Pohutukawa

PRIVATE EQUITY LIMITED

INTERIM REPORT

For the half year ended 30 June 2015

Contents

Report to Shareholders

18 September 2015

Dear Shareholder

I am pleased to present Pohutukawa's interim report, including Pohutukawa's financial performance for the interim period to 30 June 2015, and the Investment Manager's update on the portfolio performance and its outlook.

Portfolio Overview

Up to 30 June 2015 Pohutukawa has realised total proceeds of $66.4 million (from $53 million subscribed). You have received back by way of capital and imputed dividends $1.11 gross per share from your original $1.00 per share investment.

Eight of the original twelve portfolio company investments have now been realised. The portfolio now comprises four investments: New Zealand Pharmaceuticals; New Zealand King Salmon; Stratex; and Fishpond; along with the BioPacificVentures investment. New Zealand Pharmaceuticals and New Zealand King Salmon currently represents over 90% of the portfolio by investment value.

At 30 June 2015 Pohutukawa held $1.75 million of cash which is available to fund any follow-on investments and to provide working capital for the fund.

Shareholder Distributions and Returns

Your original $1.00 Capital Commitment was drawn down in three tranches between 2004 and 2008.

In May 2015 Pohutukawa made a gross distribution of 2.5 cps. This distribution comprised a mix of return of capital and imputed dividends. This distribution took total gross distributions (by way of gross dividend and capital returns) to $1.11 per share from your original $1.00 per share investment.

Including the unrealised investments, this represents a rate of return of approximately 9.5% p.a. as at 30 June 2015.

Current Portfolio

Significant initiatives are underway with the portfolio companies to crystalise value in 2015 and beyond.

Table 1 Summary of Investor Returns

Gross Return to 30 June 2015	
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
Total Gross Return	**1.11**
Assessed Net Asset Value 30 June 2015*	0.50
Estimated Gross Return*	**$1.61**

**Excluding earnout estimated to be $0.12 per share at 30 June 2015*

New Zealand Pharmaceuticals (NZP) has experienced strong demand for its cholic acid products which has supported the factory expansion capital expenditure last year.

New Zealand King Salmon (NZKS) has received all regulatory approvals and consents for its three new marine farm licences. Each marine farm will be progressively phased in with the first farm becoming operational in October 2015. Once all three new farms are fully operational, the production capacity will increase by up to 70%.

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

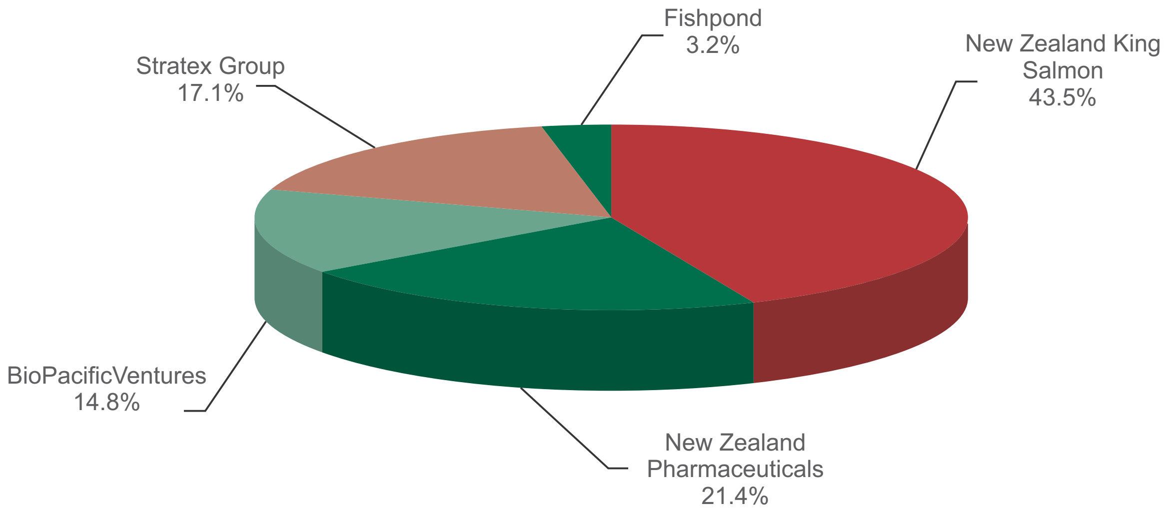
Fishpond is focussing on building market share, and in being the leading Australasian provider of its online retail shopping, inventory management and distribution platform where it has a technology lead over its peers.

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

Report to Shareholders

Investment Portfolio Composition as at 30 June 2015 (at investment cost)

Pohutukawa Investments as at 30 June 2015



Follow-on Investments

There have been no significant follow-on investments made during the period.

At 30 June 2015 we had cash of $1.75 million available to fund follow-on investments which meet our investment criteria.

We are anticipating a follow-on investment in Stratex during September 2015.

Investment Capital

Pohutukawa is able to invest up to $53 million (original Committed Capital) in portfolio companies. Our investments to date total $48.4 million (comprising investments in and loans to portfolio companies). Our preferred means to achieve close to the $53 million investment in the portfolio companies is to utilise our cash reserves, then, if required, re-invest initial capital as it is returned from portfolio companies. Pohutukawa may only continue to do this until a total of $53 million has been invested in portfolio companies.

Portfolio Valuation

The Investment Manager revalues the portfolio quarterly in line with the International Private Equity & Venture Capital (IPEV) valuation guidelines.

The Net Asset Value (NAV) of Pohutukawa at 30 June 2015 was 38.1 cps (after allowing for earnout), compared to a NAV at 31 December 2014 of 41.0 cps. The change recognises the 2.5 cps distribution during the period.

Interim Financial Statements 30 June 2015

Our unaudited interim financial statements for the period ending 30 June 2015 are included in this interim report.

As at 30 June 2015 Pohutukawa had 53 million fully paid $1 shares (stapled securities) on issue.

At balance date shareholder funds were $26.7 million, or 50 cps before allowing for earnout adjustment.

Assets comprised:

• Investments-equity	$17.87 million
• Loans and receivables (portfolio companies)	$6.97 million
• Cash	$1.75 million
• Other current assets	$0.14 million

Investments include revaluations of the portfolio as at 30 June 2015, under the fair value method.

Report to Shareholders

The loans and receivables figure of $6.97 million is split across current assets of $0.89 million and non-current assets of $6.08 million.

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

Income was derived from interest $38,254, dividend income $16,074 and other fee income $53,000. There was a decrease in fair value of the remaining investments of $19,675 and an impairment of loans and receivables of $92,946. Administrative expenses were $515,092 in line with the previous corresponding period.

The loss for the period was $520,385.

While it appears that the portfolio valuation has not changed materially, each of the portfolio companies are actively pursuing growth strategies and we are starting to see some positive signs for the portfolio.

The Board maintains its view that the portfolio can provide added value for shareholders through the respective game plans.

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

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

Yours sincerely,
Pohutukawa Private Equity Limited

John McDonald
Chairman

Investment Manager's Report on Portfolio Companies

Portfolio Performance Summary

The Investment Manager is pleased to report that across the portfolio there are micro and macroeconomic factors providing positive tailwinds for the portfolio companies. At a macro level, the low interest rate environment together with weakening of the NZD relative to its trading partners, provides economic stimulus for our export orientated businesses. At a company level, New Zealand Pharmaceuticals (NZP) continues to perform strongly off the back of increased production capacity; New Zealand King Salmon (NZKS) has now commenced deployment of the new marine farms; Stratex is securing new contracts and Fishpond continues to build its product offering domestically and overseas. The success of BioPacificVentures is tied to the eventual outcomes for NZP and NZKS.

The Investment Manager has at least one director representative on each portfolio company board. Through this direct involvement, the Investment Manager has active input into the strategic direction of each portfolio company whilst also influencing key performance indicators that the Board monitors. A key indicator for each company is the establishment and monitoring of comprehensive Health & Safety (H&S) processes. While each portfolio company has a different H&S risk profile, each Board strives for zero harm to all employees.

The unrealised value for the four remaining portfolio companies and the BPV investment at 31 December, was $26.4 million. After $1.6 million of distributions were made from portfolio companies during the period the unrealised value at 30 June 2015 was $24.9 million, a decrease of 5.5%.

Each of the portfolio companies continues to implement individual strategies to add value. These strategies carry a measure of risk. The Investment Manager is actively involved with each of the portfolio companies and the focus is on enhancing shareholder value.

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

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com

NZP

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
November 2005	Pharmaceuticals intermediates	MBO	$5,105	15.6*

* Total shareholding managed by Direct Capital 50.3%

Background

New Zealand Pharmaceuticals ("NZP") is a speciality manufacturer of pharmaceutical intermediates. It is a world leader in the manufacture of bile acids and in particular of cholic acid, which is the main intermediate used to produce a number of liver disease related pharmaceuticals. NZP also produces a number of synthetic carbohydrate products.

Performance

Trading performance in NZP's core cholic acid business has been very strong with revenues increasing significantly over the prior period. The increasing cholic acid demand has provided positive reinforcement for NZP's decision to increase cholic acid production through the recently completed plant expansion.

The increase in long term demand for cholic acid has resulted in the NZP Board recently approving a further expansion in cholic acid capacity which is due for completion in early 2016.

Strong cholic acid demand, the lower NZD and above budget results for Dextra (NZP's UK based carbohydrate manufacturing subsidiary) have resulted in a strong performance in 2015. The company is predicting further increases in cholic acid demand and continued strong growth in the Dextra business.

NZP has recently completed the licencing of assets related to the development of pharmaceutical drugs for the treatment of two rare diseases. This licence agreement provided NZP with an initial milestone payment, and NZP is in line for future milestone payments based on the progress of the drug development program as well as providing the active ingredient upon which the development program is based. This licence represents the result of significant investment in R&D by NZP over the past 18 months.

Outlook

As well as expanding the plant capacity, NZP is continuing to invest in R&D and new product initiatives to support the continued future growth of the business. Given the trend of improving profitability and strong demand in NZP's key product areas the outlook remains highly promising.

Investment 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	**$4,091**	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
In 2012 the company commenced a major investment to upgrade its print capability and to reposition the business within an industry undergoing significant change. The purpose of this was to enable direct supply relationships to be developed with end customers (rather than being a supplier to other suppliers) and to transition the company from the low-growth industrial sector to the larger and faster-growing flexibles sector servicing FMCG consumable goods (predominantly in food packaging).

The strategy was developed in response to industry consolidation activities, resulting in reduced supplier options for customers. The strategy implemented by Stratex was supported by an expectation that key customers in the food sector would support alternate suppliers in the New Zealand and Australian packaging markets.

The transition has taken much longer than expected as a result of long sales cycles, including highly technical product development and trialling processes, coinciding with contract periods that typically span 2-5 years. Although the transition has been challenging for the business, it is now complete and the company is experiencing encouraging year on year growth. Particularly pleasing has been the securing of key multi-national brands in the FMCG food sector, validating Stratex's high technical and operational standards.

Outlook
The Investment Manager expects the Company's financial performance to improve this year and is well-positioned to achieve ongoing growth with a number of large contract opportunities coming to market.

The Investment Manager anticipates a follow-on investment into the business within the calendar year to assist positive progress to date.

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.

Performance

The company has enjoyed an improved trading performance for the financial year to June meeting expectations and a meaningful lift on the previous year. Sales prices remain strong driven by strong international demand, especially in the US market where the recent Monterey Bay award, which recognised New Zealand King Salmon as being the only marine farmed salmon in the world to achieve the Best Choice rating, has resulted in a significant lift in sales volumes over the past six months.

The company continues to make new investments to lift production performance and ensure global best practice. This continues to be a key area of focus.

Outlook

Pleasingly, early in 2015 the company received the final regulatory approvals to operate the three new marine farms with 35 year leases in the Marlborough Sounds. This has enabled deployment of the first two farms in Waitata and Ngamahau which will result in increased production from late 2016.

The new farm licences will be gradually rolled out and to date capex has been self-funded. The Investment Manager continues to review the overall capital requirements for the phased establishment of each farm and the sources of this capital.

Investment 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 12.1%

Background
Fishpond is Australasia's largest local online retailer, offering a selection of nearly 15 million products, including toys, health and beauty products, books, music, movies, games, and lifestyle.

Performance
Fishpond recorded strong earnings growth in its March 2015 financial year and the positive momentum has continued into FY16. The business continues to benefit from the significant investment made in Fishpond's operating platform, with sustained improvements in gross profit margin and strong cash generation. Fishpond's strong performance has enabled the business to commence regular dividend distributions to shareholders.

Fishpond products for sale are sourced and distributed from three distribution centres in New Zealand, USA, and United Kingdom. The business employs more than 100 employees and sells an item on average every 7 seconds.

Outlook
Fishpond continues to leverage its enhanced platform to drive operational and financial efficiencies, and has an exciting pipeline of new business initiatives. The business continues to face currency headwinds which is expected to remain a feature of the coming financial year.

Fishpond brings you the lowest prices from around the world

We search the globe daily to find you the lowest prices. Guaranteed.

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".

The current BPV company investment cost is $3.6 million.

Most of the BPV investments are focused on early stage businesses, which by their nature are high risk, with the exception of established companies New Zealand Pharmaceuticals and New Zealand King Salmon. 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. Due to their large respective investment weightings, the performances of NZP and NZKS will largely determine the degree of success of the BPV investment portfolio.

There have been eleven investments to date, since reduced to five following realisations.

BPV's investments include:
New Zealand Pharmaceuticals;
New Zealand King Salmon; Horizon Science; CoDa Therapeutics; and Vital Foods.

Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2015

	Note	Unaudited 6 months Jun 2015	Unaudited 6 months Jun 2014	Audited 12 months Dec 2014
Interest Income		38,254	30,704	57,071
Dividend Income		16,074	300,755	300,755
Change in fair value of investments – equity securities	*3*	(19,675)	(834,210)	1,258,242
Impairment of loans and receivables		(92,946)	(861,175)	(2,231,460)
Gain/(Loss) on realisation of investments		-	-	237,444
Other operating income - fees		53,000	53,000	106,000
Administrative expenses		(515,092)	(519,036)	(1,073,281)
Operating loss before tax		(520,385)	(1,829,962)	(1,345,229)
Tax expense		-	-	-
Loss after tax		(520,385)	(1,829,962)	(1,345,229)
Attributable to:				
Owners of the parent		(1,851)	36,166	65,694
Non-controlling interests	*1c*	(518,534)	(1,866,128)	(1,410,923)
Loss for the period		(520,385)	(1,829,962)	(1,345,229)
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period attributable to the equity holders of stapled securities		(520,385)	(1,829,962)	(1,345,229)

Financial Information

Consolidated interim statement of changes in equity

For the six months ended 30 June 2015

	Attributable to equity holders of the parent				
	Share capital	Retained losses	Total	Non-controlling interest	Total equity
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)	(518,534)	(520,385)
Redemption of share capital	(395,390)	-	(395,390)	-	(395,390)
Distributions to equity holders	-	-	-	(670,571)	(670,571)
Balance at 30 June 2015	35,440,397	(2,237,299)	33,203,098	(6,497,173)	26,705,925
Unaudited					
Balance at 1 January 2014	35,835,787	(2,301,142)	33,534,645	(3,897,145)	29,637,500
Total comprehensive income	-	36,166	36,166	(1,866,128)	(1,829,962)
Balance at 30 June 2014	35,835,787	(2,264,976)	33,570,811	(5,763,273)	27,807,538
Audited					
Balance at 1 January 2014	35,835,787	(2,301,142)	33,534,645	(3,897,145)	29,637,500
Total comprehensive income	-	65,694	65,694	(1,410,923)	(1,345,229)
Balance at 31 December 2014	35,835,787	(2,235,448)	33,600,339	(5,308,068)	28,292,271

Financial Information

Consolidated interim statement of financial position

As at 30 June 2015

	Note	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Assets				
Loans and receivables	*2*	6,083,329	7,345,713	6,115,584
Investments – equity securities	*3*	17,872,038	16,580,203	17,891,713
Total non-current assets		23,955,367	23,925,916	24,007,297
Trade and other receivables	*5*	142,976	166,662	643,433
Loans and receivables	*2*	887,216	2,155,179	1,781,393
Cash and cash equivalents	*4*	1,749,770	1,588,358	1,921,982
Total current assets		2,779,962	3,910,199	4,346,808
Total assets		26,735,329	27,836,115	28,354,105
Equity				
Issued capital		35,440,397	35,835,787	35,835,787
Retained losses		(2,237,299)	(2,264,976)	(2,235,448)
Total equity attributable to equity holders of the parent		33,203,098	33,570,811	33,600,339
Non-controlling interest	*1c*	(6,497,173)	(5,763,273)	(5,308,068)
Total equity attributable to equity holders of stapled securities		26,705,925	27,807,538	28,292,271
Liabilities				
Trade and other payables		29,404	28,577	61,834
Total current liabilities		29,404	28,577	61,834
Total liabilities		29,404	28,577	61,834
Total equity and liabilities		26,735,329	27,836,115	28,354,105

For and on behalf of the Board

Director

8 September 2015

Date

Director

8 September 2015

Date

Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2015

	Note	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Cash flows from operating activities				
Cash receipts from fees		53,000	53,000	106,000
Interest received		86,288	37,209	43,268
Dividends received		16,074	300,755	300,755
Income tax refunded		-	-	275
Cash paid to suppliers		(669,775)	(531,438)	(1,061,187)
Net cash from operating activities		(514,413)	(140,474)	(610,889)
Cash flows from investing activities				
Proceeds from sale of investments		620,697	-	410,176
Acquisition of investments		-	(384,935)	(268,098)
Loans repaid by portfolio companies		885,862	140,263	394,672
Loans advanced to portfolio companies		(98,397)	(308,587)	(285,970)
Net cash from investing activities		1,408,162	(553,259)	250,780
Cash flows from financing activities				
Redemption of preference shares		(395,390)	-	-
Distributions to equity holders		(670,571)	-	-
Net cash from financing activities		(1,065,961)	-	-
Net movement in cash and cash equivalents		(172,212)	(693,733)	(360,109)
Cash and cash equivalents at 1 January		1,921,982	2,282,091	2,282,091
Cash and cash equivalents at end of period	*4*	1,749,770	1,588,358	1,921,982

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

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Profit /(Loss) for the period	(520,385)	(1,829,962)	(1,345,229)
Adjustments for:			
Changes in fair value of investments - equity securities	19,675	834,210	(1,258,242)
Changes in fair value of investments - debt securities	92,946	861,175	2,231,460
Capitalised interest received	44,852	-	(169,584)
Loss on realisation of investments	-	-	(230,634)
Movements in Working Capital:			
Change in trade and other receivables	(83,633)	24,903	158,617
Change in income tax receivable	-	-	275
Change in trade and other payables	(67,868)	(30,800)	2,448
Net cash from operating activities	(514,413)	(140,474)	(610,889)

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 2015 comprise the Company and 11 Investment Companies (30 June 2014:11) (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 2014.

The interim financial statements were approved by the Directors on 8 September 2015.

(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 2014.

(b) Basis of preparation

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993. The FRA 2013 is effective for companies with financial periods beginning on or after 1 April 2014 unless they meet the definition of a FMC reporting entity under the Financial Markets Conduct Act ("FMC Act") and meet the transitional provision requirements of the FMC Act that require them to apply the Financial Reporting Act 1993. As Pohutukawa Private Equity Limited meets the requirements of an entity operating under the transitional provisions of the FMC Act, Pohutukawa Private Equity Limited will become an FMC reporting entity at the earlier of making an issue of securities under the FMC Act or opting into the FMC Act or becoming a recipient of funds from a conduit issuer or Pohutukawa Private Equity Limited's next balance date after 1 December 2016 i.e. 31 December 2016.

The change in legislation has no material impact on the entity's obligation to prepare general-purpose financial statements. Neither the FRA 2013 nor the FMC Act require the preparation of parent financial statements where group financial statements are prepared. Accordingly on adoption of the FMC Act and the FRA 2013 Pohutukawa Private Equity Limited will no longer be required to prepare separate financial statements for the Company.

The External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. Under the new XRB framework the entity has continued to apply NZ IFRS as applicable for Tier 1 for-profit entities. This has had no material impact on the preparation and disclosures included in the financial statements.

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

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation

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

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

Special purpose entities

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

Non-controlling Interest

Non-controlling interest refers to the equity of the Investment Companies as this is owned directly by shareholders of the parent and the Manager, and not by the parent company itself. These non-controlling interests are attributable to the parent company shareholders as a result of their direct investment in the preference shares of the Investment Companies and to the Manager as a result of its ownership of the ordinary shares in the Investment Companies.

(d) Investments in equity securities

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

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

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

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

Financial Information

Notes to the consolidated interim financial statements

2. Loans and receivables

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
New Zealand King Salmon Investments Limited [2]	6,083,329	7,345,713	6,115,584
NZP Holdings Limited [2]	370,007	1,610,215	1,255,870
Stratex Group Limited	491,984	393,587	393,587
Horizon Science Pty Limited [1]	-	109,193	109,193
Rissington Breedline Limited [1]	-	19,441	-
Vital Food Processors Limited [1]	25,225	22,743	22,743
	6,970,545	9,500,892	7,896,977

[1] Loans through the investments by BioPacificVentures

[2] Loans through the investments by Pohutukawa Private Equity Limited & BioPacificVentures. During 2015 loan repayments have been made by New Zealand King Salmon Investments Limited of $48,499 and NZP Holdings Limited of $885,863.

Represented by

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Non-current assets	6,083,329	7,345,713	6,115,584
Current assets	887,216	2,155,179	1,781,393
	6,970,545	9,500,892	7,896,977

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 0% (30 June 2014: 0%). During the period $48,499 of previously capitalised interest was repaid (30 June 2014: Nil). No interest income was accrued during the period relating to this loan (30 June 2014: 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 2015 at their cost price:

Entity name	Activities	Initial Acquisition date	Voting interest	Unaudited Jun 2015 Cost of acquisition	Unaudited Jun 2014 Cost of acquisition	Audited Dec 2014 Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.6%	4,775,157	4,775,157	4,775,157
BioPacificVentures	Private equity vehicle	Nov 2005	n/a	2,721,192	3,121,115	3,114,322
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812	3,598,812	3,598,812
Rodd & Gunn NZ Limited & Rodd & Gunn Australia Limited	Retail	Aug 2008	-	-	2,972,487	-
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
				14,589,191	17,961,601	14,982,321

The difference between the cost of $14,982,321 (30 June 2014: $17,961,601) and the carrying value of $17,872,038 (30 June 2014: $16,580,203) in the statement of financial position is shown as a fair value movement through profit or loss for the period it relates to.

Financial Information

Notes to the consolidated interim financial statements

4. Cash and cash equivalents

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Call deposits	845,427	110,509	1,035,815
Short-term deposits	904,343	1,477,849	886,167
	1,749,770	1,588,358	1,921,982

The majority of call deposits are held on short-term deposit with the ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a 100% subsidiary of Craigs Investment Partners Limited. The interest rate at 30 June 2015 was 3.55% (June 2014: 2.95%).

Short-term deposits are held with ANZ Bank New Zealand Limited for periods of up to 90 days and have interest rates ranging from 4.00% to 4.11% (June 2014: 3.38% to 3.95%).

5. Trade and other receivables

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Goods and services tax receivable	-	-	1,335
Income tax receivable	15	290	15
Interest receivable	5,694	161,359	8,877
Deferred Rodd & Gunn residual settlement	-	-	620,697
Other receivables	137,267	5,013	12,509
	142,976	166,662	643,433

Financial Information

Notes to the consolidated interim financial statements

6. Financial risk management

a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2015	Level 1	Level 2	Level 3	Total
Investments	-	-	17,872,038	17,872,038

30 June 2014	Level 1	Level 2	Level 3	Total
Investments	-	-	16,580,203	16,580,203

31 December 2014	Level 1	Level 2	Level 3	Total
Investments	-	-	17,891,713	17,891,713

There have been no transfers between levels during the period.

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 2015	Audited Dec 2014
Opening balance	17,891,713	17,029,479
Total gains or (losses):		
Change in fair value – equity securities	(19,675)	1,258,242
Gain/(Loss) on disposal	-	237,444
Investments at cost during the period	-	390,404
Divestments		(1,023,856)
Closing balance	17,872,038	17,891,713

Financial Information

Notes to the consolidated interim financial statements

6. Financial risk management (continued)

a) Fair value hierarchy (continued)

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 2015	Dec 2014
Total gains/(losses) included in profit or loss for the period	(19,675)	1,495,686
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	(19,675)	1,258,242

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 6(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 judgment after considering market liquidity conditions and company-specific factors such as the developmental stage of the portfolio company, if any.

c) Sensitivity analysis

A movement of 0.2 in the earnings multiples applied to the investments carried at fair value changes the value of the investments by $1,077,146. A movement in the adjustment factor of 5% changes the value of the investments by $2,011,590. A movement in the maintainable earnings of 5% changes the value of the investments by $1,814,834.

Financial Information

Notes to the consolidated interim financial statements

7. Related parties

a) Identity of related parties

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

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

Direct Capital Limited is responsible for preparing valuations of investments.

b) Transactions with related parties

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

- Management fees paid to Pohutukawa Management Limited totalled $385,277 (30 June 2014: $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 2015 the balance held was $845,427 (30 June 2014: $110,450).

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 2015	Unaudited Jun 2014	Audited Dec 2014
Directors fees (total remuneration)	50,000	50,000	100,000

The balance owing to key management personnel at 30 June 2015 is $25,000 (30 June 2014: $25,000)

8. Subsequent events

There were no material subsequent events for the Group.

Auditor's Review Report

To the shareholders of Pohutukawa Private Equity Limited

We have completed a review of the interim financial statements of Pohutukawa Private Equity Limited on pages 10 to 21 which comprise the statement of financial position as at 30 June 2015, 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.

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.

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 the Group. The firm has no other relationship with, or interest in, the Group.
Other than in our capacity as auditors we have no relationship with or interests 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 2015, 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*.

KPMG

8 September 2015
Tauranga

Directory

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John McDonald
Maurice Prendergast
Neil Craig
Mike Caird

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