Annual Report

For the Year Ended 31 December 2014

Pohutukawa
PRIVATE EQUITY II LIMITED

Contents

Report to Shareholders

10 April 2015

Dear Shareholder

I am pleased to present Pohutukawa II's 2014 Annual Report. The report includes the financial statements for the financial year ended 31 December 2014 with commentary on the performances of our portfolio companies and their prospects for 2015.

Pohutukawa II Fund

Pohutukawa II offer raised $82.5 million of committed capital in February 2009. Pohutukawa II co-invests with the Direct Capital IV fund which together totals $325 million. Pohutukawa II has called $47 million to the end of the financial year 31 December 2014. On 18 December 2014 the Board decided to cap the maximum amount to be called to 80 cents per share (cps), i.e. a reduction of 20 cps in total committed capital. Currently you have paid 57 cps. On 30 March 2015 we advised that a further call of 5 cps was planned for May, payable in June, following which a further 18 cps only can be called from shareholders.

Pohutukawa II has made seven direct investments but as a result of the Scales demerger last year with the spin-off of George H Investments as a standalone entity, we now have eight investments.

Our last direct investment was into Energyworks Holdings Ltd in January 2014.

Portfolio Performance

Of particular note during the 2014 year was the Scales IPO and NZX listing on 25 July 2014.

From Pohutukawa II's perspective capital proceeds of $12,079,187 were realised from the sale of 66% of its shareholding in Scales. Pohutukawa II made a 15.67 cps distribution on 11 August 2015. As part of the Scales IPO Pohutukawa II shareholders were able to elect to receive their capital as either a cash distribution, or shares in Scales. Of the total Scales shares realized by Pohutukawa II, 41% of Pohutukawa II shareholders elected to take the shares.

2014 produced mixed results for the portfolio companies. Most performed strongly while some companies met headwinds which affected their performance.

All portfolio companies are pursuing growth strategies. Transaction Services has expanded into the UK and is now entering the US market. Hiway continues with its repositioning in the Australian roading market and is currently entering Victoria. Cavalier Wool Holdings and its domestic competitor have a positive draft ruling from the Commerce Commission on their proposed merger; PF Olsen is potentially looking at Chinese forestry management opportunities; Bayley's is performing strongly in a buoyant property market.

Comments on the individual portfolio company performances are provided from page 8 onwards.

Distributions to Shareholders

During 2014 Pohutukawa II made gross distributions of $16.0 million, equivalent to 19.35 cps. Scales contributed $14.9 million of this distribution.

From inception to end of 2014 Pohutukawa II has made gross distributions totalling $26.6 million to the end of 2014, equivalent to 32.2 cps.

A summary of gross returns made to Shareholders is shown in *Table 1*:

Table 1 - Summary of Investor Returns

Investors Return to 31 December 2014		
Total capital paid	$ 0.57	
Gross Return to Investors		
September 2011		$ 0.02
September 2012		$ 0.04
May 2013		$ 0.03
November 2013		$ 0.04
May 2014		$ 0.04
August 2014		$ 0.16
Total Gross Return		$ 0.32
Assessed Net Asset Value 31 December 2014*		$ 0.53
Estimated Gross Return		$ 0.85

** Excluding manager's earnout currently estimated to be $0.06*

Since balance date Pohutukawa II has announced a further distribution of 2.32 cps gross to be paid on 24 April 2015.

Report to Shareholders

Economic outlook for 2015

The NZ$ continues at a relatively high level in particular against the AU$. The economic pointers for the New Zealand economy continue to be positive with expectations for continued low inflation and interest rates, and ongoing modest growth.

Portfolio Company Investments in 2014

The original investment cost of the portfolio was $34.4 million as shown in *Table 2* below.

An investment cost was attributed to George H Investments at the time of the Scales demerger. The Scales cost has been adjusted to reflect a pro-rata investment cost following the share sell-down prior to the IPO.

We made our last direct investment into Energyworks for an amount of $4.6 million, completed in January 2014. There were also follow-on investments made totalling $1.4 million in Transaction Services, Hiway Group, PF Olsen and Energyworks.

Investment Opportunities

No new investments are contemplated. We will continue to support the portfolio companies with follow-on investment as required. We may also consider parallel investments complementary to the existing portfolio companies.

Portfolio Weightings

The eight portfolio company investments show a good spread across industry sectors. Transaction Services, Hiway Group and Energyworks now represent our largest investment costs. The investments (at cost) and cash weightings at 31 December 2014 are shown in *Chart 1*, while *Chart 2* shows the investment portfolio's industry sector weightings.

Table 2 - Pohutukawa II Investments at cost to 31 December 2014

Portfolio Company	Date of initial Investment	Industry Sector	Investment Cost (NZ$000)	Pohutukawa II Shareholding %
Transaction Services	29 Jan 2010	Services	$6,432	11.5
Bayley Corporation	21 June 2010	Real estate	$3,575	7.4
Cavalier Wool Holdings	23 Dec 2010	Agriculture	$3,336	6.0
Scales Corporation	22 July 2011	Horticulture Services	$3,818	2.8
George H Investments	22 July 2011	Property & Shares Investments	$3,818	9.6
PF Olsen Group	15 Sep 2011	Forestry Services	$2,488	9.5
Hiway Group	30 Dec 2011	Infrastructure	$5,716	14.3
Energyworks Holdings	31 Jan 2014	Energy Services	$5,180	16.7
Total Investment Cost			**$34,363**	

Report to Shareholders

Chart 1 - Pohutukawa II investments at cost to 31 December 2014

Pohutukawa II Investments 31 December 2014

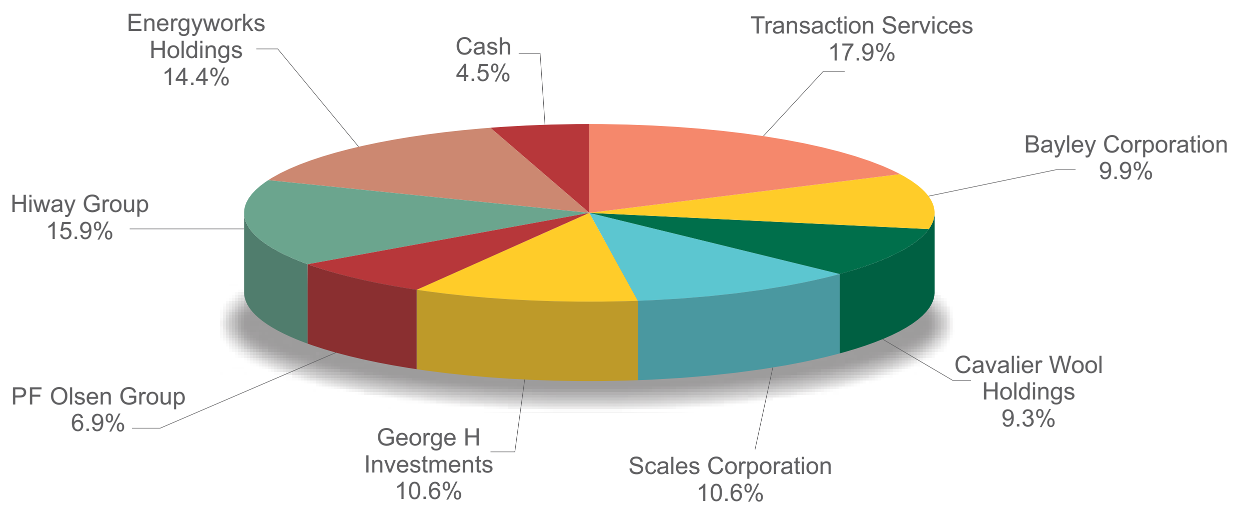
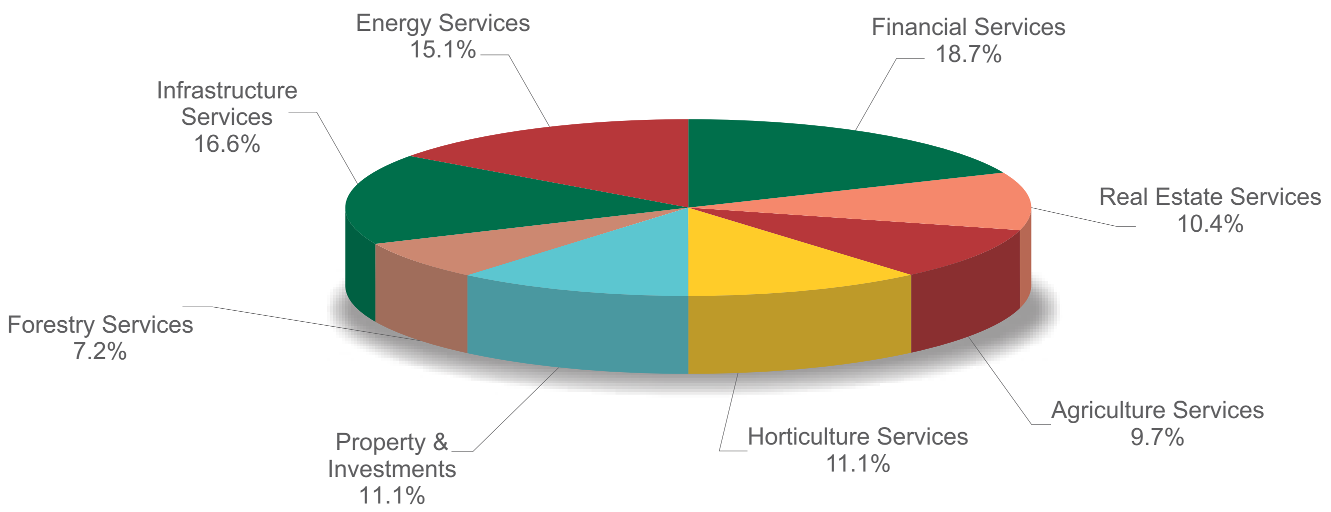


Chart 2 - Industry sector exposure

Pohutukawa II Industry Sector Exposure 31 December 2014



Portfolio Company Investment Revaluations

The Manager revalues the portfolio company investments each quarter using the International Private Equity & Venture Capital valuation guidelines, with the exception of Scales Corporation which is now a listed entity. Revaluations are completed for all portfolio companies and Scales is valued at its closing bid price on the last day of the quarter.

The portfolio was valued at $41.8 million at 31 December 2014 comparing favourably to the investment cost of $34.4 million. Shareholders have received realised proceeds of $26.6 million. This has been an exceptional performance so far.

Report to Shareholders

Annual Financial Statements 31 December 2014

Our financial statements for the year ended 31 December 2014, Directors' Report and KPMG Audit Report are included in this annual report.

As at 31 December 2014 Pohutukawa II had 82.5 million stapled securities on issue, paid to 57 cps.

At balance date shareholders' funds were $43.57 million, equivalent to a net asset backing of 53 cps. Pohutukawa II is in a strong financial position and at 31 December 2014 we had no debt.

Assets comprised:

- Investments & loans $41.78 million
- Receivables $0.02 million
- Cash $1.83 million

The item *non-controlling* interest in the statement of financial position refers to the equity of the Investment Companies. These non-controlling interests are attributable to Pohutukawa II shareholders as a result of their preference shares held in the Investment Companies.

Income was derived from interest of $89,000 on our short-term deposits.

Dividend income of $2.57million was received from portfolio companies.

The investment portfolio is re-valued under the fair value method at 31 December 2014. There was a $942,000 uplift in fair value of investments. The gain on sale of Scales shares was $10.16 million.

Administrative expenses were $1.42 million (2013: $2.08 million). Of the total administrative expenses, management fees were $1.17 million (2013: $1.86 million) and directors fees $85,000. There were interest costs of $51,000.

The profit for the period was $12.36 million (2013: $5.97 million)

Table 3 shows the Pohutukawa II Financial Performance Summary for the year ended 31 December 2014.

Table 3 - Pohutukawa II Financial Performance Summary

Pohutukawa II Financial Performance Summary For the year ended 31 December 2014		
	2014 **$000**	**2013** **$000**
Operating Results		
Interest income	89	85
Dividend income	2,570	2,212
Change in fair value of investments	942	5,759
Gain on sale of investments	10,165	-
Other income	68	-
Administrative Expenses	(1,418)	(2,081)
Finance expenses	(51)	-
Profit for the year	12,364	5,975
Share performance		
Stapled Securities on issue	82,500,000	82,500,000
Earnings per share	$0.15	$0.07
*Net asset backing-cents per share	$0.53	$0.46

** Excluding manager's earnout currently estimated to be $0.06*

The Manager

One of the roles of the Pohutukawa II Board is to review the Manager's performance. This review was undertaken for the 2014 financial period. The Board considered the services and activities of the Manager including: all aspects of the investment management process and portfolio management; the fund's administration; investor communications; statutory reporting and governance support for the Board. The Board believes the Manager is performing to the expected standards in all respects.

Call Programme

Your Pohutukawa II shares are currently paid to 57 cps. In December 2014 we advised shareholders that your capital commitment would be reduced from $1 per share to 80 cps. A further call of 5 cps will be made in May, payable in June. This call will cover on-going working capital for the fund and can be used for any follow-on or parallel investments that are required. In order to make a call below the minimum of 10 cps as prescribed in the Constitution, we will be seeking shareholder approval at the upcoming Annual Shareholders Meeting.

Report to Shareholders

Secondary Market

Craigs Investment Partners facilitates a secondary market for your Pohutukawa II shares, and details are available on the Pohutukawa website www.pohutukawafund.co.nz

As at 31 December 2014 the last sale price for Pohutukawa II shares was 45 cents while the net asset backing was 47.2 cps after allowing for manager's earnout.

Annual Shareholders Meeting

The details for the Annual Shareholders Meeting for Pohutukawa Private Equity II are:

Date: **Wednesday, 13 May 2015**
Time: **2.45pm**
Place: **Craigs Investment Partners Limited, Level 32, Vero Centre, 48 Shortland Street, Auckland**
RSVP: **By 5 May 2015. Contact Peter Lalor on 07 577 4727 or enquiries@pohutukawafund.co.nz**

We encourage you to attend both Pohutukawa I & II meetings and we look forward to seeing you there.

Thank you for your ongoing support of Pohutukawa Private Equity II.

If you have any queries regarding your investment in Pohutukawa II, please call your Investment Adviser or Peter Lalor at Pohutukawa Management on 07 577 4727.

Yours sincerely
POHUTUKAWA PRIVATE EQUITY II LIMITED

John McDonald
Chairman

Manager's Report on Portfolio Companies

The Manager is delighted to report on the performance of the Pohutukawa II portfolio for the 2014 financial year.

Overall the 2014 year was very positive which enabled two distributions to Pohutukawa II shareholders during 2014, totalling 19.35 cents per share and a further 2.3 cents was declared in March 2015.

In January 2014 the Manager completed its seventh new investment, into Energyworks Holdings Limited. The company is a leading provider of engineering solutions to the Australasian natural gas and petrochemical industry, based in Taranaki.

Also during the year, Scales Corporation completed a demerger of its investment assets prior to listing on the New Zealand Exchange. As a result of the demerger, Pohutukawa II shareholders now hold a 9.6% shareholding in a new entity George H Investments Limited.

The highlight of the year was the Initial Public Offering by Scales Corporation in July 2014 which enabled Pohutukawa II to realise a portion of its shareholding, whilst being able to participate in future growth, and dividend flows from its remaining shareholding. The IPO resulted in the 15.6 cent per share distribution in August 2014. A unique feature of the IPO had Pohutukawa II fund investors being offered the opportunity to retain their pro-rata shareholding in Scales, with approximately 41% of investors electing to retain their shares.

Some of the key other initiatives underway in the portfolio are:

- Cavalier Wool continues its focus on industry right sizing with its application to the Commerce Commission to merge with the wool scouring division of Lempriere;
- Transaction Services continues its focus on geographic expansion with active review into further acquisitions in the Northern Hemisphere, following its two acquisitions in the UK over the last 15 months;
- Hiway Group continues to review acquisition opportunities in the geotechnical area in Australasia.

Each portfolio company and their individual prospects are highlighted in the company summaries that follow. *Table 4* illustrates the portfolio ranking based on investment cost to 31 December 2014.

Table 4 - Portfolio Companies ranked by investment cost

Company ranking based on investment size at 31 December 2014	As a % of Portfolio
Transaction Services Group Limited	18.7%
Hiway Group Limited	16.6%
Energyworks Holdings Limited	15.1%
Scales Corporation Limited	11.1%
George H Investments Limited	11.1%
Bayley Corporation Limited	10.4%
Cavalier Wool Holdings Limited	9.7%
PF Olsen Group Limited	7.2%
	100.0%

The Manager has been particularly pleased with the ongoing focus on health and safety within the portfolio and individual performances during the year. The significant continuous investment into health and safety cannot be understated, both from a human impact perspective and business success perspective, which we believe is fundamental to the ongoing performance of the portfolio.

Investment Outlook

As announced Pohutukawa II, together with its co-investment partner Direct Capital IV, has now closed the fund to any new investments and will focus on the management of the current portfolio including follow-on and parallel investment where they are consistent with the company game plan.

This provides a mechanism to encourage the portfolio companies to pursue bold initiatives to generate value, with a further 23 cents per share still available to be called from investors.

Manager's Report on Portfolio Companies

TRANSACTION SERVICES GROUP LIMITED

www.debitsuccess.co.nz

TSG TRANSACTION SERVICES GROUP

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
January 2010	Third party processing	Buyout	$6,433	11.5*

* Total shareholding managed by Direct Capital 48.0%

Background

Transaction Services Group Limited (TSG) is the largest third party recurring payment processing company in NZ, Australia and the UK. TSG processes $2 billion worth of transactions annually across two million customers operating in a range of industries including health and fitness facilities, sports clubs, property management companies, childcare operators and retailers.

TSG operates under the brands Debitsuccess and FFA Paysmart in Australasia, Harlands Group and DFC in the UK, and Debitsuccess in the USA.

Performance

TSG recorded another year of impressive growth in its March 2015 financial year.

The performance of the two UK acquisitions (DFC in November 2013 and Harlands in March 2014) has been very pleasing, each making full year contributions in line with expectation and in aggregate these two businesses now account for around one third of TSG's group turnover. Given recent new client wins and with the UK and European payment processing market being in its comparative infancy, this percentage contribution is likely to increase.

Despite the softer economy in Australia, TSG continues to achieve a pleasing level of growth in both Australia and NZ.

In late 2014 TSG opened an office in the USA and continues to review complementary acquisition opportunities in that market. The USA is seen as offering significant potential.

Outlook

The outlook for TSG in each of its geographic markets is attractive. Acquisitions in the UK and more recently the entry into the USA market, has provided further exciting growth opportunities. At the same time, TSG expects to continue to maximise the opportunities in its home markets. The subscription economy is revolutionising the way organisations collect recurring payments and TSG is leading the industry in each of its markets.

Manager's Report on Portfolio Companies

BAYLEY CORPORATION LIMITED

www.bayleys.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
June 2010	Real Estate	Expansion/ succession	$3,575	7.4*

* Total shareholding managed by Direct Capital 31%

Background

Bayleys is a national property services company operating from over 73 corporate owned and franchise branches. It has a dominant position in marketing commercial, industrial, and rural properties, and a leading position in high-value residential and lifestyle property sales. In addition to real estate agency, Bayleys offers facilities and asset management, valuation, leasing, research and advisory services.

Performance

Bayleys continues to generate strong financial results and is tracking ahead of expectations and the previous financial year, which was the strongest in its history, and enabled the business to make meaningful dividend distributions throughout the year.

Performance across the group was strong, with the commercial and industrial division being the individual standout relative to last year. Bayleys is making inroads into higher value commercial and industrial transactions, having completed a significant proportion of the major transactions occurring during the year.

The property services and asset management business performed well and the integration of the Augusta and KCL asset management businesses acquired in early 2014 progressed smoothly during the year.

Bayleys residential market share (by volume & value) reached another high point at 31 December 2014. While actual residential sales across the whole of the NZ industry declined 6.7% in the nine months to 31 December 2014, Bayleys residential volumes increased substantially over the same period on a same branch basis.

Outlook

The business enters the 2015 calendar year with momentum across its commercial, industrial and residential agency divisions, and expects continued steady growth in its asset management and property services business.

Manager's Report on Portfolio Companies

CAVALIER WOOL HOLDINGS LIMITED

www.cavalierwoolscourers.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
December 2010	Wool scouring	Expansion	$3,336	6.0*

* Total shareholding managed by Direct Capital 25.0%

Background

Cavalier Wool Holdings Limited (CWH) is one of two wool scouring businesses in New Zealand. Operating from sites in Napier and Timaru, CWH processes greasy wool on behalf of wool exporters and carpet makers, removing grease and contaminants to produce 'clean' wool ready for either local conversion into carpet, or export shipment. A major by-product is wool grease which is extracted and exported to global customers who further refine and convert it into lanolin, cholesterol and Vitamin D3, for use in cosmetic, pharmaceutical and food grade products.

Performance

The Company experienced a decline in earnings compared to the last financial year arising from reduced wool volumes as a result of lower stock numbers following drought conditions in 2013 and reduced wool grease prices as a result of early mortality syndrome (EMA) experienced in the Asian shrimp farm sector (for which cholesterol, refined from wool grease, is a significant end use).

Wool volumes have since stabilised but remain at lower than historical levels, consistent with lower sheep numbers in New Zealand. Grease prices have also stabilised and forward contract prices are now being achieved at improved levels.

During the year, the shareholders of CWH and its domestic competitor, New Zealand Wool Services International, agreed to merge the two businesses, in order to continue right-sizing the New Zealand industry in line with domestic sheep numbers and to continue remaining competitive in the international market. The merger is subject to authorisation by the Commerce Commission and we expect this to be progressed during 2015.

Outlook

If the merger of CWH and WSI achieves Commerce Commission authorisation we expect significant synergy value will be achieved over the medium term as production capacity is right-sized. The outlook for wool grease prices is also more positive.

Manager's Report on Portfolio Companies

SCALES CORPORATION LIMITED

www.scalescorporation.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
July 2011	Agri-Services	Buyout	$3,818	2.8*

* Total shareholding managed by Direct Capital 18.05%

Background
Scales is a large diverse and growing New Zealand agribusiness group. Its businesses are classified into three main operating divisions: (1) Storage & logistics – cold and bulk liquid storage, and logistics; (2) Horticulture – Mr Apple and a 50% interest in Fernridge Produce and (3) Food ingredients (juice concentrate and pet food).

On 25 July 2014 Scales Corporation listed on the NZX which involved Pohutukawa II reducing its shareholding from 9.6% to 2.8%. Because of the listed company nature, this commentary provides information which is available in the public domain.

Performance
The company paid its first dividend since listing in December totalling 3 cents per share.

In February 2015 the company announced its 31 December 2014 annual operating EBITDA result at $39.8 million, 2.7% above its 2015 Prospective Financial Information forecast.

As part of the annual result announcement Scales Corporation managing director Andy Borland said looking ahead that "Scales is very well positioned to deliver growth for the short-to-medium term as historical and current investment initiatives mature".

As a listed company Scales publishes its interim and annual reports which can be viewed at www.scalescorporation.co.nz under the *Investors* tab.

Manager's Report on Portfolio Companies

GEORGE H INVESTMENTS LIMITED

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
July 2011	Agri-Services	Buyout	$3,818	9.6*

* Total shareholding managed by Direct Capital 84.2%

Background

George H Investments Limited (GHI) holds industrial property assets and share investments.

GHI's principal assets are:

- Three industrial parks (at Whakatu and Groome Place in Hawke's Bay and Silverstream in Mosgiel)
- A section on Canada Crescent, Christchurch.
- A 10.3% shareholding in NZX listed Turners & Growers

Performance

Management continues to focus on developing the three industrial parks by undertaking sub divisions of the parks into marketable parcels and where appropriate completing developments of individual sites for contracted tenants. Individual sites continue to be marketed for sale when ready and a number of small property sales were completed in the second half of 2014 totalling just under $2.0m, expected to settle in the first half of 2015.

Outlook

Further positive progress is expected over the coming year to maximise the value of the various investments with any surplus funds to be distrbuted to shareholders as available.

Manager's Report on Portfolio Companies

PF OLSEN GROUP LIMITED

www.pfolsen.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
September 2011	Agri-Services	Buyout	$2,488	9.5*

* Total shareholding managed by Direct Capital 40.0%

Background

PF Olsen is Australasia's largest provider of professional forestry services, including asset and harvesting management, health and safety compliance, environmental compliance, genetically improved seed and containerised seedling sales, forestry enterprise software, advisory and other technical services. PF Olsen manages the harvest of over 4.7 million tonnes of logs per annum, and manages over 300,000 hectares of timberlands across Australasia.

Performance

PF Olsen's performance in 2014 was very pleasing, with growth again achieved over the prior year and relative to expectations. PF Olsen paid further dividends during the year, and Pohutukawa II has now realised gross dividend returns of 70% of its total investment in PF Olsen.

The strong performance was notable given the volatility experienced in the NZ log export market during the year, and reflects growing diversification within the business. The year saw a meaningful contribution from PF Olsen Australia, which continues to have success in gaining new clients and implementing new services. Trading from the New Zealand business was broadly consistent with the prior year despite log market volatility.

PF Olsen remains at the forefront of initiatives to improve industry and contractor health & safety performance and this is further reflected in the success in gaining new major clients during the year.

Outlook

The business is well positioned to continue to grow its presence in New Zealand and benefit from an increasing availability of harvestable wood, as well as from the Company's international operations.

Manager's Report on Portfolio Companies

HIWAY GROUP LIMITED

www.hiwaygroup.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
December 2011	Infrastructure Services	Buyout	$5,716	14.3*

* Total shareholding managed by Direct Capital 60.0%

Background
Hiway Group is a leading roading and infrastructure services contractor, with operations in both New Zealand and Australia. Hiway Group operates through two main operating companies, Hiway Stabilizers and Hiway Geo Technical deploying a number of specialist technologies including deep soil mixing, soil nailing, aggregate modification, sub-grade stabilisation, fill drying and foamed bitumen recycling. The company also offers a number of environmental contracting services including soil recycling and site remediation.

Performance
The current year performance has been more challenging following the very strong results over the previous two years. The operating environment in the two key markets of Auckland and Queensland for the Stabilisation division has slowed dramatically. The overall New Zealand market has seen a change of focus to capital projects which take a longer lead time to implement and the Australian market has suffered from a significant reduction in federal and state funding particularly in Queensland.

The positive development was the growth of the State of Victoria business over the last six months.

Outlook
The current outlook for the Geotech business remains solid and a pleasing number of contracts have been won / tendered for commercial projects covering the next twelve months.

It is expected that the current slowdown in the New Zealand road maintenance market will be balanced by new capital projects, as they are approved.

In Australia the Queensland market remains challenging for the remainder of the year but the company expects a positive on going level of activity in the Victorian market.

The company will continue to look to expand, particularly for the Geotech and Australian businesses, should suitable opportunities arise.

Manager's Report on Portfolio Companies

ENERGYWORKS HOLDINGS LIMITED

www.energyworks.net.nz

energyWORKS

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
December 2011	Infrastructure Services	Buyout	$5,180	16.7*

* Total shareholding managed by Direct Capital 70.0%

Background
Energyworks is a leading provider of engineering solutions to the Australasian natural gas and petrochemical industry. The business provides essential maintenance and brownfield services to the onshore gas and petrochemical sector, as well as the fabrication and installation of mechanical components and associated infrastructure such as piping, wellheads, skids, and high pressure gas pipelines.

Performance
The business has experienced inconsistent workflow in the fabrication and installation side of its business, particularly for new infrastructure and group performance has been below expectations as a result. Energyworks continues to focus on the maintenance and brownfield modification side of its business and the establishment of longer term relationships with large blue chip customers. Positively the industrial coatings business continues to grow strongly on the back of new client relationships.

The development of the Australian business remains a key initiative, with the business implementing a number of brownfield modification projects to the existing gas transmission network. With global scale LNG facilities in Australia nearing operational status there is a strong demand for gas, which will require ongoing installation of wellheads and interconnecting high pressure tie-ins to LNG facilities, and maintenance.

Outlook
The business has secured a number of large capital projects, however the start times of some of these projects is not yet clear and overall conditions for this side of the business are expected to remain challenging.

The current outlook for the maintenance service remains steady with a number of permanent maintenance placements across New Zealand, which will eventually ramp up later in the year for large scale maintenance shutdowns. The business continues to implement the usual large number of smaller brownfield modification jobs.

Directors' Report

For the year ended 31 December 2014

The following table shows Directors holding office during the year, their remuneration rate and the amount of director fees paid during the year.

	Director Fees $	Date of appointment
J McDonald	30,000	04-Nov-08
M Prendergast	30,000	19-Nov-08
N Craig	12,500	19-Nov-08
M Caird	12,000	27-Sep-13

Entries recorded in the interests register

The entries shown in the table below were recorded in the interests register of the company during the year.

Directors' shareholdings and dealings in Pohutukawa II at 31 December 2014

The directors of Pohutukawa II also have co-investment rights in all Pohutukawa II investments. Holdings (including relevant interests) are as follows:

Pohutukawa II Director Investment Disclosure 31 December 2014
(Directors holding office at 31 December 2014)

Investment Holding	J McDonald	M Prendergast	N Craig	M Caird
	No. Securities	No. Securities	No. Securities	No. Securities
Pohutukawa II	100,000	25,000	110,000	-
Transaction Services Ltd	18,489	39,680	19,419	13,959
Bayley Corporation Ltd	5,015	5,015	3,115	1,107
Cavalier Wool Holdings Ltd	3,963	3,963	1,567	2,089
Scales Corporation Ltd	35,075	35,074	12,378	23,487
George H Investments	43,389	43,387	15,312	29,054
PF Olsen Group Ltd	2,028	2,027	902	902
Hiway Group Ltd - equity	39,028	39,026	11,914	16,623
Hiway Group Ltd - debt	8,903	8,902	2,718	3,792
Energyworks Holdings Ltd - equity	52,699	52,699		30,000
Energyworks Holdings Ltd - debt	6,161	6,161		3,507

Director

27 March 2015

Date

Director

27 March 2015

Date

Statement of comprehensive income

For the year ended 31 December 2014

		Consolidated		Parent	
	Note	2014	2013	2014	2013
Interest income		89,091	84,957	89,091	84,957
Dividend income		2,569,644	2,212,318	-	-
Advisory fee income		67,702	-	67,702	-
Change in fair value of investments		941,632	5,759,082	-	-
Gain on sale of investments		10,164,629	-	-	-
Impairment of loans to investment companies	*17(b)*	-	-	(4,707,486)	(442,589)
Reversal of impairment of loans to investment companies	*17(b)*	-	-	737,947	619,115
Other operating income		-	-	1,471,811	1,575,849
Administrative expenses	*5*	(1,417,538)	(2,081,369)	(1,417,538)	(2,081,369)
Operating profit/(loss)		12,415,160	5,974,988	(3,758,473)	(244,037)
Finance expenses - interest		(51,217)	-	(51,217)	-
Profit/(loss) before tax		12,363,943	5,974,988	(3,809,690)	(244,037)
Income tax expense	*6*	-	-	-	-
Profit/(loss) for the year		12,363,943	5,974,988	(3,809,690)	(244,037)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		12,363,943	5,974,988	(3,809,690)	(244,037)
Attributable to:					
Equity holders of the parent		159,849	(420,564)	(3,809,690)	(244,037)
Non-controlling interest	*3a(iv)*	12,204,094	6,395,552	-	-
Profit/(loss) and total comprehensive income/(deficit) for the year attributable to the equity holders of stapled securities		12,363,943	5,974,988	(3,809,690)	(244,037)

Statement of changes in equity

For the year ended 31 December 2014

Consolidated	*Note*	Attributable to equity holders of the parent Share capital	Retained losses	Total	Non-controlling interest	Total equity
Balance at 1 January 2014		34,434,751	(5,669,309)	28,765,442	9,359,090	38,124,532
Total comprehensive income for the year		-	159,849	159,849	12,204,094	12,363,943
Issue of share capital		8,250,000	-	8,250,000	-	8,250,000
Redemption of share capital	*12*	(7,636,209)	-	(7,636,209)	-	(7,636,209)
Dividends paid		-	-	-	(7,527,894)	(7,527,894)
Balance at 31 December 2014		**35,048,542**	**(5,509,460)**	**29,539,082**	**14,035,290**	**43,574,372**
Balance at 1 January 2013		37,414,736	(5,248,745)	32,165,991	4,996,619	37,162,610
Total comprehensive income for the year		-	(420,564)	(420,564)	6,395,552	5,974,988
Issue of share capital		(2,979,985)	-	(2,979,985)	-	(2,979,985)
Dividends paid		-	-	-	(2,033,081)	(2,033,081)
Balance at 31 December 2013		**34,434,751**	**(5,669,309)**	**28,765,442**	**9,359,090**	**38,124,532**

Parent		Share capital	Retained losses	Total equity
Balance at 1 January 2014		34,434,751	(6,891,249)	27,543,502
Total comprehensive income for the year		-	(3,809,690)	(3,809,690)
Issue of share capital		8,250,000	-	8,250,000
Redemption of share capital	*12*	(7,636,209)	-	(7,636,209)
Balance at 31 December 2014		**35,048,542**	**(10,700,939)**	**24,347,603**
Balance at 1 January 2013		37,414,736	(6,647,212)	30,767,524
Total comprehensive income for the year		-	(244,037)	(244,037)
Issue of share capital		(2,979,985)	-	(2,979,985)
Balance at 31 December 2013		**34,434,751**	**(6,891,249)**	**27,543,502**

Statement of financial position

As at 31 December 2014

		Consolidated		Parent	
	Note	2014	2013	2014	2013
Assets					
Loans to investment companies	*17(b)*	-	-	18,456,267	21,991,103
Receivables from investment companies		-	-	4,095,549	3,952,117
Loans to portfolio companies	*9*	1,325,560	-	-	-
Investments – equity securities	*7(c)*	40,453,012	36,524,238	-	-
Total non-current assets		**41,778,572**	**36,524,238**	**22,551,816**	**25,943,220**
Receivables and prepayments	*8*	19,340	14,249	19,327	14,237
Cash and cash equivalents	*11*	1,829,728	1,635,679	1,829,728	1,635,679
Total current assets		**1,849,068**	**1,649,928**	**1,849,055**	**1,649,916**
Total assets		**43,627,640**	**38,174,166**	**24,400,871**	**27,593,136**
Equity					
Issued capital	*12*	35,048,542	34,434,751	35,048,542	34,434,751
Retained losses		(5,509,460)	(5,669,309)	(10,700,939)	(6,891,249)
Total equity attributable to equity holders of the parent		**29,539,082**	**28,765,442**	**24,347,603**	**27,543,502**
Non-controlling interest	*3a(iv)*	14,035,290	9,359,090	-	-
Total equity attributable to equity holders of stapled securities		**43,574,372**	**38,124,532**	**24,347,603**	**27,543,502**
Liabilities					
Trade and other payables	*13*	53,268	49,634	53,268	49,634
Total current liabilities		**53,268**	**49,634**	**53,268**	**49,634**
Total liabilities		**53,268**	**49,634**	**53,268**	**49,634**
Total equity and liabilities		**43,627,640**	**38,174,166**	**24,400,871**	**27,593,136**

For and on behalf of the Board

Director

27 March 2015

Date

Director

27 March 2015

Date

Statement of cash flows

For the year ended 31 December 2014

		Consolidated		Parent	
	Note	2014	2013	2014	2013
Cash flows from operating activities					
Cash receipts from fees		67,702	-	1,396,081	183,398
Dividends received		2,569,644	2,212,318	-	-
Interest received		78,503	113,863	78,503	113,863
RWT refund received		-	-	-	-
Interest paid		(51,217)	-	(51,217)	-
Cash paid to suppliers		(1,408,406)	(2,095,819)	(1,408,406)	(2,099,980)
Net cash from operating activities	*14*	**1,256,226**	**230,362**	**14,961**	**(1,802,719)**
Cash flows from investing activities					
Acquisition of investments		(5,503,639)	(89,367)	-	-
Realisations from investments		12,079,157	2,979,985	-	-
Loans to portfolio companies	*9*	(1,325,560)	-	-	-
Loans to investment companies		-	-	(6,829,199)	(89,367)
Repayments from investment companies		-	-	6,394,496	2,979,985
Net cash from investing activities		**5,249,958**	**2,890,618**	**(434,703)**	**2,890,618**
Cash flows from financing activities					
Proceeds from share calls		8,250,000	-	8,250,000	-
Redemption of preference shares	*12*	(7,636,209)	(2,979,985)	(7,636,209)	(2,979,985)
Distributions to equity holders		(6,925,926)	(2,033,081)	-	-
Net cash from financing activities		**(6,312,135)**	**(5,013,066)**	**613,791**	**(2,979,985)**
Net movement in cash and cash equivalents		194,049	(1,892,086)	194,049	(1,892,086)
Cash and cash equivalents at 1 January		1,635,679	3,527,765	1,635,679	3,527,765
Cash and cash equivalents at 31 December	*11*	**1,829,728**	**1,635,679**	**1,829,728**	**1,635,679**

Notes to the consolidated financial statements

1. Reporting entity

Pohutukawa Private Equity II Limited (the "Company") is a company incorporated and domiciled in New Zealand. Pohutukawa Private Equity II and the 25 (2013: 25) Investment Companies, refer Note 19, are registered under the *Companies Act 1993* and are issuers and reporting entities for the purposes of the *Financial Reporting Act 1993*. The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the Company and 25 (2013: 25) Investment Companies (together referred to as the "Group").

Pohutukawa Private Equity II Limited is primarily involved in private equity investment made through the Investment Companies.

The financial statements were approved by the Directors on 27 March 2015.

2. Basis of preparation

(a) Statement of compliance

These 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 for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993, this is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014. This will be effective for the Group's 31 December 2015 year end. It is expected that the change in legislation will have no material impact on the Group's obligation to prepare general purpose financial statements.

In addition to the change in legislation the External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. The Group is currently reporting under NZ IFRS. Under the new XRB framework management expects that the Group is expected to continue to apply NZ IFRS as applicable for Tier 1 for profit entities. Management expects that this will have no material impact on the preparation and disclosures included in the financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that certain financial instruments are stated at their fair value.

These financial statements are for the year ended 31 December 2014.

(c) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency and rounded to the nearest dollar.

d) Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Notes to the consolidated financial statements

2. Basis of preparation (continued)

d) Use of estimates and judgements (continued)

- Note 7 – Investments – equity securities
- Note 15 – Financial risk management
- Note 17(b) – Loans to investment companies (in parent)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Stapled securities

For every ordinary share held in Pohutukawa Private Equity II Limited, investors also hold 100 preference shares in Pohutukawa Private Equity II Limited as well as one preference share in each of the 25 (2013: 25) Investment Companies. All of these shares are stapled securities. This stapling arrangement creates a business combination by contract alone without any individual entity obtaining an ownership interest. The Group has designated Pohutukawa Private Equity II Limited as the acquirer and the parent entity for the purpose of preparing consolidated financial statements. The 25 (2013: 25) companies combining under the stapling arrangement are designated as the Investment Companies, refer note 19, which invest in Portfolio Companies, refer note 7.

The Group and Investment companies are deemed to be Investment Entities as they invest shareholder's funds solely for returns on investments from capital appreciation, interest and dividends.

(ii) Associates

Investments in equity securities, which would normally be classified as investments in unlisted associates, are carried at fair value in the consolidated financial statements and are not equity accounted (see accounting policy 3 b). This is due to the fact that the parent and group are private equity investors.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(iv) Non-controlling interest

Non-controlling interest refers to the equity of the Investment Companies, as this is owned directly by shareholders of the parent and the Manager, and not by the parent company itself. These non-controlling interests are attributable to the parent company shareholders as a result of their direct investment in the preference shares of the Investment Companies and to the Manager as a result of its ownership of the ordinary shares in the Investment Companies.

(b) Investments in equity securities

The Group's investments in equity securities are classified as designated at fair value through profit or loss financial assets, as they are managed by the Group on a fair value basis. They are presented as non-current assets in the statement of financial position and are stated at fair value, with any resultant change in fair value recognised in profit or loss.

Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Groups investment strategy.

Regular purchases and sales of investments are recognised on a trade-date basis. That is the date on which the Group commits to purchase or sell the asset.

(c) Trade and other receivables

Trade and other receivables are initially recognised at amortised fair value and subsequently measured at amortised cost less impairment losses (see accounting policy g).

(d) Loans receivable

Loans receivable are recognised initially at fair value plus any directly attributable transaction costs (if any). Subsequent to initial recognition they are stated at amortised cost less impairment losses, if any (see accounting policy g).

(e) Finance expense - interest

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

3. Significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and are recognised and measured at cost. Cash excludes short-term deposits that are not used as part of the Group's day-to-day cash management.

(g) Impairment

The carrying amounts of the Group's assets, other than investments in unlisted equity securities (see accounting policy b), and deferred tax assets (see accounting policy(l)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on the present value of estimated future cash flows, discounted at the original effective interest rate.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed in profit or loss if there has been a change in the estimates used to determine the recoverable amount.

(h) Share capital

(i) Share capital

Share capital is recognised as paid in capital when a call has been made to shareholders. Calls are made in tranches and will be for a minimum of $0.10 per share.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

(iv) Dividends

All dividends are recognised as a liability in the period in which they are declared.

(i) Loans and borrowings

Loans and borrowings are recognised initially at fair value net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest rate basis.

(j) Trade and other payables

Trade and other payables are stated at cost.

(k) Revenue

(i) Services rendered

Revenue from services rendered (e.g. transaction fees) are recognised in profit or loss as earned and is recorded as other operating income.

(ii) Equity investments

Movements in the fair value of the Group's investments in equity instruments are recognised in profit or loss. Dividend income is recognised in profit or loss on the date the entity's right to receive payments is established.

(iii) Interest income

Interest income is recognised as revenue in profit or loss as it accrues, using the effective interest rate method.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the consolidated financial statements

(l) Income tax(continued)

Deferred tax is calculated providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(m) New standards and pronouncements relevant to the Group

The following new or revised standard is not effective for the period ended 31 December 2014, and has not been applied in preparing these financial statements.

NZ IFRS 9 – 'Financial Instruments – effective 1 January 2018. This standard introduces new requirements for the classification and measurement of financial assets based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

The entity does not plan to early adopt this standard and management have not yet determined the impact of this change.

There are a number of other standards and interpretations which are not yet effective and management consider they will have no impact on the Group.

(n) Goods and services tax (GST)

All amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

4. Determination of fair values

Investments in unlisted equity securities are valued at Investment Managers' valuation in the year of acquisition and subsequently by annual valuations carried out in accordance with the valuation principles set out by The International Private Equity and Venture Capital Association Limited (IPEV). Valuations are performed by Direct Capital IV Management Limited (see Notes 7, 17). These valuations require the use of significant judgement by the directors regarding estimated future earnings of the investments, and the use of appropriate earnings multipliers in determining the fair value of investments when no other observable inputs are available to the Directors.

Notes to the consolidated financial statements

5. Administrative expenses

	Consolidated		Parent	
	2014	2013	2014	2013
Management fees	1,168,744	1,863,211	1,168,744	1,863,211
Directors' fees	85,000	85,000	85,000	85,000
Other administrative expenses	163,794	133,158	163,794	133,158
	1,417,538	2,081,369	1,417,538	2,081,369

The following items of expenditure are included in administrative expenses:

Auditor's remuneration to KPMG comprises:				
Audit of financial statements	29,000	26,000	29,000	26,000
Review of interim financial statements	11,968	8,212	11,968	8,212

6. Income tax expense

		Consolidated		Parent	
	Note	2014	2013	2014	2013
Income tax expense in statement of comprehensive income		-	-	-	-

Reconciliation of effective tax rate

		2014	2013	2014	2013
Profit/(Loss) before tax		12,363,943	5,974,988	(3,809,690)	(244,037)
Income tax expense at 28%tax rate		3,461,904	1,672,997	(1,066,713)	(68,330)
Non-deductible expenses		2,311	6,454	1,168	2,853
Non-assessable income		(3,109,752)	(1,616,144)	1,111,471	(49,427)
Imputation credits received		(999,306)	(619,449)	-	-
Tax losses not recognised	*10*	644,843	556,142	(45,926)	114,904
Total income tax expense in statement of comprehensive income		-	-	-	-

Imputation credits

		Consolidated		Parent	
	Note	2014	2013	2014	2013
Imputation credits available to shareholders of the parent company:					
Through the parent company		-	-	-	-
Through investment companies		367,220	166,739	-	-
		367,220	166,739	-	-

Notes to the consolidated financial statements

7. Investments – equity securities

(a) Non-current investments

The Group has seven investments in unlisted equity securities. The performance of these securities is actively monitored and group policy is to carry these investments initially at cost with subsequent movements in fair value recognised in profit or loss. As there is no quoted market price for these securities, valuation techniques must be utilised to determine fair value. The valuations are carried out by Direct Capital IV Management Limited (see Note 17) using IPEV valuation guidelines.

The valuation techniques utilised include the use of market based earnings multiples and a downward adjustment factor of up to 20% for privately owned investments.

Following the Initial Public Offering of Scales Corporation on the NZX main board in July 2014, the Group also holds shares in a listed equity security. As part of the listing, the Group's shares, together with other Direct Capital shareholders, have an Escrow restricting the disposal or sale of the shares until the Scales Corporation 2015 financial statements are released (expected in April 2016).

The valuation of the Group's Scales Corporation shareholding is calculated using the closing bid share price at the close of trading on the last day of the year. Due to the escrow restrictions the Investment Manager has applied a 10% discount to the closing bid price.

(b) Sensitivity Analysis

A movement of 0.2 in the earnings multiples applied to the investments carried at fair value changes the value of the investments by $1,077,101 (2013: $1,563,065). A movement in the downward adjustment factor of 5% changes the value of the investments by $2,323,233 (2013: $3,013,320). A movement in the maintainable earnings of 5% changes the value of the investments by $2,181,493 (2013: $2,410,656).

The following table lists the investments held at the end of the reporting period and the underlying cost of the initial acquisition. The difference between the cost and the carrying value in the statement of financial position is shown as a fair value movement through profit or loss. The cost of each acquisition is shown in the tables.

Notes to the consolidated financial statements

7. Investments – equity securities (continued)

(b) Sensitivity Analysis (continued)

2014

Entity name	Activities	Acquisition date	Voting interest	Cost
Transaction Services Group Limited	3rd Party Payment Processing	Jan 2010	11.5%	4,831,332
Bayley Corporation Limited	Real Estate Services	Jun 2010	7.4%	3,574,666
Cavalier Wool Holdings Limited	Agri-services	Dec 2010	6.0%	3,336,366
Scales Corporation Limited	Agri-services	Jul 2011	3.0%	1,301,608
George H Investments Limited	Agri-services	May 2014	9.6%	3,818,105
PF Olsen Group Limited	Forestry management	Sept 2011	9.5%	2,487,620
Hiway Group Limited	Roading and ground stabilisation	Dec 2011	14.3%	3,437,897
Energyworks Holdings Limited	Pipeline services	Jan 2014	16.7%	4,637,533
				27,425,127

2013

Entity name	Activities	Acquisition date	Voting interest	Cost
Transaction Services Group Limited	3rd Party Payment Processing	Jan 2010	11.6%	2,863,362
Bayley Corporation Limited	Real Estate Services	Jun 2010	7.4%	3,574,666
Cavalier Wool Holdings Limited	Agri-services	Dec 2010	6.0%	3,336,366
Scales Corporation Limited	Agri-services	Jul 2011	9.4%	7,636,210
PF Olsen Group Limited	Forestry management	Sept 2011	9.5%	2,392,789
Hiway Group Limited	Roading and ground stabilisation	Dec 2011	14.3%	3,398,718
				23,202,111

(c) Fair value of investments

As investments in equity securities are carried at fair value in the Group, the results and net assets of the Portfolio Companies are not recognised in these financial statements. The fair value of the total investment portfolio as at 31 December 2014 was $40,453,012 (2013: $36,524,238).

Notes to the consolidated financial statements

8. Receivables and prepayments

	Consolidated		Parent	
	2014	2013	2014	2013
GST receivable	1,773	7,271	1,773	7,271
Interest receivable	10,588	-	10,588	-
Other receivables	13	12	-	-
Prepayments	6,966	6,966	6,966	6,966
	19,340	**14,249**	**19,327**	**14,237**

As at 31 December 2014, no receivables are considered past due (2013: $nil).

9. Loans to Portfolio Companies

	Consolidated		Parent	
	2014	2013	2014	2013
Hiway Group Limited	783,402	-	-	-
Energyworks Holdings Limited	542,158	-	-	-
	1,325,560	-	-	-

Hiway Group Limited

Hiway Group Limited (investment held by Pohutukawa Zeta Limited) was advanced $783,402 in December 2014 as a loan. The current rate set in December 2014 is 0.0%. The terms of the loan enable Hiway Group Limited, at its option, to capitalise the loan and interest into equity in December 2019.

Energyworks Holdings Limited

Energyworks Holdings Limited (investment held by Pohutukawa Eta Limited) was advanced $542,158 in August 2014 as a loan. The current rate set in August 2014 is 0.0%.

Notes to the consolidated financial statements

10. Deferred tax assets and liabilities

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Note	Consolidated		Parent	
		2014	2013	2014	2013
Opening balance 1 January		2,482,581	1,926,439	1,416,616	1,301,712
Tax losses not recognised	6	644,843	556,142	-	114,904
Tax losses forgone		-	-	(45,926)	-
Closing balance 31 December		3,127,424	2,482,581	1,370,690	1,416,616

Due to the nature of the stapled securities, and the fact that ordinary shares in the Investment Companies are owned by Pohutukawa II Investment Holdings LP, there is no ability to offset losses between the Parent (Pohutukawa Private Equity II Limited) and the Investment Companies.

Tax losses do not expire, subject to shareholder continuity rules being met. Deferred tax assets have not been recognised in respect of these items because it is not certain that future taxable profit will be available against which the Group can utilise the benefit.

Investment Company's taxation losses cannot be used by the parent.

11. Cash and cash equivalents

	Consolidated		Parent	
	2014	2013	2014	2013
Call deposits	429,728	1,635,679	429,728	1,635,679
Short-term deposits	1,400,000	-	1,400,000	-
Cash and cash equivalents in the statement of cash flows	1,829,728	1,635,679	1,829,728	1,635,679

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited. The weighted average interest rate for 2014 on call deposits was 3.64% (2013: 2.89%).

Short-term deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited. The weighted average interest rate on short-term deposits was 3.96% (2013: 3.29%).

Notes to the consolidated financial statements

12. Share capital

Consolidate *In millions of shares*	Investment Co's Preference shares 2014	Investment Co's Preference shares 2013	PPE II Ordinary shares 2014	PPE II Ordinary shares 2013	PPE II Preference shares 2014	PPE II Preference shares 2013
On issue at 1 January	2,062.5	2,062.5	82.5	82.5	7,817	8,115
Redemption of shares	-	-	-	-	(764)	(298)
On issue at 31 December	**2,062.5**	**2,062.5**	**82.5**	**82.5**	**7,053**	**7,817**

Parent Ordinary shares Preference shares In millions of shares	Ordinary shares 2014	Ordinary shares 2013	Preference shares 2014	Preference shares 2013
On issue at 1 January	82.5	82.5	7,817	8,115
Redemption of shares	-	-	(764)	(298)
On issue at 31 December	**82.5**	**82.5**	**7,053**	**7,817**

Preference shares are only redeemable at the option of the issuer.

At 31 December 2014, the share capital of the Company comprised 82,500,000 ordinary shares (2013: 82,500,000), and 7,053,164,500 preference shares (2013: 7,816,785,500). In addition, there are 2,062,500,000 (2013: 2,062,500,000) preference shares in the 25 (2013: 25) Investment Companies (82,500,000 in each).

Ordinary shares and Investment Company preference shares have been allotted at nil value. The Pohutukawa Private Equity II shares (stapled shares) have been issued at $1.00 per share, paid to $0.57. During the year there was a call dated 25 March 2014 of $0.10. Subsequent calls will be in tranches and subject to 30 days advance notice.

The prospectus states that any residual balance up to the $1.00 per share price will become payable in full on the fifth anniversary of allotment, being 3 March 2014. The directors, at their discretion, on 28 November 2013 extended this to December 2014. On 18 December 2014 the directors notified shareholders that the maximum amount to be called is now capped at $0.80 the quantum and timing of which will be notified before 31 March 2015.

Following the $0.80 cap announcement in December 2014, shareholders have a commitment to fund a further $0.23 per share totalling $18.975 million (2013: $0.53 per share totalling $43.725 million) in subsequent calls, subject to Board approval. Calls will not be made unless the proceeds of all previous calls have been invested or committed in full.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends of $7,527,894 ($0.091 cents per share) were declared during the year by companies within the Group (2013: $2,033,081, $0.025 cents per share). All ordinary shares rank equally with regard to the Company's residual assets. Holders of the Company preference shares do not have an entitlement to vote, and are not entitled to participate in distribution of income, but are entitled to $0.01 per preference share upon redemption by the Company at the Company's option. Preference shareholders in the Investment Companies do not have an entitlement to vote, but are entitled to receive distributions of capital and/or income as prescribed in the Investment Companies' constitutions.

Notes to the consolidated financial statements

13. Trade and other payables

	Consolidated		Parent	
	2014	2013	2014	2013
Trade payables and accrued expenses	53,268	49,634	53,268	49,634
	53,268	49,634	53,268	49,634

14. Reconciliation of (loss)/profit after taxation to the net cash flow from operating activities

	Consolidated		Parent	
	2014	2013	2014	2013
Profit / (loss) for the year	12,363,943	5,974,988	(3,809,690)	(244,037)
Adjustments for:				
Change in fair value of investments	(941,632)	(5,759,082)	3,969,539	(176,526)
Gain on sale of investment	(10,164,629)	-	-	-
Change in trade and other receivables	(5,092)	27,596	(5,092)	21,636
Change in income tax receivable	-	-	-	-
Change in Intercompany loans	-	-	-	(1,390,652)
Change in trade payables and accruals	3,636	(13,140)	(139,796)	(13,140)
Net cash flow to/(from) operating activities	1,256,226	230,362	14,961	(1,802,719)

Notes to the consolidated financial statements

15. Financial risk management

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- equity price risk
- credit risk
- interest rate risk
- liquidity risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital.

Equity price risk

The Group has policies in place to mitigate equity price risk, particularly in its investments. This includes detailed analysis of prospective equity investments. Investments in unlisted equity securities are, by their nature, less liquid and subject to greater equity price risk than listed securities.

Credit risk

Exposure to credit risk arises in the normal course of the Group’s business from its loans and receivables and bank balances. The Group does not require collateral in respect of financial assets. At the end of the reporting period there were no significant concentrations of credit risk.

The Group invests its surplus funds in short-term deposits with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (refer Note 17). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position.

Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group’s business from bank accounts, short-term deposits and loans and borrowings. The Group earns interest on bank accounts and short-term deposits. Management invests excess funds in short-term deposits to maximise interest revenue whilst ensuring funds are available if required. The Group may also borrow short-term funds at floating rates due to the short-term nature of these borrowings.

Loans between the parent and investment companies are interest free and due on demand. While these loans are payable on demand, they are not expected to be called within the next 12 months and are therefore classified as non-current.

Effective interest rates and repricing

The only interest bearing financial assets in the Group are bank balances and short-term deposits. At the end of the reporting period the effective interest rates for bank balances for 2014 is 3.80% (2013: 3.00%), and for short-term deposits the effective rate is 4.12% (2013: N/A).

Bank balances reprice daily and short-term deposits reprice within 3 months.

Liquidity risk

Liquidity risk represents the Group’s ability to meet its contractual obligations to settle its financial liabilities when due. The Group evaluates its liquidity requirements on an ongoing basis, and maintains sufficient cash to meet all obligations. Investments in unlisted equity securities are, by their nature, less liquid.

Notes to the consolidated financial statements

15. Financial risk management (continued)

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
Consolidated 2014				
Cash and cash equivalents	*11*	1,829,728	-	1,829,728
Total		**1,829,728**	-	**1,829,728**
Consolidated 2013				
Cash and cash equivalents	*11*	1,635,679	-	1,635,679
Total		**1,635,679**	-	**1,635,679**
Parent 2014				
Cash and cash equivalents	*11*	1,829,728	-	1,829,728
Total		**1,829,728**	-	**1,829,728**
Parent 2013				
Cash and cash equivalents	*11*	1,635,679	-	1,635,679
Total		**1,635,679**	-	**1,635,679**

Loans to investment and portfolio companies as disclosed in the Statement of Financial Position are non interest bearing and therefore have not been included in the above table.

Sensitivity analysis

The sensitivity of interest rate movements has an immaterial impact on the financial statements of the Group.

Capital management

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain its capital structure in terms of the prospectus and repay capital as investments are realised. As disclosed in note 12, $0.57 per share has been paid on the $1.00 share capital (2013: $0.47 per share). The remaining $0.23 (2013: $0.53) will be called as required in accordance with the terms of the prospectus (See Note 12 on call extension).

The Group has the power to borrow only with the prior written approval of the Board, other than in respect of borrowings with a maturity date not in excess of ninety days (provided that in no case shall such borrowings exceed called but unpaid capital commitments).

The Group is not subject to any externally imposed capital requirements.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the year.

Notes to the consolidated financial statements

15. Financial risk management (continued)

Classification and fair values

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Consolidated 2014						
Assets						
Cash and cash equivalents	*11*	-	1,829,728	-	1,829,728	1,829,728
Receivables	*8*	-	13	-	13	13
Investments – unlisted equity securities	*7(c)*	40,453,012	-	-	40,453,012	40,453,012
Loans to portfolio companies	*9*	-	1,325,560	-	1,325,560	1,325,560
Total assets		**40,453,012**	**3,155,301**	-	**43,608,313**	**43,608,313**
Liabilities						
Trade and other payables	*13*	-	-	53,268	53,268	53,268
Total liabilities		-	-	**53,268**	**53,268**	**53,268**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amoun	Fair value
Consolidated 2013						
Assets						
Cash and cash equivalents	*11*	-	1,635,679	-	1,635,679	1,635,679
Receivables	*8*	-	12	-	12	12
Investments – unlisted equity securities		36,524,238	-	-	36,524,238	36,524,238
Total assets		**36,524,238**	**1,635,691**	-	**38,159,929**	**38,159,929**
Liabilities						
Trade and other payables	*13*	-	-	49,634	49,634	49,634
Total liabilities		-	-	**49,634**	**49,634**	**49,634**

Notes to the consolidated financial statements

15. Financial risk management (continued)

Classification and fair values

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Parent 2014						
Assets						
Cash and cash equivalents	*11*	-	1,829,728	-	1,829,728	1,829,728
Loans to investment companies	*17*	-	18,456,267	-	18,456,267	18,456,267
Receivables		-	4,107,910	-	4,107,910	4,107,910
Total assets		-	**24,393,905**	-	**24,393,905**	**24,393,905**
Liabilities						
Trade and other payables	*13*	-	-	53,268	53,268	53,268
Total liabilities		-	-	**53,268**	**53,268**	**53,268**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Parent 2013						
Assets						
Cash and cash equivalents	*11*	-	1,635,679	-	1,635,679	1,635,679
Loans to investment companies	*17*	-	23,486,103	-	23,486,103	23,486,103
Receivables		-	2,600,104	-	2,600,104	2,600,104
Total assets		-	**27,721,886**	-	**27,721,886**	**27,721,886**
Liabilities						
Trade and other payables	*13*	-	-	49,633	49,633	49,633
Total liabilities		-	-	**49,633**	**49,633**	**49,633**

Notes to the consolidated financial statements

15. Financial risk management (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2014	Level 1	Level 2	Level 3	Total
Investments in listed equity securities	-	4,990,364	-	4,990,364
Investments in unlisted equity securities	-	-	35,462,648	35,462,648
31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in unlisted equity securities	-	-	36,524,238	36,524,238

There have been no transfers between levels during the year.

The following table shows reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

Investments	2014	2013
Opening balance	36,524,238	33,655,774
Total gains:		
In profit or loss	941,632	5,759,082
In other comprehensive income	-	-
Transfer to Level 2	(4,990,364)	-
Investments at cost during the year	5,503,639	89,367
Capital returns	(2,516,497)	(2,979,985)
Closing balance	**35,462,648**	**36,524,238**

Total gains included in the above table are presented in the statement of comprehensive income as follows:

Investments	2014	2013
Total gains included in profit or loss for the year	11,106,261	5,759,082
Total gains for the year included in profit or loss for assets held at the end of the reporting period	941,632	5,759,082

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Refer Note 7 for sensitivity analysis with regards to the earnings multiple or adjustment factor.

Notes to the consolidated financial statements

16. Capital commitments and contingencies

Earnout Payment

In accordance with clause 11 of the Prospectus the Manager is entitled to an earnout payment calculated at 20% of net returns to Pohutukawa II provided investors have received back their original investment together with further distributions producing a pre-tax compound hurdle rate of 8.0% per annum on Called Capital. As at 31 December 2014 the estimated earnout payment is calculated as $4.64m, however this calculation is based on unrealised portfolio company fair value valuations of $40.4m and loans receivable of $1.3m being fully recovered. Due to the uncertain timing and amount of investment realisation and future distributions, no provision has been made for this payment in the financial statements. A provision will not be recognised until the pre-tax compound hurdle rate has been distributed to investors or there is more certainty that an earnout payment will be made.

17. Related parties

a) Identity of related parties

The Company has a related party relationship with its Investment Companies (see note 19).

Craigs Investment Partners Limited, as the administration manager, and Direct Capital IV Management Limited, as the investment manager, own 50% each of Pohutukawa II Management Limited, the Manager of Pohutukawa Private Equity II Limited. The apportionment of the management fee and any earnout fee reflect the relative contributions of each party. Craigs Investment Partners Limited and Direct Capital IV Investment Partners LP are limited partners in Pohutukawa II Investment Holdings LP which is the holder of the ordinary shares in the Investment Companies. Certain directors of the Company and the Investment Companies are also directors of Craigs Investment Partners Limited. Certain directors of the Investment Companies are also directors of Direct Capital IV Management Limited.

Direct Capital IV Management Limited is responsible for preparing valuations of investments.

b) Transactions with related parties

During the year, Pohutukawa Private Equity II Limited entered into the following transactions with related parties:

- Management fees paid to Pohutukawa II Management Limited totalled $1,168,744 (2013: $1,863,211).
- Legal and accounting expenses of $4,082 were incurred in 2014 in relation to investment activity by Direct Capital IV Management Limited (2013: $38,604) reimbursed by Pohutukawa Private Equity II Limited.
- Surplus cash of $1,400,000 (2013: $Nil) has been invested with the ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited.
- Loans advanced to Investment Companies (see below).

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

During the year further loans were advanced by the parent to Investment Companies and taking the total to $23,647,746 as at December 2014 (2013: $23,213,043). Loans to Investment Companies are non-interest bearing, and are used to acquire long-term equity investments. Loans are repayable on demand.

Impairment on loans has been partially reversed in the parent financial statements in the current year, where the value of the investment held by the investment companies is no longer less than the cost of the investment. This does not affect the consolidated financial statements.

Notes to the consolidated financial statem

17. Related parties (continued)

c) Transactions with key management personnel

	Consolidated		Parent	
	2014	2013	2014	2013
Directors fees (total remuneration)	85,000	85,000	85,000	85,000

The balance owing to key management personnel at 31 December 2014 is $21,250 (2013: $21,250).

18. Subsequent events

There were no material subsequent events for the Company and Group.

19. Group entities

Investment Companies	Country of incorporation	Ownership interest* 2013	Ownership interest* 2012
Pohutukawa Alpha Limited (“Alpha”)	New Zealand	0%	0%
Pohutukawa Beta Limited (“Beta”)	New Zealand	0%	0%
Pohutukawa Gamma Limited (“Gamma”)	New Zealand	0%	0%
Pohutukawa Delta Limited (“Delta”)	New Zealand	0%	0%
Pohutukawa Epsilon Limited (“Epsilon”)	New Zealand	0%	0%
Pohutukawa Zeta Limited (“Zeta”)	New Zealand	0%	0%
Pohutukawa Eta Limited (“Eta”)	New Zealand	0%	0%
Pohutukawa Theta Limited (“Theta”)	New Zealand	0%	0%
Pohutukawa Iota Limited (“Iota”)	New Zealand	0%	0%
Pohutukawa Kappa Limited (“Kappa”)	New Zealand	0%	0%
Pohutukawa Lambda Limited (“Lambda”)	New Zealand	0%	0%
Pohutukawa Mu Limited (“Mu”)	New Zealand	0%	0%
Pohutukawa Nu Limited (“Nu”)	New Zealand	0%	0%
Pohutukawa Xi Limited (“Xi”)	New Zealand	0%	0%
Pohutukawa Omicron Limited (“Omicron”)	New Zealand	0%	0%
Pohutukawa Pi Limited (“Pi”)	New Zealand	0%	0%
Pohutukawa Rho Limited (“Rho”)	New Zealand	0%	0%
Pohutukawa Sigma Limited (“Sigma”)	New Zealand	0%	0%
Pohutukawa Tau Limited (“Tau”)	New Zealand	0%	0%
Pohutukawa Upsilon Limited (“Upsilon”)	New Zealand	0%	0%
Pohutukawa Phi Limited (“Phi”)	New Zealand	0%	0%
Pohutukawa Chi Limited (“Chi”)	New Zealand	0%	0%
Pohutukawa Psi Limited (“Psi”)	New Zealand	0%	0%
Pohutukawa Omega Limited (“Omega”)	New Zealand	0%	0%
Pohutukawa Alpha-Pi Limited (“Alpha-Pi”)	New Zealand	0%	0%

*As stated in note 3(a)(i), the preference shares in the Investment Companies are owned by the individual shareholders of Pohutukawa Private Equity II Limited but are consolidated into the Group as they are stapled securities.

Independent auditor's report

KPMG

To the shareholders of Pohutukawa Private Equity II Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Pohutukawa Private Equity II Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 17 to 38. The financial statements comprise the statements of financial position as at 31 December 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company and group in relation to other assurance services (review of interim financial statements). Subject to certain restrictions, partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 17 to 38:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company and the group as at 31 December 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Pohutukawa Private Equity II Limited as far as appears from our examination of those records.

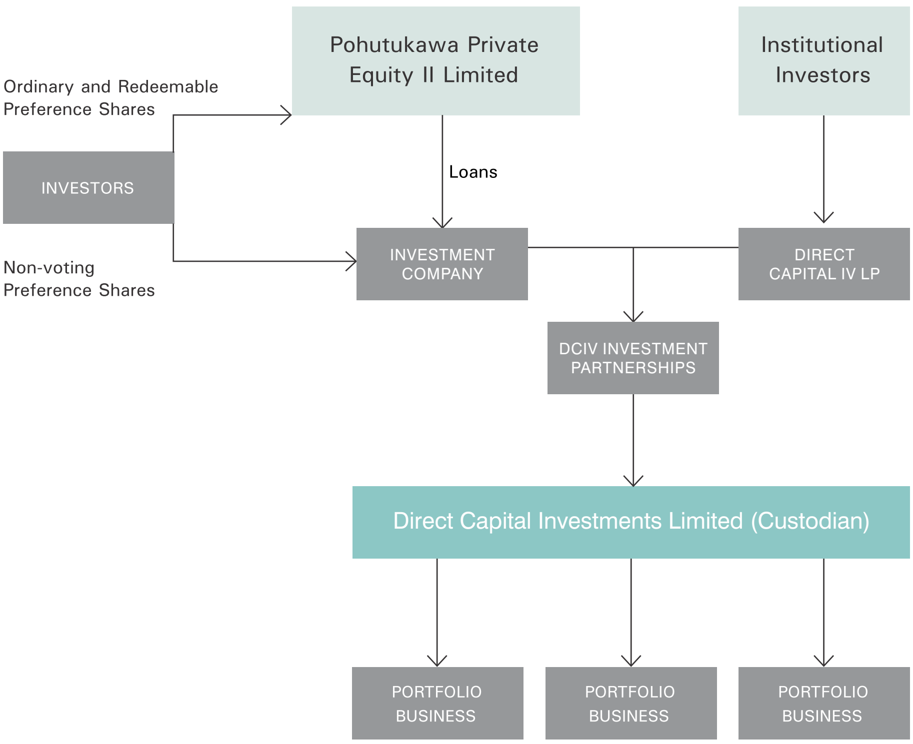
KPMG

27 March 2015
Tauranga

Corporate Governance & Structure

Pohutukawa Private Equity II Limited (Pohutukawa II) is the Fund. Investors hold both ordinary and redeemable preference shares in Pohutukawa II. Investors also hold redeemable preference shares in each of the 25 special purpose vehicles (Investment Companies), which invest in the portfolio companies. These are called stapled securities. There are 82.5 million ordinary shares on issue. The number of ordinary shares on issue remains constant while the ratio of preference shares reduces as investments are realised and preference shares are redeemed.

Pohutukawa II intends to co-invest with Direct Capital IV in each investment in proportion to the level of committed capital of each of Pohutukawa II and Direct Capital IV. The structure is shown below:



Ordinary shares held by investors in Pohutukawa II confer normal voting rights on investors. The preference shares held by investors in both Pohutukawa II and the Investment Companies confer no voting rights. The Manager (Direct Capital IV Management and Craigs Investment Partners), through Pohutukawa II Investment Holdings Limited Partnership holds all the ordinary voting shares in each of the Investment Companies and exercises these rights in accordance with the Pohutukawa II investment policy and investment criteria.

Pohutukawa II has a separate Board to ensure best-practice corporate governance and to ensure that the shareholders' interests are held paramount. The Board has two independent directors.

Craigs Investment Partners is entitled to appoint up to 50% of the directors of Pohutukawa II. All other directors of Pohutukawa II can be appointed by directors or removed by ordinary resolution of the investors. The Board sets the investment policy and criteria, and reviews the performance of the Manager from time to time and reports to the shareholders on the review. It reviews the capital adequacy of Pohutukawa II and is responsible for continuous disclosure and shareholder meetings of Pohutukawa II. The Directors of each Investment Company can be appointed or removed only by the limited partners.

The Manager is a 50/50 joint venture between Direct Capital IV Management Limited and Craigs Investment Partners Limited, both of whom provide services to the Manager on a contract basis. Direct Capital provides investment management services. Craigs Investment Partners provides fundraising, cash management, treasury management, administration, investor communication, and investment sourcing and divestment assistance. The Investment Committee of the Manager is responsible for all investment decisions. Current members of the Investment Committee are Maurice Prendergast, Mark Hutton, Ross George, Tony Batterton, Neil Craig and Mike Caird.

The Pohutukawa II Board

The Board of Pohutukawa Private Equity II Limited (whose profiles follow) comprises four directors, two from Craigs Investment Partners and two independent directors, one of whom is Chairman. The Board is responsible for appointing, and then monitoring the performance of the Manager, reviewing Pohutukawa's investment policy and criteria, and managing conflicts of interest between the Manager and the Pohutukawa fund.

JOHN MCDONALD
(Chairman and Independent Director)

John is a Company director and trustee with more than 30 year's experience in executive and management positions with the former Fletcher Challenge group of companies through to his retirement in 2001. He has considerable international experience in management, finance, corporate governance best practice and as a director and audit committee member of private and publicly listed companies. John is currently a director of Horizon Energy Distribution Limited, and he is Chairman of both Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited. John was previously a director of Air New Zealand for 9 years.

MAURICE PRENDERGAST
(Independent Director)

Maurice brings international business experience with him along with a wealth of knowledge in logistics, technology, retail and global expansion. Maurice was previously a director of Pumpkin Patch Limited and CEO of Pumpkin Patch, a position he held from 1993 to 2011. Maurice has held executive positions in accounting, distribution and property development in both New Zealand and Australia. He is also a director of Comvita Limited; Pohutukawa Private Equity Limited; Pohutukawa Private Equity II Limited; Industrial Lubricants and Services Limited and a number of other private companies.

NEIL CRAIG
(Non-Executive Director)

Neil is the founding principal and Chairman of Craigs Investment Partners, a leading full service NZX Participant Firm. Craigs Investment Partners has approximately 370 staff with 17 branches throughout New Zealand. Neil has a broad experience in private equity transactions, stock exchange listings, capital raisings and corporate activity for a wide range of companies. In a personal capacity Neil has been an active private equity investor for many years.

Neil is a director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited, as well as being Chairman of NZX Listed Comvita Limited. He is Chairman of Tauranga based angel investment group Enterprise Angels Inc., AGInvest Holdings Limited and a director of a number of privately held companies.

MIKE CAIRD
(Non-Executive Director)

Mike was appointed as a director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited in September 2013. Mike joined Craigs Investment Partners in March 2009 as Head of Debt Capital Markets, and had been a Director of Craigs Investment Partners since 2001. Mike's career in financial markets includes 11 years with ABN AMRO, during which he was Head of Acquisition and Leveraged Finance for Australia and New Zealand and Head of Global Markets New Zealand, Brierley Investments Limited for 10 years and Ernst & Young for four years. Mike has previously been a Director of Hospital Car Parking Limited, McConnell Property Limited, Mangawhai Development Holdings Limited, AsiaPower Limited and Aetna Health (New Zealand) Limited. Mike is a director of the AMN Limited private group of companies involved in glass services and the New Zealand Social Infrastructure Fund Limited

Committees

The Board has one committee, an Audit Committee, comprising all board members. The Audit Committee meets as required. The Audit Committee has full powers to require the Manager to provide any information or documents relating to the Fund, which it requires to enable it to meet the obligations of an Audit Committee; The Directors of Pohutukawa II and Pohutukawa II Management must respond to any recommendations made to their Boards from the Audit Committee.

There is no remuneration committee because Pohutukawa II and the Manager have no employees. The Chairman and Directors of Pohutukawa II receive director's fees from Pohutukawa II. The Manager is entitled to remuneration in respect of management of the funds. Information about the remuneration received by the Manager for this reporting period can be found in the financial statements set out in this report. The Manager does not pay director's fees.

To the extent applicable and possible, the Board intends to adopt the governance structures and principles of a listed company.

The Investment Committee of the Manager is responsible for all investment decisions, subject to compliance with the investment policy set by the Board.

Directory

BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY II

John McDonald
Maurice Prendergast
Neil Craig
Mike Caird

The Directors can be contacted at Pohutukawa's address below.

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