Annual Report

For the Year Ended 31 December 2012

Pohutukawa

PRIVATE EQUITY II LIMITED

Contents

Report to Shareholders

18 April 2013

Dear Shareholder

I am pleased to present Pohutukawa II's 2012 Annual Report. The report includes the financial statements for the financial year ended 31 December 2012 with commentary on the performances of our portfolio companies and prospects for 2013.

Pohutukawa II Fund

The Pohutukawa II offer raised $82.5 million in February 2009. Pohutukawa II co-invests with Direct Capital IV who together raised $325 million. Pohutukawa II has called $38.8 million to date, 47% of its committed funds.

Portfolio Performance

We have seen strong performances from the entire portfolio during 2012. All companies contributed positively to the increased portfolio valuation. We are very pleased with the portfolio as a whole and expect to see further good results during 2013 as the portfolio companies pursue their growth strategies.

Comments on the individual portfolio company performances are provided from page 7 onwards.

The Global Economy

The global economy remains fragile, with financial tools such as money printing and zero/low interest rates being applied to "rescue" or stabilise economies. A number of European countries remain vulnerable because of their excessive debt:GDP ratios. There is no short-term panacea for these indebted nations and they will struggle with their debt burdens for a very long time. This has a flow-on effect on international trade.

The ongoing uncertainty in world markets and the strong NZ dollar continues to impact our exporters. Our exporting companies coped well despite the continuing strong NZ dollar.

The Markets

The capital markets were generally strong in the second half of 2012 and we will hopefully see this confidence flow through to the general economy. The retail sector in both New Zealand and Australia is hinting at a recovery, albeit very gradual.

Portfolio Company Investments in 2012

Of the 47 cents per share (cps) called, Pohutukawa II, at 31 December 2012, has invested 33.2 cps and has the equivalent of 4.3 cps cash on deposit, with the balance used to pay management fees and other operating costs.

No new investments were made in 2012. There were however some sizeable follow-on investments made in Hiway Group, Scales Corporation and PF Olsen Group.

Hiway Group

There were two further investments made in Hiway Group: the first to fund equipment required for some large Australian roading contracts; and the second to fund the SAT Civil Constructions Pty Limited acquisition in Brisbane, Queensland. Pohutukawa II's share amounted to $1.16 million.

Scales Corporation

Two follow-on investments were made in Scales: In January 2012 Scales completed the acquisition of a 10.1% stake in Turners & Growers; this was completed at an investment cost of $23 million. This is a strategic industry investment with Scales investing alongside German company BayWa who hold 73.07% of Turners & Growers, with the balance held by institutions and the public. The second investment in May 2012 was to buy out some minority Scales shareholders. Pohutukawa II contributed $2.65 million to these further investments.

PF Olsen Group

A further investment was made to increase our shareholding in PF Olsen to 9.5% of the Company. Pohutukawa II invested a further $621,000 for the additional shareholding.

Report to Shareholders

Table 1 shows all investments at cost and Pohutukawa II's shareholding.

Table 1 - Pohutukawa II investments summary to 31 December 2012

Portfolio Company	Date of Investment	Industry Sector	Total Investment at Cost (NZ$)	Pohutukawa II Shareholding %
Transaction Services Limited	29 Jan 2010	Financial Services	$ 5,700,507	11.6
Bayley Corporation Limited	21 June 2010	Real estate	$ 3,574,666	7.4
Cavalier Wool Holdings Limited	23 Dec 2010	Agriculture	$ 3,336,366	6.0
Scales Corporation Limited	22 July 2011	Agri-Services	$ 7,636,210	9.4
PF Olsen Group Limited	15 Sep 2011	Forestry Services	$ 2,392,789	9.5
Hiway Group Limited	30 Dec 2011l	Infrastructure	$ 4,804,351	14.3
Total Cost			**$ 27,444,889**	

Investment opportunities

The investment team has been busy assessing a number of interesting investment opportunities and we hope to be in a position to update you with progress on these at the Annual Shareholders Meeting. Although no new companies were added to the portfolio, a large number of new investment opportunities were considered by the Manager including spending a considerable amount of time and analysis on one large prospective investment which did not conclude because of the vendor's price expectations.

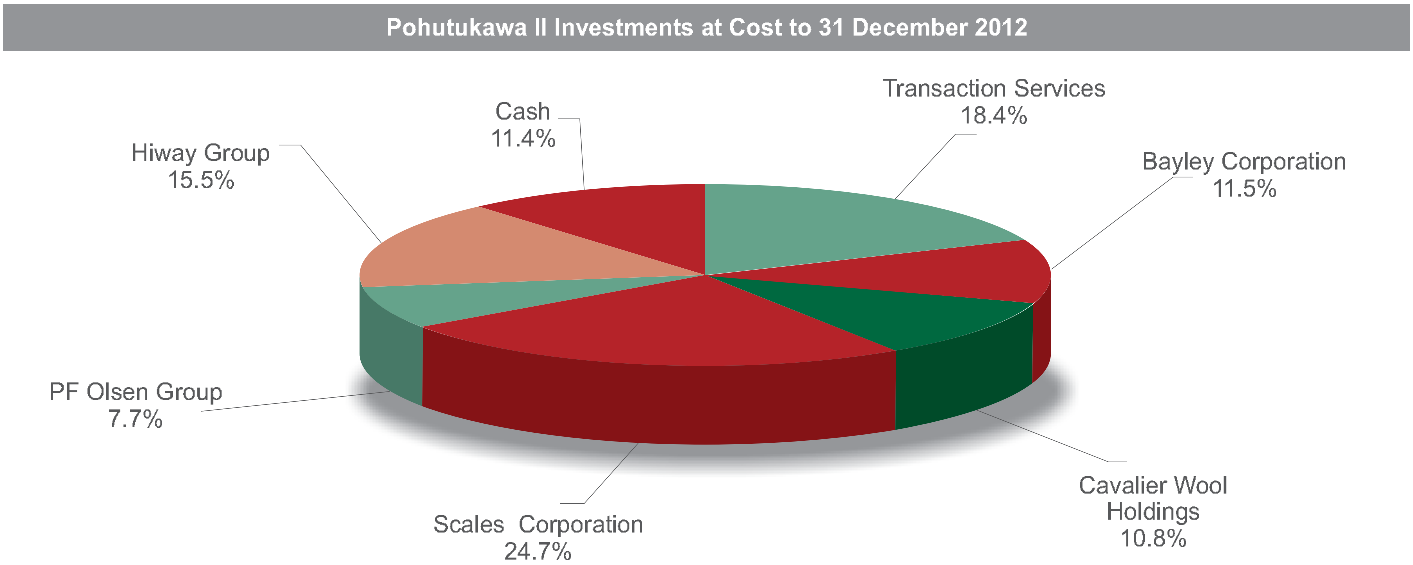
Portfolio Weightings

The six portfolio company investments are diverse with our Scales investment now the largest, surpassing Transaction Services. The weightings of investments (at cost) and cash position at 31 December 2012 are shown in *Chart 1,* while *Chart 2* (on page 4) shows the investment portfolio's industry sector weightings.

Portfolio Company Investment Revaluations

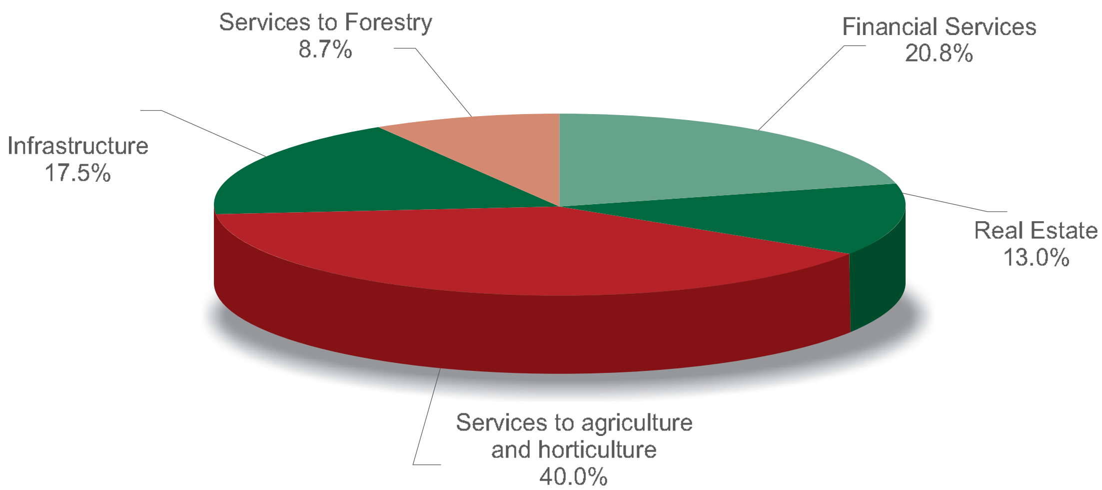
The Manager revalues the portfolio investments each quarter using valuation guidelines issued by AVCAL (The Australian Private Equity & Venture Capital Association). These quarterly revaluations are completed for all portfolio company investments.

Chart 1 *- Pohutukawa II portfolio investment weightings at cost to 31 December 2012*



Report to Shareholders

Chart 2 - Industry sector exposure



The portfolio was valued at $33.7 million at 31 December 2012 comparing favourably to the original investment cost of $27.4 million, a 22.6% uplift, in addition to realised proceeds of $5.3 million.

Distributions to Shareholders

Pohutukawa II made a gross distribution of $3.0 million on 28 September 2012. This was equivalent to net 2.61 cps. This distribution comprised cash flows from the portfolio companies shown in *Table 2*:

Table 2 - 2012 Distributions

Pohutukawa II Portfolio Company Distributions for 2012

Portfolio Company	Source of Return	Cents per Share Gross	Cents per Share Net
Cavalier Wool Holdings Limited	Dividend	0.62	0.43
Transaction Services Limited	Dividend	2.06	1.46
PF Olsen Group Limited	Dividend	0.49	0.36
Bayley Corporation Limited	Dividend	0.40	0.29
Scales Corporation Limited	Interest	0.07	0.07
Total Distributions		3.65	2.61

Annual Financial Statements 31 December 2012

Our financial statements for the year ended 31 December 2012, Directors' Report and KPMG Audit Report are included in this annual report.

As at 31 December 2012 Pohutukawa II had 82.5 million stapled securities on issue, $1 shares paid to 47 cents.

At balance date shareholders' funds were $37.16 million, equivalent to a net asset backing of 45 cps.

Pohutukawa II is in a strong financial position and we have no debt.

Assets comprised:

- Investments $33.7 million
- Receivables $0.04 million
- Cash $3.53 million

The item *non-controlling interest* in the statement of financial position refers to the equity of the Investment Companies, as this is owned directly by shareholders of the parent and not by the parent company itself. These non-controlling interests are attributable to Pohutukawa II shareholders as a result of their preference shares held in the Investment Companies.

Report to Shareholders

Income was derived from interest of $230,000 from a loan to Scales Corporation and from short-term deposits with the ANZ Bank New Zealand and Craigs Investment Partners Cash Management Account.

Dividend income of $1.92 million was received from portfolio companies.

The investment portfolio is re-valued under the fair value method at 31 December 2012. There was a $5.73 million uplift in fair value of investments.

Administrative expenses were $2.07 million, plus finance (interest) expense of $27,000. Of the total administrative expenses, management fees were $1.86 million and directors fees $85,000.

The profit for the period was $5.82 million compared with a $616,000 loss for 2011.

See *Table 3* for the Pohutukawa II Financial Performance Summary for the year ended 31 December 2012.

Table 3 - Pohutukawa II Financial Performance Summary

Pohutukawa II Financial Performance Summary For the year ended 31 December 2012		
	2012 $000	2011 $000
Operating Results		
Interest income	230	38
Dividend income	1,917	752
Change in fair value of investments	5,727	914
Other income	49	
Administrative Expenses	(2,077)	(2,235)
Finance expenses	(27)	(85)
Profit/(Loss) for the year	5,819	(616)
Share performance		
Stapled Securities on issue $1.00	82,500,000	82,500,000
Earnings per share	$0.071	($0.007)
Net asset backing-cents per share	$0.45	$0.31

The Manager
One of the roles of the Pohutukawa II Board is to review the Manager's performance. This review was undertaken at the end of 2012. 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
Your Pohutukawa II shares are currently paid to 47 cents. Depending on the size of the next investment we should be able to fund this from existing cash resources and our credit line.

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

The last sale price for Pohutukawa II shares was 52 cents while the net asset backing was 45 cps.

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

Date: **Thursday, 16 May 2013**
Time: **2.45pm**
(follows the Pohutukawa I meeting at 2.30pm)
Place: **Craigs Investment Partners Limited, Level 32, Vero Centre, 48 Shortland Street, Auckland**
RSVP **by 6 May 2013: 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 a positive performance of the portfolio, which is reflected in increased interest and dividends earned during the year and a significant increase in the fair value of investments. The overall result both financial and strategic is very pleasing.

The six companies in the portfolio represent a diverse cross section of New Zealand business and provide extensive exposure to the Australian and other offshore markets. The portfolio company performances continue to be positive and their strategic plans provide a solid base from which to continue to create value.

The statement of comprehensive income reveals the growing revenue stream from portfolio company dividends during the financial year. This highlights the robust earnings and cash flows from the businesses, in conjunction with the capital retained within the businesses to fund internal organic growth or added value acquisitions.

We were pleased to support Scales Corporation, Hiway Group and the PF Olsen Group with follow-on investments during the year.

Scales continues to support the coordination and consolidation of the New Zealand apple industry, working with industry participants to enhance grower and industry returns in areas such as reducing supply chain costs. Our follow-on investment was applied to the purchase of a 10.1% shareholding in NZX listed Turners and Growers and the purchase of a 50% shareholding in Fern Ridge Produce, an independent apple exporter.

Hiway continues to grow its operations in Australia via acquisition and our follow-on investments assisted with the Australian business expansion. The company continues to review other acquisition opportunities in Australia.

PF Olsen's growth has largely been through the Australian contracts won. PF Olsen continues to pursue growth opportunities, particularly in areas that would broaden PF Olsen's geographical footprint and service offering.

Cavalier Wool continued its focus on industry consolidation and improving wool grease yield. Wool volumes, market share and wool grease pricing have all contributed to the positive result for the 2012 financial year.

Bayley Corporation has enjoyed an uplift in residential sale volumes and looks to expand its network and range of services.

Transaction Services continues its focus on diversifying outside the core health and fitness industry.

Each portfolio company and its individual prospects is highlighted in the company summaries that follow. *Table 4* illustrates the portfolio ranking based on investment size to 31 December 2012.

Table 4 - Portfolio Companies Ranking

Company Ranking Based on Investment Size at 31 December 2012	As a % of Portfolio
Scales Corporation Limited	27.8%
Transaction Services	20.8%
Hiway Group Limited	17.5%
Bayley Corporation	13.0%
Cavalier Wool Holdings	12.2%
PF Olsen Group Limited	8.7%
	100.0%

Investment Outlook

The Manager has continued to review new investment opportunities during the year. The number of opportunities presented during 2012 in both New Zealand and Australia was in line with previous years and the Manager was provided the opportunity to invest in all the transactions within its mandate completed during the year. Due to differing market views around maintainability of earnings and resulting valuations the Manager decided not to invest in any of these opportunities. While disappointing, Pohutukawa II will often experience these investment cycles.

We continue to believe that the investment appraisal and analysis process is proven and robust, and builds on Direct Capital's many years of experience investing in private companies. With the experience of having invested in over 68 companies over the last 19 years, we are committed to partnering with business owners and managers to continue creating growth and value in their businesses. Providing an investment into successful businesses to provide succession solutions to business owners is a key offering within the private company market in New Zealand and Australia.

We are currently completing due diligence on two investment opportunities and hope to make good progress on these over the next 3-4 months.

We look forward to providing you with an update on our investments at the Annual Shareholders Meeting.

Manager's Report on Portfolio Companies

TRANSACTION SERVICES LIMITED

www.debitsuccess.co.nz

transactionservices

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
January 2010	Third party processing	Buyout	*$5,701 - equity	11.6*

* Total shareholding managed by Direct Capital 48.3%

Background

Transaction Services Limited (TSL) is Australasia's largest third party recurring payment processing company. TSL was established in 1994 and annually processes more than 20 million transactions on behalf of over 2,500 clients, from their 760,000 customers in New Zealand and Australia across a range of industries including health and fitness facilities, sports clubs, property management companies, childcare operators and retailers.

TSL operates under the brands Debitsuccess and FFA Paysmart, and direct debit billing service for clients in a wide range of industries.

Performance

TSL's performance in 2012 was very satisfying, with significant growth again achieved over the prior year despite a noticeable softening in the NZ and Australian consumer markets.

Active customer numbers at December 2012 are up 13.5% on the same time last year.

Outlook

TSL continues to focus on diversifying outside the health and fitness industry and benefit from the continuing growth in businesses looking to outsource their payments processing needs.

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 - equity	7.4*

* Total shareholding managed by Direct Capital 31%

Background

Bayleys is a property services company operating nationally from 60 corporate owned and franchise branches, and 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 continued to benefit from the upturn in the residential market which aided the Company to finish the December year to date period with strong double digit growth in revenues and earnings. Early in the year the business expanded its presence in Auckland with an acquisition and roll out of new offices.

Over the time of Pohutukawa's investment into Bayleys the business has built a significant valuation and property services business. While maintaining its policy of paying regular dividends, Bayleys continues to invest in its expansion and a number of promising growth initiatives are underway that will broaden Bayleys breadth of service.

Outlook

Indications from trading in early 2013 were that buoyant activity in the agency side of the business had carried on into the new year. The business ended the 2012 calendar year strongly capitalised and well positioned to continue its rollout of new services and revenue streams.

Manager's Report on Portfolio Companies

CAVALIER WOOL HOLDINGS LIMITED

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 is a commission scourer processing greasy wool on behalf of wool exporters and carpet makers, converting it to clean wool (removing grease and contaminants) and pressing and packing it for either local conversion into carpet, or export shipments. As a by-product, wool grease is extracted and exported to global customers who further refine it and convert it to lanolin for use in cosmetic and pharmaceutical end products.

Performance

CWH continued its positive earnings with wool volumes, market share, wool grease yield and wool grease pricing all contributing to a strong performance throughout 2012.

CWH market share increased year to date. Wool grease yield and wool grease pricing are significant drivers of EBITDA and forward sales continue to be priced at historic highs.

On a year to date basis, the company is significantly ahead of both budget and prior year comparatives.

Outlook

CWH is operationally leveraged to wool volumes – high, consistent throughput leads to highly efficient operations and significant increases in EBITDA/Kg. We expect that the extended drought conditions experienced this summer will impact sheep numbers leading into next season, which will affect wool volumes. In light of this the outlook for CWH will be stable.

CWH had received Commerce Commission approval to acquire the assets of Wool Services International, but price agreement could not be reached and the business was eventually acquired by Australian wool merchant Lempriere during the year.

Manager's Report on Portfolio Companies

SCALES CORPORATION LIMITED

www.scalecorporation.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
July 2011	Agri-Services	Buyout	$7,636	9.4*

* Total shareholding managed by Direct Capital 83.4%

Background

Scales is a diversified group involved in horticulture and various agri business sectors. Its businesses can be classified into four main divisions: (1) Mr. Apple; (2) Polarcold - cold-storage and logistics (coldstores and bulk liquid storage); (3) Food ingredients (juice and pet food); and (4) property.

Performance

The company has completed its financial year end to December 2012 and has exceeded all its financial targets. The company has achieved a record trading result with positive results across all business units. In addition net bank debt at year-end is $25m lower than at the start of the financial year, due to: the positive trading contribution; the sale of four Hawkes Bay properties; and the insurance proceeds received for the former Head Office building in Christchurch. It is expected the company will resume dividend payments this financial year.

Outlook

The business has forecast another lift in performance for the 2013 year. This is expected to be driven by:

Storage & logistics has forecast continuing growth from many if its key dairy, meat and vegetable customers.

Mr Apple growth is expected to come from a lift in export apple volumes resulting from gaining new long term leases and the variety redevelopment programme starting to mature. An increased level of sales to Asia and the Middle East will continue to drive improved returns.

Food Ingredients will benefit from a return to its normal production capability for Meateor after the 2012 result was impacted by the upgrading of its Hawkes Bay factory.

Property - Further property sales are being targeted in both Hawkes Bay and at the Silverstream Industrial Park in Mosgiel.

Other Investments

Scales continues to view its investment in Turners & Growers as an attractive standalone investment. Via Mr Apple, Scales has a strong interest in working with industry participants to coordinate and consolidate the apple industry and enhance grower and industry returns in areas such as reducing supply chain costs.

Fern Ridge Produce

At the end of 2012 Mr Apple completed the acquisition of a 50% shareholding in Fern Ridge Produce, an independent apple exporter. Both Mr Apple and Fern Ridge Produce will continue to export under their own brands but will work collaboratively in international markets particularly in Asia where Fern Ridge is also strong.

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	$2,393	9.5*

* Total shareholding managed by Direct Capital 40%

Background

PF Olsen is Australasia's largest independent provider of professional forestry services, including forestry management, harvesting management, health and safety compliance, environmental compliance, genetically improved seed and containerised seedling sales, forestry enterprise software, and advisory and other technical services. PF Olsen manages the harvest of over 3 million tonnes of logs in New Zealand per annum, and manages over 150,000 stocked hectares in New Zealand as well as over 200,000 hectares of forest and land across Australia. The business subcontracts out physical operations to over 125 contractors, indirectly employing 1,500 across New Zealand.

Performance

Continuing a trend of strong financial performance, PF Olsen's result for its financial year to December 2012 was ahead of budget. A steady performance in New Zealand was complemented by strong growth in Australia, where the business has secured valuable new contracts.

The 2012 year finished with the lowest accident statistics in PF Olsen's history, again well below the wider forestry and industrial benchmarks.

The Company paid a fully imputed dividend to Pohutukawa II in March 2013 after finalisation of its year end results. This, combined with previous dividends, mean that Pohutukawa II has now received back 29% of its total investment in PF Olsen, reflecting the positive trading performance since the initial investment.

Outlook

Management remain confident of their ability to continue to grow both the Australian and New Zealand businesses.

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	$4,804	14.3*

* Total shareholding managed by Direct Capital 60%

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

A key focus for Hiway last year was the development of the Australian business unit based in Queensland. This was identified as a critical component of the company's overall game plan. The company has made positive progress during the year supplemented by the recent acquisition of Queensland based SAT Civil which doubles the size of the overall Australasian business.

The Geotechnical division continues to make significant progress in the Christchurch market. Activity levels are increasing and cover all parts of the market from industrial, commercial and residential developments.

The company has outperformed its financial targets during the 2012 year due to the significant increases in Australian and Geotech contributions. The remaining parts of the New Zealand market remain subdued.

The company raised new equity of $6.6 million during the year to partially fund the SAT Civil acquisition, with management funding their full share allocation.

Outlook

The company will continue to look to expand the Australian business by developing new market verticals, geographic coverage and providing geotechnical services. The company is focussed on ensuring this development is well resourced and the enlarged business provides an ideal platform for Hiway's continued growth aspirations in Australia.

The outlook for Geotech in Christchurch over the medium term is very positive. New building standards will also provide additional opportunities throughout New Zealand.

Directors' Report

For the year ended 31 December 2012

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 J Craig	12,500	19-Nov-08
F M Aldridge	12,500	19-Nov-08

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 as at 31 December 2012

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 2012

(Directors holding office as at 31 December 2012)

Investment Holding	J McDonald	M Prendergast	N J Craig	F Aldridge
	No. Securities	No. Securities	No. Securities	No. Securities
Pohutukawa II	100,000	25,000	100,000	
Transaction Services Ltd	20,198	43,349	21,214	
Bayley Corporation Ltd	5,015	5,015	3,115	
Cavalier Wool Holdings Ltd	3,963	3,963	1,567	
Scales Corporation Ltd	43,389	43,387	15,312	
PF Olsen Group Ltd	1,953	1,952	869	
Hiway Group Ltd	54,596	54,594	16,666	

Director

3 April 2013

Date

Director

3 April 2013

Date

Statement of comprehensive income

For the year ended 31 December 2012

		Consolidated		Parent	
	Note	2012	2011	2012	2011
Interest income		229,928	37,649	171,168	36,946
Dividend income		1,917,258	752,059	-	-
Advisory fee income		48,745	-	48,745	-
Change in fair value of investments		5,726,784	914,376	-	-
Impairment of loans to investment companies	*17(b)*	-	-	-	(2,406,557)
Reversal of impairment of loans to investment companies	*17(b)*	-	-	1,008,091	-
Other operating income		-	-	1,163,907	1,294,785
Administrative expenses	*5*	(2,076,685)	(2,235,408)	(2,076,685)	(2,235,408)
Operating profit/(loss)		**5,846,030**	**(531,324)**	**315,226**	**(3,310,234)**
Finance expenses - interest		(27,001)	(85,168)	(16,070)	(85,168)
Profit/(loss) before tax		**5,819,029**	**(616,492)**	**299,156**	**(3,395,402)**
Income tax expense	*6*	-	-	-	-
Profit/(loss) for the year		**5,819,029**	**(616,492)**	**299,156**	**(3,395,402)**
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**5,819,029**	**(616,492)**	**299,156**	**(3,395,402)**
Attributable to:					
Equity holders of the parent		(708,935)	(988,844)	299,156	(3,395,402)
Non-controlling interest	*3a(iv)*	6,527,964	372,352	-	-
Profit/(loss) and total comprehensive income/(deficit) for the year attributable to the equity holders of stapled securities		5,819,029	(616,492)	299,156	(3,395,402)

Statement of changes in equity

For the year ended 31 December 2012

Consolidated	*Note*	Share capital	Retained losses	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the parent				
Balance at 1 January 2012		29,164,736	(4,539,810)	24,624,926	621,385	25,246,311
Total comprehensive income for the year		-	(708,935)	(708,935)	6,527,964	5,819,029
Issue of share capital	*12*	8,250,000	-	8,250,000	-	8,250,000
Dividends paid		-	-	-	(2,152,730)	(2,152,730)
Balance at 31 December 2012		**37,414,736**	**(5,248,745)**	**32,165,991**	**4,996,619**	**37,162,610**
Balance at 1 January 2011		16,491,895	(3,550,966)	12,940,929	586,037	13,526,966
Total comprehensive income for the year		-	(988,844)	(988,844)	372,352	(616,492)
Issue of share capital		14,025,000	-	14,025,000	-	14,025,000
Dividends paid		-	-	-	(337,004)	(337,004)
Redemption of preference shares	*7*	(1,352,159)	-	(1,352,159)	-	(1,352,159)
Balance at 31 December 2011		**29,164,736**	**(4,539,810)**	**24,624,926**	**621,385**	**25,246,311**

Parent	*Note*	Share capital	Retained losses	Total equity
Balance at 1 January 2012		29,164,736	(6,946,368)	22,218,368
Total comprehensive income for the year		-	299,156	299,156
Issue of share capital	*12*	8,250,000	-	8,250,000
Balance at 31 December 2012		**37,414,736**	**(6,647,212)**	**30,767,524**
Balance at 1 January 2011		16,491,895	(3,550,966)	12,940,929
Total comprehensive income for the year		-	(3,395,402)	(3,395,402)
Issue of share capital		14,025,000	-	14,025,000
Redemption of preference shares	*7*	(1,352,159)	-	(1,352,159)
Balance at 31 December 2011		**29,164,736**	**(6,946,368)**	**22,218,368**

Statement of financial position

For the year ended 31 December 2012

	Note	Consolidated 2012	Consolidated 2011	Parent 2012	Parent 2011
Assets					
Loans to investment companies	*17(b)*	-	-	24,705,195	19,268,814
Receivables from investment companies		-	-	2,559,666	1,302,146
Investments – equity securities	*7*	33,655,774	23,511,631	-	-
Total non-current assets		**33,655,774**	**23,511,631**	**27,264,861**	**20,570,960**
Receivables and prepayments	*8*	40,046	19,814	35,873	6,966
Trade receivable from Manager	*9*	1,799	-	1,799	-
Cash and cash equivalents	*11*	3,527,765	1,765,619	3,527,765	1,765,619
Total current assets		**3,569,610**	**1,785,433**	**3,565,437**	**1,772,585**
Total assets		**37,225,384**	**25,297,064**	**30,830,298**	**22,343,545**
Equity					
Issued capital	*12*	37,414,736	29,164,736	37,414,736	29,164,736
Retained losses		(5,248,745)	(4,539,810)	(6,647,212)	(6,946,368)
Total equity attributable to equity holders of the parent		**32,165,991**	**24,624,926**	**30,767,524**	**22,218,368**
Non-controlling interest	*3a(iv)*	4,996,619	621,385	-	-
Total equity attributable to equity holders of stapled securities	*12*	**37,162,610**	**25,246,311**	**30,767,524**	**22,218,368**
Liabilities					
Trade and other payables	13	62,774	50,753	62,774	125,177
Total current liabilities		**62,774**	**50,753**	**62,774**	**125,177**
Total liabilities		**62,774**	**50,753**	**62,774**	**125,177**
Total equity and liabilities		**37,225,384**	**25,297,064**	**30,830,298**	**22,343,545**

For and on behalf of the Board

Director

3 April 2013

Date

Director

3 April 2013

Date

Statement of cash flows

For the year ended 31 December 2012

		Consolidated		Parent	
	Note	2012	2011	2012	2011
Cash flows from operating activities					
Cash receipts from fees		48,745	-	306,425	378,410
Dividends received		1,917,258	752,059	-	-
Interest received		201,021	36,947	142,262	36,947
RWT refund received		-	8,841	-	8,841
Interest paid		(16,070)	(85,168)	(16,070)	(85,168)
Cash paid to suppliers		(2,057,788)	(1,810,686)	(2,140,889)	(1,774,041)
Net cash from operating activities	*14*	**93,166**	**(1,098,007)**	**(1,708,272)**	**(1,435,011)**
Cash flows from investing activities					
Acquisition of investments		(4,428,290)	(10,415,991)	-	-
Realisation of investments	*7*	-	1,352,159	-	-
Loans to investment companies		-	-	(4,428,290)	(10,415,991)
Repayments from investment companies		-	-	-	1,352,159
Net cash from investing activities		**(4,428,290)**	**(9,063,832)**	**(4,428,290)**	**(9,063,832)**
Cash flows from financing activities					
Proceeds from share calls		8,250,000	14,025,000	8,250,000	14,025,000
Redemption of preference shares	*7*	-	(1,352,159)	-	(1,352,159)
Loans to related parties		-	-	(2,274,735)	-
Loans repaid by related parties		-	(533,672)	2,274,735	(533,672)
Movement in balances owing from investment companies		-	-	(351,292)	-
Loans advanced to external parties		(2,274,735)	-	-	-
Loans repaid from external parties		2,274,735	-	-	-
Loans advanced by external parties		2,274,735	9,007,033	2,274,735	9,007,033
Loans repaid to external parties		(2,274,735)	(9,007,033)	(2,274,735)	(9,007,033)
Distributions to equity holders		(2,152,730)	(337,004)	-	-
Net cash from financing activities		**6,097,270**	**11,802,165**	**7,898,708**	**12,139,169**
Net movement in cash and cash equivalents		1,762,146	1,640,326	1,762,146	1,640,326
Cash and cash equivalents at 1 January 2011		1,765,619	125,293	1,765,619	125,293
Cash and cash equivalents at 31 December	*11*	**3,527,765**	**1,765,619**	**3,527,765**	**1,765,619**

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 (2011:25) 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 2012 comprise the Company and 25 (2011: 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 3 April 2013.

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").

(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 2012.

(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:

- 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 (2011: 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

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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 (2011: 25) companies combining under the stapling arrangement are designated as the Investment Companies, (refer note 19), which invest in Portfolio Companies, (refer note 7).

(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 unlisted 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.

Investments in unlisted equity securities, which would normally be classified as investments in associates, are carried at fair value and are not equity accounted. This is due to the fact that the Investment Companies are private equity investors.

(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.

(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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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.

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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(m) New standards and pronouncements relevant to the Group

A number of new or revised standards are not effective for the period ended 31 December 2012, and have not been applied in preparing these financial statements. Those that are applicable to the Group are:

- NZ IFRS 9 – 'Financial Instruments: Classification and Measurement' – effective 1 January 2015. This standard simplifies how an entity should classify and measure financial assets.
- NZ IFRS 10 – 'Consolidated Financial Statements' – effective for periods beginning on or after 1 January 2013. This standard gives a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. Control is reassessed as facts and circumstances change.
- NZ IFRS 11 – 'Joint Arrangements' – effective for periods beginning on or after 1 January 2013. This standard focuses on the rights and obligations of joint arrangements, rather than the legal form.
- NZ IFRS 12 – 'Disclosure of Interests in Other Entities – effective for periods beginning on or after 1 January 2013. This standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements and associates. The aim is to provide information to enable users to evaluate the nature of risks associated with an entities interests in another entity, and the effects of those interests on the entities financial performance, position and cash flows.
- NZ IFRS 13 – 'Fair Value Measurement' – effective 1 January 2013. This revised standard defines fair value establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.
- NZ IAS 27 – 'Separate Financial Statements' – effective 1 January 2013. The main changes the amended IAS 27 will make to existing requirements are:
  - Partial acquisitions. Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original IFRS 3 requirement) or at fair value.
  - Step acquisitions. The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.
  - Acquisition-related costs. Acquisition related costs are generally recognised as expenses (rather than included in goodwill).
  - Contingent consideration. Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in profit or loss (rather than by adjusting goodwill).
  - Transactions with non-controlling interests. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.
- NZ IAS 28 – 'Investments in Associates and Joint Ventures' – effective 1 January 2013. The amended standard makes changes including on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

The Group does not plan to early adopt these standards and management have not yet determined the impact of these changes. 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.

Notes to the consolidated financial statements

4. Determination of fair values

Investments in unlisted equity securities are valued at Directors' valuation in the year of acquisition and subsequently by annual valuations carried out in accordance with the valuation principles set out by The Australian Private Equity and Venture Capital Association Limited (AVCAL). Valuations are performed by Direct Capital IV Management Limited (see Notes 7, 17).

5. Administrative expenses

	Consolidated		Parent	
	2012	2011	2012	2011
Management fees	1,863,211	1,871,622	1,863,211	1,871,622
Advisory fees	-	51,597	-	51,597
Directors' fees	85,000	63,750	85,000	63,750
Non-recoverable acquisition costs*	21,005	132,591	21,005	132,591
Other administrative expenses	107,469	115,848	107,469	115,848
	2,076,685	**2,235,408**	**2,076,685**	**2,235,408**

* Non-recoverable acquisition costs are for transaction fees that cannot be recovered from portfolio companies.

The following items of expenditure are included in administrative expenses:

Auditor's remuneration to KPMG comprises:				
Audit of financial statements	24,500	25,500	24,500	25,500
Other audit-related services **	6,980	6,087	6,980	6,087

** Other audit related services include review of interim financial statements.

Notes to the consolidated financial statements

6. Income tax expense

	Note	Consolidated 2012	Consolidated 2011	Parent 2012	Parent 2011
Income tax expense in statement of comprehensive income		-	-	-	-

Reconciliation of effective tax rate

	Note	Consolidated 2012	Consolidated 2011	Parent 2012	Parent 2011
Profit/(Loss) before tax		5,819,029	(616,492)	299,156	(3,395,402)
Income tax expense at 28%tax rate		1,629,328	(172,618)	83,764	(950,712)
Non-deductible expenses		6,670	39,312	3,609	713,148
Tax exempt income		(1,603,500)	(256,025)	(282,265)	-
Imputation credits received		(536,832)	(210,577)	-	-
Tax losses not recognised	*10*	504,334	599,908	194,892	237,564
Total income tax expense in statement of comprehensive income		-	-	-	-

Imputation credits

	Consolidated 2012	Consolidated 2011	Parent 2012	Parent 2011
Imputation credits available to shareholders of the parent company:				
Through the parent company	-	8,841	-	8,841
Through investment companies	97,036	177,881	-	-
	97,036	**186,722**	**-**	**8,841**

Notes to the consolidated financial statements

7. Investments – equity securities

(a) Non-current investments

The Group has six investments in unlisted equity securities. The performance of these securities is actively monitored and group policy is to carry these investments at fair value 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 AVCAL guidelines.

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

(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 $1,362,684 (2011: $809,633). A movement in the adjustment factor of 5% changes the value of the investments by $2,624,237 (2011: $1,107,916). A movement in the maintainable earnings of 5% changes the value of the investments by $2,050,640 (2011: $886,332).

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.

2012

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
Transaction Services Limited	3rd Party Payment Processing	Jan 2010	11.6%	4,348,348
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%	4,804,351
				26,092,730

2011

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
Transaction Services Limited	3rd Party Payment Processing	Jan 2010	11.4%	4,348,348
Bayley Corporation Limited	Real Estate Services	Jun 2010	7.5%	3,574,666
Cavalier Wool Holdings Limited	Agri-services	Dec 2010	6.0%	3,336,366
Scales Corporation Limited	Agri-services	Jul 2011	9.0%	4,997,799
PF Olsen Group Limited	Forestry management	Sept 2011	7.1%	1,772,033
Hiway Group Limited	Roading and ground stabilisation	Dec 2011	14.3%	3,646,159
				21,675,371

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 2012 was $33,655,774 (2011: $23,511,631).

Notes to the consolidated financial statements

8. Receivables and prepayments

	Consolidated		Parent	
	2012	2011	2012	2011
GST receivable	4,163	12,802	-	-
Interest receivable	28,907	-	28,907	-
Other receivables	10	46	-	-
Prepayments	6,966	6,966	6,966	6,966
	40,046	**19,814**	**35,873**	**6,966**

As at 31 December 2012, no receivables are considered past due (2011: $nil).

9. Trade receivable from manager

As at 31 December 2012 the Company is owed $1,799 from Pohutukawa II Management Limited (2011: $Nil) (refer Note 17).

10. Deferred tax assets and liabilities

Unrecognised deferred tax assets

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

		Consolidated		Parent	
	Note	2012	2011	2012	2011
Opening balance 1 January		1,535,324	1,159,513	1,106,820	1,058,759
Tax losses not recognised	*6*	504,334	599,908	194,892	237,565
Prior period adjustment		-	(224,097)	-	(189,504)
Tax losses forgone		(113,219)	-	-	-
Closing balance 31 December		**1,926,439**	**1,535,324**	**1,301,712**	**1,106,820**

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 losses cannot be used by the parent.

Notes to the consolidated financial statements

11. Cash and cash equivalents

	Consolidated		Parent	
	2012	2011	2012	2011
Call deposits	384,834	1,115,619	384,834	1,115,619
Short-term deposits	3,142,931	650,000	3,142,931	650,000
Cash and cash equivalents in the statement of cash flows	**3,527,765**	**1,765,619**	**3,527,765**	**1,765,619**

Call deposits are held with ANZ Bank New Zealand Limited (2011: National Bank of New Zealand Limited) via CIP Cash Management Nominees Limited. The weighted average interest rate for 2012 on call deposits was 2.91% (2011: 2.97%).

Short-term deposits are held with ANZ Bank New Zealand Limited (2011: National Bank of New Zealand Limited) via CIP Cash Management Nominees Limited. The weighted average interest rate on short-term deposits was 4.01% (2011: 3.59%).

12. Share capital

Consolidated	Investment Co's Preference shares		PPE II Ordinary shares		PPE II Preference shares	
In millions of shares	2012	2011	2012	2011	2012	2011
On issue at 1 January	2,062.5	2,062.5	82.5	82.5	8,115	8,250
Redemption of shares	-	-	-	-	-	(135)
On issue at 31 December	**2,062.5**	**2,062.5**	**82.5**	**82.5**	**8,115**	**8,115**

Parent	Ordinary shares		Preference shares	
In millions of shares	2012	2011	2012	2011
On issue at 1 January	82.5	82.5	8,115	8,250
Redemption of shares	-	-	-	(135)
On issue at 31 December	**82.5**	**82.5**	**8,115**	**8,115**

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

At 31 December 2012, the share capital of the Company comprised 82,500,000 ordinary shares (2011: 82,500,000), and 8,114,784,100 preference shares (2011: 8,114,784,100). In addition, there are 2,062,500,000 (2011: 2,062,500,000) preference shares in the 25 (2011: 25) Investment Companies (82,500,000 in each).

No class of share has a par value. 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 $0.47, of which $0.10 was paid on allotment, and further calls of $0.10 paid on a call dated 9 August 2010 and $0.17 on a call dated 22 September 2011 and $0.10 on a call dated 1 March 2012. Subsequent calls will be in tranches, for a minimum of $0.10 per share and subject to 30 days advance notice. Subject to the Boards discretion, any residual balance will be payable in full on the fifth anniversary of allotment.

Notes to the consolidated financial statements

12. Share capital (continued)

As at 31 December 2012, shareholders have a commitment to fund a further $0.53 per share totalling $43.725 million (2011: $0.63 per share totalling $51.975 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 $2,152,730 were declared during the year by companies within the Group (2011: $337,004). 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.

13. Trade and other payables

	Consolidated		Parent	
	2012	**2011**	**2012**	**2011**
Trade payables and accrued expenses	62,774	50,753	62,774	125,177
	62,774	**50,753**	**62,774**	**125,177**

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

		Consolidated		Parent	
	Note	**2012**	**2011**	**2012**	**2011**
Profit / (loss) for the year		5,819,029	(616,492)	299,156	(3,395,402)
Adjustments for:					
Change in fair value of investments		(5,726,784)	(914,376)	(1,008,091)	2,406,557
Reclassification of interest expense		10,931			
Change in trade and other receivables		(20,230)	395,814	(934,635)	(916,375)
Change in income tax receivable		(1,799)	8,841	(1,799)	8,841
Change in trade payables and accruals		12,019	28,206	(62,903)	461,368
Net cash flow to/(from) operating activities		**93,166**	**(1,098,007)**	**(1,708,272)**	**(1,435,011)**

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 (2011: the National Bank of 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 invest 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, short-term deposits and loans and borrowings. At the end of the reporting period the effective interest rates for bank balances for 2012 is 3.00% (2011: 3.00%), short-term deposits for 2012 is 3.73% (2011: 3.90%) and loans and borrowings for 2012 is 4.79% (2011: 4.73%).

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 2012				
Cash and cash equivalents	*11*	3,527,765	-	3,527,765
Total		**3,527,765**	-	**3,527,765**
Consolidated 2011				
Cash and cash equivalents	*11*	1,765,619	-	1,765,619
Total		**1,765,619**	-	**1,765,619**
Parent 2012				
Cash and cash equivalents	*11*	3,527,765	-	3,527,765
Total		**3,527,765**	-	**3,527,765**
Parent 2011				
Cash and cash equivalents	*11*	1,765,619	-	1,765,619
Total		**1,765,619**	-	**1,765,619**

Loans to investment 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

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, changes in interest rates will have an impact on profit.

At 31 December 2012 it is estimated that a general increase of 1.0% in interest rates on its cash and cash equivalents would increase the Group's profit before income tax by approximately $44,002 (2011: $8,796) over a one-year period.

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, $0.47 per share has been paid on the $1.00 share capital (2011: $0.37 per share). The remaining $0.53 (2010: $0.63) will be called as required in accordance with the terms of the prospectus.

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 2012						
Assets						
Cash and cash equivalents	*11*	-	3,527,765	-	3,527,765	3,527,765
Receivables	*8*	-	10	-	10	10
Trade receivable from manager	*9*	-	1,799	-	1,799	1,799
Investments – unlisted equity securities		33,655,774	-	-	33,655,774	33,655,774
Total assets		**33,655,774**	**3,529,574**	-	**37,185,348**	**37,185,348**
Liabilities						
Trade and other payables	*13*	-	-	62,774	62,774	62,774
Total liabilities		-	-	**62,774**	**62,774**	**62,774**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Consolidated 2011						
Assets						
Cash and cash equivalents	*11*	-	1,765,619	-	1,765,619	1,765,619
Receivables	*8*	-	12,848	-	12,848	12,848
Investments – unlisted equity securities		23,511,631	-	-	23,511,631	23,511,631
Total assets		**23,511,631**	**1,778,467**	-	**25,290,098**	**25,290,098**
Liabilities						
Trade and other payables	*13*	-	-	50,753	50,753	50,753
Total liabilities		-	-	**50,573**	**50,573**	**50,573**

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 2012						
Assets						
Cash and cash equivalents	11	-	3,527,765	-	3,527,765	3,527,765
Loans to investment companies	17	-	24,705,195	-	24,705,195	24,705,195
Receivables		-	2,559,666	-	2,559,666	2,559,666
Trade receivable from manager	9	-	1,799	-	1,799	1,799
Total assets		-	**30,794,425**	-	**30,794,425**	**30,794,425**
Liabilities						
Trade and other payables	13	-	-	62,774	62,774	62,774
Total liabilities		-	-	**62,774**	**62,774**	**62,774**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Parent 2011						
Assets						
Cash and cash equivalents	11	-	1,765,619	-	1,765,619	1,765,619
Loans to investment companies	17	-	19,268,814	-	19,268,814	19,268,814
Receivables		-	1,302,147	-	1,302,147	1,302,147
Total assets		-	**22,336,580**	-	**22,336,580**	**22,336,580**
Liabilities						
Trade and other payables	13	-	-	125,177	125,177	125,177
Total liabilities		-	-	**125,177**	**125,177**	**125,177**

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 2012	Level 1	Level 2	Level 3	Total
Investments in unlisted equity securities	-	-	33,655,774	33,655,774

31 December 2011	Level 1	Level 2	Level 3	Total
Investments in unlisted equity securities	-	-	23,511,631	23,511,631

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	2012	2011
Opening balance	23,511,631	13,533,423
Total gains:		
In profit or loss	5,726,784	914,376
In other comprehensive income	-	-
Investments at cost during the year	4,428,290	10,415,991
Reclassification of interest expense	(10,931)	-
Capital returns	-	(1,352,159)
Closing balance	**33,655,774**	**23,511,631**

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

Investments	2012	2011
Total gains included in profit or loss for the year	5,726,784	914,376
Total gains for the year included in profit or loss for assets held at the end of the reporting period	5,726,784	914,376

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

An earnout payment, based on performance, may be due and payable to the Manager at a future date. This will be calculated at 20% of net returns to Pohutukawa Private Equity II Limited after 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. 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 $1,863,211 (2011: $1,871,622).
- Legal and accounting expenses of $21,205 were incurred in 2012 in relation to investment activity by Direct Capital IV Management Limited (2011: $16,935) reimbursed by Pohutukawa Private Equity II Limited.
- Surplus cash of $3,142,931 (2011: $650,000) has been invested with the ANZ Bank New Zealand Limited (2011: the National Bank of 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 taking the total to $26,103,661 as at December 2012 (2011: $21,675,371). 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.

As at 31 December 2012 there were trade receivables from Pohutukawa II Management Limited of $1,799 (2011: $Nil).

Notes to the consolidated financial statements

17. Related parties (continued)

c) Transactions with key management personnel

	Consolidated		Parent	
	2012	2011	2012	2011
Directors fees (total remuneration)	85,000	63,750	85,000	63,750

The balance owing to key management personnel at 31 December 2012 is $21,250 (2011: $23,188).

18. Subsequent events

There were no subsequent events for the Company or Group.

19. Group entities

Investment Companies	Country of incorporation	Ownership interest* 2012	Ownership interest* 2011
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

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 14 to 34. The financial statements comprise the statements of financial position as at 31 December 2012, 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). 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. There are however certain trading restrictions on dealings which partners and employees of our firm have with 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 14 to 34:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 December 2012 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.

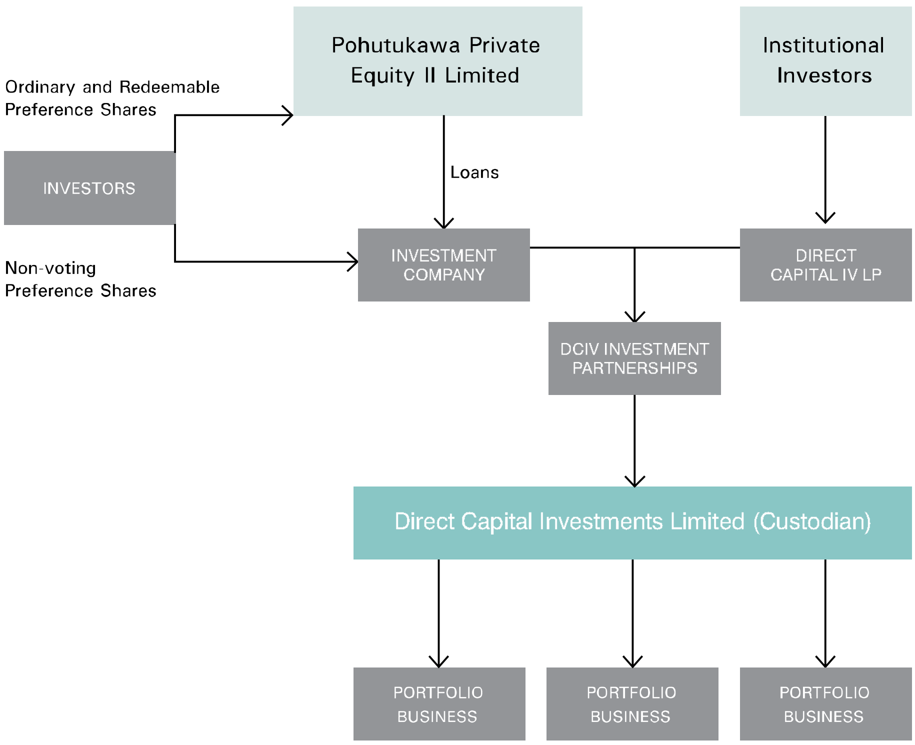
KPMG.

3 April 2013
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 $1 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 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 content of this 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.

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 JOHN PRENDERGAST
(Independent Director))

Maurice is currently a director of Pumpkin Patch Limited. He was previously CEO of Pumpkin Patch, a position he held from 1993 to 2011. Maurice brings international business experience with him along with a wealth of knowledge in logistics, technology, retail and global expansion. 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; and a number of other private companies.

The Pohutukawa II Board

NEIL JOHN 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 310 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, the New Zealand Social Infrastructure Fund Limited, as well as being Chairman of NZX Listed Comvita Limited and a director of a number of privately held companies.

FRANK MAURICE ALDRIDGE
(Non Executive Director)

Frank is Managing Director of Craigs Investment Partners, having been appointed in 2005, previously working for some eight years in various roles at Craigs Investment Partners. During this time, Frank has been involved in all facets of private wealth management as well as a number of NZX listings and capital raisings. Prior to joining Craigs Investment Partners, Frank worked at the New Zealand Stock Exchange.

Frank is a director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited and is on the board of a number of Craigs Investment Partners subsidiaries.

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
Neil Craig
Maurice Prendergast
Frank Aldridge

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

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