

INTERIM REPORT

For the half year ended 30 June 2014



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Report to Shareholders

17 September 2014

Dear Shareholder

I am pleased to present Pohutukawa's interim report, including Pohutukawa's financial performance for the half year to 30 June 2014, and the Manager's update on the portfolio performance and its outlook.

Portfolio Overview

Pohutukawa has to date realised proceeds of \$65.2 million from \$49.4 million invested. You have received back by way of capital and distributions \$1.09 gross per share.

The portfolio now comprises five investments along with the BioPacificVentures investment. New Zealand Pharmaceuticals and New Zealand King Salmon represent 83% of the portfolio and remain the primary focus.

All the shareholder capital available for Pohutukawa has been called and we still hold \$1.6 million of cash to fund any follow-on investments and working capital of the fund.

Current Portfolio

Macro conditions in New Zealand and Australia are steady at present. Significant initiatives are underway in individual companies to improve Company earnings in 2015 and beyond.

New Zealand Pharmaceuticals (NZP) is close to completing the substantial expansion and upgrade of its bile acids production plant. It is expected that the new plant will be certified and in full production by the end of 2014. A significant uplift in financial performance is expected in 2015, supported by this increased production capacity and strong levels of customer demand, and the outlook for NZP remains highly promising.

New Zealand King Salmon (NZKS) The Supreme Court ruled in April 2014 that approval for the three farms granted by the Environmental Protection Authority is to stand. NZKS has allocated significant capital and resources to development of the new farms which will increase production by 70% when fully operational. The company is now waiting for final

regulatory approvals before the farm licences can be utilised and planning has begun to develop the first site in early 2015.

Stratex has continued to position itself as an attractive specialist provider of packaging materials in the trans-Tasman market. The company continues to secure new contract success supporting the strategic expansion of its plant last year.

Fishpond is focussing on marketing, website optimisation, and growth initiatives. It has now completed a major overhaul of its inventory, ordering, fulfilment and financial reporting systems, providing it with greater management control and increased profitability in the current year.

Rodd & Gunn has seen Australasian sales for the core Rodd & Gunn business broadly in line with last year and a marked upturn in offshore markets. However the sustained strength of the NZD against the AUD has impacted the NZD profitability of the Australian operation.

Further commentaries on the individual portfolio companies are provided from page 5 onwards.

Follow-on Investments

There was one follow-on investment of \$262,629 made into Rodd & Gunn during the interim period.

The Manager's focus remains on providing financial support to our portfolio companies as required for their growth strategies. At 30 June 2014 we had cash available should portfolio companies require follow-on investments which meet our investment criteria.

Shareholder Distributions & Returns

Your original \$1.00 capital commitment was drawn down in three tranches between 2004 and 2008. You have so far received back by way of gross dividend and capital returns, \$1.09 gross (net \$1.01) per share from your original \$1.00 per share investment.

Although Pohutukawa received some dividend payments during the interim period the total was insufficient to warrant a distribution to shareholders.

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

Report to Shareholders

Investment Portfolio Composition as at 30 June 2014 (at investment cost)

Pohutukawa Investments as at 30 June 2014

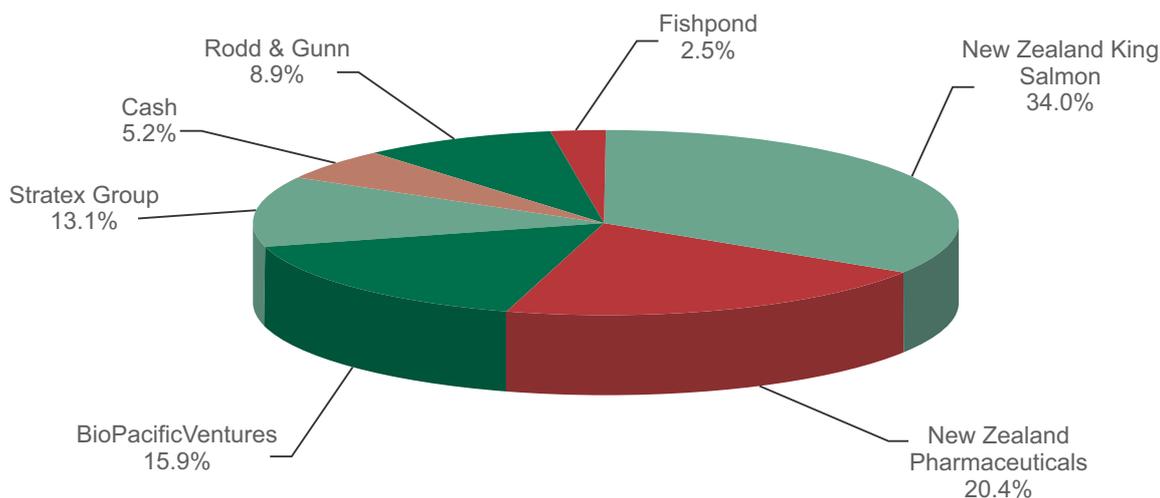


Table 1 Summary of Investor Returns

Gross Return to 30 June 2014	
Original investment	\$1.00
Gross Returns to Investors	
December 2007	0.35
November 2008	0.09
June 2009	0.02
December 2009	0.18
March 2010	0.10
March 2011	0.03
May 2012	0.32
Total Gross Return	1.09
Assessed Net Asset Value 30 June 2014*	0.52
Estimated Gross Return*	\$1.61
Estimated rate of return since inception to 30 June 2014**	10.2%

*Excludes manager's earnout currently estimated to be \$0.12

**IRR Includes allowance for manager's earnout

Investment Capital

Pohutukawa is able to invest up to \$53 million (original committed capital) in portfolio companies. Our total investments to date total \$49.4 million (comprising investments in and loans to portfolio companies). Pohutukawa is able to invest up to another \$3.6 million into the portfolio companies. Our preferred means to achieve close to the \$53 million investment in the portfolio companies is to utilise our cash reserves then, if required, re-invest initial capital as it is returned from portfolio companies. Pohutukawa may only continue to do this until a total of \$53 million has been invested in portfolio companies.

Portfolio Valuation

The Manager revalues the portfolio quarterly in line with the International Private Equity & Venture Capital (IPEV) valuation guidelines. The market value of the portfolio has softened since 31 December 2013. As at 30 June 2014 the portfolio investment value was \$26.1 million (excluding cash) or 49.2 cps, including cash and receivables approximately 52.5 cps. After allowing for the manager's earn-out of approximately 12.2 cps this leaves an estimated net asset backing of approximately 40 cps.



Report to Shareholders

Interim Financial Statements 30 June 2014

Our unaudited interim financial statements for the period ending 30 June 2014 are included in this interim report.

As at 30 June 2014 Pohutukawa had 53 million fully paid to \$1 shares (stapled securities) on issue.

At balance date shareholders' funds were \$27.8 million. Pohutukawa has no borrowings.

Assets comprised:

- | | |
|---|-----------------|
| ● Investments-equity | \$16.58 million |
| ● Cash | \$1.59 million |
| ● Loans and receivables (portfolio companies) | \$9.50 million |
| ● Other current assets | \$0.17 million |

Investments included revaluations of the portfolio as at 30 June 2014, under the fair value method.

The loans and receivables figure of \$9.50 million includes current assets of \$2.16 million and non-current assets of \$7.34 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 the parent company/Pohutukawa shareholders as a result of their investment in the preference shares of the Investment Companies.

Income was derived from interest \$30,704, dividend income \$300,755 and other fee income \$53,000. There was a decrease in fair value of the remaining investments of \$834,210 and an impairment of loans and receivables of \$861,175.

The loss for the period was \$1.83 million.

The Board is disappointed with the overall portfolio performance for this period after the very pleasing results achieved in prior periods, particularly in 2012 when we achieved the return of all original capital to shareholders.

The Board has expectations that the portfolio can generate worthwhile returns and make future distributions to shareholders.

Please continue to view the Pohutukawa website, www.pohutukawafund.co.nz from time to time for investment and news updates. We provide a news alert email service and if you would like to avail yourself of this service please contact the Manager.

Thank you for your ongoing support of Pohutukawa and if you have any queries regarding your investment please call your Investment Adviser or Peter Lalor at Pohutukawa Management on 07 577 4727.

Yours sincerely,
Pohutukawa Private Equity Limited

John McDonald
Chairman

Manager's Report on Portfolio Companies

Portfolio Performance Summary

The overall portfolio value has decreased from \$27.1 million to \$26.1 million since 31 December, principally on the back of lower earnings and increased debt in specific companies. NZKS continues work towards enhancing farm performance whilst NZP has used bank debt to finance its factory expansion. NZKS anticipate final consents to be granted for the three new salmon farm licences towards the end of 2014, which provides for a significant uplift in future production capacity. The Manager also expects to see increased earnings from the NZP plant expansion in 2015, which will then be applied to reduce bank debt.

Each of the portfolio companies continues to implement individual strategies to crystallise value, which will take time. These strategies are not without elements of measurable risk. The Manager is actively involved with each of the portfolio companies and working towards enhancing shareholder value. This is the Manager's focus within Pohutukawa.

Individual performance and prospects are highlighted in the portfolio company summaries that follow.

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com



Shareholder Statement as at 30 June 2014	Shareholding %	Number of Shares	Shareholder Loan
Pohutukawa	15.6	4,594,451	1,432,185
Direct Capital III	16.3	4,802,108	1,496,916
BioPacificVentures	13.9	4,103,489	1,279,142
Co-Investment	4.5	1,319,095	411,189
NZP Management	49.7	14,636,483	16,716,568
	100.0	29,455,626	21,366,000
Total Direct Capital shareholding 50.3%			

Background

New Zealand Pharmaceuticals Ltd ("NZP") is a specialty pharmaceutical intermediates manufacturer, focussed on the bile acids and carbohydrate chemicals sectors.

Performance

NZP is close to completing the expansion of its bile acids production plant, which will increase production capacity for NZP's key products by approximately 35% while future proofing regulatory compliance to enable the business to continue to supply GMP bile acids. The expansion of the facility represents a substantial step change for the business, leaving it well positioned to achieve its future growth targets.

Trading performance of the bile acids business has also been strong with the Company achieving its 2014 targets, despite the impact of the high NZD, and increasing levels of demand from a number of customers for the key bile acids products, provides strong

reinforcement for the Company's decision to expand the bile acids plant.

Positive progress also continues to be made with the fledgling carbohydrate business. In addition to providing NZP with a European base, the high quality Dextra subsidiary scientific staff have significantly enhanced NZP's R&D capabilities. A number of Dextra staff have been seconded to NZ and have helped the company develop a leadership position in R&D focused on new applications for bile acids.

Outlook

In addition to the plant expansion, the Company continues to invest in a number of R&D initiatives which are intended to support the existing business and develop new potential markets for NZP. A significant uplift in financial performance is expected in 2015, supported by the increased production capacity and levels of customer demand, and the outlook for NZP remains highly promising.

Manager's Report on Portfolio Companies

STRATEX GROUP

www.stratexgroup.co.nz



Shareholder Statement as at 30 June 2014	Shareholding %	Number of Shares	Shareholder Loan
Pohutukawa	32.8	3,598,812	393,587
Direct Capital III	42.6	4,668,049	511,287
Co-Investment	7.9	863,139	95,126
Stratex Management / Other	16.8	1,839,424	-
	100.0	10,969,424	1,000,000
Total Direct Capital shareholding 83.2%			

Background

Stratex is a manufacturer of complex (multi-layered) base materials used in the paper, food and industrial packaging markets of NZ and Australia. The Company extrudes and laminates polymer (plastic) and foil on to paper and film, producing products such as foil and non-foil food bags, food sachets, lidding materials, specialty cheese wraps, butter wrap, insulation materials, and mill wrap.

Performance

The Company is nearing the completion of its re-positioning strategy commenced in 2012. This strategy was developed in response to industry

consolidation activities. The strategy was implemented with the expectation that key customers, particularly in the food sector, would support alternative suppliers in the New Zealand and Australian packaging markets.

To benefit from industry consolidation and to leverage its strategic position as a locally based manufacturer of complex base materials, Stratex completed a significant investment in its print capability. This enabled the Company to achieve direct sales and technical relationships with end customers.

The industry's sales cycle is relatively long with highly technical product

development and trialling processes compounded by typical supply contracts being three to five years in duration. While the last two years has been challenging for the Company as it transitioned its business, it is now seeing the benefit of its 2012 investment with a large and building pipeline of product developments emerging.

Outlook

The Company is well-positioned to benefit from its re-positioning strategy, and the Manager expects to see a significant improvement in financial performance through 2014 and full-year 2015.

Manager's Report on Portfolio Companies

RODD & GUNN

www.roddandgunn.com



Shareholder Statement as at 30 June 2014	Shareholding %	Number of Shares
Pohutukawa	11.1	5,013,834
Direct Capital III	14.2	6,442,215
Co-Investment	2.5	1,143,951
R&G Management	72.2	32,750,000
	100.0	43,350,000
Total Direct Capital shareholding 27.8%		

Background

Rodd & Gunn is a retailer, with 89 Rodd & Gunn and 26 Bing Harris stores in malls, on high streets and in department store concessions throughout Australia and New Zealand.

Performance

Rodd & Gunn concluded its 2014 financial year at the end of June. Sales for the core Rodd & Gunn business were in line with last year in local currency terms. The full year NZD result was impacted by the sustained strength of the NZD against the AUD and the cost of establishing the Bing Harris brand.

Outlook

This financial year the Company is trading above a reasonably aggressive internal budget which is pleasing. This is a result of recent changes to the store network and supply chain, a new and improved financial management system, along with a focus on overheads. This is all against a backdrop of a challenging retail market in Australia.

Rodd & Gunn has made significant inroads into the US market through a lower risk wholesale model. The Company's products can now be purchased through large US department stores and websites. Its own website remains popular in offshore markets and particularly the UK.



Manager's Report on Portfolio Companies

NEW ZEALAND KING SALMON

www.kingsalmon.co.nz



Shareholder Statement as at 30 June 2014	Shareholding %	Number of Shares	Shareholder Loan*
Pohutukawa	10.8	2,721,682	7,583,422
Direct Capital III	14.4	3,636,689	10,132,906
BioPacificVentures	6.3	1,590,136	4,430,597
Co-Investment	10.2	2,570,243	7,140,266
Oregon	50.9	12,856,250	35,821,326
Management	7.5	1,892,695	4,698,775
	100.0	25,267,695	69,807,292
Total Direct Capital shareholding 41.6%			

*Currently set at 0% interest

Background

Based in Nelson with farms in Marlborough and employing 417 staff, NZKS is New Zealand's largest integrated aquaculture company specialising in the farming and processing of Chinook salmon. With operations including breeding, farming, processing and distribution, the company has developed its business to include a strong domestic market, plus achieving premium price positioning in export markets. It owns the strong consumer brands of Ora King, Regal and Southern Ocean.

Performance

In April 2014 the Supreme Court of New Zealand approved three out of four new salmon farms in Marlborough. The new farms represent the first new space to be allocated for salmon for over twenty years. Although excellent

progress has been made during the reporting period there remain a number of regulatory approvals required before the farms can be utilised. Planning has begun to develop the first site for early 2015.

Trading

Global prices have remained strong during the period as the demand for salmon continues to exceed supply. Over the last six months NZKS has experienced a further lift in market returns in all markets with increasing sales to premium food service. The continuing challenge is to improve farm performance. The company has allocated significant resources in this area and continues to make steady progress. There are significant benefits to be obtained from the utilisation of the new farms which will enable the Company to focus on achieving global

best practice benchmarks in biosecurity, sustainability and fish production.

Outlook

The company is now working through its five year plan which will identify overall capital requirements and timings for the implementation of the three new fish farms. This is an exciting period for the company and provides an opportunity to benefit from the significant investment and learnings of the past few years. Given the timing of the farm consents, volumes will now not lift until the 2016 financial year.

Manager's Report on Portfolio Companies

FISHPOND

www.fishpond.co.nz



Background

Fishpond is Australasia's largest local online retailer, offering a selection 20 million products, including books, toys, beauty, lifestyle, health, music, and game categories, and operates from a number of international websites.

Performance

Fishpond's earnings result for its March 2014 financial year was a much improved result over the previous financial year, where the Company had been impacted by system issues. Fishpond's innovative new integrated enterprise resource planning and line

Shareholder Statement as at 30 June 2014	Shareholding %	Number of Shares
Pohutukawa	4.5	24,806
Direct Capital III	5.8	32,223
Co-Investment	1.8	9,930
Management	88.0	489,571
	100.0	556,530
Total Direct Capital shareholding 12.0%		

item accounting systems are providing the business with an unprecedented level of tools to drive operational and financial performance, and has had five consecutive quarters of margin expansion since system upgrades were commenced.

Fishpond now operates with nearly 20 million products, sourced and distributed from two wholly owned offshore subsidiaries. The establishment of Fishpond's procurement subsidiaries has greatly expanded the Company's product base into a range of non book

categories, and now represent the majority of all sales.

Outlook

As at 30 June 2014, Fishpond was one quarter into its FY15 financial year, however trading to date has been satisfying, with earnings above expectation and the prior year. Fishpond's new product categories are growing and the business is operating more profitability than at any time in the previous few years. Fishpond expects to grow FY15 earnings substantially from the recently completed FY14 financial year.

BIOPACIFICVENTURES

www.biopacificventures.com



Pohutukawa committed 10% of its capital (\$5.3m) to BioPacific Ventures (BPV), a venture fund focused on the life sciences, food and agri-tech sectors, and in particular "wellness through prevention".

BPV has seven current investments and these represent 15.9% of the total Pohutukawa portfolio investment cost.

Activity of note includes:

Vital Foods is currently undertaking a large clinical trial to determine the effectiveness of its products as a treatment for Irritable Bowel Syndrome. This trial is being run in ten sites across Australia and New Zealand.

CoDa Therapeutics has completed its second Phase 2 trial targeting diabetic foot ulcers, non-healing ulcers that are suffered by people with diabetes. The Company is in the process of planning larger Phase 3 trials in diabetic foot ulcers and venous leg ulcers (in which a previous Phase 2 trial was completed).

Horizon Science has recently launched its patented extract, Benecarb, as a food ingredient. This will enable manufacturers to market their products as beneficial in managing blood sugar levels, which is important in the fight against the growing occurrence of obesity and diabetes.

BPV's two larger co-investments are with Direct Capital III / Pohutukawa in New Zealand Pharmaceuticals (NZP) and New Zealand King Salmon (NZKS).

These companies represent the five largest investments in the BPV portfolio.



Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2014

	<i>Note</i>	Unaudited 6 months Jun 2014	Unaudited 6 months Jun 2013	Audited 12 months Dec 2013
Interest Income		30,704	62,725	234,578
Dividend Income		300,755	361,590	361,590
Change in fair value of investments – equity securities	1d	(834,210)	(1,138,627)	(1,295,112)
Impairment of loans and receivables	2	(861,175)	-	-
Loss on realisation of investments	3	-	(957,899)	(957,899)
Other operating income - fees		53,000	53,000	106,000
Administrative expenses		(519,036)	(527,388)	(1,074,306)
Operating loss before tax		(1,829,962)	(2,146,599)	(2,625,149)
Tax expense		-	(8,982)	(8,981)
Loss after tax		(1,829,962)	(2,155,581)	(2,634,130)
Attributable to:				
Owners of the parent		36,166	120,858	354,909
Non-controlling interests	1c	(1,866,128)	(2,276,439)	(2,989,039)
Loss for the period		(1,829,962)	(2,155,581)	(2,634,130)
Other comprehensive income for the period		-	-	-
Loss for the period attributable to the equity holders of stapled securities		(1,829,962)	(2,155,581)	(2,634,130)



Financial Information

Consolidated interim statement of changes in equity

For the six months ended 30 June 2014

	Attributable to equity holders of the parent				Total equity
	Share capital	Retained earnings	Total	Non-controlling interest	
Unaudited					
Balance at 1 January 2014	35,835,787	(2,301,142)	33,534,645	(3,897,145)	29,637,500
Total comprehensive income	-	36,166	36,166	(1,866,128)	(1,829,962)
Balance at 30 June 2014	35,835,787	(2,264,976)	33,570,811	(5,763,273)	27,807,538
Unaudited					
Balance at 1 January 2013	35,835,787	(2,656,051)	33,179,736	(908,106)	32,271,630
Total comprehensive income	-	120,858	120,858	(2,276,439)	(2,155,581)
Balance at 30 June 2013	35,835,787	(2,535,193)	33,300,594	(3,184,545)	30,116,049
Audited					
Balance at 1 January 2013	35,835,787	(2,656,051)	33,179,736	(908,106)	32,271,630
Total comprehensive income	-	354,909	354,909	(2,989,039)	(2,634,130)
Balance at 31 December 2013	35,835,787	(2,301,142)	33,534,645	(3,897,145)	29,637,500



Financial Information

Consolidated interim statement of financial position

As at 30 June 2014

	<i>Note</i>	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Assets				
Loans and receivables	2	7,345,713	7,115,565	-
Investments – equity securities	3	16,580,203	17,185,967	17,029,479
Total non-current assets		23,925,916	24,301,532	17,029,479
Trade and other receivables	5	166,662	159,441	191,571
Loans and receivables	2	2,155,179	2,775,324	10,193,742
Cash and cash equivalents	4	1,588,358	2,905,773	2,282,091
Total current assets		3,910,199	5,840,538	12,667,404
Total assets		27,836,115	30,142,070	29,696,883
Equity				
Issued capital		35,835,787	35,835,787	35,835,787
Retained losses		(2,264,976)	(2,535,193)	(2,301,142)
Total equity attributable to equity holders of the parent		33,570,811	33,300,594	33,534,645
Non-controlling interest	<i>1c</i>	(5,763,273)	(3,184,545)	(3,897,145)
Total equity attributable to equity holders of stapled securities		27,807,538	30,116,049	29,637,500
Liabilities				
Trade and other payables		28,577	26,021	59,383
Total current liabilities		28,577	26,021	59,383
Total liabilities		28,577	26,021	59,383
Total equity and liabilities		27,836,115	30,142,070	29,696,883

For and on behalf of the Board

Director

5 September 2014

Date

Director

5 September 2014

Date



Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2014

	<i>Note</i>	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Cash flows from operating activities				
Cash receipts from fees		53,000	53,000	106,000
Interest received		37,209	58,075	103,695
Dividends received		300,755	361,590	361,590
Income taxes paid		-	(8,982)	(8,981)
Income tax refunded		-	11,482	10,437
Cash paid to suppliers		(531,438)	(566,861)	(1,083,662)
Net cash from operating activities	6	(140,474)	(91,696)	(510,921)
Cash flows from investing activities				
Acquisition of investments		(384,935)	-	-
Loans repaid by portfolio companies		140,263	141,996	141,996
Loans advanced to portfolio companies		(308,587)	(204,041)	(408,498)
Net cash from investing activities		(553,259)	(62,045)	(266,502)
Net movement in cash and cash equivalents		(693,733)	(153,741)	(777,423)
Cash and cash equivalents at 1 January		2,282,091	3,059,514	3,059,514
Cash and cash equivalents at end of period	4	1,588,358	2,905,773	2,282,091

Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies

Pohutukawa Private Equity Limited (the "Company") is a company incorporated and domiciled in New Zealand. The consolidated interim financial statements of the Company for the six months ended 30 June 2014 comprise the Company and 11 Investment Companies (30 June 2013:12) (together referred to as the "Group").

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

The interim financial statements were approved by the Directors on 5 September 2014.

(a) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalents to International Accounting Standard (NZ IAS) NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

(b) Basis of preparation

Pohutukawa Private Equity Limited and the Investment Companies are registered under the Companies Act 1993 and are issuers and reporting entities for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993. The Group is profit-oriented.

The financial statements are presented in New Zealand dollars, which is the Group's functional currency. They are prepared on the historical cost basis except that certain financial instruments are stated at their fair value.

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.

(c) Basis of consolidation

For every ordinary share held in Pohutukawa Private Equity Limited, investors also hold 100 preference shares in Pohutukawa Private Equity Limited as well as one preference share in each of the 11 Investment Companies. All of these shares are stapled securities. This stapling arrangement creates a business combination by contract alone without any individual entity obtaining an ownership interest. The Group has designated Pohutukawa Private Equity Limited as the acquirer and the parent entity for the purpose of preparing consolidated financial statements. The Investment Companies combining under the stapling arrangement are designated as the Investment Companies who invest in Portfolio Companies.

Investments in equity securities, which would normally be classified as investments in associates, are carried at fair value and are not equity accounted (see accounting policy 1d). This is due to the fact that the Group are private equity investors.

Special purpose entities

The Group has established a number of special purpose entities for investment purposes. Special purpose entities are consolidated when the Group concludes that it controls the special purpose entity.



Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

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.

(d) Investments in equity securities

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

The fair value of investment in equity securities measured at their fair value is their quoted bid price at the reporting date, if available, or valuations. Investments in unlisted equity securities are valued in accordance with the International Private Equity and Venture Capital Association Limited (IPEV) valuation guidelines.

(e) Loans and receivables (investments in debt securities)

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. For disclosure purposes they are classified as loans and receivables.



Financial Information

Notes to the consolidated interim financial statements

2. Loans and receivables

	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
New Zealand King Salmon Investments Limited ²	7,345,713	7,920,210	7,920,208
Rodd & Gunn Limited	-	119,377	119,377
NZP Holdings Limited ²	1,610,215	1,610,214	1,610,215
Stratex Group Limited	393,587	98,397	393,587
Horizon Science Pty Limited ¹	109,193	109,193	109,193
Rissington Breedline Limited ¹	19,441	26,251	26,251
Vital Food Processors Limited ¹	22,743	7,247	14,911
	9,500,892	9,890,889	10,193,742

¹ Loans through the investments by BioPacificVentures

² Loans through the investments by Pohutukawa Private Equity Limited & BioPacificVentures

Represented by

	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Non-current assets	7,345,713	7,115,565	-
Current assets	2,155,179	2,775,324	10,193,742
	9,500,892	9,890,889	10,193,742

The terms of the New Zealand King Salmon loan enable the capitalisation of the loans and interest into equity. The original term of the loan was five years, maturing in September 2013. The loan has been extended for a further five years, maturing in September 2018. The interest rate is set annually, currently 0% (30 June 2013: 0%). During the period no previously capitalised interest was repaid (30 June 2013: \$141,996). No interest income was accrued during the period relating to this loan (30 June 2013: Nil).



Financial Information

Notes to the consolidated interim financial statements

3. Investments

Non-current investments

The Group has a number of investments in unlisted equity securities. Group policy is to carry these investments at fair value with subsequent movements in fair value recognised in profit or loss. As there is currently no quoted market price for these securities, valuation techniques must be utilised to determine fair value.

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

The following details the unlisted equity securities held at 30 June 2014 at their cost price:

Entity name	Activities	Initial Acquisition date	Voting interest	Unaudited Jun 2014 Cost of acquisition	Unaudited Jun 2013 Cost of acquisition	Audited Dec 2013 Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.6%	4,775,157	4,775,157	4,775,157
BioPacificVentures	Private equity vehicle	Nov 2005	n/a	3,121,115	3,118,177	3,118,177
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812	3,598,812	3,598,812
Rodd & Gunn NZ Limited & Rodd & Gunn Australia Limited	Retail	Aug 2008	11.1%	2,972,487	2,590,481	2,590,481
NZ King Salmon Investments Limited	Food	Sept 2008	10.8%	2,721,682	2,721,682	2,721,682
Fishpond Limited	Online retail	Oct 2009	4.5%	772,348	772,348	772,348
				<u>17,961,601</u>	<u>17,576,657</u>	<u>17,576,657</u>



Financial Information

Notes to the consolidated interim financial statements

4. Cash and cash equivalents

	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Call deposits	110,509	224,621	176,286
Short-term deposits	1,477,849	2,681,152	2,105,805
	1,588,358	2,905,773	2,282,091

The majority of call deposits are held on short-term deposit with the ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a 100% subsidiary of Craigs Investment Partners Limited. The interest rate at 30 June 2014 was 2.95% (June 2013: 2.75%).

Short-term deposits are held with ANZ Bank New Zealand Limited for periods of up to 90 days and have interest rates ranging from 3.38% to 3.95% (June 2013: 3.63% to 3.64%).

5. Trade and other receivables

	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Goods and services tax receivable	-	456	3,262
Income tax receivable	290	-	290
Interest receivable	161,359	41,630	167,863
Other receivables	5,013	117,355	20,156
	166,662	159,441	191,571

6. Reconciliation of profit for the period with net cash from operating activities

	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Profit/(Loss) for the period	(1,829,962)	(2,155,581)	(2,634,130)
<i>Adjustments for:</i>			
Changes in fair value of investments - equity securities	834,210	1,138,627	1,295,112
Changes in fair value of investments - debt securities	861,175	-	-
Loss on realisation of investments	-	957,899	957,899
<i>Movements in Working Capital:</i>			
Change in trade and other receivables	24,903	(8,627)	(138,860)
Change in income tax receivable	-	11,481	10,437
Change in trade and other payables	(30,800)	(35,495)	(1,379)
Net cash from operating activities	(140,474)	(91,696)	(510,921)

Financial Information

Notes to the consolidated interim financial statements

7. Financial risk management

a) 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).

30 June 2014	Level 1	Level 2	Level 3	Total
Investments	-	-	16,580,203	16,580,203
30 June 2013	Level 1	Level 2	Level 3	Total
Investments	-	-	17,185,967	17,185,967
31 December 2013	Level 1	Level 2	Level 3	Total
Investments	-	-	17,029,479	17,029,479

There have been no transfers between levels during the period.

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	Unaudited Jun 2014	Audited Dec 2013
Opening balance	17,029,479	19,282,490
Total gains or (losses):		
Change in fair value – equity securities	(834,210)	(1,295,112)
Gain/(Loss) on disposal	-	(957,899)
Investments at cost during the period	384,934	-
Closing balance	<u>16,580,203</u>	<u>17,029,479</u>

Financial Information

Notes to the consolidated interim financial statements

7. Financial risk management (continued)

a) Fair value hierarchy (continued)

Total losses included in profit or loss for the period in the above table are presented in the statement of comprehensive income as follows:

Investments	Jun 2014	Dec 2013
Total losses included in profit or loss for the period	(834,210)	(2,253,011)
Total losses for the period included in profit or loss for assets held at the end of the reporting period	(834,210)	(1,295,112)

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(c) for sensitivity analysis with regards to the earnings multiple or adjustment factor.

b) Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 30 June 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 30 June 2014	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity instruments	\$16,580,203	Market approach using comparable traded multiples	EBITDA multiple Discount for lack of marketability	6.3 – 8.0 15% - 20%	The estimated fair value would increase if: <ul style="list-style-type: none"> • the EBITDA multiples were higher; or • the discount for lack of marketability were lower

Significant unobservable inputs are developed as follows:

EBITDA multiples:

Represent amounts that market participants would use when pricing the investments. EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA. Other factors that management consider are items such as the lack of marketability and other differences between the comparable peer group and specific company.



Financial Information

Notes to the consolidated interim financial statements

7. Financial risk management (continued)

b) Significant unobservable inputs used in measuring fair value (continued)

Discount for lack of marketability:

Represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Management determines the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors such as the developmental stage of the portfolio company, if any.

c) 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 \$981,532.

A movement in the adjustment factor of 5% changes the value of the investments by \$2,267,070.

A movement in the maintainable earnings of 5% changes the value of the investments by \$1,873,796.

The difference between the cost of \$17,961,601 (30 June 2013: \$17,576,657) and the carrying value of \$16,580,203 (30 June 2013: \$17,185,967) in the statement of financial position is shown as a fair value movement through profit or loss.



Notes to the consolidated interim financial statements

8. Related parties

a) Identity of related parties

The Company has a related party relationship with its Investment Companies, due to the ownership structure. Loans are made between the Company and the Investment Companies, which eliminate on consolidation.

Craigs Investment Partners Limited and Direct Capital Limited own 50% each of Pohutukawa Management Limited, the Manager of Pohutukawa Private Equity Limited. Craigs Investment Partners Limited and Direct Capital III Investments Partners LP are partners in Pohutukawa I Investment Holdings LP which is the holder of ordinary shares in the Investment Companies. Certain directors of the Company are also directors of Craigs Investment Partners Limited. Certain directors of the Investment Companies are also directors of Direct Capital Limited and Craigs Investment Partners Limited.

Direct Capital Limited is responsible for preparing valuations of investments.

b) Transactions with related parties

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

- Management fees paid to Pohutukawa Management Limited totalled \$385,277 (30 June 2013: \$407,768).
- Call deposits have been invested into ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited. At 30 June 2014 the balance held was \$110,450 (30 June 2013: \$224,549).

The terms and conditions of the transactions with key management personnel and their related parties are in accordance with the terms of the management agreement.

Additionally, loans were advanced by Pohutukawa Private Equity Limited to companies which the Investment Companies hold an ownership interest in (see Note 2).

c) Transactions with key management personnel

	Unaudited Jun 2014	Unaudited Jun 2013	Audited Dec 2013
Directors fees (total remuneration)	50,000	50,000	100,000

The balance owing to key management personnel at 30 June 2014 is \$25,000 (30 June 2013: \$25,000)

9. Subsequent events

There were no material subsequent events for the Group.



Auditor's Review Report



To the shareholders of Pohutukawa Private Equity Limited

We have completed a review of the interim financial statements on pages 10 to 22 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of Pohutukawa Private Equity Limited and its financial position as at 30 June 2014.

Directors' responsibilities

The Directors of Pohutukawa Private Equity Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 30 June 2014 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 10 to 22 do not give a true and fair view of the financial position of the Group as at 30 June 2014 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 5 September 2014 and our opinion is expressed as at that date.

5 September 2014
Tauranga



Directory

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John McDonald
Neil Craig
Maurice Prendergast
Mike Caird

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