

**POHUTUKAWA PRIVATE EQUITY LTD**

**CHAIRMAN'S ADDRESS TO THE ANNUAL SHAREHOLDERS MEETING**

**13 MAY 2015**

**LADIES AND GENTLEMEN**

**THANK YOU FOR YOUR ATTENDANCE TODAY**

**WELCOME TO THE ANNUAL SHAREHOLDER MEETINGS OF POHUTUKAWA PRIVATE EQUITY LIMITED AND POHUTUKAWA PRIVATE EQUITY II LIMITED**

**AS THERE IS SIGNIFICANT CROSS OVER IN SHAREHOLDING BETWEEN THE 2 COMPANIES IT IS MORE EFFICIENT TO INVITE SHAREHOLDERS OF BOTH COMPANIES TO BE PRESENT.**

**I AM JOHN MCDONALD, CHAIRMAN OF BOTH COMPANIES . MY FELLOW DIRECTORS PRESENT HERE ARE**

**MAURICE PENDERGAST, NEIL CRAIG, AND MIKE CAIRD**

**ALSO PRESENT IS OUR COMPANY SECRETARY PETER LALOR AND OTHER MEMBERS OF THE CRAIGS TEAM WHO ARE INVOLVED WITH THE ADMINISTRATION OF OUR COMPANIES**

**THE MANAGING DIRECTOR OF OUR INVESTMENT MANAGER -ROSS GEORGE WILL INTRODUCE THE TEAM FROM DIRECT CAPITAL WHEN HE ADDRESSES THE MEETINGS ON THE PERFORMANCE OF OUR PORTFOLIO COMPANIES.**

**WE HAVE APOLOGIES FROM OUR AUDITOR, GLEN KEARNEY OF KPMG AND FROM OUR LAWYER TIM TUBMAN.**

**TODAYS MEETING IS A ONCE A YEAR OPPORTUNITY FOR YOU AS SHAREHOLDERS TO DIRECTLY ENGAGE WITH YOUR DIRECTORS, LISTEN TO THE INVESTMENT MANAGERS REPORT ON THE PERFORMANCE OF YOUR PORTFOLIO COMPANIES, AND FOR YOU TO ASK ANY QUESTIONS ON THAT PERFORMANCE AND FUTURE PROSPECTS.**

**WE WILL TODAY SHARE WITH YOU AN UPDATE ON YOUR POHUTUKAWA INVESTMENTS, THE INIATIVES GOING FORWARD, AND THE STRATEGIC PRIORITIES FOR THE YEAR AHEAD**

**WE WELCOME YOUR QUESTIONS.**

**2015**

**I NOW MOVE TO THE SHAREHOLDERS MEETING FOR POHUTUKAWA PRIVATE EQUITY LIMITED**

**WE HAVE A QUORUM -ANY APOLOGIES TO BE RECORDED**

**OBVIOUSLY ONLY SHAREHOLDERS OF THIS COMPANY MAY VOTE ON THE RESOLUTION OR ASK QUESTIONS. THIS IS OUR 10<sup>TH</sup> YEAR FOLLOWING THE RAISING OF \$53 MILLION IN OCTOBER 2004**

**WHILST, IN THE PAST YEAR, WE HAVE GONE BACKWARDS IN FINANCIAL TERMS, PRIVATE EQUITY IS A TERM INVESTMENT AND NOT EVERY YEAR WILL PRODUCE A POSITIVE OUTCOME.**

**TO DATE POHUTUKAWA HAS MADE DISTRIBUTIONS TO SHAREHOLDERS OF \$1.09 PER SHARE - ABOVE THE \$1 INITIALLY INVESTED AND WE DO HAVE 5 REMAINING PORTFOLIO INVESTMENTS FAIR VALUED AT 41 CENTS PER SHARE.**

**MANAGEMENT AND BOARD HAVE SPENT CONSIDERABLE TIME AND EFFORT, DURING THE YEAR ASSISTING THE INDIVIDUAL COMPANIES TO ACHIEVE FUTURE VALUE FOR POHUTUKAWA SHAREHOLDERS. WHILE THESE EFFORTS DID POSITION THE COMPANIES WELL FOR FUTURE PERFORMANCE, THEY DID NOT RESULT IN ANY VALUE CRYSTALISATION FOR THE YEAR -APART FOR OUR INVESTMENT IN RODD AND GUNN.**

**THIS RESULT, FOR THE YEAR, WAS NOT UNEXPECTED, PARTICULARLY AS OUR TWO LARGEST COMPANIES (85% OF THE PORTFOLIO) WERE GOING THROUGH SIGNIFICANT CHANGE -THAT OF:**

**-A MAJOR CAPACITY EXPANSION FOR NZ PHARMACEUTICALS, AND**

**-FOR NZ KING SALMON THE FINAL RESULTS OF SUPREME COURT APPEALS ON THREE NEW SALMON FARM LICENCES TO FACILITATE EXPANSION.**

**BOARD AND MANAGEMENT CONTINUE TO WORK ON STRATEGIES THAT WILL BRING VALUE TO OUR PORTFOLIO COMPANIES FOR THE ULTIMATE BENEFIT OF SHAREHOLDERS. GOOD PROGRESS HAS BEEN MADE AND THE MANAGERS WILL PROVIDE AN UPDATE TODAY IN THEIR ADDRESS TO THE MEETING.**

**AS YOU ARE AWARE WE ARE FULLY INVESTED APART FROM OUR CASH HOLDING OF \$1.9 MILLION AND ONLY FOLLOW-ON INVESTMENTS IN EXISTING COMPANIES WILL BE MADE.**

**NO DISTRIBUTIONS WERE PAID DURING THE YEAR.**

**IT IS PLEASING TO ANNOUNCE TODAY A FURTHER DISTRIBUTION TO SHAREHOLDERS OF 2 CENTS PER SHARE TO BE PAID IN THE LAST WEEK OF MAY 2015. THIS DISTRIBUTION ARISES FROM RETURN OF INITIAL CAPITAL FROM INVESTMENTS, ALONG WITH ACCUMULATED IMPUTED DIVIDENDS.**

**TURNING NOW TO THE FINANCIAL ACCOUNTS FOR THE YEAR.**

**YOU ALL HAVE COPIES AND THEY ARE FAIRLY SELF EXPLANATORY**

**TO SUMMARISE**

**YOU WILL NOTE THAT WE MADE A LOSS FOR THE YEAR OF \$1.3MILLION. THIS LOSS IS THE NET RESULT OF -**

**-INCOME FROM OUR INVESTMENTS-DIVIDENDS, INTEREST AND OTHER - OF \$0.5 MILLION.**

**CHANGE IN THE PORTFOLIO VALUATION FROM OUR INVESTMENT IN  
RODD AND GUNN OF \$0.2 MILLION.**

**WE HAD, IN PREVIOUS YEARS, WRITTEN DOWN FROM COST OUR  
INVESTMENT IN RODD AND GUNN. THE OVERALL LOSS WAS  
\$1.9MILLION.**

**-GAIN IN THE FAIR VALUE OF OUR INVESTMENTS -\$1.3MILLION**

**-LOSS FROM IMPAIRMENT OF THE LOAN TO NZ KING SALMON OF \$2.2MILLION. THE IMPAIRMENT OF THIS LOAN IS AN ACCOUNTING MOVEMENT REQUIRED BY ACCOUNTING STANDARDS. AS THE LOAN IS FOR A 5 YEAR FIXED TERM AT ZERO INTEREST RATE IT IS REQUIRED UNDER ACCOUNTING STANDARDS TO BE DISCOUNTED. IT IS USEFUL TO UNDERSTAND THAT OUR INVESTMENT IN NZ KING SALMON IS MADE VIA BOTH ORDINARY CAPITAL AND SHAREHOLDER LOANS, ALL MADE PRO-RATA BY EACH SHAREHOLDER. THIS IS SIMPLY AN EFFECTIVE WAY OF RECEIVING DISTRIBUTIONS AND HAS NO ECONOMIC IMPACT ON THE TOTAL INVESTMENT RETURNS FROM NZKS.**

**-LESS THE COSTS OF ADMINISTRATION-\$1.1 MILLION**

**QUESTIONS ON THE FINANCIAL ACCOUNTS:**

**THERE WERE A FEW QUESTIONS ASKED PRIOR TO THE MEETING WHICH I WILL ANSWER FIRST.**

**1) THE QUANTUM OF DIRECTORS FEES**

**DETAILS ON DIRECTORS FEES ARE SET OUT ON PAGE 15 AND PAGE 23 OF THE ANNUAL REPORT. THEY ARE THE SAME TODAY AS DETAILED IN THE INITIAL PROSPECTUS AND HAVE NOT CHANGED IN THE 10 YEARS SINCE. THE DIRECTORS DO NOT SEEK TO REQUEST AN INCREASE IN THEIR FEES.**

**2) THE QUANTUM OF MANAGERS FEES**

**THE CALCULATION OF MANAGEMENT FEES IS AS DETAILED IN THE ORIGINAL PROSPECTUS.**

**FROM INCEPTION THE MANAGEMENT FEE OF 2.25% PER ANNUM WAS CALCULATED ON THE TOTAL COMMITTED CAPITAL OF \$53 MILLION. AS INVESTMENTS ARE REALISED AND THE INITIAL CAPITAL IS RETURNED TO INVESTORS THE MANAGEMENT FEE IS CALCULATED ON THE NET INVESTMENT COST - CURRENTLY \$33.1 MILLION THIS EQUATES TO A CURRENT FEE OF \$767,000 PLUS GST -WHICH IS 36% BELOW THE ORIGINAL FEE CHARGED OF \$1.2 MILLION.**

**3) WHAT HAS HAPPENED TO THE SECONDARY MARKET FOR POHUTUKAWA SHARES?**

**I WILL ASK NEIL CRAIG, A DIRECTOR OF POHUTUKAWA AND CHAIRMAN OF CRAIGS INVESTMENT PARTNERS TO ADDRESS THIS QUESTION - NEIL**

**4) THERE WERE A NUMBER OF QUESTIONS RELATING TO THE VALUATION OF OUR PORFOLIO COMPANIES NOTE 4 ON PAGE 23 OF THE ANNUAL REPORT BRIEFLY EXPLAINS THE FAIR VALUE METHOD USED**

**OUR INVESTMENT MANAGER DIRECT CAPITAL WILL PROVIDE FURTHER DETAILED EXPLANATION IN RELATION TO HOW THE PORTFOLIO VALUATIONS ARE UNDERTAKEN.**

**I THANK YOU FOR YOUR QUERIES AND HOPE THEY HAVE BEEN ADEQUATELY ANSWERED - I NOW ASK FOR OTHER QUESTIONS**

**I PREFER YOU TO HOLD QUESTIONS ON THE PERFORMANCE OF INDIVIDUAL PORTFOLIO COMPANIES UNTIL AFTER ROSS GEORGE TALKS TO YOU.**

**IF NO FURTHER QUESTIONS I NOW MOVE TO THE FORMAL RESOLUTION**

**PROXY NUMBERS - FOR RESOLUTION**

**THIS RESOLUTION, DETAILED IN THE NOTICE OF MEETING RELATES TO  
THE APPOINTMENT OF AUDITORS**

**RESOLUTION PASSED --- THANK YOU**

**IS THERE ANY GENERAL BUSINESS?**

**IF NOT PLEASE STAY WHILE WE COVER THE FORMALITIES FOR  
POHUTUKAWA PRIVATE EQUITY II FOLLOWING WHICH WE WILL HEAR  
FROM OUR INVESTMENT MANGER**