Pohutukawa

PRIVATE EQUITY LIMITED

ANNUAL REPORT

For the year ended 31 December 2013

Contents

Report to Shareholders

9 April 2014

Dear Shareholder

I am pleased to present Pohutukawa'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 their prospects for 2014.

Portfolio Overview

Pohutukawa has to date realised total investment proceeds of $64.79 million (from a total of $49 million invested) and you have received back by way of capital and imputed dividend returns an amount of $1.09 gross per share from your original $1.00 per share investment.

Seven of the original twelve investments in Pohutukawa have been realised at a weighted average investment multiple of 2.6 times. The portfolio now comprises five direct investments along with BioPacificVentures, with the largest two (New Zealand Pharmaceuticals and New Zealand King Salmon) representing more than 80% of the remaining value.

Trading within the portfolio has this year been challenging. We do not see operating performances in the year ahead showing any material improvement. Each of the companies continue to implement their individual game plans which contain bold initiatives.

As you are aware, we have called all the capital available in Pohutukawa and we still hold $2.3m of cash to fund any follow-on investments and working capital of the fund.

Distributions to Shareholders

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

Net asset backing at 31 December 2013 (after a provision for the manager's earnout) is 43 cents per share (cps).

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

Current Portfolio

2013 was a challenging year for the portfolio.

New Zealand Pharmaceuticals (NZP) is progressing a major plant upgrade in order to increase its manufacturing capacity. The upgrade is on target for completion before Christmas 2014. The capital expenditure is in the region of $12 million, funded by bank debt.

New Zealand King Salmon (NZKS) continued to face ongoing issues with fish production, leaving the company unable to satisfy client demand for product, at a time when global salmon prices are at a historical high. NZKS also faces ongoing costs associated with the Environmental Protection Authority (EPA) licence application appeal process which has now reached the Supreme Court. Providing there is a successful appeal outcome and the farms are successfully established, the new farm consents should add significant shareholder value through the potential for increased production. NZKS recommenced recognising interest on shareholder loans from September 2013.

Stratex has faced strong competition resulting from industry consolidation and has completed a substantial plant upgrade in order to enhance its competitive position.

Table 1 - Summary of Investor Returns

Gross Return to 31 December 2013		
Original investment	**$1.00**	
Gross Return 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 31 December 2013*		**0.56**
Estimated Gross Return*		**$1.65**

** Excluding manager's earnout currently estimated to be $0.13*

Report to Shareholders

We realised our investment in Shears & Mac which resulted in a material loss. This represents an unsatisfactory financial outcome for Pohutukawa.

Fishpond has worked through a major overhaul of its inventory ordering and fulfilment system, and financial reporting system, providing it with greater management controls. Its performance continues to improve.

Rodd & Gunn has experienced tough trading conditions with the soft consumer sector in Australia. The weakening of the AUD relative to the NZD also made trading challenging for all NZ retailers operating in Australia.

Further commentaries on the individual portfolio companies are provided from page 9 onwards.

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 impact on profitability.

Follow-on Investments

The only follow-on investment in the portfolio companies during the year, was a further $394,000 to Stratex to fund a plant upgrade. Direct Capital and Pohutukawa have made an investment commitment to provide up to $1 million to Stratex over the 2013 – 2014 period. As part of our BioPacificVentures (BPV) commitment we made a small follow-on investment during the year into Vital Foods.

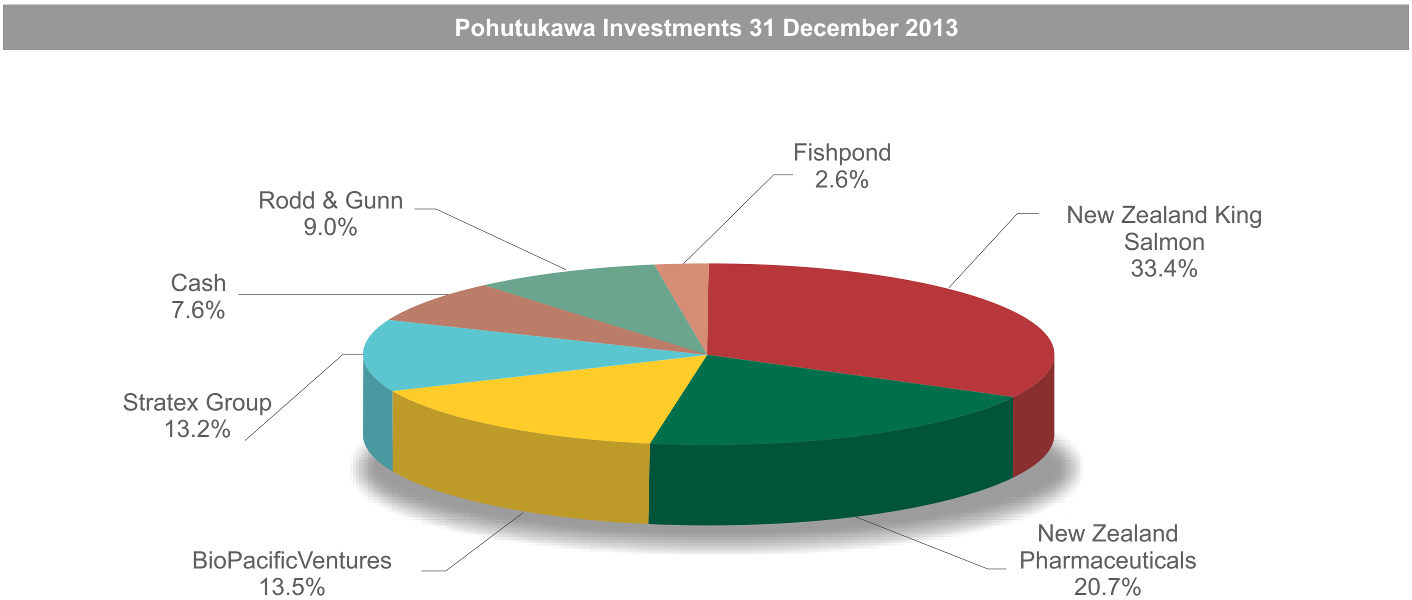
Our focus remains on providing financial support to our portfolio companies as required for their growth strategies. At 31 December 2013 we had cash of $2.3 million available should portfolio companies require follow-on investments which meet our investment criteria.

Portfolio Position

The total value of investments (excluding cash) at the end of the financial period to 31 December 2013 was $27.2 million (2012: $29.2 million).

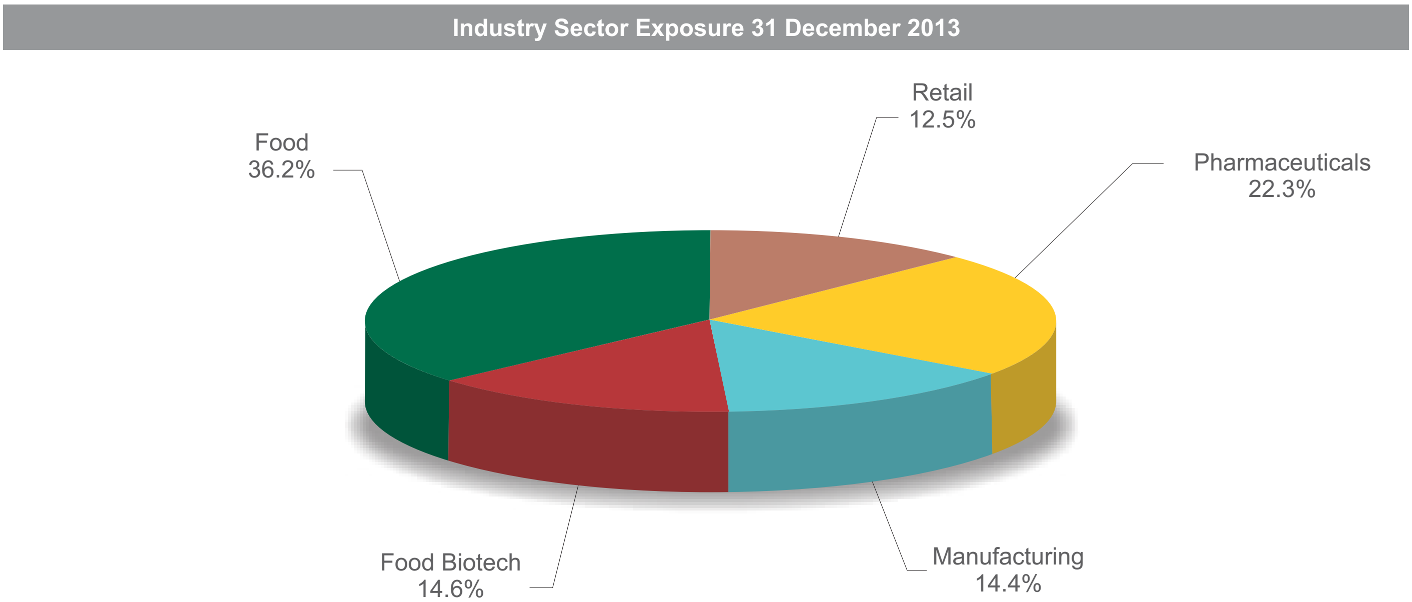
A breakdown of our investments and cash position at 31 December 2013 are shown in *Chart 1*, while *Chart 2* shows the investment portfolio's industry sector weightings.

Chart 1 - Pohutukawa investments at cost



Report to Shareholders

Chart 2 - Industry sector exposure



Portfolio Company Investment Valuations

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

At 31 December 2013 the Manager valued the investments at $27.2 million. This value includes shareholder loans that the Pohutukawa group has made to portfolio companies.

Table 2 shows the cost of the investments at $27.8 million, 2.0% above current valuation. This comparison does not though recognise returns such as dividends and interest from these investments. The company revaluations are based on the respective company financial performances to 31 December 2013.

Table 2 *Summary of Portfolio Company Investments*

Summary of Investments to 31 December 2013	Date of Investment	Industry	Investments at Cost (NZ$000)	Pohutukawa Shareholding %
Direct Investments				
NZP Holdings Limited	18 Nov 05	Pharmaceutical	6,207	15.6
Stratex Group Limited	1 May 07	Manufacturing	3,992	32.8
Rodd & Gunn NZ-Australia Limited	29 Jul 08	Retail	2,710	11.9
New Zealand King Salmon Investments Limited	22 Sep 08	Food	10,046	10.8
Fishpond Limited	12 Oct 09	Retail	772	4.5
Total Direct Investments			**23,728**	
BioPacificVentures Investments		Food Biotech	4,045	
Pohutukawa Investments Total Cost			**$ 27,773**	

Report to Shareholders

Portfolio Companies Outlook

Our portfolio companies faced another challenging year with difficult trading conditions again impacting on most of them. New Zealand Pharmaceuticals was the most resilient of the portfolio companies. The lower profitability performances by the portfolio and the realisation of Shears & Mac affected the overall portfolio performance.

While NZ Pharmaceutical's outlook remains positive, New Zealand King Salmon's future strategy is tied to the outcome of the final Environmental Protection Authority appeal through the Supreme Court, for their four new fish farm licences in the Marlborough Sounds. The remaining portfolio companies' performances need to improve before we see any uplift in their respective valuations.

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 had 53 million stapled securities on issue, fully paid to $1.

At balance date shareholders' funds were $29.7 million, equivalent to a net asset backing of 56 cps (prior to earnout). This demonstrates our strong financial position and we have no debt.

Assets comprised:

- Investments $17.0 million
- Loans to Portfolio Companies* $10.2 million
- Cash $2.3 million
- Receivables $0.2 million

*Loans to portfolio companies are direct shareholder loans made by Pohutukawa to these companies.

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 shareholders as a result of their preference shares held in the Investment Companies.

Dividend income of $361,590 was received from NZ Pharmaceuticals. Interest income of $234,578 was also received from our bank deposits and recognised from shareholder loans.

The investment portfolio is re-valued under the fair value method at 31 December 2013. There was a $1.3 million negative movement in the fair value of investments compared to the previous year's $3.9 million gain in fair value. The sale of the investment in Shears & Mac Limited resulted in a net loss on sale of $957,899.

Administrative expenses were $1.07 million, an 11% decrease on 2012 as a result of lower management fees which were adjusted to align to the remaining invested capital and not the original committed capital.

Report to Shareholders

The loss for the financial year was $2.6 million, compared to a $5.5 million profit in 2012.

Table 3 shows the Pohutukawa Financial Performance Summary for the year ended 31 December 2013.

Table 3 *- Pohutukawa Financial Performance Summary*

Pohutukawa Financial Performance Summary For the year ended 31 December 2013			
		2013 **$000**	**2012** **$000**
Operating Results			
Interest income		235	823
Dividend income		362	282
Other income		106	288
Gain/(Loss) on sale of investments		(958)	1,403
Change in fair value of investments		(1,295)	3,891
Administrative expenses		(1,075)	(1,207)
Profit/(Loss) before tax		(2,625)	5,480
Tax expense		(9)	(12)
Profit/(Loss) after tax		(2,634)	5,468
Share performance			
Stapled Securities on issue	$1.00	53,000,000	53,000,000
Earnings per share		-$0.05	$0.10
*Estimated Net Asset backing-cents per share		$0.56	$0.61

** Excluding any provision for manager's earnout.*

The Manager

One of the roles of the Pohutukawa 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.

Follow-on Investment Prospects

Pohutukawa shares are fully paid to $1.00, so our remaining cash surplus plus any retained capital from company realisations may be applied to fund follow-on portfolio company investments. The directors may review this position at any time and choose to release surplus capital to shareholders.

All portfolio companies have growth strategies in place. Pohutukawa is in a strong financial position to fund such growth. We may also consider leveraging further follow-on portfolio company investments. This would be assessed on a case by case basis and the numbers would need to support the borrowing case on a very conservative basis.

We will continue to keep you informed of any material investment activity 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

As a consequence of the mature stage of the Pohutukawa fund the secondary market reflects more sellers and minimal buy-side demand. At this point there is limited liquidity for the shares. The last sale price was 45 cents. At 31 December 2013 the net asset backing was approximately 43 cps which is after allowing for the earnout fee payable to the Manager of approximately 13 cps based on valuations to 31 December 2013.

Report to Shareholders

Annual Shareholders Meeting

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

Date: Tuesday, 13 May 2014

Time: 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

You are welcome to attend this meeting and we look forward to seeing you there.

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 07 577 4727.

Yours sincerely
POHUTUKAWA PRIVATE EQUITY LIMITED

John McDonald
Chairman

Manager's Report on Portfolio Companies

The Manager is pleased to report on the portfolio's performance for the year ended 31 December 2013.

While the portfolio companies have not performed to expectations this year, Pohutukawa investors have previously received total distributions to date of $1.09 per share. The remaining value after an earnout provision represents a further 43 cps.

The domestic economy was positive and the Australian economy remained challenging.

In each of the portfolio companies the management teams continue to pursue bold strategic initiatives. These plans will take time to execute with varying degrees of success and risk. We continue to support each of the companies through these processes whilst at the same time considering opportunities to enhance value in the portfolio of five remaining investments.

With the majority of net asset value at 31 December 2013 being attributable to New Zealand Pharmaceuticals (NZP) and New Zealand King Salmon (NZKS), these two companies are our primary focus.

The financial year included a number of key initiatives:

- As noted earlier, NZP is currently investing in expansion of the factory capacity by some 30%. This is the cornerstone project in the company strategy to grow internationally;
- NZKS is currently awaiting the Supreme Court findings on the second and final appeal relating to its successful application under the EPA to acquire 30 year licences for four further salmon farms. This is a critical initiative to enable the company to increase production capacity in New Zealand.

In addition:

- Stratex Group completed its plant expansion, allowing the business to expand its print capabilities to extend its product offering. Pohutukawa investors have partially funded this expansion plan, with a further capital commitment possible in the following year;
- The investment in Shears & Mac was realised below its investment cost.

The economy is showing signs of growth and provided these conditions continue we are cautiously optimistic in our outlook for 2014. The outcome from the EPA appeal for NZKS has an obvious impact, and each of the companies still have challenges ahead.

We reiterate our appreciation towards our management partners in achieving satisfying outcomes for the portfolio during another demanding operating cycle.

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

Manager's Report on Portfolio Companies

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
November 2005	Pharmaceuticals intermediates	MBO	$4,775 - equity $1,432 - loan **$6,207**	15.6*

* Total shareholding managed by Direct Capital 51.0%

Background

New Zealand Pharmaceuticals (NZP) is an international supplier of specialised biopharmaceuticals and carbohydrates. In particular, it is a world leader in the production of cholic acid, a core ingredient in the manufacture of a number of liver disease related pharmaceuticals. In addition to its animal extracts business (from which cholic acid is produced), NZP produces a number of synthesized carbohydrate chemicals.

Performance

NZP had a strong year in 2013 with another year of solid sales and earnings performance for the company despite the high USD exchange rate (95% of NZP's sales are exported). The results were behind the record 2012 results but the core cholic acid business performed well. The medium term outlook is underpinned by strong demand for cholic acid, which NZP will be able to satisfy following the completion of the production plant upgrade. The company further strengthened its raw material supply chain in the year through gaining access to new territories from which it can collect and process bile. The bile supply chain is one of NZP's key strategic assets and provides a significant barrier to entry for potential competitors.

Outlook

The company continues to progress a significant plant upgrade (with capex expenditure of $12m) which will future proof regulatory compliance to enable the business to continue to supply GMP bile acids and which will increase cholic acid production capacity by ~30%. The plant upgrade is progressing on time and on budget and is expected to be operational in late Q4 2014. The company is investing in a number of R&D initiatives which are intended to support the existing business and develop new potential markets for NZP technology. The R&D initiatives have utilised the deep pool of scientific expertise within NZP's UK based subsidiary, Dextra.

Manager's Report on Portfolio Companies

STRATEX GROUP

www.stratexgroup.co.nz

STRATEX
PRODUCT PROTECTION

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
May 2007	Manufacturing	MBO	$3,599 - equity	32.8*

* Total shareholding managed by Direct Capital 83.2%

Background

Stratex is a manufacturer of specialist base materials used in the packaging industry. It provides extrusion coated and laminated packaging materials for the paper, food and industrial markets of NZ and Australia.

Performance

The company has completed a large capital expenditure programme in the last 18 months, investing in new print capabilities to extend its product offering from manufacturing base material through to providing finished packaging material. The strategic aim is to secure direct end-customer relationships (with key food groups). The initiative has achieved satisfactory results to date and the company is experiencing increasing levels of activity. It is tracking to expectations for sales and earnings, and benefiting from various cost reduction initiatives that have been implemented.

Outlook

The plan is to continue seeking growth in complementary areas – either organically or through acquisition, and continue to position Stratex as an attractive specialist provider of packaging materials in the trans-Tasman market.

Manager's Report on Portfolio Companies

RODD & GUNN

www.roddandgunn.com

RODD & GUNN

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
July 2008	Retail	Expansion	$2,591 - equity $ 119 - loan **$2,710**	11.9*

* Total shareholding managed by Direct Capital 30.0%

Background

Rodd & Gunn is a menswear apparel retailer, with 82 Rodd & Gunn and 23 Bing Harris outlets, in malls, on high streets and in department store concessions in Australia and New Zealand. Rodd & Gunn is a long established brand that targets the premium male customer, while the Bing Harris brand was re-launched in 2012 targeting the male youth market.

Performance

Market conditions in Australia, combined with the devaluation of the AUD relative to the NZD, have combined to make operating conditions challenging for NZ retailers operating in Australia. With its substantial business across the Tasman, Rodd & Gunn has been adversely affected by these conditions and AUD revenue and AUD earnings translations to NZD. A number of initiatives are in progress in response to the market conditions. However the Australian sector headwinds are likely to remain in the near term. Both internet and US wholesale division revenues increased during the year.

Outlook

Rodd & Gunn continues to leverage off the strength of its brand to maximise market share while operating in a highly competitive retail environment in both Australia and New Zealand.

Manager's Report on Portfolio Companies

NEW ZEALAND KING SALMON

www.kingsalmon.co.nz

New Zealand King Salmon

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
September 2008	Food	Expansion	$2,722 - equity $7,325 - loan **$10,047**	10.8*

* Total shareholding managed by Direct Capital 41.6%

Background

Based in Nelson with farms in Marlborough and employing 401staff, 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 with a wide variety of value-added products such as smoked salmon, fillets and tailored portions. It owns the strong consumer brands of Ora King, Regal and Southern Ocean.

Performance

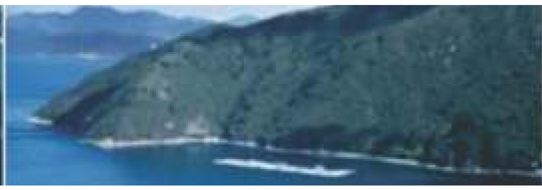
Global salmon market prices have remained strong over the past financial year and the outlook remains encouraging. In all markets NZKS has experienced a strong lift in market returns. In addition NZKS has continued to successfully market the Ora King brand in the 'food service' channel. The key challenge for NZKS continues to be the management of fish production. The company has allocated significant capital to adopt new technologies in addition to new farm structures, in order to address these issues. Progress to date has been encouraging, but remains below expectations.

NZKS has again devoted considerable time and resource to the EPA consent appeal process for additional marine farms. The EPA appeal was held in the Supreme Court 19 - 21 November 2013. No announcement has been made at this time. Provided the Supreme Court decision falls in favour of NZKS, planning can then proceed to establish the farms over a period of time. All sites require base line water monitoring before production can commence. Eventually the four sites will enable the company to double the current production level.

Outlook

Volumes are forecast to lift in the 2014 / 2015 financial year, depending on the success of the production initiatives. Global prices are expected to remain firm due to increasing demand for seafood and supply constraints as access to new water space continues to be a global issue.

The Manager will update its NZKS game plan following the Supreme Court decision. The plan will identify overall capital requirements for the phased establishment of each new farm. The current valuation of NZKS is dependent on a successful ruling.


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 - equity	4.5*

* Total shareholding managed by Direct Capital 12.0%

Background
Fishpond is Australasia's largest local online retailer, offering a selection 19 million products, including books, music, movies, toys, games, lifestyle and health and beauty products.

Performance
While revenue has decreased from the prior year, profitability increased on the back of system improvements within the business, to which the business has invested in heavily during the year.

Revenues from Australia, which has historically accounted for ~80% of total orders, declined from the prior year. The rapid depreciation of the Australian dollar relative to the US dollar made products more expensive for Australian customers than they had been historically, resulting in falling orders. Slower Australian sales were compounded by a rising NZD to AUD cross rate.

New Zealand and rest of world sales grew by over 20% during the year.

Outlook
Fishpond's product revenue mix is undergoing a structural shift, with non-book sales now approaching 50% of total sales for the year. New management systems will enable greater control of product fulfilment and control over gross profit margins, however this will require ongoing investment. The key Australian market is expected to remain challenging throughout the next financial year.

Manager's Report on Portfolio Companies

BIOPACIFICVENTURES

www.biopacificventures.com

Table 4 - BioPacificVentures Current Investments at cost to 31 December 2013:

Schedule of Investments to 31 December 2013	Date of Original Investment	Industry	Stage	Investment Cost (NZ$000)
BioPacificVentures Investments				
NZP Holdings Limited	Nov-05	Pharmaceutical	Expansion	$ 772
Vital Food Processors Limited	Feb-06	Consumer Products	Early	$ 356
Horizon Science Pty Limited	Jul-06	Manufacturing	Early	$ 1,119
Rissington Breedline Limited	May-07	Food	Early	$ 133
CMP Therapeutics	Jul-07	Pharmaceutical	Early	$ 293
New Zealand King Salmon Investments Limited	Sep-08	Food	Expansion	$ 817
CoDa Therapeutics Inc	Sep-08	Pharmaceutical	Start up	$ 555
				$ 4,045

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".

The current BPV company investment cost is $4.05 million (2012: $4.04 million).

Similar to the direct investment portfolio, NZP and NZKS represent over half the BPV portfolio value at year end. Most of the BPV investments are focused on early stage businesses, which by their nature are high risk. Established companies New Zealand Pharmaceuticals and New Zealand King Salmon being the exceptions. 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. The ultimate success of these BPV investments is difficult to gauge and while some will succeed, others will not warrant further investment. Due to their large respective investment weightings the performances of NZP, NZKS, CoDa Therapeutics and Horizon Science will largely determine the success or failure of the BPV investment portfolio.

There have been eleven investments to date, since reduced to seven following realisations or exits.

The five largest investments in the BPV portfolio are: New Zealand Pharmaceuticals; New Zealand King Salmon; Horizon Science with its successful low GI sugar product across Australia and New Zealand; CoDa Therapeutics with its promising drug development for healing chronic wounds; and Vital Foods with its kiwi-fruit based functional foods.

Directors' Report

For the year ended 31 December 2013

Directors holding office during the year and their remuneration

Directors' remuneration paid or due and payable to Directors during the year was as follows:

Entries recorded in the interests register

	Director Fees $	Date of appointment
J McDonald	35,000	13 May 2008
M Prendergast	35,000	3 March 2009
N Craig	15,000	16 August 2004
F Aldridge*	11,250	3 March 2009
M Caird	3,750	27 September 2013

**Resigned 27 September 2013*

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

The directors of Pohutukawa also have co-investment rights in the portfolio investments that are undertaken by Pohutukawa.

Directors' shareholdings (including relevant interests) and dealings in Pohutukawa & Pohutukawa co-investments at 31 December 2013.

Pohutukawa Director Investment Disclosure
(Directors holding office at 31 December 2013)

Investment Holding	J McDonald	M Prendergast	N Craig	M Caird*
Including Relevant Interests				
	No. Securities	No. Securities	No. Securities	No. Securities
Pohutukawa Private Equity	100,000		239,000	20,000
NZ Pharmaceuticals Equity			16,119	7,774
NZ Pharmaceuticals Debt			5,024	2,424
Stratex Group Equity			18,363	22,402
Stratex Group Debt			2,012	5,452
Rodd & Gunn Equity	6,912		6,559	5,788
Rodd & Gunn Debt	691			346
NZ King Salmon Equity	23,852		16,079	14,128
NZ King Salmon Debt	61,427		8,192	24,572
Fishpond Equity	282	282	176	62

** 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		234,578	822,895	234,563	818,213
Dividend income		361,590	282,266	-	-
Change in fair value of investments	*7(a)*	(1,295,112)	3,891,323	-	-
Gain/(Loss) on sale of investments	*7(c)*	(957,899)	1,403,106	(2,065,153)	-
Other operating income		106,000	288,101	1,194,546	613,748
Reversal of impairment of loans to investment companies	*17(b)*	-	-	1,071,187	2,551,542
Impairment of loans to investment companies	*17(b)*	-	-	(2,029,516)	(4,438,472)
Administrative expenses	*5*	(1,074,306)	(1,207,138)	(1,074,200)	(1,206,941)
Operating profit/(loss) before tax		(2,625,149)	5,480,553	(2,668,573)	(1,661,910)
Income tax expense	*6*	(8,981)	(12,216)	-	-
Profit/(loss) for the year		(2,634,130)	5,468,337	(2,668,573)	(1,661,910)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income/(deficit) for the year		(2,634,130)	5,468,337	(2,668,573)	(1,661,910)
Attributable to:					
Equity holders of the parent		354,909	225,020	(2,668,573)	(1,661,910)
Non-controlling interest	*3a(iv)*	(2,989,039)	5,243,317	-	-
Profit/(loss) and total comprehensive income for the year attributable to the equity holders of stapled securities		(2,634,130)	5,468,337	(2,668,573)	(1,661,910)

Statement of changes in equity

For the year ended 31 December 2013

Consolidated	Attributable to equity holders of the parent				
	Share capital	Retained losses	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	35,835,787	(2,656,051)	33,179,736	(908,106)	32,271,630
Total comprehensive income for the year	-	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**
Balance at 1 January 2012	41,734,006	(2,818,612)	38,915,394	4,717,915	43,633,309
Total comprehensive income for the year	-	225,020	225,020	5,243,317	5,468,337
Distributions to equity holders	-	(62,459)	(62,459)	(572,922)	(635,381)
Repayment of preference shares	(5,898,219)	-	(5,898,219)	(10,296,416)	(16,194,635)
Balance at 31 December 2012	**35,835,787**	**(2,656,051)**	**33,179,736**	**(908,106)**	**32,271,630**

Parent	Share capital	Retained losses	Total equity
Balance at 1 January 2013	35,835,787	(10,060,423)	25,775,364
Total comprehensive income for the year	-	(2,668,573)	(2,668,573)
Balance at 31 December 2013	**35,835,787**	**(12,728,996)**	**23,106,791**
Balance at 1 January 2012	41,734,006	(8,336,054)	33,397,952
Repayment of preference shares	(5,898,219)	-	(5,898,219)
Distributions to equity holders	-	(62,459)	(62,459)
Total comprehensive income for the year	-	(1,661,910)	(1,661,910)
Balance at 31 December 2012	**35,835,787**	**(10,060,423)**	**25,775,364**

Statement of financial position

As at 31 December 2013

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Assets					
Loans to investment companies	*17(b)*	-	-	10,189,479	13,138,103
Receivables from investment companies	*17(b)*	-	-	1,928,524	1,317,293
Investments – equity securities	*7*	17,029,479	19,282,490	-	-
Total non-current assets		**17,029,479**	**19,282,490**	**12,118,003**	**14,455,396**
Other receivables	*9*	191,571	63,148	182,552	47,159
Loans to portfolio companies	*8*	10,193,742	9,927,240	8,583,527	8,317,025
Cash and cash equivalents	*11*	2,282,091	3,059,514	2,282,091	3,059,514
Total current assets		**12,667,404**	**13,049,902**	**11,048,170**	**11,423,698**
Total assets		**29,696,883**	**32,332,392**	**23,166,173**	**25,879,094**
Equity					
Issued capital	*12*	35,835,787	35,835,787	35,835,787	35,835,787
Retained losses		(2,301,142)	(2,656,051)	(12,728,996)	(10,060,423)
Total equity attributable to equity holders of the parent		**33,534,645**	**33,179,736**	**23,106,791**	**25,775,364**
Non-controlling interest	*3a(iv)*	(3,897,145)	(908,106)	-	-
Total equity attributable to equity holders of stapled securities		29,637,500	32,271,630	23,106,791	25,775,364
Liabilities					
Trade and other payables	*13*	59,383	60,762	59,382	103,730
Total current liabilities		**59,383**	**60,762**	**59,382**	**103,730**
Total liabilities		**59,383**	**60,762**	**59,382**	**103,730**
Total equity and liabilities		**29,696,883**	**32,332,392**	**23,166,173**	**25,879,094**

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

		Consolidated		Parent	
	Note	2013	2012	2013	2012
Cash flows from operating activities					
Management fees		106,000	288,101	106,000	288,101
Interest received		103,695	326,432	103,680	321,751
Dividends received		361,590	282,266	-	-
Income tax refunded		10,437	18,323	-	472
Income taxes paid		(8,981)	(11,285)	-	-
Cash paid to suppliers		(1,083,662)	(1,228,790)	(1,080,474)	(1,380,162)
Net cash from operating activities	*14*	**(510,921)**	**(324,953)**	**(870,794)**	**(769,838)**
Cash flows from investing activities					
Proceeds from sale of investments		-	14,844,916	-	-
Loans repaid by investment companies		-	-	361,610	8,914,980
Loans advanced to investment companies		-	-	(8,983)	(3,567,212)
Loans repaid by portfolio companies		141,996	2,194,103	141,996	1,265,593
Loans advanced to portfolio companies		(408,498)	(1,346)	(401,252)	(1,346)
Net cash from investing activities		**(266,502)**	**17,037,673**	**93,371**	**6,612,015**
Cash flows from financing activities					
Repayment of preference shares		-	(16,194,635)	-	(5,898,219)
Distributions to equity holders		-	(635,381)	-	(61,254)
Net cash from financing activities		-	**(16,830,016)**	-	**(5,959,473)**
Net movement in cash and cash equivalents		(777,423)	(117,296)	(777,423)	(117,296)
Cash and cash equivalents at 1 January		3,059,514	3,176,810	3,059,514	3,176,810
Cash and cash equivalents at 31 December	*11*	**2,282,091**	**3,059,514**	**2,282,091**	**3,059,514**

Notes to the consolidated financial statements

1. Reporting entity

Pohutukawa Private Equity Limited (the "Company") is a company incorporated and domiciled in New Zealand. Pohutukawa Private Equity and the 11 (2012: 13) 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 11 (2012: 13) Investment Companies (together referred to as the "Group").

Pohutukawa Private Equity 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

The 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. The financial statements also comply with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993. These financial statements also comply with the International Financial Reporting Standards.

(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.

(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 Limited, investors also hold 100 preference shares in Pohutukawa Private Equity Limited as well as one preference share in each of the 11 (2012: 13) 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 11 (2012: 13) companies combining under the stapling arrangement are

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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 (i.e. the Portfolio Companies), 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 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.

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 stated at amortised cost less impairment losses (see accounting policy f).

(d) Loans receivable

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

(e) Cash and cash equivalents

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

(f) 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.

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.

(g) Share capital

(i) 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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(ii) 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.

(iii) Dividends
All dividends are recognised as a liability in the period in which they are declared.

(h) 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 profit or loss over the period of the borrowings on an effective interest rate basis.

(i) Trade and other payables
Trade and other payables are stated at cost.

(j) Revenue
(i) Services rendered
Revenue from services rendered (e.g. management fees and 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.

(k) 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, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

(l) Goods and services tax (GST)
All amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

(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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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.

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 Limited (see Note 7). 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.

5. Administrative expenses

	Consolidated		Parent	
	2013	2012	2013	2012
Management fees	894,892	986,499	894,892	986,499
Advisory fees	5,660	5,111	5,660	5,111
Directors' fees	100,000	100,000	100,000	100,000
Other administrative expenses	73,754	115,528	73,648	115,331
	1,074,306	**1,207,138**	**1,074,200**	**1,206,941**

The following items of expenditure are included in administrative expenses:

Auditor's remuneration to KPMG comprises:				
Audit of financial statements	26,000	35,000	26,000	35,000
Other audit-related services	7,245	8,880	7,245	8,880

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		8,981	12,216	-	-

Reconciliation of effective tax rate

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Profit before tax		(2,625,149)	5,480,553	(2,668,573)	(1,661,910)
Income tax expense at 28% tax rate		(735,042)	1,534,555	(747,200)	(465,335)
Non-assessable income		630,798	(1,482,539)	-	-
Non-deductible expenses		-	517	846,575	528,858
Imputation credits received		(101,248)	(79,034)	-	-
Prior period adjustment		9,283	11,011	300	-
Tax (profit)/losses not recognised	*10*	205,190	27,706	(99,675)	(63,523)
Total income tax expense in statement of comprehensive income		8,981	12,216	-	-

Imputation credits

	2013	2012
Imputation credits available to shareholders of the parent company in subsequent reporting periods:		
Through the parent company	-	-
Through investment companies	205,230	41,913
	205,230	41,913

Notes to the consolidated financial statements

7. Investments – equity securities

a) Non-current investments

The Group has a number of 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 the profit or loss. As there is no quoted market price for these securities, valuation techniques must be utilised to determine fair value (see Note 4). The valuations are carried out by Direct Capital Limited (see Note 17) using AVCAL guidelines.

The valuation techniques utilised include the use of market based earnings multiples and a discount 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 $1,001,084 (2012: $1,105,964).

A movement in the adjustment factor of 5% changes the value of the investments by $2,309,350 (2012: $2,570,216).

A movement in the maintainable earnings of 5% changes the value of the investments by $1,906,941 (2012: $2,056,173).

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 below (excluding loans)

2013

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.6%	4,775,157
BioPacificVentures	Private equity vehicle*	Various	*	3,118,177
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
Rodd & Gunn NZ Limited and Rodd & Gunn Australia Limited	Retail	Aug 2008	11.9%	2,590,481
New Zealand King Salmon Investments Limited	Food	Sep 2008	10.8%	2,721,682
Fishpond Limited	Online retail	Oct 2009	4.5%	772,348
				17,576,657

* BioPacificVentures invests across the entire spectrum of private equity both in early stage and later stage investments. Investments through this venture include: New Zealand King Salmon Investments Limited and NZP Holdings Limited (both also held directly), Horizon Science Pty Limited, Vital Food Processors Limited, Rissington Breedline Limited and CoDa Therapeutics Inc. Pohutukawa Alpha has an 11% share in all investments made by the fund, but the holdings in each of the portfolio companies vary.

All of these investments principle place of operation is in New Zealand.

Notes to the consolidated financial statements

7. Investments – equity securities (continued)

2012

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.6%	4,775,157
BioPacificVentures	Private equity vehicle*	Various	*	3,118,177
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
Shears & Mac Limited	Manufacturing	Jun 2008	15.7%	1,990,295
Rodd & Gunn NZ Limited and Rodd & Gunn Australia Limited	Retail	Aug 2008	11.9%	2,590,481
New Zealand King Salmon Investments Limited	Food	Sep 2008	10.8%	2,721,682
Fishpond Limited	Online retail	Oct 2009	4.4%	772,348
				19,566,952

* Refer comment following 2013 table above.

c) Fair value of investment portfolio

As investments in equity securities are carried at fair value through profit and loss 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 $17,029,479 (2012: $19,282,490).

d) Gain / (Loss) on sale of investments

The sale of the investment in Shears & Mac Limited resulted in the net loss on sale of $957,899 for the year ended 31 December 2013. This has been recognised as a loss in the Statement of Comprehensive Income. (2012: $1,403,106 gain – GoBus Holdings Limited).

Notes to the consolidated financial statements

8. Loans to portfolio companies

	Consolidated		Parent	
	2013	2012	2013	2012
New Zealand King Salmon Investments Limited	7,920,208	8,062,204	7,920,208	8,062,204
Rodd & Gunn NZ Limited	119,377	119,377	119,377	119,377
NZP Holdings Limited	1,610,215	1,610,215	-	-
Horizon Science Pty Limited	109,193	109,193	109,193	109,193
Rissington Breedline Limited	26,251	26,251	26,251	26,251
Stratex Group Limited	393,587	-	393,587	-
Vital Food Processors Limited	14,911	-	14,911	-
	10,193,742	9,927,240	8,583,527	8,317,025
Represented by:				
Non-current assets	-	-	-	-
Current assets	10,193,742	9,927,240	8,583,527	8,317,025
	10,193,742	9,927,240	8,583,527	8,317,025

The following loans are either repayable on demand or expire within 12 months.

New Zealand King Salmon Investments Limited

New Zealand King Salmon Investments Limited (investment held by Pohutukawa Alpha Investments Limited and Pohutukawa Lambda Investments Limited) was advanced $6,382,110 as a loan at an interest rate reviewed annually in September. The current rate set in September 2013 is 8.5% (2012: Nil%). The terms of the loan enable New Zealand King Salmon, at its option, to capitalise the loan and interest into equity.

For the period from September to December 2013 interest income of $125,010 was accrued (2012: $Nil), No interest was capitalised to the loan (2012: $946,639). During the reporting period $141,996 was repaid (2012: $Nil).

An appeal against marine farm licences granted to the New Zealand King Salmon Investments Limited Group was heard in the Supreme Court during November 2013. At reporting date, the outcome of this appeal is unknown. In the event the appeal was upheld, this may have a significant impact on the group financial statements of New Zealand King Salmon Investments Limited. Any impact on the group financial statements of the New Zealand King Salmon Investments Limited is not expected to impact the recoverability of the loans that Pohutukawa Group has advanced to New Zealand King Salmon Investments Limited.

Notes to the consolidated financial statements

8. Loans to portfolio companies (continued)

Rodd & Gunn NZ Limited

Rodd and Gunn NZ Limited (investment held by Pohutukawa Kappa Investments Limited) was advanced $119,377 as a loan at an interest rate of 7.73%. The terms of the loan enable Rodd & Gunn, at its option, to capitalise the loan and interest into equity.

NZP Holdings Limited

NZP Holdings Limited (investment held by Pohutukawa Alpha Investments Limited & Pohutukawa Delta Investments Limited) has a loan of $1,610,215 at an interest rate of nil. There were no movements in the loan balance during the year.

Horizon Science Pty Limited

Horizon Science Pty Limited (investment held by Pohutukawa Alpha Investments Limited) was advanced $109,193, at an interest rate of nil%. There were no movements in the loan balance during the year.

Rissington Breedline Limited

Rissington Breedline Limited (investment held by Pohutukawa Alpha Investments Limited) was advanced $17,039, and during 2011 a further $7,866 at an interest rate of nil. There were no repayments during the reporting period (2012: $nil).

Vital Food Processors Limited

In February 2013 Vital Food Processors Limited (investment held by Pohutukawa Alpha Investments Limited) was advanced $7,247, followed by a further $7,664 in July 2013, both at an interest rate of nil% (2012: $Nil, nil%). There were no repayments during the reporting period (2012: $nil).

Stratex Group Limited

In April 2013 Stratex Group Limited (investment held by Pohutukawa Zeta Investments Limited) was advanced $98,397 followed by a further $295,191 in July 2013, both at an interest rate of nil%. There were no repayments during the reporting period.

Notes to the consolidated financial statements

9. Other receivables

	Consolidated		Parent	
	2013	2012	2013	2012
Income tax receivable	290	10,727	15	15
Prepayments	11,411	10,143	11,411	10,143
GST receivable	3,262	-	3,262	-
Other receivables	176,608	42,278	167,864	37,001
	191,571	63,148	182,552	47,159

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

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		468,688	440,982	318,659	382,182
Tax (profit)/loss not recognised	*6*	205,190	27,706	(99,675)	(63,523)
Closing balance 31 December		673,878	468,688	218,984	318,659

Due to the nature of the stapled securities and the fact that ordinary shares in the Investment Companies are owned by Pohutukawa I Investment Holdings LP, there is no ability to offset losses between the Parent (Pohutukawa Private Equity 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 uncertain 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	176,286	426,390	176,286	426,390
Short-term deposits	2,105,805	2,633,124	2,105,805	2,633,124
Cash and cash equivalents in the statement of cash flows	**2,282,091**	**3,059,514**	**2,282,091**	**3,059,514**

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 2.85% (2012: 2.94%).

Short-term deposits are held with ANZ Bank New Zealand Limited. The weighted average interest rate on short-term deposits is 3.58% (2012: 3.81%).

12. Share capital

Consolidated	Investment Co's Preference shares		PPE Ordinary shares		PPE Preference shares	
In millions of shares	2013	2012	2013	2012	2013	2012
On issue at 1 January	689	742	53	53	3,608	4,198
Redemption and cancellation of shares	(106)	(53)	-	-	-	(590)
On issue at 31 December	**583**	**689**	**53**	**53**	**3,608**	**3,608**

Parent

	Ordinary shares		Preference shares	
In millions of shares	2013	2012	2013	2012
On issue at 1 January	53	53	3,608	4,198
Redemption of shares	-	-	-	(590)
On issue at 31 December	**53**	**53**	**3,608**	**3,608**

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

At 31 December 2013, the share capital of the Company comprised 53,000,000 ordinary shares (2012: 53,000,000), and 3,608,579,000 preference shares (2012: 3,608,579,000). In addition, there are 583,000,000 (2012: 689,000,000) preference shares in the 11 (2012: 13) Investment Companies (53,000,000 in each).

Notes to the consolidated financial statements

12. Share capital (continued)

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 preference shares have been allotted at $0.01 per share.

The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to one vote per share at meetings of the Company. No distributions were declared to shareholders during the year by companies within the Group (2012: $635,381). 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
Directors fees payable	26,125	25,000	26,125	25,000
GST payable	-	-	-	42,966
Non-trade payables and accrued expenses	33,258	35,762	33,257	35,764
	59,383	**60,762**	**59,382**	**103,730**

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

	Consolidated		Parent	
	2013	2012	2013	2012
Profit/(loss) for the year	(2,634,130)	5,469,542	(2,668,573)	(1,661,910)
Adjustments for:				
Change in fair value of investments	1,295,112	(3,891,323)	-	-
Interest capitalised	-	(923,146)	-	(923,146)
Capitalised interest received	-	-	-	-
Impairment of loans from investment companies	-	-	958,329	1,886,931
(Gain)/Loss on sale of investments	957,899	(1,403,106)	2,065,153	-
Change in trade and other receivables	(138,860)	454,452	(1,181,355)	251,905
Change in income tax receivable	10,437	18,049	-	10,132
Change in trade payables and accruals	(1,379)	(49,421)	(44,348)	(333,750)
Net cash flow from operating activities	**(510,921)**	**(324,953)**	**(870,794)**	**(769,838)**

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 reporting date there were no significant concentrations of credit risk, other than those detailed in Note 8.

The Group invests its surplus funds in short-term deposits with ANZ Bank New Zealand Limited. (See Note 11). 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 advanced to portfolio companies which the Investment Companies hold an ownership interest in. The Group earns interest on bank accounts, short-term deposits and loans to portfolio companies. 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 receivables as detailed in Note 8. At balance date the effective interest rates for bank balances for 2013 is 2.75% (2012: 3.00%), short-term deposits for 2013 is 3.50% (2012: 3.67%), and loans advanced to portfolio companies which the Investment Companies hold an ownership interest in is a weighted average of 6.72% (2012: 0.09%).

Bank balances reprice daily, short-term deposits reprice within 3 months, and loans advanced to portfolio companies reprice annually.

Notes to the consolidated financial statements

15. Financial risk management (continued)

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.

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
Consolidated 2013				
Cash and cash equivalents	*11*	2,282,091	-	2,282,091
Loans to portfolio companies	*8*	10,193,743	2,154,160	8,039,583
Total		**12,475,834**	**2,154,160**	**10,321,674**
Consolidated 2012				
Cash and cash equivalents	*11*	3,059,514	-	3,059,514
Loans to portfolio companies	*8*	9,807,863	-	9,807,863
Total		**12,867,375**	-	**12,867,375**
Parent 2013				
Cash and cash equivalents	*11*	2,282,091	-	2,282,091
Loans to portfolio companies	*8*	8,583,527	663,319	7,920,208
Total		**10,865,618**	**663,319**	**10,202,299**
Parent 2012				
Cash and cash equivalents	*11*	3,059,514	-	3,059,514
Loans to portfolio companies	*8*	8,197,648	-	8,197,648
Total		**11,257,162**	-	**11,257,162**

Loans to and from related parties as disclosed in the Statement of Financial Position are non interest bearing and therefore have not been included in the above table.

Notes to the consolidated financial statements

15. Financial risk management (continued)

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, permanent 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 $23,847 (2012: $26,559) over a one-year period.

At 31 December 2013 it is estimated that a general increase of 1.0% in interest rates on its interest bearing loans and receivables would increase the Group's profit before income tax by approximately $41,997 (2012: $86,952) 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.

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*	-	2,282,091	-	2,282,091	2,282,091
Investments in equity securities	*7*	17,029,479	-	-	17,029,479	17,029,479
Loans to portfolio companies	*8*	-	10,193,743	-	10,193,743	10,193,743
Other receivables	*9*	-	176,607	-	176,607	176,607
Total assets		**17,029,479**	**12,652,441**	-	**29,681,920**	**21,681,920**
Liabilities						
Trade and other payables	*13*	-	-	59,383	59,383	59,383
Total liabilities		-	-	**59,383**	**59,383**	**59,383**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Consolidated 2012						
Assets						
Cash and cash equivalents	*11*	-	3,059,514	-	3,059,514	3,059,514
Investments in equity securities	*7*	19,282,490	-	-	19,282,490	19,282,490
Loans to portfolio companies	*8*	-	9,927,240	-	9,927,240	9,927,240
Other receivables	*9*	-	42,278	-	42,278	42,278
Total assets		**19,282,490**	**13,029,032**	-	**32,311,522**	**32,311,522**
Liabilities						
Trade and other payables	*13*	-	-	60,762	60,762	60,762
Total liabilities		-	-	**60,762**	**60,762**	**60,762**

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*	-	2,282,091	-	2,282,091	2,282,091
Loans to investment companies	*17*	-	10,189,479	-	10,189,479	10,189,479
Loans to portfolio companies	*8*	-	8,583,527	-	8,583,527	8,583,527
Receivables from investment companies		-	1,928,524	-	1,928,524	1,928,524
Other receivables	*9*	-	167,864	-	167,864	167,864
Total assets		-	**23,151,485**	-	**23,151,485**	**23,151,485**
Liabilities						
Trade and other payables	*13*	-	-	59,382	59,382	59,382
Total liabilities		-	-	**59,382**	**59,382**	**59,382**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Parent 2012						
Assets						
Cash and cash equivalents	*11*	-	3,059,514	-	3,059,514	3,059,514
Loans to investment companies	*17*	-	13,138,103	-	13,138,103	13,138,103
Loans to portfolio companies	*8*	-	8,317,025	-	8,317,025	8,317,025
Receivables from investment companies		-	1,317,293	-	1,317,293	1,317,293
Other receivables	*9*	-	37,001	-	37,001	37,001
Total assets		-	**25,868,936**	-	**25,868,936**	**25,868,936**
Liabilities						
Trade and other payables	*13*	-	-	60,764	60,764	60,764
Total liabilities		-	-	**60,764**	**60,764**	**60,764**

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	-	-	17,029,479	17,029,479

31 December 2012	Level 1	Level 2	Level 3	Total
Investments	-	-	19,282,490	19,282,490

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	19,282,490	28,718,831
Total gains or (losses):		
Change in fair value	(1,295,112)	3,891,323
Gain/(Loss) on disposal	(957,899)	1,403,106
Investments at cost during the year	-	133,318
Divestments	-	(14,864,088)
Closing balance	**17,029,479**	**19,282,490**

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

Investments	2013	2012
Total gains or (losses) included in profit or loss for the year	(2,253,011)	5,294,429
Total gains or (losses) for the year included in profit or loss for assets held at the end of the reporting period	(1,295,112)	4,024,036

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

The Group has a commitment to invest a total of $5,300,000 with BioPacificVentures Limited (BPV). These funds are called by BPV as required and as at 31 December 2013 $208,447 remained uncalled (2012: $367,590).

Earnout Payment

In accordance with clause 11 of the Prospectus the Manager is entitled to an earnout payment calculated at 20% of net returns to Pohutukawa provided investors have received back their original investment together with further distributions producing a pre-tax compound hurdle rate of 8.0% per annum on Called Capital. As at 31 December 2013 the earnout payment is calculated as $6.84m (2012: $7.39m), however this calculation is based on unrealised portfolio company fair value valuations of $17.0m (2012: $19.3m) and loans receivable of $10.2m (2012: $9.9m) being fully recovered. Due to the uncertain timing and amount of investment realisation and future distributions, no provision has been made for this payment in the financial statements. A provision will not be recognised until the pre-tax compound hurdle rate has been distributed to investors or there is more certainty that an earnout payment will be made.

17. Related parties

(a) Identity of related parties

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

Craigs Investment Partners Limited, as the administration manager, and Direct Capital Limited, as the investment manager, own 50% each of Pohutukawa Management Limited, the Manager of Pohutukawa Private Equity 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 III Investment Partners LP are limited partners in Pohutukawa I Investment Holdings LP which is the holder of 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 Limited.

Direct Capital Limited is responsible for preparing valuations of investments.

(b) Transactions with related parties

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

- Management fees paid to Pohutukawa Management Limited totalled $894,892 (2012: $986,499).
- Legal and accounting expenses of $5,660 were incurred by Direct Capital Limited during 2013. (2012: $1,847)
- Surplus cash has been invested in ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited.
- Receivables from Investment Companies were $1,928,524 at the end of the year (2012: $1,317,293)

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.

Notes to the consolidated financial statements

17. Related parties (continued)

(b) Transactions with related parties (continued)

Total Pohutukawa Private Equity parent company loans to the Investment Companies as at 31 December 2013 were $10,189,479 (2012: $13,138,103). Loans to investment companies are non-interest bearing and are used to acquire long-term equity investments. Loans are repayable on demand.

Loans have been impaired in the parent financial statements in the current year, where the value of the investment held by the Investment Companies is less than the cost of the investment. During the year there has been further impairment of $2,029,516 (2012: $4,438,472) less $1,071,187 (2012: $2,551,542) of impairment incurred in previous periods being reversed. This does not affect the consolidated financial statements.

Additionally, loans were advanced by Pohutukawa Private Equity Limited to portfolio companies which the Investment Companies hold an ownership interest in (see Note 8).

(c) Transactions with key management personnel

	Consolidated		Parent	
	2013	2012	2013	2012
Directors fees (total remuneration)	100,000	100,000	100,000	100,000

The balance owing to key management personnel at 31 December 2013 is $26,125 (2012: $25,000).

18. Subsequent events

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

Notes to the consolidated financial statements

19. Group entities

Investment Companies	Country of incorporation	Ownership interest* 2013	2012
Pohutukawa Alpha Investments Limited ("Alpha")	New Zealand	0%	0%
Pohutukawa Delta Investments Limited ("Delta")	New Zealand	0%	0%
Pohutukawa Zeta Investments Limited ("Zeta")	New Zealand	0%	0%
Pohutukawa Theta Investments Limited ("Theta")	New Zealand	0%	0%
Pohutukawa Iota Investments Limited ("Iota")	New Zealand	0%	0%
Pohutukawa Kappa Investments Limited ("Kappa")	New Zealand	0%	0%
Pohutukawa Lambda Investments Limited ("Lambda")	New Zealand	0%	0%
Pohutukawa Mu Investments Limited ("Mu")	New Zealand	0%	0%
Pohutukawa Nu Investments Limited ("Nu")	New Zealand	0%	0%
Pohutukawa Xi Investments Limited ("Xi")	New Zealand	0%	0%
Pohutukawa Omicron Investments Limited ("Omicron")	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 Limited but are consolidated into the Group as they are stapled securities.

Independent auditor's report

KPMG

To the Shareholders of Pohutukawa Private Equity Limited

Report on the company and group financial statements
We have audited the accompanying financial statements of Pohutukawa Private Equity Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 16 to 40. 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 16 to 40:
- 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 Limited as far as appears from our examination of those records.

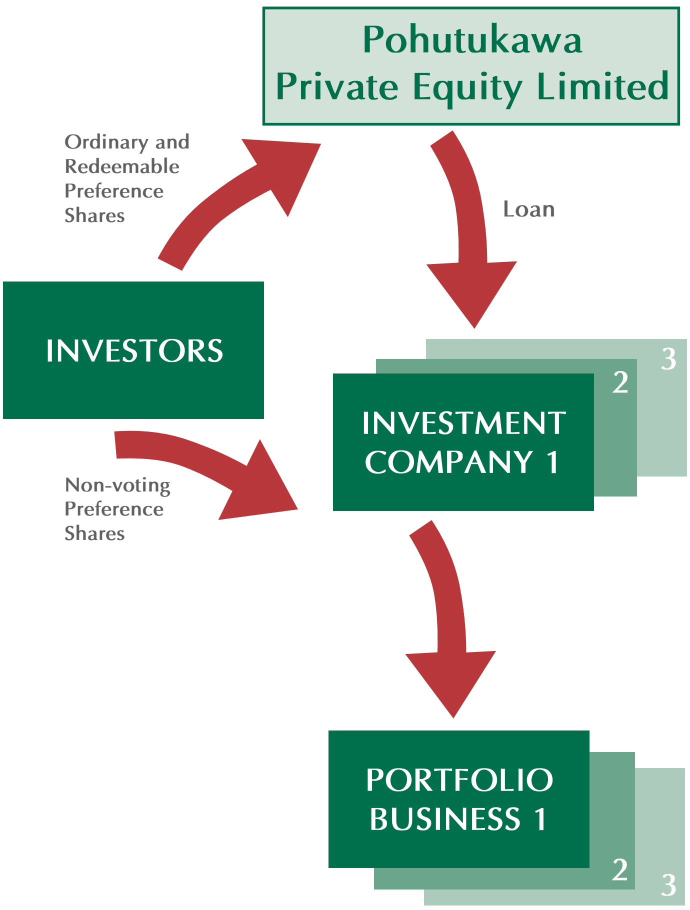
KPMG.

28 March 2014
Tauranga

Corporate Governance & Structure

Pohutukawa Private Equity Limited (Pohutukawa) is the Fund. Investors hold both ordinary and redeemable preference shares in Pohutukawa. Investors also hold redeemable preference shares in each of eleven investment companies, which invest in the portfolio companies. These are called stapled securities. There are 53 million ordinary shares on issue. The number of ordinary shares on issue remains constant while the ratio of preference shares reduces as investments are realised and preference shares are redeemed.

The Pohutukawa structure is:



Ordinary shares held by investors in Pohutukawa confer normal voting rights on investors. The preference shares held by investors in both Pohutukawa and the Investment Companies confer no voting rights. The Manager (Direct Capital and Craigs Investment Partners), through Pohutukawa I 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 investment policy and investment criteria.

Pohutukawa 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.

For so long as it holds at least 50% of the issued shares in the Manager, Craigs Investment Partners is entitled to appoint up to 50% of the directors of Pohutukawa Private Equity. All other directors of Pohutukawa can be appointed by directors or removed by ordinary resolution of the investors. The Directors of each Investment Company can be appointed or removed only by the limited partners.

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 and is responsible for continuous disclosure and shareholder meetings of Pohutukawa.

The Manager is a 50/50 joint venture between Direct Capital and Craigs Investment Partners, 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, 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 Board

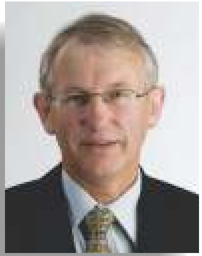
The Board of Pohutukawa Private Equity Limited (whose profiles follow) comprises four directors, two from Craigs Investment Partners and two independent directors, one of whom is Chairman. The Board is responsible for appointing, and then monitoring the performance of the Manager, reviewing Pohutukawa's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



NEIL CRAIG
(Non-Executive Director)

Neil is the founding principal and Chairman of Craigs Investment Partners, a leading full service NZX Participant Firm. Craigs Investment Partners has approximately 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 and Pohutukawa Management Limited must respond to any recommendations made to their Boards from the Audit Committee.

There is no remuneration committee because Pohutukawa and the Manager have no employees. The Chairman and Directors of Pohutukawa receive director's fees from Pohutukawa. 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 fees.

To the extent applicable and possible, the Board endeavours 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

John McDonald
Maurice Prendergast
Neil Craig
Mike Caird

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

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