

INTERIM REPORT

For the half year ended 30 June 2016



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Report to Shareholders

September 2016

Dear Shareholder

I am pleased to present Pohutukawa's 2016 Interim Report. The report includes the financial statements for the interim period to 30 June 2016 with commentary on the performances of our portfolio companies.

Portfolio Overview

Our shareholding in New Zealand Pharmaceuticals (NZP) was realised on 31 March 2016, which resulted in an initial distribution to shareholders of \$21.2 million or 40 cents per share (cps) on 13 April 2016, along with a further distribution of a residual amount in July 2016.

The remaining portfolio currently has three direct investments, plus an interest in BioPacificVentures. The largest remaining investment, New Zealand King Salmon (NZKS), represents approximately 80% of the remaining portfolio value at 30 June 2016. At the time of this report NZKS is in the process of being floated on the NZX and ASX.

At 30 June 2016 the portfolio fair value was \$13.9 million, plus \$7m of cash. Net Asset Value at 30 June 2016 (after provision for earnout) was 32 cps.

Distributions to Shareholders

Pohutukawa made a 40 cps capital payment on 13 April 2016, and subsequent to the end of the financial period a further 9.5 cps capital return was paid on 29 July 2016. Of the 49.5 cps distributed, 48 cps related to NZP proceeds, with the balance of distributions from other portfolio companies.

As at 30 June Pohutukawa had realised total investment proceeds of \$95.2 million (from a total of \$53 million subscribed capital) and you have received back by way of capital and imputed dividend returns an amount of \$1.51 gross per share from your original \$1.00 per share investment. Since balance date shareholders have received a further 9.5 cps which takes total distributions to approximately \$1.61 per share.

Table 1 Summary of Investor Returns

Gross Return to 30 June 2016	
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
May 2015	0.02
April 2016	0.40
Gross Return	1.51
Assessed Net Asset Value 30 June 2016*	0.32
Estimated Gross Return*	\$1.83

*Includes provision for earnout

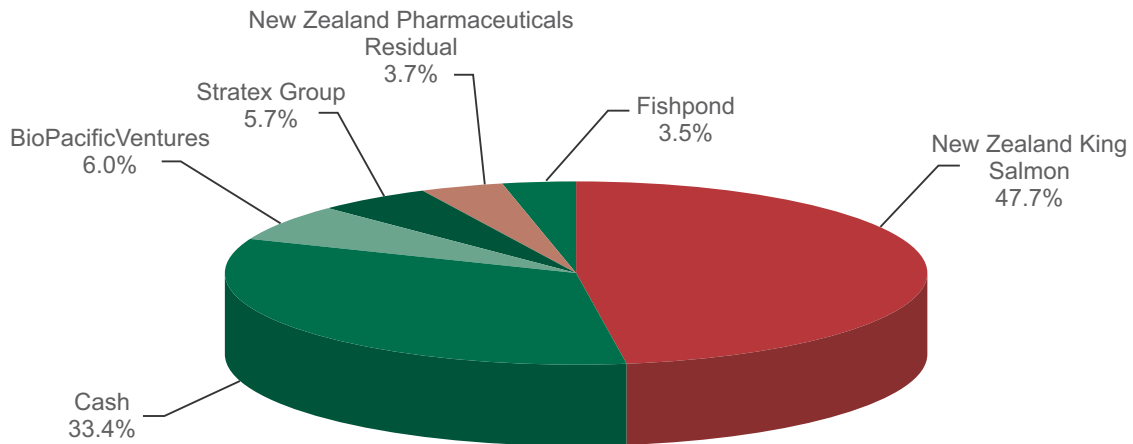
A summary of gross returns made to Shareholders is shown in Table 1.

Current Portfolio

- Pohutukawa received a further \$780,000 of NZP capital proceeds in July.
- New Zealand King Salmon (NZKS) produced a strong performance for their June year end, finishing well ahead of expectations. Highlights included achieving market prices 4% above budget and sales volumes up 9% on 2015. The early production performance at the two new farms is pleasing.
- Stratex continues to improve its revenue and earnings with a significant new print contract already contributing to revenues.
- Fishpond performed well in the June quarter, in line with expectations and above the prior year. Year on year revenue growth of 9% was achieved.

Report to Shareholders

Chart 1: Pohutukawa Investment Mix 30 June 2016 (at cost)



Portfolio company strategies and follow-on Investments

New Zealand King Salmon has indicated it will require up to \$30 million in new capital to fund future investment and provide working capital to cover increased production and sales levels.

On 29 August 2016 New Zealand King Salmon confirmed its intention to undertake an initial public offering (IPO) of shares in New Zealand.

The purpose of the offer is to:

- raise \$30 million of primary capital for New Zealand King Salmon to fund future investment and working capital, repay debt and
- to enable existing shareholders (including Pohutukawa) to realise some or all of their investment.

Pohutukawa shareholders are being catered for in the IPO with the creation of a Pohutukawa preference pool should shareholders choose to participate. If the NZKS IPO proceeds as planned, this will be another significant milestone for the Fund.

For our remaining portfolio companies, the focus remains on providing financial support as required for their growth strategies. We have sufficient cash available should portfolio companies require modest follow-on investment

which meets our investment criteria. The investment manager continues its disciplined approach to ensuring any further follow-on investment is deployed to crystallise value in the remaining companies.

Portfolio Position

The total value of the portfolio company investments (excluding cash) at the end of the financial period to 30 June 2016 was \$13.9 million.

Chart 1 shows a breakdown of our investment mix and cash position at 30 June 2016.

Portfolio Company Investment Valuations

The Manager revalues the portfolio company investments each quarter using the International Private Equity & Venture Capital valuation guidelines. Revaluations are completed for all portfolio companies.

At 30 June 2016 the Manager valued the investments at \$13.9 million. This value includes shareholder loans that the Pohutukawa group has made to portfolio companies. The company revaluations are where applicable based on the respective company financial performances to 30 June 2016.



Report to Shareholders

Interim Financial Statements 30 June 2016

Our interim financial statements for the half year ended 30 June 2016 and KPMG's Audit Review are included in this report.

As at 30 June 2016 Pohutukawa had 53 million stapled securities on issue, fully paid to \$1.

At the interim balance date shareholder funds were \$17 million, equivalent to a net asset backing of 32 cps. The Fund is in a strong financial position.

Assets comprised:

• Investments	\$3.8 million
• Loans to Portfolio Companies*	\$9.1 million
• Cash	\$7.0 million
• Receivables	\$1.4 million

*Loans to portfolio companies are direct shareholder loans made by Pohutukawa to these companies on the same basis as other shareholders in these investee companies.

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

Interest income of \$377,233 was received from our bank deposits and recognised from shareholder loans. There was other income of \$50,032.

The investment portfolio was re-valued under the fair value method at 30 June 2016. There was a \$2.49 million positive movement in the fair value of investments. There was reversal of a loan impairment of \$687,227 relating to New Zealand King Salmon, and there was a \$3.7 million gain on realisation of the investment in New Zealand Pharmaceuticals.

Administrative expenses were \$494,661, (June 2015: \$515,101). There was increase in provision for earnout of \$1.3m.

The profit for the financial period was \$5.52 million, compared to a \$520,394 loss recorded in June 2015.

During the period, earnout of \$6.77 million was distributed to the ordinary shareholder, Pohutukawa I Investment Holdings LP.

An earnout provision of \$4.24 million remains in the accounts for the period. Subsequent to the end of the period, further earnout of \$1.25 million was distributed to the ordinary shareholder, by way of a capital distribution.

Earnout is calculated at 20% of the net returns of Pohutukawa, provided first that shareholders have received back in distributions their original investment plus a pre-tax compound return of 8% per annum.

We will continue to keep you informed of any material portfolio developments through press announcements, or news updates on our website.

Secondary Market

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

The last sale price was 19 cents which was after the 9.5cps July distribution.

Thank you for your ongoing support of Pohutukawa Private Equity.

If you have any queries regarding your investment in Pohutukawa, please call your Investment Adviser or Peter Lalor at Pohutukawa Management on 07 927 7927.

Yours sincerely
POHUTUKAWA PRIVATE EQUITY LIMITED

John McDonald
Chairman



Manager's Report on Portfolio Companies

The Manager is pleased to report on the successful portfolio performance for the interim period to 30 June 2016.

The highlight of the period was settlement of the realisation of our shares in New Zealand Pharmaceuticals (NZP) on 31 March 2016, after having held the investment for more than ten years. During our investment the company grew its business materially, and generated significant imputed dividends – a key objective at the outset of our investment.

NZP proceeds provided capital returns to preference shareholders of 48 cps. This also included the realisation of the NZP investment held through BioPacificVentures.

New Zealand Pharmaceuticals and New Zealand King Salmon (NZKS) comprised the majority of the investment portfolio. With NZP's realisation, NZKS now comprises the bulk of the remaining portfolio value.

As each of the remaining portfolio companies implements and refines its growth strategy the Manager continues to be actively engaged and contributes on the board of each portfolio company.

The Manager continues to encourage the remaining portfolio companies to focus on value generating initiatives. We continue to review opportunities to crystallise value as circumstances present.

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

Manager’s Report on Portfolio Companies

NEW ZEALAND KING SALMON

www.kingsalmon.co.nz



Date of Original Investment	Industry	Stage	Total Investment Cost \$000	Shareholding %
September 2008	Food	Expansion	\$10,396	10.8*

* Total shareholding managed by Direct Capital 41.6%

Background

Based in Nelson with farms in Marlborough and employing over 400 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 along with a wide variety of value-added products such as smoked salmon, fillets, tailored portions and kebabs. It owns the strong consumer brands of Ora King, Regal and Southern Ocean.

Initial Public Offer

On 29 August Pohutukawa shareholders were advised that NZKS had announced its intention to undertake an initial public offering of shares and to list on the NZX Main Board and ASX.

Pohutukawa directors view the potential listing as a positive development for the fund and also confirmed that shareholders who are New Zealand resident clients of NZX Firms will be entitled to participate in the proposed offer and will receive an allocation preference. Initial expressions of interest from Pohutukawa shareholders has been very pleasing and is further reinforcement of the role of Pohutukawa Private Equity.

IPO Announcement

On 23 September 2016 NZKS confirmed the initial public offer would proceed and the company has lodged its Public Disclosure Statement. Following a successful book build the shares were priced at \$1.12 with the company looking to raise new capital of \$30 million to repay debt, fund future investment and working capital. As part of the Offer, Pohutukawa is expected to realise its entire shareholding in NZKS.

The offer period is scheduled to open on Monday 3 October 2016 and close on Friday 14 October 2016.



Manager's Report on Portfolio Companies

STRATEX GROUP

www.stratexgroup.co.nz



Date of Original Investment	Industry	Stage	Total Investment Cost \$000	Shareholding %
May 2007	Manufacturing	MBO	\$4,386	32.8*

* Total shareholding managed by Direct Capital 83.2%

Background

Stratex is a manufacturer of complex base materials used in the paper, food and industrial packaging markets of NZ and Australia. Stratex 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's operating performance is materially improving following a three year investment programme repositioning the company to provide direct supply to FMCG brand customers in the food sector. The achievements to date will ensure continuing growth in the business.

The full-year result for the company's financial year reflected revenue growth of 17% over 2015 and earnings growth of 35% over 2015. During the year the company also incurred a number of start-up trialling costs associated with specific product trials which will drive further increases in sales for the 2017 year.

In addition during the year the company has relocated a second laminator from Sydney to Auckland specifically for a significant new contract which starts production during the current quarter.

For the first trading quarter of the 2017 year the company achieved both revenue and earnings results which was pleasing ahead of the prior comparative

period. The result against budget reflects full year revenue growth of 14% and a doubling of earnings.

Outlook

Successful implementation of recent contracts secured, will position the business as a strong and attractive participant in the regional packaging market. The Manager continues to review the expected capital requirements to support the forecast growth and the sources of this funding.



Manager's Report on Portfolio Companies

FISHPOND

www.fishpond.co.nz



Date of Original Investment	Industry	Stage	Total Investment Cost \$000	Shareholding %
October 2009	Online retail	Expansion	\$772	4.5*

* Total shareholding managed by Direct Capital 11.3%

Background

Fishpond is a leading e-commerce and fulfilment business that lists, sells and ships millions of products through its own retail channels (including fishpond.co.nz and fishpond.com.au) and via its WorldFront platform, which provides access to the largest marketplaces around the world.

Performance

Fishpond completed its March 2016 financial year with revenue and earnings above both expectations and the prior year. The business has experienced a strong start to its new financial year, with Fishpond's WorldFront platform generating significant growth from marketplaces around the world.

During the year WorldFront achieved a number of notable milestones, including securing leading seller positions on

major international marketplaces, and the signing of a memorandum of understanding with Matahari Mall that will see WorldFront expand Matahari's product listings on its own website and the export of their proprietary products to other marketplaces around the world.

Outlook

Fishpond is well positioned to continue its growth trajectory by leveraging its proprietary WorldFront e-commerce and fulfilment platform.





Manager's Report on Portfolio Companies

BIOPACIFICVENTURES

www.biopacificventures.com



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

Most of the BPV investments are focused on early stage businesses, which by their nature are high risk; New Zealand King Salmon being the exception. These early stage investments present Pohutukawa with

its main investment risk exposures, mitigated to a large degree as the investments are small as a percentage of the overall portfolio.

There have been eleven investments. With the recent realisation of NZP this has reduced the remaining BPV investments to three including: CoDa Therapeutics (drug development for healing chronic wounds); Vital Foods (kiwi-fruit based digestive health products); and New Zealand King Salmon.

The realisation of NZP provided BPV with its most significant investment return to date. A successful IPO for NZKS will enable BPV to deliver most of its investment cost back to Pohutukawa.



Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2016

	<i>Note</i>	Unaudited 6 months Jun 2016	Unaudited 6 months Jun 2015	Audited 12 months Dec 2015
Interest Income		377,233	38,254	213,523
Dividend Income		-	16,074	88,500
Change in fair value of investments – equity securities	3	2,490,868	(19,675)	14,335,115
Impairment of loans and receivables		-	(92,946)	(106,958)
Reversal of impairment of loans and receivables		687,227	-	1,544,233
Gain/(Loss) on realisation of investments		3,753,324	-	-
Other operating income - fees		50,032	53,000	106,000
Administrative expenses		(494,661)	(515,101)	(1,023,839)
(Increase)/Decrease in Earnout provision	6	(1,340,910)	-	(9,672,243)
Operating profit/(loss) before tax		5,523,113	(520,394)	5,484,331
Tax expense		-	-	-
Profit/(Loss) after tax		5,523,113	(520,394)	5,484,331
Attributable to:				
Owners of the parent		5,672,057	(1,851)	(9,626,061)
Non-controlling interests	1 c	(148,944)	(518,543)	15,110,392
Profit/(Loss) for the period		5,523,113	(520,394)	5,484,331
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period attributable to the equity holders of stapled securities		5,523,113	(520,394)	5,484,331



Financial Information

Consolidated interim statement of changes in equity

For the six months ended 30 June 2016

	Note	Attributable to equity holders of the parent			Non-controlling interest	Total equity
		Share capital	Retained losses	Total		
Unaudited						
Balance at 1 January 2016		35,440,397	(11,861,509)	23,578,888	9,131,762	32,710,650
Total comprehensive income		-	5,672,057	5,672,057	(148,944)	5,523,113
Redemption of share capital	7	(5,551,102)	-	(5,551,102)	(15,648,898)	(21,200,000)
Balance at 30 June 2016		29,889,295	(6,189,452)	23,699,843	(6,666,080)	17,033,763
Unaudited						
Balance at 1 January 2015		35,835,787	(2,235,448)	33,600,339	(5,308,068)	28,292,271
Total comprehensive income		-	(1,851)	(1,851)	(518,543)	(520,394)
Redemption of share capital	7	(395,390)	-	(395,390)	-	(395,390)
Distributions to equity holders	7	-	-	-	(670,562)	(670,562)
Balance at 30 June 2015		35,440,397	(2,237,299)	33,203,098	(6,497,173)	26,705,925
Audited						
Balance at 1 January 2015		35,835,787	(2,235,448)	33,600,339	(5,308,068)	28,292,271
Total comprehensive income		-	(9,626,061)	(9,626,061)	15,110,392	5,484,331
Redemption of share capital	7	(395,390)	-	(395,390)	-	(395,390)
Distributions to equity holders	7	-	-	-	(670,562)	(670,562)
Balance at 31 December 2015		35,440,397	(11,861,509)	23,578,888	9,131,762	32,710,650



Financial Information

Consolidated interim statement of financial position

As at 30 June 2016

	<i>Note</i>	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Assets				
Loans receivable	2	8,298,545	6,083,329	7,611,317
Investments – equity securities	3	3,769,960	17,872,038	32,226,828
Total non-current assets		12,068,505	23,955,367	39,838,145
Trade and other receivables	5	1,420,342	142,976	322,565
Loans receivable	2	817,867	887,216	817,867
Cash and cash equivalents	4	7,001,251	1,749,770	1,457,166
Total current assets		9,239,460	2,779,962	2,597,598
Total assets		21,307,965	26,735,329	42,435,743
Equity				
Issued capital		29,889,295	35,440,397	35,440,397
Retained losses		(6,189,452)	(2,237,299)	(11,861,509)
Total equity attributable to equity holders of the parent		23,699,843	33,203,098	23,578,888
Non-controlling interest	<i>1 c</i>	(6,666,080)	(6,497,173)	9,131,762
Total equity attributable to equity holders of stapled securities		17,033,763	26,705,925	32,710,650
Liabilities				
Trade and other payables		34,110	29,404	52,850
Earnout provision		1,258,750	-	-
Total current liabilities		1,292,860	29,404	52,850
Earnout provision		2,981,342	-	9,672,243
Total non-current liabilities		2,981,342	-	9,672,243
Total liabilities		4,274,202	29,404	9,725,093
Total equity and liabilities		21,307,965	26,735,329	42,435,743

For and on behalf of the Board

Director

7 September 2016

Date

Director

7 September 2016

Date

Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2016

	<i>Note</i>	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Cash flows from operating activities				
Cash receipts from fees		50,032	53,000	106,000
Interest received		84,204	86,288	70,841
Dividends received		48,138	16,074	40,365
Income tax refunded		-	-	-
Cash paid to suppliers		(586,394)	(669,784)	(1,039,091)
Distribution of earnout	6	(6,773,061)	-	-
Net cash from operating activities		(7,177,081)	(514,422)	(821,885)
Cash flows from investing activities				
Proceeds from sale of investments		33,921,166	620,697	-
Acquisition of investments		-	-	-
Loans repaid by portfolio companies		-	885,862	1,816,608
Loans advanced to portfolio companies		-	(98,397)	(393,587)
Net cash from investing activities		33,921,166	1,408,162	1,423,021
Cash flows from financing activities				
Redemption of preference shares		(21,200,000)	(395,390)	(395,390)
Distributions to equity holders		-	(670,562)	(670,562)
Net cash from financing activities		(21,200,000)	(1,065,952)	(1,065,952)
Net movement in cash and cash equivalents		5,544,085	(172,212)	(464,816)
Cash and cash equivalents at 1 January		1,457,166	1,921,982	1,921,982
Cash and cash equivalents at end of period	4	7,001,251	1,749,770	1,457,166

Reconciliation of profit/(loss) for the period with net cash from operating activities

	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Profit/(Loss) for the period	5,523,113	(520,394)	5,484,331
<i>Adjustments for:</i>			
Changes in fair value of investments - equity securities	(2,490,868)	19,675	(14,335,115)
(Reversal)/Impairment of loans receivable	(687,227)	92,946	(1,437,275)
Capitalised interest received	-	44,852	-
(Gain)/Loss on sale of investments	(3,753,324)	-	-
<i>Movements in Working Capital:</i>			
Change in trade and other receivables	(317,883)	(83,633)	(197,085)
Change in income tax receivable	-	-	-
Change in trade and other payables	(18,741)	(67,868)	(8,984)
Change in earnout provision	(5,432,151)	-	9,672,243
Net cash from operating activities	(7,177,081)	(514,422)	(821,885)

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 2016 comprise the Company and 9 Investment Companies (30 June 2015:11) (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 2015.

The interim financial statements were approved by the Directors on 7 September 2016.

(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 2015.

(b) Basis of preparation

The Parent Company is a FMC Reporting Entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. This is the first period under which the Company has been required to prepare financial statements under this legislation. This has not changed the obligation to prepare financial statements, except that the Parent Company will no longer need to present its own financial statements in addition to those of the Group.

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 judgments, 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 (2015:11) 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.



Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

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.

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 Pohutukawa I Investment Holdings Limited Partnership, 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 Pohutukawa I Investment Holdings Limited Partnership 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 (IPEV) valuation guidelines.



Financial Information

Notes to the consolidated interim financial statements

2. Loans receivable

	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
New Zealand King Salmon Investments Limited ²	8,298,545	6,083,329	7,611,316
NZP Holdings Limited ²	-	370,007	-
Stratex Group Limited	787,174	491,984	787,174
Coda Therapeutics ¹	5,469	-	5,469
Vital Food Processors Limited ¹	25,225	25,225	25,225
	9,116,412	6,970,545	8,429,184

¹ Loans through the investments by BioPacificVentures

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

Represented by

	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Non-current assets	8,298,545	6,083,329	7,611,316
Current assets	817,867	887,216	817,868
	9,116,412	6,970,545	8,429,184

The terms of the New Zealand King Salmon loan enable the capitalisation of the loan 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 8.5% (30 June 2015: 0%). During the period no previously capitalised interest was repaid (30 June 2015: \$48,499). Interest income of \$227,929 was accrued during the period relating to this loan (30 June 2015: 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 2016 at their cost price:

Entity name		Initial Acquisition date	Voting interest	Unaudited Jun 2016 Cost of acquisition	Unaudited Jun 2015 Cost of acquisition	Audited Dec 2015 Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	-	-	4,775,157	4,775,157
BioPacificVentures	Private equity vehicle	Nov 2005	n/a	1,117,719	2,721,192	2,721,193
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812	3,598,812	3,598,812
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
				8,210,561	14,589,191	14,589,192



Financial Information

Notes to the consolidated interim financial statements

3. Investments (continued)

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 2016	Level 1	Level 2	Level 3	Total
Investments	-	-	3,769,960	3,769,960
30 June 2015	Level 1	Level 2	Level 3	Total
Investments	-	-	17,872,038	17,872,038
31 December 2015	Level 1	Level 2	Level 3	Total
Investments	-	-	32,226,828	32,226,828

There have been no transfers between levels during the period.

Financial Information

Notes to the consolidated interim financial statements

3. Investments (continued)

a) Fair value hierarchy (continued)

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

Investments	Unaudited Jun 2016	Audited Dec 2015
Opening balance	32,226,828	17,891,713
Total gains or (losses):		
Change in fair value – equity securities	2,490,868	14,335,115
Gain/(Loss) on disposal	3,753,324	-
Investments at cost during the period	-	-
Divestments	(34,701,060)	-
Closing balance	3,769,960	32,226,828

Total gains/(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 2016	Dec 2015
Total gains/(losses) included in profit or loss for the period	6,244,192	14,335,115
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	2,490,868	14,335,115

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

b) Significant unobservable inputs used in measuring fair value

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 considers to be reasonable include considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

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.

Financial Information

Notes to the consolidated interim financial statements

3. Investments (continued)

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 \$502,022. A movement in the adjustment factor of 5% changes the value of the investments by \$1,004,841. A movement in the maintainable earnings of 5% changes the value of the investments by \$874,014.

d) Gain/(Loss) on sale of investments

The sale of the investment in NZP Holdings Limited resulted in the net gain on sale of \$3,753,324 against its previous recognised fair value. This has been recognised as a profit in the Statement of Comprehensive Income.

4. Cash and cash equivalents

	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Call deposits	6,064,484	845,427	535,742
Short-term deposits	936,767	904,343	921,424
	<u>7,001,251</u>	<u>1,749,770</u>	<u>1,457,166</u>

The majority of call deposits are held on short-term deposit with 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 2016 was 2.60% (June 2015: 3.55%).

Short-term deposits are held with ANZ Bank New Zealand Limited for periods of up to 90 days and have interest rates ranging from 2.83% to 2.88% (June 2015: 4.00% to 4.11%).

5. Trade and other receivables

	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Goods and services tax receivable	-	-	7,482
Income tax receivable	15	15	15
Interest receivable	401,922	5,694	151,556
Proceeds from sale of investment held in escrow	779,894	-	-
Fishpond dividend receivable	-	-	48,138
Other receivables	238,511	137,267	115,374
	<u>1,420,342</u>	<u>142,976</u>	<u>322,565</u>

Financial Information

Notes to the consolidated interim financial statements

6. Earnout Provision

	Unaudited Jun 2016	Unaudited Jun 2015	Audited Dec 2015
Opening provision	9,672,243	-	-
Change in provision due to change in fair value of investments	1,340,910	-	9,672,243
Payment of earnout during the period	(6,773,061)	-	-
Closing Earnout Provision	4,240,092	-	9,672,243

In accordance with clause 11 of the Prospectus the earnout holder is entitled to earnout calculated at 20% of net returns to Pohutukawa Private Equity Limited provided investors have received back their original investment together with further distributions producing a pre-tax compound hurdle rate of 8.0% per annum on Called Capital. As at 30 June 2016 the estimated earnout is calculated at \$4,240,092, however this calculation is based on unrealised portfolio company fair value valuations of \$3,769,960 and loans receivable of \$9,896,305 being fully recovered. Movements in the provision due to changes in the fair value of investments are recognised in profit or loss.

7. Share Capital

Distributions of \$21,200,000 (\$0.40 per share) were declared during the year by companies with the Group (2015: \$1,065,952, \$0.021 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.

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.



Auditor's Review Report

Notes to the consolidated interim financial statements

8. Related parties (continued)

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 \$328,369 (30 June 2015: \$385,277).
- 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 2016 the balance held was \$6,064,484 (30 June 2015: \$845,427).
- Pohutukawa I Investment Holdings Limited Partnership received an earnout distribution of \$6,773,061 during the period.

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 2016	Unaudited Jun 2015	Audited Dec 2015
Directors fees (total remuneration)	50,000	50,000	100,000

The balance owing to directors at 30 June 2016 is \$25,000 (30 June 2015: \$25,000)

9. Subsequent events

On 29 July 2016 a capital distribution of 9.5cps was paid to preference shareholders.

On 29 July 2016, Earnout was also distributed to the Ordinary shareholder, Pohutukawa I Investment Holdings LP by way of a capital distribution of \$1,258,750.

New Zealand King Salmon on the 29th August confirmed its intention to undertake an initial public offering of shares in New Zealand.

Auditor's Review Report



To the shareholders of Pohutukawa Private Equity Limited

We have completed a review of the interim financial statements of Pohutukawa Private Equity Limited on pages 10 to 22 which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 6 months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in the independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group's shareholders as a body, for our review work, this report or any of the conclusions we have formed.

Directors' responsibilities

The directors of Pohutukawa Private Equity Limited are responsible for the preparation and fair presentation of interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting. As the auditor of Pohutukawa Private Equity Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

In addition to our capacity as auditors our firm has also provided other services to the Group in relation to other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with Pohutukawa Private Equity Limited 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 Group. The firm has no other relationship with, or interest in, the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of Pohutukawa Private Equity Limited do not present fairly, in all material respects, the financial position of the Group as at 30 June 2016, and of its financial performance and its cash flows for the 6 months ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

A handwritten signature of the KPMG firm, written in blue ink. The letters are stylized and cursive, matching the blue color of the printed KPMG logo above.

7 September 2016
Tauranga



Directory

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John McDonald
Maurice Prendergast
Neil Craig
Mike Caird

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