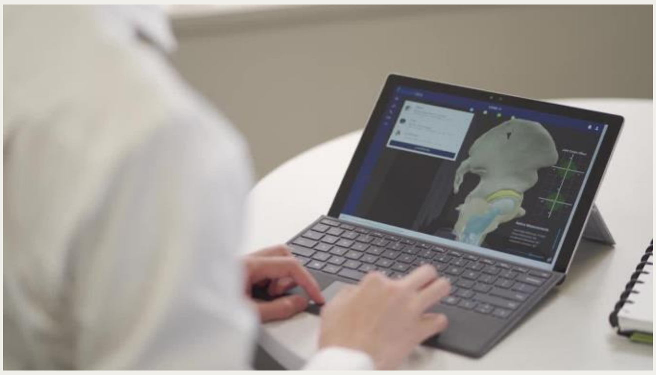
First Investment:
Dec 2021

Formus Labs intuitive cloud-based platform leverages deep, AI enabled, anatomical insights to create some very clever software utilising cutting-edge biomechanics and machine learning to both select the correct type of joint replacement, and to assist with the surgery planning in order to improve the joint replacement outcomes for patients.

PFL invested into Formus Labs in the third quarter of FY2022 as part of a US$5 Million Pre-Series-A oversubscribed round led by New Zealand venture capital fund Global from Day 1 and participated in by a number of other funds.

Following the raise, the company officially released their Formus Hip product in collaboration with Zimmer Biomet. Zimmer Biomet is a leader in Hip total joint replacements worldwide and brings strong distribution channels, key strategic clinicians and deep understanding of the total joint arthroplasty space to this partnership. The product was launched in both Australia and New Zealand late in the financial year, with all Zimmer Biomet's Australia and New Zealand sales representatives now having full access to the software. Sales to orthopaedic clinics are progressing at pace, albeit slightly slower than forecast due in part to elective surgery market softness as a result of the COVID-19 pandemic in these markets.

The company is well positioned for future growth and has already begun assessing customer needs in the US market with an eye towards optimising their product to better fit that market before increasing their sales efforts in the US. This move into the US market was jump-started when Formus Labs participated in AAOS 2022 in Chicago, the premiere US orthopaedic conference. The company's ability to automatically generate 3D surgical plans was distinctive amongst the exhibitors, from which they have received strong interest.



www.formuslabs.com

*Excludes the dilutionary impacts of employee options.

New Investment

projectworks

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

Shareholding:
12.9%*

First Investment:
Mar 2022

Projectworks is a new addition to Punakaiki Fund portfolio, with Punakaiki Fund investing $2 million as part of a $3.5 million round in late FY2022. Punakaiki Fund's Nadine Hill has joined the board as part of the deal.

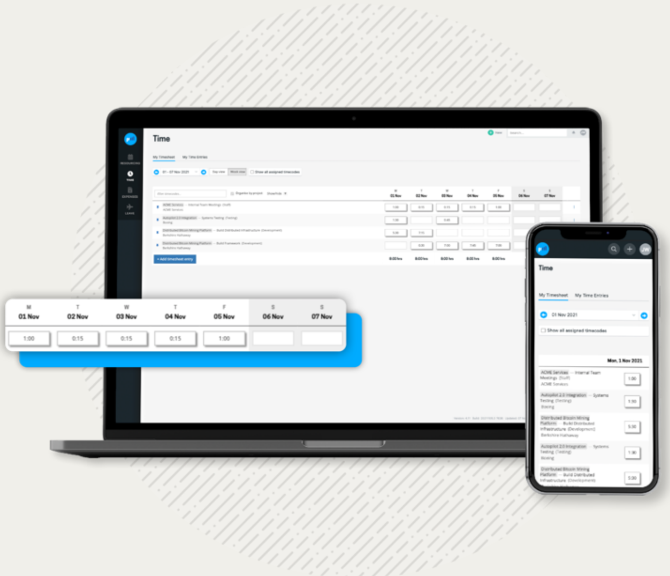
The company has the kind of growth curve we like, a steady upward trajectory. During our short time with them they've already met a number of milestones, surpassing $1.5 million in ARR and passing the 100-customer mark. They're also getting noticed in the industry for their innovative solution and were a finalist for the NZ Xero App Partner of the Year award.

The company continues to add new features to their product, have recently moved marketing in-house, and doubled the size of their customer success team — all steps that will allow them to scale and drive further growth.

That growth though is no accident. Projectworks is run by a fantastic team, one that we're very excited to be working with. It includes three technical founders as well an ex-Atlassian Head of Product, an ex-Payscale Head of Sales, and an ex-Provoke Customer Success Manager. With their expertise and industry experience, along with the company's track record so far, we're confident we'll have plenty more cause for celebration over the coming year.

www.projectworks.io

*Excludes the dilutionary impacts of employee options.



New Investment

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

Shareholding:
17.9%*

First Investment:
Mar 2022

Couchdrop offers two products, Movebot and Couchdrop SFTP. The former helps companies move vast amounts of data to the cloud or between cloud platforms. The latter is a streamlined and volume-scalable SFTP (secure file transfer protocol) platform for moving files within and between organisations.

Couchdrop is one of Punakaiki Fund's newest portfolio companies, after we invested in both new and existing shares late in the last quarter of FY2022. The founders and much of the senior team are, however, rather familiar, with founder Michael Lawson a founder of previous Punakaiki Fund portfolio company Linewize, which was Punakaiki Fund's first profitable exit back in 2017, and a number of Couchdrop's co-founders and employees also having been part of Linewize. The Couchdrop team have a track record creating and scaling at speed, and we're really excited to be working with them again.

Punakaiki Fund's Lance Wiggs joined the Couchdrop board and has a front-row seat for this excitement, which has already begun. Couchdrop recently signed a 2-year contract with the BBC to use one of their products, Movebot, to transfer petabytes of data to the cloud. They've also signed both Backblaze (a leading player in the block storage space) and Dropbox as migration partners, the latter of which is now pushing Couchdrop as their preferred migration solution on a global scale.

In fact, both company's products have seen rapid acceleration in terms of adoption over the past year. The team's strategy of developing and providing a series of simple and effective products to managed service providers, particularly in the data-moving and cloud-adoption industry, appears to be a winning one.

For more on Couchdrop, see the in-depth article published in our March 2022 Quarterly Report.

www.couchdrop.io

*Excludes the dilutionary impacts of employee options.

Other Investments

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

- A 13.4% shareholding in **New Zealand Artesian Water Limited,** a water bottling business located in Nelson. This investment is considered non-core and the value of Punakaiki Fund's shareholding is less than 1% of Punakaiki Fund's total portfolio value. This investment is patiently held for exit;
- Two loans to be repaid by **EverEdgeIP.** The first loan is repayable in instalments over four years (with the first instalment received in FY2022) and the second loan is repayable following a company exit event. This investment is considered non-core and the value of Punakaiki Fund's shareholding is less than 1% of Punakaiki Fund's total portfolio value;
- 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 **ThisData** and **Hayload**, which no longer operate. Punakaiki Fund's investment in these companies have been valued at nil; and
- Amounts held in escrow relating to the sale of Punakaiki Fund's shareholdings in **Vend Limited, Timely Limited and Tinderbox Media Limited (Moxion).** These amounts are expected to be released to Punakaiki Fund over FY2023, FY2024 and FY2025. In aggregate, these amounts comprise between 1% and 2% of Punakaiki Fund's total portfolio value.

08.

Directors’ Statement and Statutory Information

08. Directors' Statement

For the Period Ended 31 March 2022

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 2022.

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 2022. Blake Thomson Richardson resigned as a director during the financial year and held office until 28 February 2022. No other person held office as a director of Punakaiki Fund during the 12-month period ending 31 March 2022.

- Michael John Bennetts
- Teressa Rachelle Betty
- Graeme Lance Turner Wiggs
- Tracey Kim Jones (appointed 1 January 2022)
- Candace Nicole Kinser (appointed 1 January 2022)
- Nigel David Scott (appointed 1 January 2022)

Directors' Remuneration

Punakaiki Fund Limited - Directors' Remuneration						NZ$
Director		FY2022			FY2021	
	Base Fees	GST	Total	Base Fees	GST	Total
Michael John Bennetts	30,000	-	30,000	20,000	-	20,000
John Charles Berry	-	-	-	12,500	-	12,500
Blake Thomson Richardson	18,750	-	18,750	15,000	-	15,000
Teressa Rachelle Betty	22,500	3,375	25,875	5,863	1,313	7,175
Graeme Lance Turner Wiggs	-	-	-	-	-	-
Tracey Kim Jones	11,250	1,688	12,938	-	-	-
Candace Nicole Kinser	11,250	1,688	12,938	-	-	-
Nigel David Scott	11,250	1,688	12,938	-	-	-
Total	**105,000**	**8,438**	**113,438**	**53,363**	**1,313**	**54,675**

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

Directors' Shareholdings

Punakaiki Fund Limited - Directors' Relevant Interests - FY2022	
Director	Number of shares in which a relevant interest is held
Michael John Bennetts	57,996
Teressa Betty	700
Graeme Lance Turner Wiggs*	69,814
Tracey Kim Jones	1,800
Candace Nicole Kinser	-
Nigel David Scott	2,600
Total	**132,910**

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

Punakaiki Fund Limited - Directors' Relevant Interests - FY2021	
Director	Number of shares in which a relevant interest is held
Michael John Bennetts	56,571
Teressa Betty	200
Blake Thomson Richardson	63,924
Graeme Lance Turner Wiggs*	69,514
Total	**190,209**

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

No other changes to the number of shares set out in the table above have occurred since Punakaiki Fund's 31 March 2022 balance date.

Lance Wiggs' shareholding in FY2022 included a partial interest in 6,214 shares held by 2040 Ventures Limited (FY2021: 6,214 shares) and 600 shares held by immediately family members (FY2021: 500 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 2022:

Michael John Bennetts:

- Executive of Z Energy Limited
- Director of Loyalty New Zealand Limited

Blake Thomson Richardson (ceased to be a director of the company as at 28 February 2022)

- 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
- Shareholder of Tinderbox Media Limited (via FKA Nominees)

Graeme Lance Turner Wiggs:

- Director and Shareholder of 2040 Ventures Limited (Name change from LWCM Limited on 27 August 2021)
- Director of Couchdrop Limited
- Director of Onceit Limited
- Director of Boardingware International Limited (Ceased to be a director of the company on 1 July 2022)
- Director of RedSeed Limited
- Director of Mindfull Group Limited (Ceased to be a director of the company on 31 March 2022)
- Director of QA Tech Limited, trading as CONQA
- Director of Quantifi Photonics Limited
- Lance's brother is a shareholder in Devoli Limited
- Director of Climate Venture Capital Fund GP Limited, investor in LP
- Director/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 1-3 days per year.
- Director and shareholder of Define Instruments Limited and Pocketsmith Limited
- Shareholder of Matu Fund LP
- Judge for the Hi-Tech Awards, where 2040 Ventures is also a sponsor on behalf of Punakaiki Fund

Tracey Kim Jones:

- Director of Nikko Asset Management New Zealand Limited
- Director of RC Custodian Limited
- Director of Harmoney Limited
- Director of Harmoney Share Sale Company Limited
- Director of Tutanekai Investments Limited
- Director and Shareholder of Jones Family Office Partners Limited
- Director and Shareholder of Cove Road Soapworks Limited
- Director and Shareholder of Kepa Investments Limited
- Director and Shareholder of Sandat Consulting Limited
- Shareholder in Sharesies Limited
- Investor in TPC Fortlock LP
- Investor in TPC II Fund
- Investor in Ice House Ventures – Showcase Fund IX
- Shareholder in Veriphi Limited
- Shareholder in Powered By Flossie Limited
- Shareholder in Footfalls and Heartbeats Limited
- Investor in Powerhouse Ventures Fund
- Shareholder in MARS Bioimaging Limited
- Shareholder in Flexiroof Limited
- Shareholder in Ooooby Limited
- Shareholder in Our Energy Limited
- Investor in VGI Partners Fund
- Member DDC and Shadow Board in Armstrong Motor Group

Candace Nicole Kinser:

- Director of Helius Therapeutics Limited
- Director of NZ Health Partnerships Limited
- Director of Eastland Generation Limited
- Director of Eastland Group Limited
- Director of Eastland Network Limited
- Director of Gisborne Airport Limited
- Director of Eastland Port Limited
- Director and Shareholder of New Zealand Escargot Limited
- Director and Shareholder of Vester Limited
- Director of Livestock Improvement Corporation
- Director of LIC Agritechnology Company Limited
- Director and Shareholder of Tailshot Polo Limited
- Director and Shareholder Sagitas Consulting Limited
- Observer Director at Generate Kiwisaver
- Member Auckland Uniservices Return on Science Investment Committee for Digital
- President of Cancer Society Auckland Northland

Nigel David Scott:

- Board Trustee of Auckland Foundation
- Director of Syndex Limited
- Director of Syndex Group Limited
- Director and Shareholder of Koura Wealth Holdings Limited
- Director of Hobson Wealth Partners Limited
- Director of Shareholder Hobson Wealth Holdings Limited
- Director and Shareholder of Moa Holdings 2015 Limited
- Shareholder in BoardPro Limited
- Investor in Syndex Group Limited
- Shareholder in Pohutukawa Private Equity II Limited
- Shareholder in Waterman Fund 2 Limited
- Shareholder in Waterman Fund 3 Limited
- Shareholder in Pencarrow V Investment Fund LP
- Shareholder in Pencarrow VI Investment Fund LP
- Shareholder in New Ground Living (Remarkables Park) LP
- Shareholder in TPC Fortlock LP
- Mentor to the CEO for Strategi
- Shareholder in Nutrient Rescue NZ Limited

Employees

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

Auditors

Punakaiki Fund's external auditor is EY New Zealand, who were reappointed by shareholders at the 2021 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 $47,988 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 2022.

Punakaiki Fund Limited - Top Twenty Shareholders - 31 March 2022

Shareholder	Ordinary Shares	% of Class
Phaben Holdings Limited	80,204	3.05%
Graeme Lance Turner Wiggs*	63,000	2.40%
Michael John Bennetts & Karen Allanah-Maree Bennetts	57,996	2.21%
Neil Andrew Richardson, Claire Thomson Richardson & Blake Thomson Richardson	50,286	1.91%
Quayside Holdings Limited	42,858	1.63%
Wills Private Equity Investments Limited	36,750	1.40%
Kennerley Investments Limited	34,970	1.33%
Todd Reynal Stevens	33,594	1.28%
Southern Hills Imperial Timber (1932) Pty Limited	33,000	1.26%
Clarence Mervyn Hislop	33,000	1.26%
Phizzy Trustee Limited	30,000	1.14%
Lewis Holdings Limited	29,250	1.11%
Krassimir Nikolov Modkov	28,500	1.08%
Ross Inglis	28,400	1.08%
Mark Gary Hackner & Bastiankoralage Belinda Valerie Jayamaha Rodrigo	27,858	1.06%
Chunjing Song	23,900	0.91%
Margaret Oenone O'Neill Field	20,040	0.76%
Alan John McLeod & Denis Frank Wood	19,262	0.73%
Ikey Investments Limited	18,857	0.72%
David Dromer	18,430	0.70%
Top 20 Shareholders	**710,155**	**27.03%**
Remaining Shareholders	1,917,217	72.97%
All Shareholders	**2,627,372**	**100.00%**

** Graeme Lance Turner Wiggs also has a beneficial interest in 6,214 Punakaiki Fund Limited Shares held in the legal name of 2040 Ventures Limited*

Investor Net Asset Value

The table below shows the calculation of Net Asset Value (NAV) and Investor Net Asset Value (iNAV) for the Company for FY2022 and FY2021. These are non-GAAP measures.

Net Asset Value represents the total assets of the Company less its liabilities. For most companies this would represent the shareholders' claim over the residual assets of a company. In Punakaiki Fund's case, a portion of 2040 Ventures' performance fee is accrued as a share-based payment reserve in the equity portion of the Company's Statement of Financial Position. In the orderly winding up of the Company or as part of a public listing, the share-based payment reserve would be paid to 2040 Ventures in the form of Punakaiki Fund shares. In our opinion the traditional NAV measure does not represent shareholders residual claim over the Company's assets.

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

Calculation of Net Asset Value and Investor Net Asset Value ($'000)	FY2022	FY2021
Total Asset Value	$98,196	$73,296
less Current Liabilities	$(189)	$(91)
less Non-Current Liabilities	$(2,889)	$(1,770)
Net Asset Value (NAV)	**$95,118**	**$71,435**
less Share Based Payment Reserve	$(7,428)	$(4,551)
Investor Net Asset Value (iNAV)	**$87,690**	**$66,884**
Shares on Issue at 31 March 2022	2,627,372	2,445,422
iNAV per Share	**$33.38**	**$27.35**

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 2022 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 55 to 72 for issue on 26 July 2022.

Michael John Bennetts, Director

Graeme Lance Turner Wiggs, Director

09.

Independent Auditor's Report

09. Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Punakaiki Fund Limited (the "Company") on pages 55 to 72, which comprise the statement of financial position of the Company as at 31 March 2022, 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 55 to 72 present fairly, in all material respects, the financial position of the Company as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides other assurance related services to the Company. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. We have no other relationship with, or interest in, the Company.

Key audit matters

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

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

Valuation of financial instruments held at fair value

Why significant	How our audit addressed the key audit matter
The Company has invested primarily in unlisted companies. As an investment entity, in accordance with NZ IFRS 10 *Consolidated Financial Statements*, the Company records all its investments at fair value irrespective of whether it controls or significantly influences any of the companies it has invested in. Note 3.1.1 to the financial statements describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments. These investments are valued using assumptions which require significant judgment and estimation as they are not based on directly comparable or otherwise observable metrics. As a result, a significant proportion of the valuations are considered model-based level 3 as disclosed in Note 4 Fair values of financial instruments. Due to the complexity and judgement required in their valuation these investments, with a total recorded value of \$93.07m (FY21: \$71.09m), 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 NZ IFRS 13 *Fair Value Measurement fair value hierarchy*; ▸ The sample companies used for benchmarking relevant metrics; ▸ The use of linear regression in the growth multiples method when non-linear conditions may exist; ▸ The factor used to estimate the appropriate revenue multiple (being the most recent growth rate); ▸ The explanatory power of the regression in the growth multiples method; and ▸ The calculation methodology and inputs for the valuation adjustments relating to liquidity, size and level of control. Disclosures regarding the Company's investments are included in Note 4 to the financial statements.	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 and external valuer used for one valuation; ▸ 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 determine the multiple and liquidity 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 liquidity discounts or control premiums and have assessed whether these fall in a reasonable range; ▸ Where applicable, the Company has selected guideline public companies within the same/similar industry as each investee company that Management believe are similar in financial and/or operational characteristics to the investee. Multiples have been adjusted for size and liquidity based on various parameters assessed by the Company. We have considered the adjustments made with the assistance of our specialists and assessed whether the combined adjustments fell in a reasonable range. ▸ The Company has also made an adjustment to the multiples used to reflect a subjective assessment of factors such as the size of the market and effects of recent market transactions. We have considered the overall reasonableness of the concluded multiple used for estimating the fair value. ▸ Considered events subsequent to balance date for evidence of further transactions in the investments that could have impacted the valuations; and ▸ Assessed the adequacy of the disclosures in the financial statements in relation to the valuation of investments.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the annual report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of this 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.

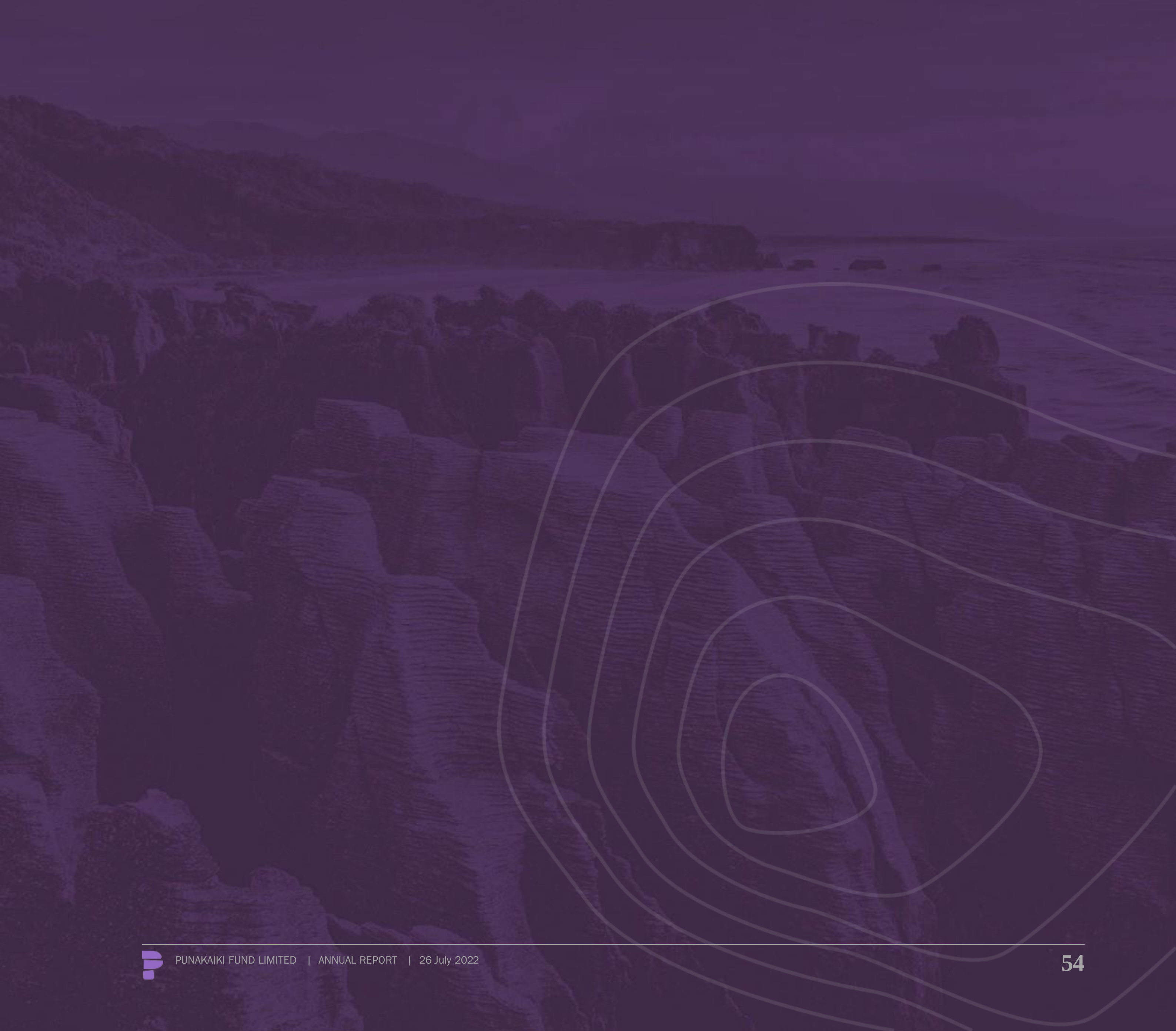
The engagement partner on the audit resulting in this independent auditor's report is Graeme Bennett.

Ernst + Young

Chartered Accountants
Auckland
26 July 2022

10.

Financial Statements



10. Financial Statements

Punakaiki Fund Limited
Statement of comprehensive income
For the year ended 31 March 2022

	Notes	Year ended 31/03/2022 $'000	Year ended 31/03/2021 $'000
Interest income		3	1
Dividend income		113	193
Change in fair value of investments	4.6	21,664	14,388
Other income		7	-
Contingent performance fees	8.1.4	(3,996)	(3,259)
Management fees	8.1.1	(1,378)	(1,167)
Administration fees	8.1.2	(260)	(171)
Insurance		(60)	(51)
Consulting and accounting expenses		(126)	(77)
Audit fees	9	(55)	(49)
Legal expenses		(19)	(26)
Other		(108)	(68)
Profit before tax		15,785	9,714
Income tax expense	5.1	-	-
Profit and total comprehensive income for the year		15,785	9,714

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

Punakaiki Fund Limited
Statement of financial position
At 31 March 2022

	Notes	31/03/2022 $'000	31/03/2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	5,068	2,168
Prepayments		36	30
Trade and other receivables		23	9
Total current assets		5,127	2,207
Non-current assets			
Investments	4.1	93,070	71,090
Total non-current assets		93,070	71,090
Total assets		98,197	73,297
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		189	91
Total current liabilities		189	91
Non-current liabilities			
Performance fee payable	8.1.4	2,889	1,770
Total non-current liabilities		2,889	1,770
Total liabilities		3,078	1,861
Capital and reserves			
Issued capital	6	45,156	40,135
Share based payment reserve	6.2	7,428	4,551
Retained earnings	6.3	42,535	26,750
Total equity		95,119	71,436
Total equity and liabilities		98,197	73,297

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 2022

	Share capital $'000	Share based payment reserve $'000	Retained earnings $'000	Total $'000
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
Balance at 1 April 2021	40,135	4,551	26,750	71,436
Profit and total comprehensive income for the year	-	-	15,785	15,785
Contributed capital	5,176	-	-	5,176
Transaction costs	(155)	-	-	(155)
Share based payments in relation to performance fee	-	2,877	-	2,877
Balance at 31 March 2022	45,156	7,428	42,535	95,119

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 2022

	Notes	Year ended 31/03/2022 $'000	Year ended 31/03/2021 $'000
Cash flows from operating activities			
Interest received		3	1
Dividend received		113	193
Payments to suppliers		(543)	(431)
Management fees		(1,378)	(1,167)
Resident withholding tax refunded/(paid)		-	12
Net cash used in operating activities	10	(1,805)	(1,392)
Cash flows from investing activities			
Proceeds from sale of Investments		19,744	741
Payments to acquire Investments		(20,060)	(2,422)
Net cash used in investing activities		(316)	(1,681)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		5,176	2,410
Payment of transaction costs on issue of equity instruments		(155)	(72)
Net cash generated by financing activities		5,021	2,338
Net increase in cash and cash equivalents		2,900	(735)
Cash and cash equivalents at the beginning of the year		2,168	2,903
Cash and cash equivalents at the end of the year	11	5,068	2,168

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

1 General information

Punakaiki Fund Limited ('Fund' or 'Company') is a company incorporated in New Zealand and registered under the Companies Act 1993. The Company 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 2022.

2 Significant accounting policies

2.1 Statement of compliance and reporting framework

The Company has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate. These financial statements comply with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. For the purposes of complying with GAAP, the company is a for-profit entity. The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and these financial statements have been prepared in accordance with these requirements.

2.2 Functional and presentation currency

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

2.3 Basis of preparation

The Company is an investment entity as defined in NZ IFRS 10 - Consolidated Financial Statements. The Company has the key characteristics of an investment entity including:
(a) obtaining funds from investors for the purpose of providing those investors with investment management services;
(b) committing to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
(c) measuring and evaluating the performance of substantially all of its investments on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of NZ IFRS 2 Share-based Payment, and measurements that have some similarities to fair value but are not fair value, such as value in use in NZ IAS 36 Impairment of Assets.

The Company's estimation of fair value is based on the International Private Equity and Venture Capital (IPEV) Guidelines published by the IPEV Board (December 2018 edition), the IPEV Board Special Valuation Guidance (released 27 March 2020), the IPEV statement reiterating the March 2020 Special Guidance (released 11 December 2020) and the IPEV Board views on estimating fair value at 31 March 2022. The IPEV guidelines set out both valuation principles and methods, along with guidance in respect of the application of the IPEV Guidelines. The three broad valuation approaches in the IPEV Guidelines are:

Market Approaches:

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

Income Approaches:

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

Replacement Cost Approach:

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

2.3 Basis of preparation (continued)

When estimating fair value, the Company has considered the actual and potential impacts on the value of its investments from the COVID-19 pandemic. Valuation adjustments arising from COVID-19 are generally applied in the form of normalisations to revenues and/or earnings in order to reflect the expected future business performance in the current COVID-19 business environment.

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.

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 on management fee expenses during the year was 1.09% (2021:1.12%), and on all other expenses that attract GST was 10.9% (2021: 11.2%).

2.6 Financial instruments

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

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

2.6.1 Investments

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gains or losses recognised in profit or loss exclude any dividend 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 prepared by the Manager of the Company, 2040 Ventures Limited ("2040 Ventures", formerly known as LWCM Limited), and are reviewed, adjusted and ultimately approved by the Board. The Board and management may also directly appoint independent valuers to obtain the fair value of certain investments. The Company's investment in Devoli was valued by an independent valuer for the 2022 financial year. Further detail on the valuation approach and techniques adopted is provided in Note 4. The Board acknowledges the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted companies.

3.1.2 Value of share based payments

The Company is obliged to issue its shares as partial consideration of the performance fee payable to the Manager. The fair value of share based payment component of the performance fee is determined as the fair value of the service received. This is derived as a percentage of the return over the subscription price of each Share Tranche (any tranche of shares that have a common issue price and issue date) on the occurrence of a liquidity event. The return over the subscription price used in the calculation of the performance fee is linked to the fair value of the investments. The Company believes that the above is an appropriate measure of the fair value of the service. Further detail on the performance fee is provided in Note 8.1.4.

4 Fair values of financial instruments

4.1 Investments in Unlisted Instruments

The Company has investments in a portfolio of early stage unlisted companies recognised at $93.07 million (2021: $71.09 million). These investments are accounted for as financial assets at fair value through profit or loss. During the period, a net gain of $21.664 million (2021: net gain of $14.388 million) was recognised through profit or loss for these assets. The following tables give information about the Company's holdings and how the fair values of these investments are determined (in particular, the valuation technique(s) and inputs used). All of the following investments are Level 3 in the fair value hierarchy. This means the valuation techniques include inputs for which market observable data is not available (unobservable inputs).

4.1 Investments in Unlisted Instruments (continued)

Ownership Summary	2022 March[1]			2021 March[1]		
	Shares Held	Total Shares	Fund %	Shares Held	Total Shares	Fund %
Devoli Limited[3]	2,965,000	5,501,000	53.9%	2,965,000	5,501,000	53.9%
Quantifi Photonics Limited[2]	120,400	493,120	24.4%	49,439	279,677	17.7%
Boardingware International Limited[2]	446,000	1,479,890	30.1%	446,000	1,467,780	30.4%
RedSeed Limited[2]	54,774	113,782	48.1%	54,774	112,878	48.5%
QA Tech Limited (Conqa)[2]	31,670	158,140	20.0%	31,669	158,140	20.0%
Onceit Limited[2]	25,625	100,000	25.6%	25,625	100,000	25.6%
Whip Around (NZ) Limited	27,559	905,609	3.0%	n/a	n/a	n/a
Weirdly Limited[2,4]	380,006	766,000	49.6%	213,167	566,171	37.7%
Mobi HQ Limited	374,599	2,558,123	14.6%	322,920	2,506,444	12.9%
Spiderworks Limited (Projectworks)[4]	200,000	1,552,000	12.9%	n/a	n/a	n/a
Couchdrop Limited[2]	227	1,271	17.9%	n/a	n/a	n/a
Get Home Safe Limited[4]	335	2,012	16.7%	335	2,012	16.7%
Melon Health Limited[2,4]	931,711	2,888,415	32.3%	931,711	2,915,415	32.0%
Mindfull Limited (QUBEdocs)[2,4]	348	1,488	23.4%	277	1,417	19.5%
Raygun Limited	501,445	8,011,600	6.3%	501,445	8,000,796	6.3%
Core Schedule NZ Limited[4]	233,333	1,333,333	17.5%	233,333	1,333,333	17.5%
Formus Labs Limited	152,432	5,016,341	3.0%	n/a	n/a	n/a
New Zealand Artesian Water Limited	14,239	106,216	13.4%	7,213	30,545	23.6%
EverEdge Global Limited[5]	-	13,967,167	-	-	13,967,167	-
Timely Limited[6]	-	1,662,417	-	63,647	1,662,417	3.8%
Vend Limited[6]	-	41,685,870	-	-	41,685,870	-
Tinderbox Media Limited (Moxion)[6]	-	47,433,426	-	n/a	n/a	n/a
TD Limited	302,669	2,731,080	11.1%	302,669	2,731,080	11.1%
Hayload Limited	4,338	18,618	23.3%	4,338	18,618	23.3%
Populate Limited[7]	n/a	n/a	n/a	1,908,860	13,102,267	14.6%
Family Zone Cyber Safety Limited[8]	600,000	776,995,452	0.1%	600,000	331,635,133	0.2%

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

[2] Lance Wiggs, a director of 2040 Ventures and the Company was a director of these companies for at least some of the period.

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

[4] Nadine Hill, an employee of 2040 Ventures was a director of these companies for at least some of the period.

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

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

[7] Populate Limited was removed from the Register of Companies during the period.

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

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

Fair value as at 31 March 2022

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

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

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**

4.3 Fair value hierarchy

	Notes	Level 1	Level 2	Level 3	Total
As at 31 March 2022					
Investments	4.6	-	1,415	91,655	**93,070**
Total		-	1,415	91,655	**93,070**
As at 31 March 2021					
Investments		-	8,561	62,529	**71,090**
Total		-	8,561	62,529	**71,090**

4.4 Unobservable inputs used in fair value of measuring investments

Unobservable inputs	Range (weighted average)	Sensitivity to changes in significant unobservable
EBITDA multiple	6.9 - 10.1 (7.5)	The estimated fair value would increase if the EBITDA multiples were higher. The estimated fair value would decrease if EBITDA multiples were lower.
Revenue multiple	1.1 - 30.2 (7.4)	The estimated fair value would increase if the revenue multiples were higher. The estimated fair value would decrease if revenue multiples were lower.

Significant unobservable inputs are developed as follows:

- *EBITDA/Revenue multiples:* represents amounts that market participants would use when pricing the investments. EBITDA/Revenue multiples are selected from comparable public companies based on geographic location, industry size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Company by its EBITDA or revenue. Discounts relating to illiquidity and size are then applied to the observed multiples to derive the adjusted multiples that are applied to the valuation of the Company's unlisted investments.

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 2022 financial year. However, it should be noted that where the revenue growth rates or EBITDA for investments have been impacted by the COVID-19 pandemic or other factors, these have been normalised.

Where appropriate, 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 2022 financial year (2021: nil).

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)
2022	**$'000**	**$'000**
Investments	101,812	84,192
2021		
Investments	79,730	63,760

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.

		Reasonably possible	
Revenue multiples used in valuations at:	Actual	Favourable	(Unfavourable)
31 March 2022	1.1 - 30.2	1.4 - 36.3	0.9 - 24.2
31 March 2021	1.5 - 7.9	1.8 - 9.5	1.2 - 6.3
EBITDA multiples used in valuations at:			
31 March 2022	6.9 - 10.1	8.3 - 12.2	5.5 - 8.1
31 March 2021	6.7 - 11.4	8.1 - 13.7	5.4 - 9.1

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

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 31/03/2022 $'000	Year ended 31/03/2021 $'000
Unlisted investments		
Balance at beginning of year	62,529	55,020
Purchases - cash	20,060	2,422
Disposals - cash	(11,183)	(741)
Transfer to level 2 investments	(1,415)	(8,561)
Change in fair value of investments	21,664	14,389
Balance at end of year	91,655	62,529

Included within the change in fair value of investments in the table above is $21.648 million (2021: gain of $14.389 million) of unrealised gains in relation to investments still held at balance date.

5 Income taxes

5.1 Income tax recognised in profit or loss

	Year ended 31/03/2022 $'000	Year ended 31/03/2021 $'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 31/03/2022 $'000	Year ended 31/03/2021 $'000
Profit before tax from continuing operations	15,785	9,714
Income tax (benefit)/expense calculated at 28%	4,420	2,720
Effect of income that is exempt from taxation	(6,066)	(4,029)
Effect of non-deductible expenses	813	666
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	731	622
Imputation credit adjustment	12	21
Taxable income arising on investments	90	
Income tax expense recognised in profit or loss	-	-

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

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

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

	31/03/2022 $'000	31/03/2021 $'000
Tax losses (including imputation credits converted to losses)	2,057	1,604
Deductible temporary differences	809	496
	2,866	2,100

6 Issued capital

	31/03/2022 $'000	31/03/2021 $'000
Issued capital comprises:		
2,627,372 fully paid ordinary shares (31 March 2021: 2,445,422)	45,156	40,135
	45,156	40,135

The Issued Capital set out above is net of transaction costs associated with raising new capital. Transaction costs for the year ended 31 March 2022 were $0.155 million (2021: $0.059 million).

6.1 Fully paid ordinary shares

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

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 2022, there are no unpaid shares on issue (31 March 2021: None) and no unpaid options (31 March 2021: None) on issue.

6.2 Share based payment reserve

	31/03/2022 $'000	31/03/2021 $'000
Balance at beginning of year	4,551	2,205
Arising on share-based payments (performance fee)	2,877	2,346
Balance at end of year	7,428	4,551

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

6.3 Retained earnings

	31/03/2022 $'000	31/03/2021 $'000
Balance at beginning of year	26,750	17,036
Profit attributable to owners of the Company	15,785	9,714
Balance at end of year	42,535	26,750

7 Financial instruments

7.1 Categories of financial instruments	31/03/2022 $'000	31/03/2021 $'000
Financial assets		
Fair Value Through Profit or Loss		
Investments	93,070	71,090
At amortised cost		
Cash and cash equivalents	5,068	2,168
Financial liabilities		
Financial liabilities measured at amortised cost		
Performance fee (cash component)	2,889	1,770
Accounts payable	189	91

8 Related party transactions - Remuneration of the Manager

8.1 Remuneration of the Manager

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

8.1.1 Management fees

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 2022 the management fee paid was $1.38 million (2021: $1.17 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 2022 were $0.260 million, relating to services rendered in the year ended 31 March 2022 (2021: $0.171 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 2022 an equity raising fee of $0.155 million was paid (2021: $0.072 million). At balance date there was no outstanding amount (2021: $0.013 million).

8.1.4 Performance fee

On the occurrence of a Liquidity Event (as defined in the management agreement, but principally following an 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 2022, an expense of $3.996 million (2021: expense of $3.259 million) has been recognised in profit or loss. Of this expense, $1.119 million was recognised as an increase in the performance fee liability of $2.889 million (2021: $0.913 million) in relation to the cash settled portion of the performance fee and $2.877 million was recognised as an increase of the share based payment reserve of $7.428 million (2021: $2.346 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, which may not be the case.

8.2 Other related party transactions

8.2.1 Directors beneficial interests in the Company

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

	31/03/2022	31/03/2021
Lance Wiggs[1]	63,000	63,000
Michael Bennetts	57,996	56,571
Blake Richardson[2]	n/a	63,924
Teressa Betty	700	200
Tracey Jones[3]	1,800	n/a
Candace Kinser[3]	-	n/a
Nigel Scott[3]	2,600	n/a
John Berry[4]	n/a	11,037
Amanda Simpson[5]	n/a	7,850
Chris Humphreys[1,6]	366	366
2040 Ventures	6,214	6,214

[1] *Lance Wiggs and Chris Humphreys both have a beneficial interest in 6,214 Punakaiki Fund Limited Shares held in the legal name of 2040 Ventures Limited.*
[2] *Blake Richardson ceased to be a director of the company as at 28 February 2022.*
[3] *Tracey Jones, Candace Kinser and Nigel Scott became directors of the Company on 1 January 2022.*
[4] *John Berry ceased to be a director of the company as at 31 January 2021.*
[5] *Amanda Simpson ceased to be a director of the company as at 31 March 2020.*
[6] *Chris Humphreys is a manager, but not a director of the Company.*

8.2.2 Directors' fees

Director fees paid by the Company during the year have been disclosed on page 43 of the Annual Report.

9 Audit fees

	31/03/2022 $'000	31/03/2021 $'000
Audit of financial statements (Ernst & Young)	52	46
Other services (audit of share register - Ernst & Young)	3	3
Total audit fees	55	49

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

	31/03/2022 $'000	31/03/2021 $'000
Profit for the year	15,785	9,714
Adjustments for:		
Change in fair value of investments	(21,664)	(14,388)
Accrued performance fees	3,996	3,259
	(1,883)	(1,415)
Movements in working capital:		
Increase in trade and other payables	98	10
Increase in prepayments	(6)	-
(Increase)/Decrease in trade and other receivables	(14)	2
Decrease in withholding tax receivable	-	11
Net cash used in operating activities	(1,805)	(1,392)

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:

	31/03/2022 $'000	31/03/2021 $'000
Cash on hand and demand deposits	5,068	2,168
Total cash and cash equivalents	5,068	2,168

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 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, management of investments, and regular reporting to the Board.

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

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

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

Sensitivity analysis

If the value of the Company's investments weakened by 30%, holding all other variables constant, profit and equity would be $27.92m lower. If the value of the Company's investments strengthened by 30%, holding all other variables constant, profit and equity would be $27.92m 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 amounts held in escrow in respect of the proceeds of Vend Limited, Timely Limited and Tinderbox Media Limited (Moxion) owed to the Company by the various acquirers of those companies.

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

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.

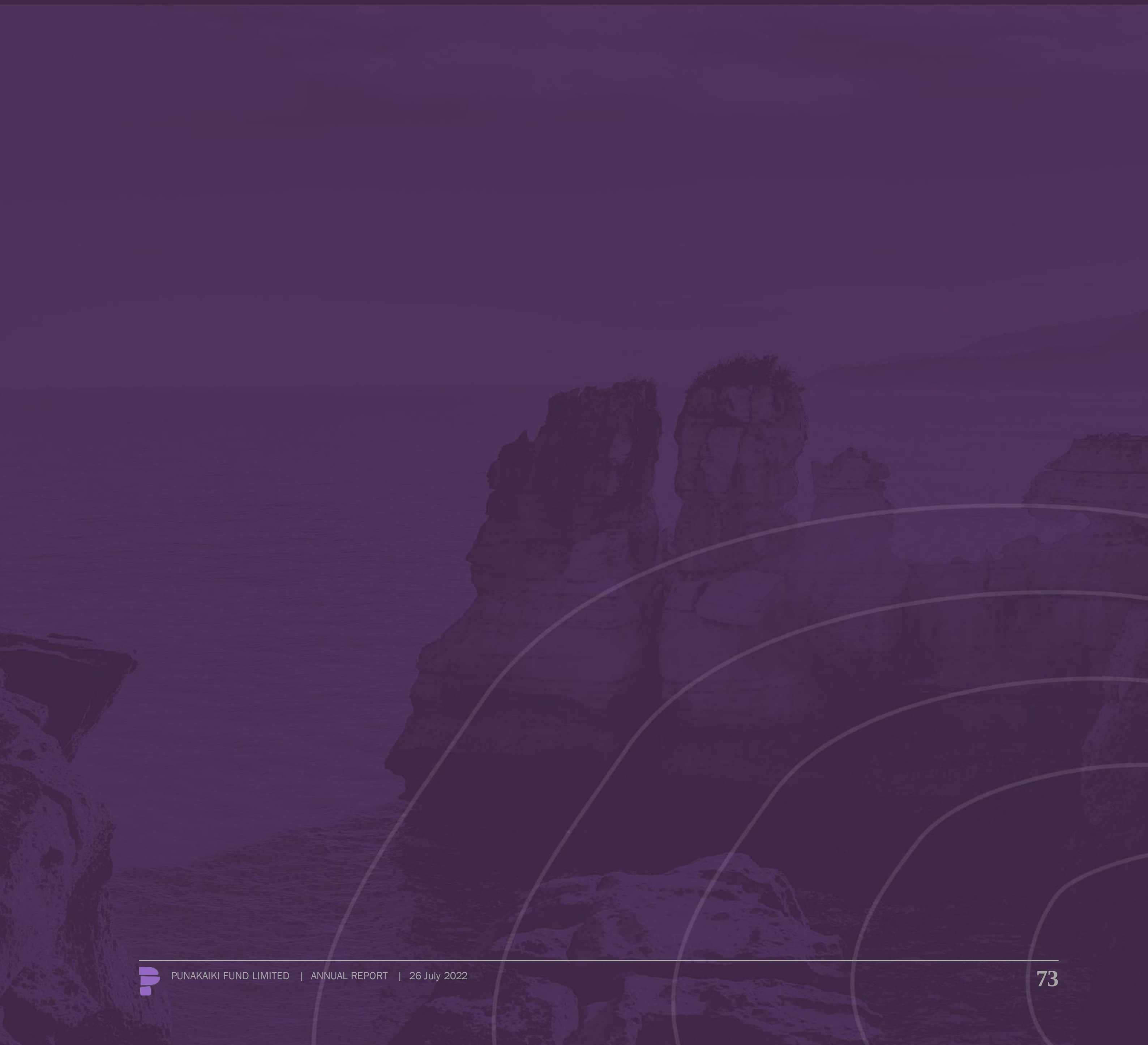
The Company was not subject to any externally imposed capital requirements during the year.

13 Subsequent events

Subsequent to the balance date, the Company made new investments in Boardingware International Limited, Mobi HQ Limited, Melon Health Limited and Mindfull Group Limited (QUBEdocs), while other investors completed a significant investment round into Quantifi Photonics Limited.

11.

Directory



11. Directory

Board of Directors of Punakaiki Fund Limited

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

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

Level 6, 2 Kitchener Street
Auckland 1010

Manager

2040 Ventures Limited
Level 6, 2 Kitchener Street
Auckland 1010

Solicitors

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

Auditor

Ernst & Young
2 Takutai Square
Britomart, Auckland 1010

Registrar

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