Annual Report

For the Year Ended 31 December 2013

Pohutukawa

PRIVATE EQUITY II LIMITED

Contents

Report to Shareholders

9 April 2014

Dear Shareholder

I am pleased to present Pohutukawa II's 2013 Annual Report. The report includes the financial statements for the financial year ended 31 December 2013 with commentary on the performances of our portfolio companies and investment prospects for 2014.

Pohutukawa II Fund

The Pohutukawa II offer raised $82.5 million in February 2009. Pohutukawa II co-invests with the Direct Capital IV fund which together comprise $325 million. Pohutukawa II had called $38.78 million (47 cents per share) (cps) to the end of the financial year 31 December 2013. A further 10 cent call was made on 25 March 2014.

Portfolio Performance

We have seen another year of strong performances from the entire portfolio. The 2013 financial year has been pleasing in all respects for our portfolio companies. In last year's annual report we said we were expecting to see further good results during 2013 as the companies pursued their growth strategies and this has certainly been confirmed.

Scales and Hiway Group performances were of particular note. Scales had a record year for sales and profit particularly in its Horticultural division. Hiway's performance is also tracking ahead of expectations. Its expansion into Australia has been a real positive for the company.

The portfolio companies are well positioned to continue their respective growth strategies during 2014. We are expecting to see exciting progress this year with Transaction Services expansion in the UK; the recently proposed Scales demerger and where that may lead; Hiway's repositioning in Australia; Cavalier's progress with industry consolidation; PF Olsen's international initiatives, and Bayley's performance in a resurgent property market and its recently announced strategic alliance with NZX listed Augusta Capital.

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

Distributions to Shareholders

Pohutukawa II made gross distributions of $5.8 million during 2013, equivalent to 7.03 cps. The distributions comprised cash flows from the portfolio companies shown in *Table 1*. Since inception Pohutukawa II has made gross distributions totalling 12.9 cps, or $10.6 million.

Table 1 - 2013 Distributions

Pohutukawa II Portfolio Company Distributions for 2013			
Portfolio Company	**Source of Return**	**Cents per share Gross**	**Cents per share Net of Tax**
Cavalier Wool Holdings Limited	Dividend	0.75	0.54
Bayley Corporation Limited	Dividend	0.45	0.32
PF Olsen Group Limited	Dividend	0.54	0.39
Transaction Services Limited	Dividend	0.40	0.29
Scales Corporation Limited	Dividend	1.28	0.93
Scales, Transaction Services, Hiway	Capital	3.61	3.61
Total Distributions		7.03	6.08

Report to Shareholders

A summary of gross returns made to Shareholders is shown in *Table 2*:

Table 2 - Summary of Investor Returns

Investor Returns to 31 December 2013		
Total capital paid	$ 0.47	
Gross Return to Investors		
September 2011		$ 0.02
September 2012		$ 0.04
May 2013		$ 0.03
November 2013		$ 0.04
Total Gross Return		$ 0.13
Assessed Net Asset Value 31 December 2013		$ 0.46
Estimated Gross Return		$ 0.59

The Global Economy

The global economy has shown signs of recovery, with the low interest rate environment and quantitative easing aiding the stabilisation of a number of major economies. The question remains as to whether this is a meaningful long-term recovery.

Whilst the New Zealand economy is picking up momentum, the Australian economy remains sluggish primarily as a result of hard commodity prices remaining depressed.

Our exporting companies in the portfolio coped well due to demand for their products, however the high NZ dollar continues to have an impact on their profitability.

Portfolio Company Investments in 2013

Of the 47 cps called from shareholders, 33.4 cps, or $27.5 million of initial capital is invested, with the balance held on bank deposit or used to pay operating costs.

There were no new investments in 2013 despite an active year reviewing potential investments. There was a small follow-on investment made in Hiway Group.

During the year we received capital repayments totalling $2.98 million, comprising $1.48 million from Transaction Services as part of a share buyback; and $1.5 million from Hiway Group when they fully repaid shareholder loans.

Table 3 shows all investments at original cost and Pohutukawa II's shareholding.

Table 3 - Pohutukawa II Investments at Original Cost to 31 December 2013

Portfolio Company	Date of Investment	Industry Sector	Total Investment at Cost (NZ$)	Pohutukawa II Shareholding %
Transaction Services Limited	29 Jan 2010	Services	*$ 5,700,507	11.7
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	9.6
PF Olsen Group Limited	15 Sep 2011	Agri-Services	$ 2,392,789	9.5
Hiway Group Limited	30 Dec 2011l	Infrastructure	**$ 4,893,717	14.3
Total Cost			$ 27,534,255	

** Net investment cost is now $2,863,362 following share buybacks and capital returns.*
*** Net investment cost is now $3,398,718 following repayment of shareholder loans.*

Report to Shareholders

Investment Opportunities

The investment team had a very busy last quarter of the 2013 financial year, which culminated in the seventh porfolio investment being completed in Energyworks Holdings Limited in January 2014. These efforts also resulted in a follow-on investment in Transaction Services, made in early April 2014, for its acquisition of another third-party payments processing company, Harlands, in the UK. We will explain more about these investments at the Annual Shareholders Meeting in May.

The investment team continues to review a number of other investment opportunities.

Portfolio Weightings

The six portfolio company investments show a good spread across industry sectors. Scales and Transaction Services are our largest investments. The investment (at cost) and cash weightings at 31 December 2013 are shown in *Chart 1*, while *Chart 2* shows the investment portfolio's industry sector weightings.

Chart 1 - Pohutukawa II investments at cost to 31 December 2013

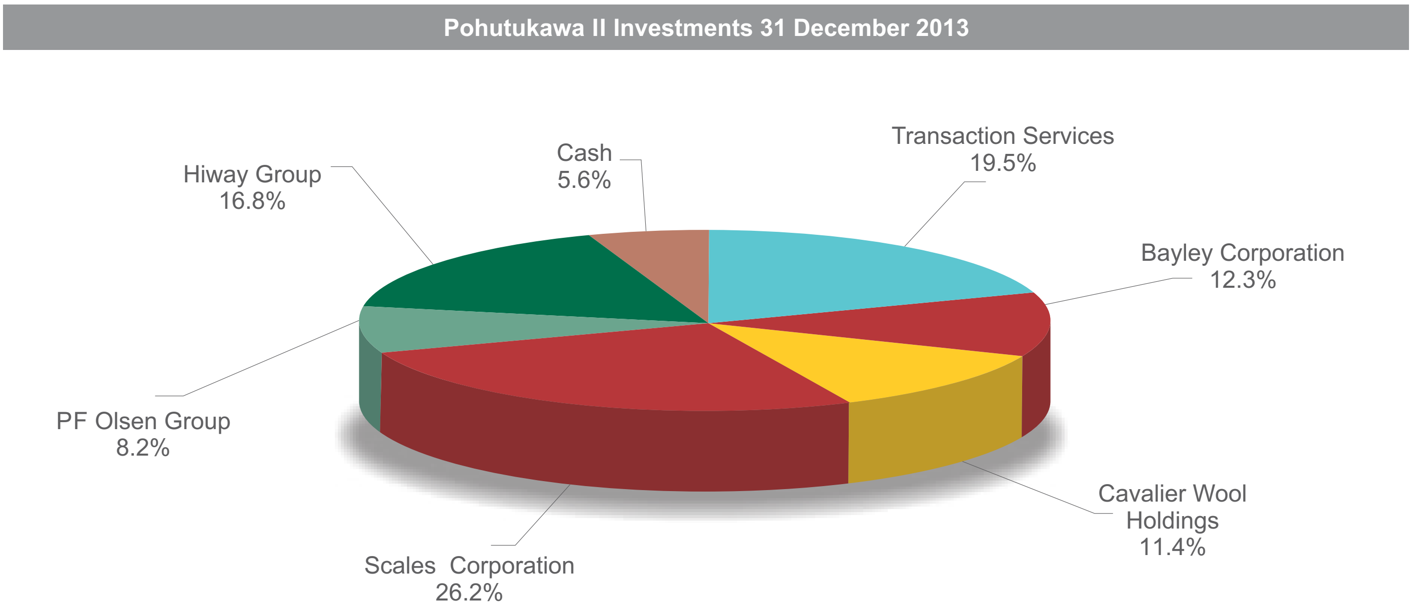
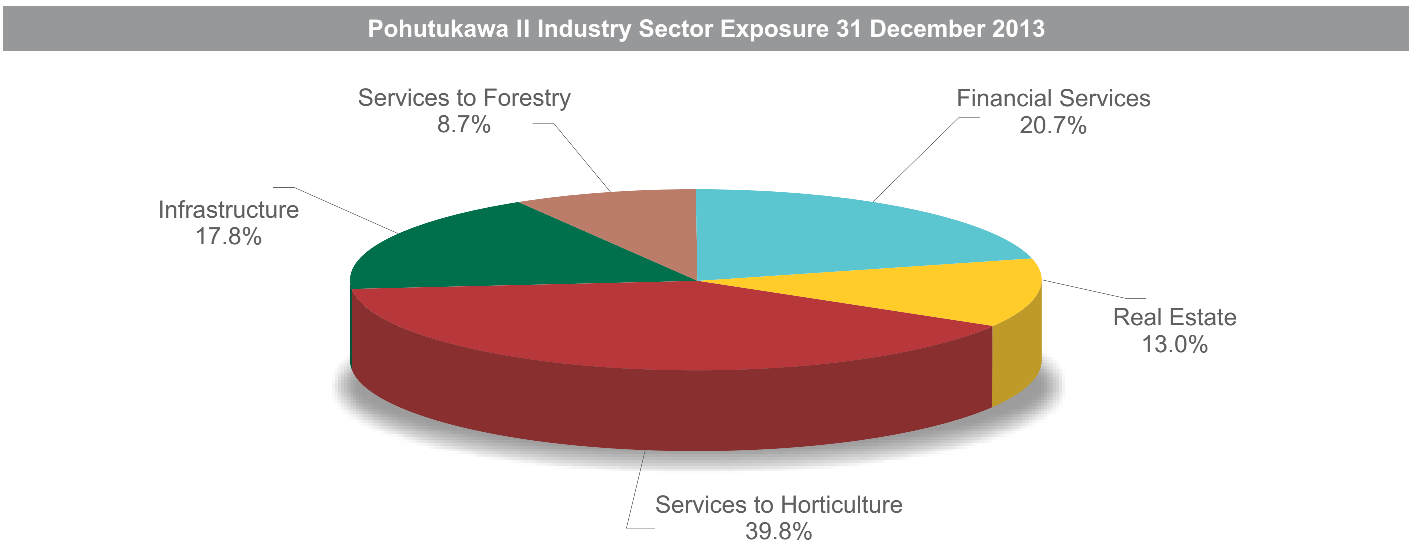


Chart 2 - Industry sector exposure



Report to Shareholders

Portfolio Company Investment Revaluations

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

The portfolio was valued at $36.5 million at 31 December 2013 comparing favourably to the original investment cost of $27.5 million. This does not take into consideration full realised proceeds of $11.3 million (of which shareholders have received $10.6 million). We are very pleased with the performance so far.

Annual Financial Statements 31 December 2013

Our financial statements for the year ended 31 December 2013, Directors' Report and KPMG Audit Report are included in this annual report.

As at 31 December 2013 Pohutukawa II had 82.5 million stapled securities on issue, $1 shares paid to 47 cps.

At balance date shareholders' funds were $38.17 million, equivalent to a net asset backing of 46 cps.

Pohutukawa II is in a strong financial position and at 31 December 2013 we had no debt.

Assets comprised:

- Investments $36.52 million
- Receivables $ 0.01 million
- Cash $ 1.64 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.

Income was derived from interest of $85,000 earnt on our short-term deposits with the ANZ Bank New Zealand and Craigs Investment Partners Cash Management Account.

Dividend income of $2.21 million was received from portfolio companies.

The investment portfolio is re-valued under the fair value method at 31 December 2013. There was a $5.76 million uplift in fair value of investments.

Administrative expenses were $2.08 million (2012: $2.08 million). Of the total administrative expenses, management fees were $1.86 million and directors fees $85,000.

The profit for the period was $5.97 million (2012: $5.82 million)

Table 4 shows the Pohutukawa II Financial Performance Summary for the year ended 31 December 2013.

Table 4 - Pohutukawa II Financial Performance Summary

Pohutukawa II Financial Performance Summary For the year ended 31 December 2013		
	2013 $000	**2012 $000**
Operating Results		
Interest income	85	230
Dividend income	2,212	1,917
Change in fair value of investments	5,759	5,727
Other income	-	49
Administrative Expenses	(2,081)	(2,077)
Finance expenses	-	(27)
Profit/(Loss) for the year	5,975	5,819
Share performance		
Stapled Securities on issue $1.00	82,500,000	82,500,000
Earnings per share	$0.07	$0.07
Net asset backing-cents per share	$0.46	$0.45

Report to Shareholders

The Manager

One of the roles of the Pohutukawa II Board is to review the Manager's performance. This review was undertaken for the 2013 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.

Further Investment & Call

Your Pohutukawa II shares are currently paid to 47 cps. A further call of 10 cps was issued 25 March 2014 and is payable by 24 April 2014. This call will cover the recent Energyworks investment (Pohutukawa II's share $4.64 million) made at the end of January and the Transaction Services follow-on investment (Pohutukawa II's share $732,000) made in early April, plus provide on-going working capital for the fund.

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 2013 the last sale price for Pohutukawa II shares was 52 cents while the net asset backing was 46 cps.

Annual Shareholders Meeting

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

Date: **Tuesday, 13 May 2014**
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 5 May 2014. 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 very pleased to report on the performance of the Pohutukawa II portfolio for the 2013 financial year.

Each of the portfolio companies performed strongly during the year which resulted in two distributions to Pohutukawa II shareholders during the year totalling 7.03 cps.

Whilst no new investments were made during the year, the Manager reviewed a similar volume of prospective investments to previous years. We continue to be pleased with the composition of the portfolio to date covering a wide range of industries with exposure to the domestic economy and offshore markets.

Subsequent to 31 December 2013 we have completed our seventh investment, into Energyworks Holdings Limited. This is one of New Zealand's leading specialised multi-disciplined engineering companies, and the market leader in construction and maintenance of oil & gas piping and related equipment. Based in the Taranaki, Energyworks has a range of large customers who rely on the company to provide specialised maintenance services to mission critical pipelines. The investment of $4.6 million (Pohutukawa II's share) was completed in January 2014.

Together, the seven companies in the portfolio reflect the diverse nature of private New Zealand companies and provide exposure to offshore markets.

Some of the key initiatives underway in the portfolio are:

- Scales is currently in the process of a demerger plan to separate the operating assets of the business from investments.
- Cavalier Wool continues its focus on industry consolidation.
- Transaction Services continues its focus on geographic expansion with its recent acquisitions in the UK, expanding its reach into the Northern Hemisphere.

Each portfolio company and their individual prospects are highlighted in the company summaries that follow. *Table 5* illustrates the portfolio ranking based on investment cost to 31 December 2013.

Investment Outlook

The 2013 year represented a year where the Manager reviewed a similar volume of new investment opportunities. Due diligence was undertaken on a number of these companies but investment was not made mainly because investment terms could not be negotiated with the vendors. While this was disappointing, due the nature of our investment program, it is important that we apply a consistent approach to ensure we continue to build on the strong portfolio we have to date.

Table 5 - Portfolio Companies Ranked by Investment Cost

Company ranking based on investment size at 31 December 2013	As a % of Portfolio
Scales Corporation Limited	27.7%
Transaction Services Limited	20.7%
Hiway Group Limited	17.8%
Bayley Corporation Limited	13.0%
Cavalier Wool Holdings Limited	12.1%
PF Olsen Group Limited	8.7%
	100.0%

This year marks Direct Capital's 20th year of investing in successful private companies. We are proud of our investment track record to date, and remain committed to partnering with business owners and managers to continue creating growth and value in their businesses. Providing an investment alternative to successful businesses to provide succession solutions to business owners is a key offering within the private company market in New Zealand and Australia.

In addition to completing new investments, we continue to work closely with the existing portfolio of companies in bold initiatives such as; with Transaction Services with its two UK acquisitions, Scales with its demerger plan, and Hiway Group with its Australian repositioning.

The initiatives will take time to crystallise further value in the year ahead and beyond. We do not expect the quantum of dividends to necessarily continue, although the current initiatives underway are likely to result in another distribution in the coming months.

In the year ahead we are confident that the quality or quantum of investment opportunities will be no different to the usual levels experienced in previous years. Our investment team is actively involved in sourcing new investments.

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

www.debitsuccess.co.nz

transactionservices

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
January 2010	Third party processing	Buyout	$5,701	11.7*

* Total shareholding managed by Direct Capital 48.6%

Background

Transaction Services Limited (TSL) is the largest third party recurring payment processing company in NZ, Australia and the UK. Following its recent UK acquisitions TSL now 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, insurers, online education and retailers.

TSL operates under the brands Debitsuccess and FFA Paysmart in Australasia and Harlands Group and DFC in the UK.

Performance

TSL achieved another year of impressive growth in its March 2014 financial year, despite the softer Australian economy where a large share of TSL's billings are generated.

During the year TSL also took a significant strategic step, entering the UK market through two acquisitions, DFC in November 2013 and Harlands Group in April 2014. DFC and Harlands operate complementary levels of service in the way Debitsuccess and Paysmart do in Australia and together the businesses provide TSL with immediate leadership in the UK market. Harlands also processes payments for a small number of clients in Ireland, the Netherlands and Spain. The acquisitions will see TSL's capacity for targeting international business increase exponentially and give the company a foothold into a region of the world where it is seeing an increasing demand for TSL's kind of service.

In October 2013 TSL completed a share capital buyback representing 15% of shares on issue. Post 31 December Pohutukawa II has reinvested a further $0.7m in support of the UK acquisitions.

Outlook

TSL's entry into the UK market is an exciting growth opportunity, providing the group with a strong position in another fast growing market for third party billing services. The subscription economy is revolutionising the way organisations collect recurring payments and TSL is leading the industry in each of its markets.

Manager's Report on Portfolio Companies

BAYLEY CORPORATION

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 68 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' performance continues to benefit from increasing residential and commercial & industrial market activity, which contributing to a strong performance in the current financial year, with both revenue and earnings in-line with budget and well ahead of the prior year. Bayleys expansion into professional property services, including asset management and valuations, is also now a meaningful contributor of profit to the Group.

Bayleys made a number of smaller strategic acquisitions during the year, and opened a number of greenfield offices.

Outlook

While the outlook for commercial, industrial, and farm brokerage commissions appears robust, that for the residential market is less clear, with rising interest rates and loan restrictions having the potential to slow activity.

On 3 April 2014, it was announced that Bayleys had completed the acquisition of the facilities and property management business of NZX-listed Augusta Capital and its recently purchased KCL property portfolio. Bayleys will become the facilities and property manager of the combined Augusta and KCL portfolio, which has over 170 investment properties. Bayleys acquired the business with a long term contract for a net $4.3m in consideration. The transaction and collaboration with Augusta includes a number of other benefits, including a plan to market a range of new managed property offers in both listed and unlisted formats. Bayleys will also become the exclusive partner to Augusta Capital for the sell-down or equity raising for all future syndicated property offers.

Manager's Report on Portfolio Companies

CAVALIER WOOL HOLDINGS

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 and wool grease businesses in New Zealand. Operating from sites in Napier and Timaru, CWH processes greasy wool on behalf of wool exporters and carpet makers, converting it to clean wool (removing grease and contaminants) 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 and feed grade products.

Performance

In the first half of the new financial year for the Company, lower wool volumes and lower wool grease prices have impacted earnings from the record highs achieved in FY13.

Wool volume year to date is down 11% against expectations although the commencement of the main shear varies year to year and current indications are that a 'late shear' cycle is underway and will improve second half volumes.

Wool grease pricing has been impacted by early mortality disease (EMS) in the shrimp farming market throughout Asia. Approximately 45% of all wool grease is refined into cholesterol and Vitamin D3 products and a significant percentage of that volume is used in feed-grade supplement products. EMS has had a significant impact on demand with a consequential increase in stock levels of wool grease being held by CWH clients. This is having a material impact on current pricing levels but is expected to recover over the next twelve to eighteen months.

Outlook

Soft wool grease prices will reduce FY14 financial performance but is expected to recover once the EMS issue has been resolved and Asian shrimp market re-builds.

Manager's Report on Portfolio Companies

SCALES CORPORATION

www.scalescorporation.co.nz

Scales growing New Zealand

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
July 2011	Agri-Services	Buyout	$7,636	9.6*

* Total shareholding managed by Direct Capital 84.2%

Background

Scales is a large diverse and growing New Zealand agribusiness group. Its businesses can be 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). Scales also owns a number of properties and other investment assets which are in the process of being demerged into a separate entity George H Investments Limited.

Performance

The 2013 year has been an exceptional one for the Scales Group with a record group profit number posted and strong results achieved in each of the three key trading divisions. The diverse spread of activities gives Scales a broad exposure to the New Zealand agribusiness sector, which is growing at a very good rate.

Within the group the horticulture division posted a particularly strong result, with a record apple crop and very firm prices in most of Mr Apple's key markets combining to deliver a record profit. The investment in apple variety change that has been made over the last few years has allowed a growing proportion of the apple exports to be specifically grown to satisfy strong demand from new markets like Asia, Middle East and India.

Outlook

Scales shareholders recently voted in favour of a demerger whereby Scales surplus property and investment assets are transferred into a separate entity - George H Investments Limited (GHI) - which will then be owned by existing Scales shareholders proportionately. The demerger, which will also be accompanied by a cash return, is being undertaken to allow the capital represented by these assets to be realised and returned directly to current Scales shareholders over time. The demerger also simplifies Scales itself into its three core operating divisions and would help facilitate any future possible IPO of Scales.

Mr APPLE NEW ZEALAND LTD

Manager's Report on Portfolio Companies

PF OLSEN GROUP

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 4 million tonnes of logs in New Zealand per annum, and manages over 300,000 hectares of forest and land across Australasia. The business subcontracts out physical operations to over 125 contractors, indirectly employing 1,500 across New Zealand.

Performance

PF Olsen's performance in 2013 was pleasing, with growth again achieved over the prior year. PF Olsen paid three fully imputed dividends to Pohutukawa II during the year, and Pohutukawa II has now realised gross returns of 56% of its total investment in PF Olsen.

Growing wood volumes and consistency in export log market conditions have led to an outperformance in harvesting activity, with a record 4 million tonnes of logs exported in 2013. While harvesting activity remains high, a portion of the step-up is attributable to a continuing organic growth in Australia, as well as a broadening of capabilities in New Zealand.

The 2013 calendar year will be remembered as a disappointing and challenging year for the New Zealand forestry industry, with the sector experiencing a significant rise in the number of fatalities and injuries during the period. While health and safety statistics for PF Olsen's subcontractors and employees are significantly better than NZ and AU industry norms (with less than half the injury frequency rates of the forestry industry as a whole, and below average industrial and manufacturing benchmarks), the rash of incidents reinforces the need for continuous internal improvements in H&S procedures. PF Olsen remains at the forefront of industry initiatives to improve these.

Outlook

The scope for further growth in 2014 is encouraging as contribution from new management contracts commences.

Manager's Report on Portfolio Companies

HIWAY GROUP

www.hiwaygroup.co.nz

Date of Investment	Industry Sector	Stage	Total Investment Cost $000	Shareholding %
December 2011	Infrastructure Services	Buyout	$3,399*	14.3**

* Reduced to $3,399 following repayment of shareholder loan $1,495 in 2013

** 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

The year to date performance remains very positive with strong contributions from both the Stabilisation and Geotech divisions in New Zealand, including new stabilisation work in Fiji. The Australian business continues to perform to expectations as it develops new regional markets and reduces the level of activity related to Queensland flood damage funding.

Outlook

The current outlook for Geotech in Christchurch remains positive and additional contracts have been won for a number of commercial and industrial projects.

The Auckland road maintenance tender process continues with the final outcome having a significant impact on the forward levels of activity for the company.

In Australia the Queensland flood damage work is currently forecast to be completed by June 2014. The company is developing opportunities for other industry sectors (including new state maintenance contracts and mining) and other states. The company will continue to look to expand the Australian business should suitable opportunities arise.

Directors' Report

For the year ended 31 December 2013

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
F Aldridge*	9,375	19-Nov-08
M Caird	3,125	27-Sep-13

**Resigned 27 September 2013*

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 2013

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 2013 (Directors holding office at 31 December 2013)				
Investment Holding	**J McDonald**	**M Prendergast**	**N Craig**	**M Caird***
	No. Securities	No. Securities	No. Securities	No. Securities
Pohutukawa II	100,000	25,000	100,000	-
Transaction Services Ltd	17,168	36,846	18,032	12,962
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	43,389	43,387	15,312	29,054
PF Olsen Group Ltd	1,953	1,952	869	869
Hiway Group Ltd	38,623	38,621	11,790	16,451

**Appointed 27 September 2013*

Director

28 March 2014

Date

Director

28 March 2014

Date

Statement of comprehensive income

For the year ended 31 December 2013

		Consolidated		Parent	
	Note	2013	2012	2013	2012
Interest income		84,957	229,928	84,957	171,168
Dividend income		2,212,318	1,917,258	-	-
Advisory fee income		-	48,745	-	48,745
Change in fair value of investments		5,759,082	5,726,784	-	-
Impairment of loans to investment companies	*17(b)*	-	-	(442,589)	-
Reversal of impairment of loans to investment companies	*17(b)*	-	-	619,115	1,008,091
Other operating income		-	-	1,575,849	1,163,907
Administrative expenses	*5*	(2,081,369)	(2,076,685)	(2,081,369)	(2,076,685)
Operating profit/(loss)		**5,974,988**	**5,846,030**	**(244,037)**	**315,226**
Finance expenses - interest		-	(27,001)	-	(16,070)
Profit/(loss) before tax		**5,974,988**	**5,819,029**	**(244,037)**	**299,156**
Income tax expense	*6*	-	-	-	-
Profit/(loss) for the year		**5,974,988**	**5,819,029**	**(244,037)**	**299,156**
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**5,974,988**	**5,819,029**	**(244,037)**	**(3,395,402)**
Attributable to:					
Equity holders of the parent		(420,564)	(708,935)	(244,037)	299,156
Non-controlling interest	*3a(iv)*	6,395,552	6,527,964	-	-
Profit/(loss) and total comprehensive income/(deficit) for the year attributable to the equity holders of stapled securities		5,974,988	5,819,029	(244,037)	299,156

Statement of changes in equity

For the year ended 31 December 2013

Consolidated	*Note*	Share capital	Retained losses	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the parent				
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
Redemption of share capital	*12*	(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**
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		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**

Parent	Note	Share capital	Retained losses	Total equity
Balance at 1 January 2013		37,414,736	(6,647,212)	30,767,524
Total comprehensive income for the year		-	(244,037)	(244,037)
Redemption of share capital	*12*	(2,979,985)	-	(2,979,985)
Balance at 31 December 2013		**34,434,751**	**(6,891,249)**	**27,543,502**
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		8,250,000	-	8,250,000
Balance at 31 December 2012		**37,414,736**	**(6,647,212)**	**30,767,524**

Statement of financial position

As at 31 December 2013

		Consolidated		Parent	
	Note	2013	2012	2013	2012
Assets					
Loans to investment companies	*17(b)*	-	-	21,991,103	24,705,195
Receivables from investment companies		-	-	3,952,117	2,559,666
Investments – equity securities	*7*	36,524,238	33,655,774	-	-
Total non-current assets		**36,524,238**	**33,655,774**	**25,943,220**	**27,264,861**
Receivables and prepayments	*8*	14,249	40,046	14,237	35,873
Trade receivable from Manager	*9*	-	1,799	-	1,799
Cash and cash equivalents	*11*	1,635,679	3,527,765	1,635,679	3,527,765
Total current assets		**1,649,928**	**3,569,610**	**1,649,916**	**3,565,437**
Total assets		**38,174,166**	**37,225,384**	**27,593,136**	**30,830,298**
Equity					
Issued capital	*12*	34,434,751	37,414,736	34,434,751	37,414,736
Retained losses		(5,669,309)	(5,248,745)	(6,891,249)	(6,647,212)
Total equity attributable to equity holders of the parent		**28,765,442**	**32,165,991**	**27,543,502**	**30,767,524**
Non-controlling interest	*3a(iv)*	9,359,090	4,996,619	-	-
Total equity attributable to equity holders of stapled securities	*12*	**38,124,532**	**37,162,610**	**27,543,502**	**30,767,524**
Liabilities					
Trade and other payables	*13*	49,634	62,774	49,634	62,774
Total current liabilities		**49,634**	**62,774**	**49,634**	**62,774**
Total liabilities		**49,634**	**62,774**	**49,634**	**62,774**
Total equity and liabilities		**38,174,166**	**37,225,384**	**27,593,136**	**30,830,298**

For and on behalf of the Board

Director

28 March 2014

Date

Director

28 March 2014

Date

Statement of cash flows

For the year ended 31 December 2013

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Cash flows from operating activities					
Cash receipts from fees		-	48,745	183,398	306,425
Dividends received		2,212,318	1,917,258	-	-
Interest received		113,863	201,021	113,863	142,262
RWT refund received		-	-	-	-
Interest paid		-	(16,070)	-	(16,070)
Cash paid to suppliers		(2,095,819)	(2,057,788)	(2,099,980)	(2,140,889)
Net cash from operating activities	*14*	**230,362**	**93,166**	**(1,802,719)**	**(1,708,272)**
Cash flows from investing activities					
Acquisition of investments		(89,367)	(4,428,290)	-	-
Realisations from investments	*7*	2,979,985	-	-	-
Loans to investment companies		-	-	(89,367)	(4,428,290)
Repayments from investment companies		-	-	2,979,985	-
Net cash from investing activities		**2,890,618**	**(4,428,290)**	**2,890,618**	**(4,428,290)**
Cash flows from financing activities					
Proceeds from share calls		-	8,250,000	-	8,250,000
Redemption of preference shares	*7*	(2,979,985)	-	(2,979,985)	-
Loans to related parties		-	-	-	(2,274,735)
Loans repaid by related parties		-	-	-	2,274,735
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	-	2,274,735
Loans repaid to external parties		-	(2,274,735)	-	(2,274,735)
Distributions to equity holders		(2,033,081)	(2,152,730)	-	-
Net cash from financing activities		**(5,013,066)**	**6,097,270**	**(2,979,985)**	**7,898,708**
Net movement in cash and cash equivalents		(1,892,086)	1,762,146	(1,892,086)	1,762,146
Cash and cash equivalents at 1 January		3,527,765	1,765,619	3,527,765	1,765,619
Cash and cash equivalents at 31 December	*11*	**1,635,679**	**3,527,765**	**1,635,679**	**3,527,765**

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 (2012: 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 2013 comprise the Company and 25 (2012: 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 28 March 2014.

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 2013.

(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 (2012: 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 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.

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

The Group has adopted the following new standards and amendments to standards, with a date of application of 1 January 2013.

- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 11 Joint Arrangements
- NZ IFRS 12 Disclosure of Interests in Other Entities
- NZ IFRS 13 Fair Value Measurement
- Recoverable Amount Disclosures for Non-financial Assets (Amendments to NZ IAS 36 - effective 1 January 2014, early adopted)

These standards have had no material impact on the disclosures in the financial statements.

A number of new or revised standards are not effective for the period ended 31 December 2013, 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.

The Group does not plan to early adopt these standards and management does not believe there will be any material changes as a result of adopting this standard.

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 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). 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	
	2013	2012	2013	2012
Management fees	1,863,211	1,863,211	1,863,211	1,863,211
Directors' fees	85,000	85,000	85,000	85,000
Non-recoverable acquisition costs*	-	21,005	-	21,005
Other administrative expenses	133,158	107,469	133,158	107,469
	2,081,369	2,076,685	2,081,369	2,076,685

* 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	26,000	24,500	26,000	24,500
Other audit-related services **	8,212	6,980	8,212	6,980

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

Notes to the consolidated financial statements

6. Income tax expense

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Income tax expense in statement of comprehensive income		-	-	-	-

Reconciliation of effective tax rate

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Profit/(Loss) before tax		5,974,988	5,819,029	(244,037)	299,156
Income tax expense at 28%tax rate		1,672,997	1,629,328	(68,330)	83,764
Non-deductible expenses		6,454	6,670	2,853	3,609
Tax exempt income		(1,616,144)	(1,603,500)	(49,427)	(282,265)
Imputation credits received		(619,449)	(536,832)	-	-
Tax losses not recognised	*10*	556,142	504,334	114,904	194,892
Total income tax expense in statement of comprehensive income		-	-	-	-

Imputation credits

	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Imputation credits available to shareholders of the parent company:				
Through the parent company	-	-	-	-
Through investment companies	166,739	97,036	-	-
	166,739	97,036	-	-

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 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 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 $1,563,065 (2012: $1,362,684). A movement in the adjustment factor of 5% changes the value of the investments by $3,013,320 (2012: $2,624,237). A movement in the maintainable earnings of 5% changes the value of the investments by $2,410,656 (2012: $2,050,640).

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.

2013

Entity name	Activities	Acquisition date	Voting interest	Cost
Transaction Services Limited	3rd Party Payment Processing	Jan 2010	11.7%	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	9.6%	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

2012

Entity name	Activities	Acquisition date	Voting interest	Cost
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

c) Fair value of investment portfolio

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 2013 was $36,524,238 (2012: $33,655,774).

Notes to the consolidated financial statements

8. Receivables and prepayments

	Consolidated		Parent	
	2013	2012	2013	2012
GST receivable	7,271	4,163	7,271	-
Interest receivable	-	28,907	-	28,907
Other receivables	12	10	-	-
Prepayments	6,966	6,966	6,966	6,966
	14,249	**40,046**	**14,237**	**35,873**

As at 31 December 2013, no receivables are considered past due (2012: $nil).

9. Trade receivable from manager

As at 31 December 2013 the Company is owed $Nil from Pohutukawa II Management Limited (2012: $1,799) (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	2013	2012	2013	2012
Opening balance 1 January		1,926,439	1,535,324	1,301,712	1,106,820
Tax losses not recognised	*6*	556,142	504,334	114,904	194,892
Tax losses forgone		-	(113,219)	-	-
Closing balance 31 December		2,482,581	1,926,439	1,416,616	1,301,712

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.

Notes to the consolidated financial statements

11. Cash and cash equivalents

	Consolidated		Parent	
	2013	2012	2013	2012
Call deposits	1,635,679	384,834	1,635,679	384,834
Short-term deposits	-	3,142,931	-	3,142,931
Cash and cash equivalents in the statement of cash flows	**1,635,679**	**3,527,765**	**1,635,679**	**3,527,765**

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited. The weighted average interest rate for 2013 on call deposits was 2.89% (2012: 2.91%).

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 3.29% (2012: 4.01%).

12. Share capital

	Investment Co's		PPE II		PPE II	
Consolidate	Preference shares		Ordinary shares		Preference shares	
In millions of shares	2013	2012	2013	2012	2013	2012
On issue at 1 January	2,062.5	2,062.5	82.5	82.5	8,115	8,115
Redemption of shares	-	-	-	-	(298)	-
On issue at 31 December	**2,062.5**	**2,062.5**	**82.5**	**82.5**	**7,817**	**8,115**

Parent

Ordinary shares Preference shares In millions of shares	2013	2012	2013	2012
On issue at 1 January	82.5	82.5	8,115	8,115
Redemption of shares	-	-	(298)	-
On issue at 31 December	**82.5**	**82.5**	**7,817**	**8,115**

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

At 31 December 2013, the share capital of the Company comprised 82,500,000 ordinary shares (2012: 82,500,000), and 7,816,785,500 preference shares (2012: 8,114,784,100). In addition, there are 2,062,500,000 (2012: 2,062,500,000) preference shares in the 25 (2012: 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.

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 notified shareholders that the most likely final call payment date is December 2014.

Notes to the consolidated financial statements

12. Share capital (continued)

As at 31 December 2013, shareholders have a commitment to fund a further $0.53 per share totalling $43.725 million (2012: $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 $2,033,081 ($0.025 cents per share) were declared during the year by companies within the Group (2012: $2,152,730, $0.026 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.

13. Trade and other payables

	Consolidated		Parent	
	2013	2012	2013	2012
Trade payables and accrued expenses	49,634	62,774	49,634	62,774
	49,634	62,774	49,634	62,774

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

	Note	Consolidated		Parent	
		2013	2012	2013	2012
Profit / (loss) for the year		5,974,988	5,819,029	(244,037)	299,156
Adjustments for:					
Change in fair value of investments		(5,759,082)	(5,726,784)	(176,526)	(1,008,091)
Reclassification of interest expense		-	10,931	-	-
Change in trade and other receivables		27,596	(20,230)	21,636	(934,635)
Change in income tax receivable		-	(1,799)	-	(1,799)
Change in Intercompany loans		-	-	(1,390,652)	-
Change in trade payables and accruals		(13,140)	12,019	(13,140)	(62,903)
Net cash flow to/(from) operating activities		230,362	93,166	(1,802,719)	(1,708,272)

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 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 2013 is 3.00% (2012: 3.00%), there were no short-term deposits at the end of the reporting period in 2013 (2012: 3.73%). There were no loans and borrowings during 2013 (2012: 4.79%).

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 2013				
Cash and cash equivalents	*11*	1,635,679	-	1,635,679
Total		**1,635,679**	-	**1,635,679**
Consolidated 2012				
Cash and cash equivalents	*11*	3,527,765	-	3,527,765
Total		**3,527,765**	-	**3,527,765**
Parent 2013				
Cash and cash equivalents	*11*	1,635,679	-	1,635,679
Total		**1,635,679**	-	**1,635,679**
Parent 2012				
Cash and cash equivalents	*11*	3,527,765	-	3,527,765
Total		**3,527,765**	-	**3,527,765**

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 2013 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 $28,414 (2012: $44,002) 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 (2012: $0.47 per share). The remaining $0.53 (2012: $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 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**

	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**

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 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	13,486,103
Receivables		-	2,600,104	-	2,600,104	2,600,104
Trade receivable from manager	*9*	-	-	-	-	-
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**

	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**

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 2013	Level 1	Level 2	Level 3	Total
Investments in unlisted equity securities	-	-	36,524,238	36,524,238

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

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	2013	2012
Opening balance	33,655,774	23,511,631
Total gains:		
In profit or loss	5,759,082	5,726,784
In other comprehensive income	-	-
Investments at cost during the year	89,367	4,428,290
Reclassification of interest expense	-	(10,931)
Capital returns	(2,979,985)	-
Closing balance	**36,524,238**	**33,655,774**

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

Investments	2013	2012
Total gains included in profit or loss for the year	5,759,082	5,726,784
Total gains for the year included in profit or loss for assets held at the end of the reporting period	5,759,082	5,726,784

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 (2012: $1,863,211).
- Legal and accounting expenses of $38,604 were incurred in 2013 in relation to investment activity by Direct Capital IV Management Limited (2012: $21,205) reimbursed by Pohutukawa Private Equity II Limited.
- No surplus cash (2012: $3,142,931) 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 $23,213,043 as at December 2013 (2012: $26,103,661). 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 2013 there were no trade receivables from Pohutukawa II Management Limited (2012: $1,799).

Notes to the consolidated financial statements

17. Related parties (continued)

c) Transactions with key management personnel

	Consolidated		Parent	
	2013	2012	2013	2012
Directors fees (total remuneration)	85,000	85,000	85,000	85,000

The balance owing to key management personnel at 31 December 2013 is $21,250 (2012: $21,250).

18. Subsequent events

The investment manager completed a transaction to acquire a shareholding in Energyworks Holdings Limited on 31 January 2014 at a cost of $4.64 million. A temporary Westpac facility was used to fund this investment. A shareholder call of $0.10 which has been made will repay the Westpac facility, provide working capital going forward and fund future investments.

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

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 15 to 35. The financial statements comprise the statements of financial position as at 31 December 2013, 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 15 to 35:

- 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 2013 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.

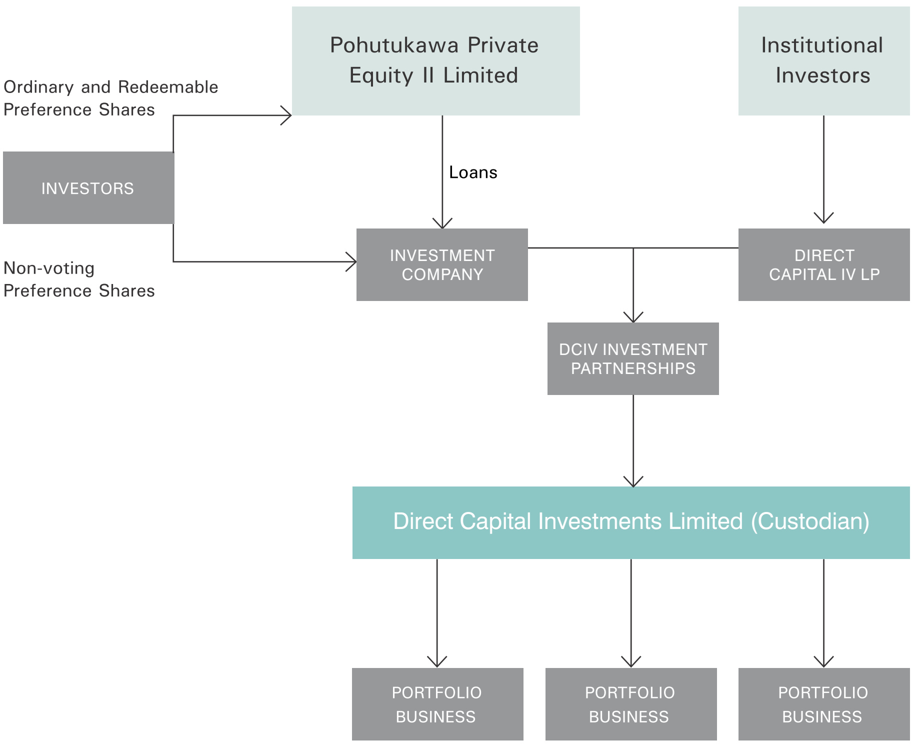
KPMG.

28 March 2014
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 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, Bill Kermode, Tony Batterton, Neil Craig, Mike Caird and James Beale.

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. Mike Caird was appointed as a director 27 September 2013, replacing Frank Aldridge who resigned from the Board at that time.

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 340 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. He is Chairman of Tauranga based angel investment group Enterprise Angels Inc. 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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