Pohutukawa

PRIVATE EQUITY LIMITED

ANNUAL REPORT

For the year ended 31 December 2011

Contents

Report to Shareholders

16 April 2012

Dear Shareholder

I am pleased to present Pohutukawa's 2011 annual report.

It will be no surprise that 2011 proved to be a difficult time for our portfolio companies given the global turmoil which created more uncertainty for world markets and impacted on New Zealand and Australian business confidence and performance. The retail sector in both New Zealand and Australia continued to languish, although our on-line retailer Fishpond performed well. Our exporting companies faced a strong NZ dollar for most the year, which negatively impacted their revenues.

Despite the prevailing poor economic conditions the portfolio companies generally returned positive results. We are satisfied with the portfolio's performance through this period. The portfolio companies have traded with some resilience through three years of economic uncertainty.

While we did not make any direct follow-on investments into the existing portfolio companies during the year, as part of our BioPacificVentures (BPV) commitment we made several small follow-on investments.

We anticipate being in a position to make an announcement concerning one of the portfolio companies midway through the year and will provide an update as soon as practicable or at the Annual Shareholders Meeting in May.

Distributions to Shareholders

Pohutukawa Directors approved a distribution payment of $1.165 million, equivalent to a gross distribution of 3.1 cps, which was paid 18 March 2011. This distribution comprised cash flows from the following portfolio companies (see *Table 1*).

Table 1

Pohutukawa Portfolio Company Distributions for 2011

Portfolio Company	Return Type	Cents per share Gross	Cents per share Net
Express Logistics	Capital	0.34	0.34
BioPacificVentures	Dividend	1.21	0.81
NZ King Salmon	Dividend	0.73	0.49
Stratex Group	Dividend	0.44	0.30
Fishpond	Dividend	0.03	0.02
Triton Hearing	Dividend	0.35	0.24
Total Distributions		3.11	2.20

Pohutukawa has now distributed net cash 69.4 cps (76.67cps gross) of your original $1.00 investment. Net asset backing at 31 December 2011 was 81.56 cps (prior to provision for earnout as detailed in note 16 to the Consolidated Financial Statements). A summary of gross returns made to Shareholders is shown in *Table 2* below.

Table 2 - Summary of Investor Returns

Investors Gross Return to 31 December 2011

Original Investment	**$ 1.00**
December 2007	0.35
November 2008	0.08
June 2009	0.02
December 2009	0.18
March 2010	0.10
March 2011	0.03
*Assessed Net Asset Value 31 December 2011	0.82
*** Estimated Gross Return**	**$ 1.58**
Return multiple before costs	**1.58x**

*Excluding manager's earnout

Report to Shareholders

Portfolio Company Activity

Overall the fair value of the portfolio decreased slightly however distribution of dividends and interest received from portfolio companies contributed to this decrease. This reduction in unrealised value is attributable to difficult trading conditions in almost all of the portfolio companies, however our retail facing investment performances were most impacted by the economic conditions.

In March 2010 New Zealand Pharmaceuticals recognised a non-cash dividend to shareholders which was advanced back to the company (Pohutukawa and BPV) as a shareholder loan for a combined amount of $3.2 million. This loan has been reduced to $2.67 million as at 31 December 2011.

New Zealand King Salmon recognised interest on shareholder loans during the year; in September 2011 interest of $946k (Pohutukawa and BPV loans) was capitalised and then subsequently partly repaid during the year along with the repayment of capitalised interest from 2010.

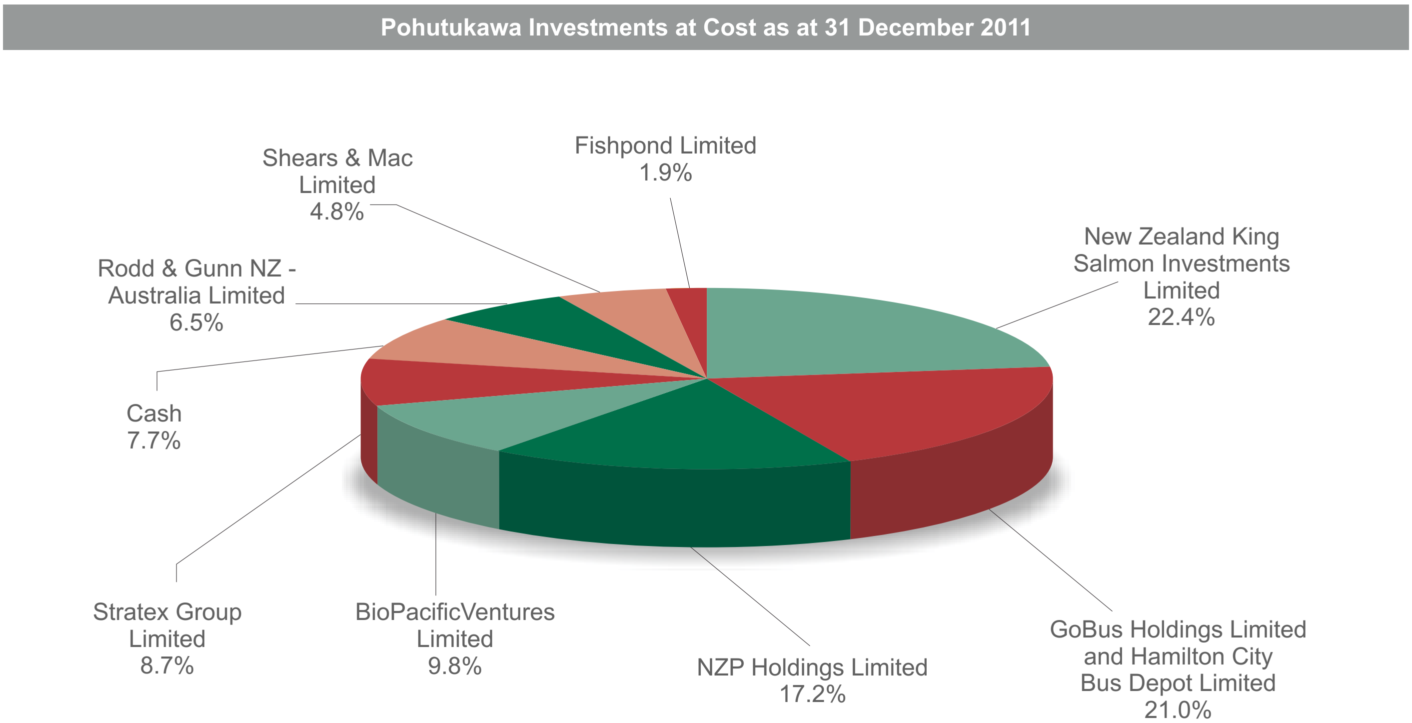
Current Position

Pohutukawa's remaining cash reserves are earmarked for follow-on investment commitments to the existing portfolio companies and to BPV. Pohutukawa's cash reserves as at 31 March were $2.92 million.

The total value of investments (excluding cash) at the end of the financial period was $40 million.

Our current investments and cash available for follow-on investment as at 31 December 2011 are shown in *Chart 1* below.

Chart 1

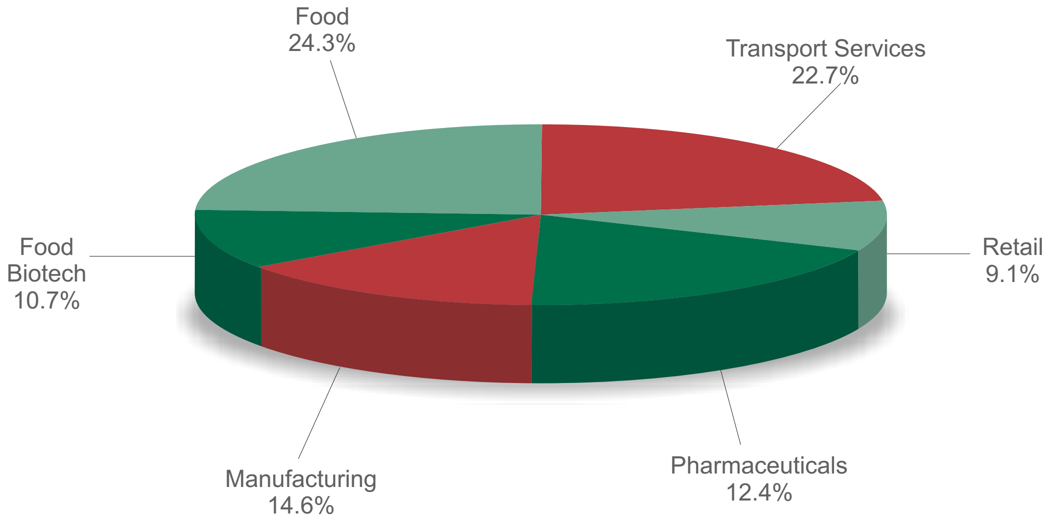


Report to Shareholders

Our industry sector exposure is shown in *Chart 2*.

Chart 2

Industry Sector Exposure as at 31 December 2011



Portfolio Company Investment Valuations

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

At 31 December 2011 the Manager valued the investments at $40 million. This value includes shareholder loans that the Pohutukawa group has made to portfolio companies.

Table 3 on page 5 shows the cost of the investments at $38.3 million. This compares with the 31 December 2011 portfolio valuation of $40 million. This comparison does not recognise returns such as dividends and interest from these investments. The company revaluations are based on the respective company financial performances to 31 December 2011.

Portfolio Companies Performance and Outlook

The 2011 financial year continued in a similar vein to 2010 with the companies encountering difficult trading conditions during this financial period.

Despite the market headwinds, most of our portfolio companies have continued to be resilient and profitable under these demanding trading conditions. Appropriate debt levels for the current economic conditions have contributed to the robust performances of the companies.

The unrealised company equity valuations at December 2011 have fallen by $1.5 million – (see change in fair value in the annual accounts) from their 2010 level, in part due to dividend distributions during the year. Our larger companies remain focused on controlled expansion of their operations. Some of our smaller companies continue to look for compatible acquisition opportunities. All portfolio companies are well positioned for when market conditions return to 'normal'.

All companies continue to have the support of their respective banks.

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

Report to Shareholders

Table 3 *Portfolio Company Investments at Cost to 31 December 2011*

Schedule of Investments at Cost to 31 December 2011	Date of Investment	Industry	Total Investment at Cost (NZ$000)	PPE Shareholding %
Direct Investments				
NZP Holdings Limited	18 Nov 05	Pharmaceutical	7,152	15.8
Stratex Group Limited	1 May 07	Manufacturing	3,599	32.8
GoBus Holdings Limited	19 Dec 07	Transport Services	8,504	33.1
Hamilton City Bus Depot Limited	4 Dec 09	Transport Services	199	17.3
Shears & Mac Limited	16 May 08	Manufacturing	1,990	18.1
Rodd & Gunn NZ-Australia Limited	29 Jul 08	Retail	2,710	11.9
New Zealand King Salmon Investments Limited	22 Sep 08	Food	9,302	10.8
Fishpond Limited	12 Oct 09	Retail	772	4.4
Total Direct Investments			**34,228**	
BioPacificVentures Investments		Food Biotech	4,080	
Total Cost of Current Pohutukawa Investments			**$38,309**	

Annual Financial Statements 31 December 2011

Our financial statements for the year ended 31 December 2011, Directors' Report and KPMG Audit Report are included in this annual report

As at 31 December 2011 Pohutukawa had 53 million stapled securities on issue, fully paid to $1.

At balance date shareholders' funds were $43.6 million. This demonstrates Pohutukawa's strong financial position. Pohutukawa carries no debt.

Assets comprised:

- Investments $28.7 million
- Loans Portfolio Companies $11.3 million
- Cash $3.2 million
- Receivables $0.5 million

Investments include portfolio revaluations under the fair value method at 31 December 2011.

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

The item non-controlling interest in the balance sheet 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.

The overall performance was impacted by a $1.5 million dollar change in fair value of investments due to lower portfolio company valuations at financial year-end; and the loss on sale of investments $179k, attributed to the sale of Triton Hearing Clinics.

Dividend income was $383k, received from New Zealand King Salmon and Fishpond. Interest income of $1.16 million was also received from shareholder loan advances to NZ King Salmon, GoBus and Hamilton City Bus Depot.

Administrative expenses were $1.36 million, a 3.5% decrease on 2010. Of the total administrative expenses, management fees were $1.13 million ($1.15 million in 2010).

The loss for the financial year end was $1.42 million, compared to a $1.39 million profit in 2010.

Report to Shareholders

Table 4 - Pohutukawa Financial Performance Summary

Pohutukawa Financial Performance Summary For the year ended 31 December 2011		
	2011 **$000**	**2010** **$000**
Operating Results		
Interest income	1,160	1,225
Dividend income	383	3,877
Other income	117	282
Loss on sale of investments	(179)	0
Change in fair value of investments	(1,544)	(2,589)
Administrative expenses	(1,358)	(1,407)
Profit/(Loss) after tax	(1,422)	1,388
Share Performance		
Stapled Securities on issue $1.00	53,000,000	53,000,000
Earnings per share	$ -	$ 0.03
*Estimated Net Asset backing-cents per share	$ 0.82	$ 0.87

** Prior to provision for managers earnout*

The Manager

One of the roles of the Pohutukawa Board is to review the Manager's performance. 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 will be applied to follow-on portfolio company investments. The directors may review this position at any time and choose to release surplus capital to shareholders.

All our companies have growth strategies in place either by way of acquisition or organic growth. Pohutukawa is in a strong financial position to fund such growth.

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

Secondary Market

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

The last sale price on 31 March 2012 was 87 cents while the net asset backing was 82 cents per share at 31 December 2011. (Note: this asset backing is calculated prior to any earnout fee payable to the Manager - see note 16 to the Consolidated Financial Statements).

Annual Shareholders Meeting

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

Date: **Tuesday, 22 May 2012**
Time: **2.30pm**
Place: **Craigs Investment Partners Limited, Level 32, Vero Centre, 48 Shortland Street, Auckland**
RSVP: **Contact Peter Lalor on 07 577 4727 or enquiries@pohutukawafund.co.nz by 11 May 2012.**

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

Portfolio Performance Summary and Outlook

The Manager is pleased to report on the portfolio's performance for the year to 31 December 2011.

The trading year was the most challenging since the formation of the fund. During earlier trading years the portfolio companies had responded exceptionally well to the trading environment and had maintained tight control on the financial performance for their businesses. The change in trading conditions during the year was not unexpected and to some extent was influenced by a similar drop-off of economic activity in Australia where a number of our portfolio companies have significant business activities.

Despite difficult trading conditions, all the portfolio companies traded profitably for the year and were able to continue dividend payments and repay shareholder loans, although at lower levels than previous years. In addition most companies continued to either reinvest in growth opportunities or reduce bank debt.

As earlier indicated a cash distribution of 2.20 cents per share was distributed to Shareholders in March 2011. Including tax credits, the distribution represented 3.11 cents per share. Total gross distributions made from inception to 31 December 2011 now total 76.55 cents per share. When combined with a current net asset backing of 82 cents per share, this represents a total (partially unrealised) gross return of $1.58, (compared with $1 actual capital contribution)

In total the portfolio performance for the year, being dividends and interest received plus portfolio company revaluations, was revalued down slightly. Strong investment performance from GoBus was pleasing, with increased shareholder value created to date. The prospects for GoBus remain positive.

Individual performance and prospects are highlighted in the portfolio company summaries that follow. We remain cautious in our outlook for 2012 providing markets gradually improve through the course of the year. Although we are satisfied with the portfolio performance and expect a similar investment performance compared to 2011, we realise that there will be no swift improvement in market conditions.

The Manager continues to encourage portfolio companies to review all investment opportunities which grow and expand the businesses.

There were no direct follow-on investments made by Pohutukawa during the year, although BPV made some small follow-on investments.

Our portfolio company management partners are to be commended on a satisfying outcome for the portfolio companies in a very challenging operating environment.

Table 5 below ranks the portfolio companies according to their weighting as a percentage of their combined portfolio investment cost.

Table 5 *Portfolio Companies Ranking*

Company Ranking Based on Investment Cost at 31 December 2011	As a % of Portfolio
Investments	
New Zealand King Salmon Investments Ltd	27.2%
GoBus Holding Limited	24.8%
NZP Holdings Limited	20.9%
Stratex Group Limited	10.5%
Rodd & Gunn NZ-Australia Limited	7.9%
Shears & Mac Limited	5.8%
Fishpond Limited	2.3%
Hamilton City Bus Depot Ltd	0.6%
Total Portfolio Company Investments	**100.0%**

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 $ 2,377 - loan **$7,152**	15.8*

*Plus 1.96% through BioPacificVentures
Total shareholding managed by Direct Capital 51.0%

Background

New Zealand Pharmaceuticals (NZP) produces specialty chemicals for the pharmaceutical industry. 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, NZP is involved in the production of synthesized carbohydrate chemicals. Carbohydrates form a large and fast-growing category of the global pharmaceuticals market and are increasingly significant to NZP's business.

Performance

NZP achieved a good result for its 2011 financial year, even with the much higher New Zealand dollar negatively impacting its primarily US dollar receipts. Core bile acid volumes were up significantly, as were sale prices (in US dollar terms). There was continued integration of the UK Dextra business with New Zealand operations, including transfers of staff in both directions. Regulatory compliance improved, including achievement of the international environmental management standard of ISO14001.

Outlook

Demand for NZP's intermediates continues to grow, as do the opportunities for its Dextra carbohydrate business. Raw material prices are also increasing however, putting continued pressure on margins.

Manager's Report on Portfolio Companies

STRATEX GROUP LIMITED

www.stratexgroup.co.nz

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 manufactures specialty base material used in the flexibles packaging sector including extrusion-coated and laminated materials for the paper, food and industrial markets. While it has direct end-customer relationships, it is primarily a supplier to other manufacturing converters. Approximately 60% of its business is exported.

Performance

Revenue and EBITDA were below expectation due to delayed introduction of new products to replace existing products coming to the end of their life cycle (through change of end customer product life-cycle, packaging requirements, base material selection, etc). Demand in Australia has also been lower due to more difficult domestic market conditions.

Outlook

We expect the trading environment to be more variable over the next twelve months due to significant market consolidation occurring in the flexibles packaging sector. Stratex is assessing both acquisition and investment opportunities arising from this consolidation. In its core business Stratex is expecting to benefit from new product development initiatives with its customers.

Manager's Report on Portfolio Companies

GOBUS HOLDINGS LIMITED

www.gobus.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
December 2007	Transport	MBO	$7,511 - equity $993 - loan **$8,504**	33.1

Total shareholding managed by Direct Capital 82.4%

Background

GoBus is the leading regional provider of public transport services throughout the middle of the North Island (in the Waikato, Bay of Plenty and Hawkes Bay) and in Christchurch, providing urban, school and charter/tour bus services.

Performance

GoBus expects to complete its March 2012 financial year with EBITDA in line with expectations and 2013 expects further growth will be achieved. Some restructuring of services in Christchurch has occurred to better meet the needs of the city following the earthquakes and GoBus continues to work closely with Environment Canterbury to maximise the efficiency of services.

Significant management resource is being invested in GoBus' 'good to great' operational strategy, aimed at achieving best practice in all aspects of the Company's operations. Significant investment is also being made to enhance the Company's IT systems in conjunction with the 'good to great' initiative.

During the March 2012 year GoBus has continued to make interest payments on its shareholder loans.

Outlook

GoBus is now more than double the size it was at the time of Direct Capital's initial investment in late 2007, and the opportunities for growth in the public transport sector are expected to remain positive. Further acquisitions and new contract tenders are expected to be reviewed during the coming year.

HAMILTON CITY BUS DEPOT LIMITED

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
December 2009	Property		$60 - equity $139 - loan **$199**	17.3

Total shareholding managed by Direct Capital 42.9%

Background

Hamilton City Bus Depot Limited (HCBD) is the owner of the GoBus Hamilton Head Office and bus depot at 57 Higgins Rd, Hamilton.

The investment in HCBD was made as an effective use of capital in the GoBus business.

GoBus has entered into a long-term lease of the premises with HCBD on commercial terms.

Manager's Report on Portfolio Companies

SHEARS & MAC LIMITED

www.shearsandmac.co.nz

SHEARS&MAC.

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
May 2008	Manufacturing	Expansion	$1,990 - equity	18.1

Total shareholding managed by Direct Capital 45.5%

Background

Shears & Mac Limited is a provider of joinery manufacturing and fit-out services for the retail, hospitality and commercial sectors. It is one of New Zealand's largest fit-out groups and services many of the large international retail chains.

Performance

The Company has maintained its revenue base within a difficult retail environment and made good progress in broadening its business into the Australian market, particularly within the hospitality and gaming sectors where levels of re-investment remain high. However, across the industry, margins remain compressed due to intense competition and increased use of tendering.

Outlook

Shears & Mac is focussed on continuing to grow its revenue base and improving its margins through specific operational improvement initiatives. It expects market conditions to continue to be challenging particularly in the retail sector in both New Zealand and Australia.

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 79 stores in malls, on high streets and in department store concessions in Australia and New Zealand. The retailer has a long established brand and targets the premium male customer.

Performance

The retail environment has remained challenging over the last twelve months, particularly in Australia where high savings rates and low consumer confidence have hit consumer spending levels. Rodd & Gunn's June 2011 profit result was similar to that achieved for 2010.

After a particularly busy 2010, with a large number of store openings and a significant systems implementation and head office move to Melbourne, the more recent focus within the Company has been on maximising operational efficiencies and leveraging the businesses existing infrastructure for incremental growth. For example, a new shoe wholesaling business, and the commencement of apparel wholesaling to areas where the Company does not have a store presence, are current initiatives with the potential to add additional profit from limited incremental resources. Also, in late November 2011 Rodd & Gunn trialled its first stand alone 'Duck' (the diffusion brand aimed at the younger customer) concession in a Myer store and given the success of this it is expected that further stand alone Duck concessions will follow. Finally, opportunities outside the existing 'Dog' and 'Duck' brands are also being reviewed.

Outlook

While retail conditions in both Australia and New Zealand remain subdued, the opportunities highlighted should lead to further market share growth. The board of Rodd & Gunn remain optimistic about its long term prospects.

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 $ 6,580 - loan **$9,302**	10.8*

*Plus 0.7% through BioPacificVentures
Total shareholding managed by Direct Capital 43.3%

Background

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

Performance

NZKS has enjoyed a significant lift in sales in the New Zealand domestic market during 2011, which accounts for over 50% of total sales. This has been driven by new product developments and strong sales within the food service sector. Balancing this result, prices in key export markets remain challenging, driven by uncertainty within European markets, resulting in a collapse of Norwegian Atlantic Salmon prices since early 2011. The company has continued to focus on the food service sector within these markets and to obtain premium prices, although sales volumes have been impacted.

As a result the earnings for the current financial year are below company expectation.

During the 2011 year NZKS has continued to make interest payments on its shareholder loans and pay an annual fully imputed dividend.

Outlook

The company is expecting an improvement in trading conditions in export markets during 2012 with available production and sales being in balance. The company has developed a four pronged strategy to improve its market position and is now implementing this strategy, including the introduction of a new premium brand.

Environmental Protection Agency (EPA) application for new marine farms

NZKS has applied for consent to develop additional water space to enable expansion of its farm capacity. The Minister of Conservation has confirmed the marine farm application as a matter of "national significance" and has referred NZKS's application to the EPA. The EPA has completed its initial review and requested further information. The hearing process commenced in April and will run for nine months.

Manager's Report on Portfolio Companies

FISHPOND LIMITED

www.fishpond.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
October 2009	Online retail	Expansion	$772 - equity	4.4

Total shareholding managed by Direct Capital 12.0%

Background

Fishpond is Australasia's largest local online retailer, offering a selection of over 8 million products including books, music, movies, toys, games, lifestyle, and health and beauty products. The company generates its revenue from two websites, www.fishpond.co.nz and www.fishpond.com.au.

Performance

Fishpond has achieved significant revenue growth year-on-year, with similar levels of high growth in earnings and free cashflow. A number of operational improvements have enhanced the customer experience and seen Fishpond consolidate and grow its market share in New Zealand and Australia, as well as with the launch of a number of new country specific websites. The company paid a fully imputed dividend during the year.

Outlook

With an expanding product range, a number of new websites, a continuing shift in commerce to the internet and improved operational performance the company expects sales growth to continue through the next financial year.

Manager's Report on Portfolio Companies

BIOPACIFICVENTURES

www.biopacificventures.com

***Table 6** shows the BioPacificVentures Investments at 31 December 2011, at cost:*

Schedule of Investments to 31 December 2011	Date of Original Investment	Industry	Stage	Total Investment (NZ$)
BioPacificVentures Investments				
NZP Holdings Limited	Nov-05	Pharmaceutical	Expansion	$ 889,021
Vital Food Processors Limited	Feb-06	Consumer Products	Early	$ 338,686
Horizon Science Pty Ltd	Jul-06	Manufacturing	Early	$ 1,119,078
Rissington Breedline Limited	May-07	Food	Early	$ 131,377
CMP Therapeutics	Jul-07	Pharmaceutical	Early	$ 293,448
New Zealand King Salmon Investments Limited	Sep-08	Food	Expansion	$ 756,413
CoDa Therapeutics Inc	Sep-08	Pharmaceutical	Start up	$ 552,411
				$ 4,080,434

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

Pohutukawa has invested $4.88 million to date of its $5.3 million commitment. The current BPV company investment cost is $4.08 million, while the portfolio's current value is $3.57 million.

Most of the BPV investments are focused on early stage businesses, which by their nature are high risk. These early stage investments present Pohutukawa with potentially its main risk exposures, although as a percentage of the overall portfolio these are small. The likely success of these BPV investments is difficult to gauge and while some will succeed, others will not warrant further investment. The investment risk that some of the early stage investments pose is mitigated by BPV's larger and better performing investments in the food and pharmaceutical sector.

There have been eleven investments to date, since reduced to seven following the realisation of some of the earlier BPV investments.

The five largest BPV investments include: 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.

The outlook for these companies in 2012 looks to be more promising than 2011.

Directors' Report

For the year ended 31 December 2011

Directors holding office during the year and their remuneration

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

	Fees $	Date of appointment
J McDonald	35,000	13 May 2008
M Prendergast	35,000	3 March 2009
N J Craig	15,000	16 August 2004
F M Aldridge	15,000	3 March 2009

Entries recorded in the interests register

The entries shown in *table 7* below were recorded in the interest register of the company during the year.

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

Table 7 - Directors' shareholdings (including relevant interests) and dealings in Pohutukawa & Pohutukawa co-investments as at 31 December 2011.

Pohutukawa Director Investment Disclosure 31 December 2011
(Directors holding office as at 31 December 2011)

Investment Holding	J McDonald	M Prendergast	N J Craig	F Aldridge
	No. Securities	No. Securities	No. Securities	No. Securities
Pohutukawa	100,000		209,000	
Express Logistics Equity			7,598	2,026
NZ Pharmaceuticals Equity			16,119	4,341
NZ Pharmaceuticals Debt			9,442	2,542
Stratex Group Equity			18,363	
GoBus Equity			39,548	
GoBus Debt			5,230	
Hamilton City Bus Depot Equity			158	
Hamilton City Bus Depot Debt			363	
Rodd & Gunn Equity	6,912		6,559	
Rodd & Gunn Debt	691			
Shears & Mac Equity			158	
NZ King Salmon Equity	23,852		16,079	
NZ King Salmon Debt	56,287		7,507	
Fishpond Equity	282	282	176	

Director

4 April 2012

Date

Director

4 April 2012

Date

Statement of comprehensive income

For the year ended 31 December 2011

		Consolidated		Parent	
	Note	2011	2010	2011	2010
Interest income		1,159,915	1,225,894	1,159,285	1,215,545
Dividend income		382,635	3,876,881	-	-
Change in fair value of investments	*7(a)*	(1,543,893)	(2,589,452)	-	-
Loss on sale of investments	*7(c)*	(179,491)	-	(179,491)	-
Other operating income		116,600	281,914	190,083	265,712
Loans to investment companies impairment	*17(b)*	-	-	(5,656,575)	-
Administrative expenses	*5*	(1,357,839)	(1,406,789)	(1,245,379)	(1,387,150)
Operating (loss)/profit before tax		(1,422,073)	1,388,448	(5,732,077)	94,107
Income tax expense	*6*	-	-	-	-
(Loss)/profit for the year		(1,422,073)	1,388,448	(5,732,077)	94,107
Other comprehensive income for the year		-	-	-	-
Total (loss)/profit and comprehensive income for the year		(1,422,073)	1,388,448	(5,732,077)	94,107
Attributable to:					
Equity holders of the parent		(214,635)	94,107	(5,732,077)	94,107
Non-controlling interest	*3a(iv)*	(1,207,438)	1,294,341	-	-
Profit/(loss) for the year attributable to the equity holders of stapled securities		(1,422,073)	1,388,448	(5,732,077)	94,107

Statement of changes in equity

Consolidated	Attributable to equity holders of the parent			Non-controlling interest	Total equity
	Share capital	Retained losses	Total		
Balance at 1 January 2011	41,734,006	(2,603,977)	39,130,029	7,133,682	46,263,711
Total comprehensive income for the year	-	(214,635)	(214,635)	(1,207,438)	(1,422,073)
Distributions to equity holders	-	-	-	(1,028,323)	(1,028,323)
Repayment of preference shares	-	-	-	(180,006)	(180,006)
Balance at 31 December 2011	41,734,006	(2,818,612)	38,915,394	4,717,915	43,633,309
Balance at 1 January 2010	41,734,006	(2,698,084)	39,035,922	9,589,522	48,625,444
Total comprehensive income for the year	-	94,107	94,107	1,294,341	1,388,448
Distributions to equity holders	-	-	-	(2,848,559)	(2,848,559)
Repayment of preference shares	-	-	-	(901,622)	(901,622)
Balance at 31 December 2010	41,734,006	(2,603,977)	39,130,029	7,133,682	46,263,711

Parent	Share capital	Retained losses	Total equity
Balance at 1 January 2011	41,734,006	(2,603,977)	39,130,029
Total comprehensive income for the year	-	(5,732,077)	(5,732,077)
Balance at 31 December 2011	41,734,006	(8,336,054)	33,397,952
Balance at 1 January 2010	41,734,006	(2,698,084)	39,035,922
Total comprehensive income for the year	-	94,107	94,107
Balance at 31 December 2010	41,734,006	(2,603,977)	39,130,029

Statement of financial position

As at 31 December 2011

	Note	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
Assets					
Loans to investment companies	*17(b)*	-	-	23,524,430	29,735,251
Receivables from investment companies	*17(b)*	-	-	1,008,280	652,427
Loans to portfolio companies	*8*	10,174,403	10,254,619	7,502,359	7,228,833
Investments – equity securities	*7*	28,718,831	30,967,559	-	-
Total non-current assets		38,893,234	41,222,178	32,035,069	37,616,511
Other receivables	*9*	536,855	422,527	307,201	281,367
Loans to portfolio companies	*8*	1,132,274	993,280	1,132,274	993,280
Cash and cash equivalents	*11*	3,176,810	3,683,492	3,176,810	3,683,492
Total current assets		4,845,939	5,099,299	4,616,285	4,958,139
Total assets		43,739,173	46,321,477	36,651,354	42,574,650
Equity					
Issued capital	*12*	41,734,006	41,734,006	41,734,006	41,734,006
Retained losses		(2,818,612)	(2,603,977)	(8,336,054)	(2,603,977)
Total equity attributable to equity holders of the parent		38,915,394	39,130,029	33,397,952	39,130,029
Non-controlling interest	*3a(iv)*	4,717,915	7,133,682	-	-
Total equity attributable to equity holders of stapled securities		43,633,309	46,263,711	33,397,952	39,130,029
Liabilities					
Advances from investment companies	*17(b)*	-	-	3,145,154	3,386,855
Trade and other payables	*13*	105,864	57,766	108,248	57,766
Total current liabilities		105,864	57,766	3,253,402	3,444,621
Total liabilities		105,864	57,766	3,253,402	3,444,621
Total equity and liabilities		43,739,173	46,321,477	36,651,354	42,574,650

For and on behalf of the Board

Director

4 April 2012

Date

Director

4 April 2012

Date

Statement of cash flows

For the year ended 31 December 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
Cash flows from operating activities					
Management fees		116,600	281,483	116,600	281,483
Interest received		827,178	1,526,307	826,920	1,288,251
Dividends received		525,556	1,028,323	-	-
Income tax refunded		33,420	-	1,249	-
Income taxes paid		-	(28,860)	-	(9,660)
Cash paid to suppliers		(1,438,072)	(1,567,755)	(1,236,188)	(1,484,186)
Net cash from operating activities	14	64,682	1,239,498	(291,419)	75,888
Cash flows from investing activities					
Proceeds from sale of investments		180,009	2,235,172	336,347	-
Loans repaid by investment companies		276,392	157,315	-	1,369,300
Loans advanced to investment companies		-	-	(451,142)	(3,115,278)
Loans advanced to portfolio companies		253,273	(993,280)	(100,468)	(993,280)
Acquisition of investments		(72,709)	(266,720)	-	-
Net cash from investing activities		636,965	1,132,487	(215,263)	(2,739,258)
Cash flows from financing activities					
Loans/advances from investment companies		-	-	-	1,285,174
Repayment of preference shares		(180,006)	(901,622)	-	-
Distributions to equity holders		(1,028,323)	(2,848,559)	-	-
Net cash from financing activities		(1,208,329)	(3,750,181)	-	1,285,174
Net movement in cash and cash equivalents		(506,682)	(1,378,196)	(506,682)	(1,378,196)
Cash and cash equivalents at 1 January		3,683,492	5,061,688	3,683,492	5,061,688
Cash and cash equivalents at 31 December	11	3,176,810	3,683,492	3,176,810	3,683,492

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 14 (2010: 14) Investment Companies are registered under the Companies Act 1993 and are issuers and reporting entities for the purposes of the Financial Reporting Act 1993. The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and 14 (2010: 14) 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 4 April 2012.

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 14 (2010: 14) 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 14 (2010:

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

14) companies combining under the stapling arrangement are designated as the Investment Companies who invest in Portfolio Companies.

(ii) Associates

Investments in equity securities (i.e. the Portfolio Companies), which would normally be classified as investments in associates, are carried at fair value in both the parent and 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 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.

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.

Investments in unlisted equity securities, which would normally be classified as investments in associates, are carried at fair value and are not equity accounted. This is due to the fact that the Investment Companies are private equity investors.

(c) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy f).

(d) Loans receivable

Loans receivable are recognised at fair value plus any directly attributable transaction costs (if any). Subsequent to initial recognition they are stated at their 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.

(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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(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) Financing expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, 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.

(m) Goods and services tax (GST)

All amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

(n) New standards and pronouncements relevant to the Group

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2011.

No new standards or amendments which were mandatory for this reporting year were applicable to the Group.

No new standards or amendments effective after this reporting date have been early adopted and have not been applied in preparing these financial statements.

None of the new standards or amendments effective after 1 January 2012 is expected to have a significant effect on the financial statements of the Group, except for NZ IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the consolidated financial statements

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).

5. Administrative expenses

	Consolidated		Parent	
	2011	2010	2011	2010
Management fees	1,132,800	1,152,844	1,016,200	1,152,844
Advisory fees	7,521	58,856	7,521	27,427
Directors' fees	100,000	100,000	100,000	100,000
Other administrative expenses	117,518	95,089	121,658	106,879
	1,357,839	1,406,789	1,245,379	1,387,150

The following items of expenditure are included in administrative expenses:

Auditor's remuneration to KPMG comprises:				
Audit of financial statements	37,500	39,975	37,500	39,975
Other audit-related services	18,726	11,419	18,726	11,419

Other audit related services include review of interim financial statements.

Notes to the consolidated financial statements

6. Income tax expense

	Consolidated		Parent	
	2011	2010	2011	2010
Income tax expense in statement of comprehensive income	-	-	-	-

Reconciliation of effective tax rate

	Note	2011	2010	2011	2010
Profit before tax		(1,422,073)	1,388,448	(5,732,077)	94,107
Income tax expense at 28% tax rate (2010: 30%)		(398,180)	416,534	(1,604,982)	28,232
Non-deductible expenses		482,548	785,064	1,583,841	8,228
RWT received on dividends		(17,957)	(19,201)	-	-
Imputation credits received		(163,986)	(1,879,813)	-	-
Tax (profit)/losses not recognised	*10*	97,575	(697,416)	21,141	(36,460)
Total income tax expense in statement of comprehensive income		-	-	-	-

Imputation credits

	Consolidated		Parent	
	2011	2010	2011	2010
Balance at beginning of year	520,203	14,552	11,396	1,736
Income tax paid	-	28,860	-	9,660
Income tax refunded	(33,420)	-	(1,249)	-
Imputation credits attached to dividends received	163,986	1,879,813	-	-
Imputation credits attached to dividends paid	(440,708)	(1,403,022)	-	-
Balance at end of year	210,061	520,203	10,147	11,396

Imputation credits available to shareholders of the parent company:		
Through the parent company	10,147	11,396
Through investment companies	199,914	508,807
	210,061	520,203

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. Group policy is to carry these investments at fair value 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. 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 an adjustment factor of up to 20% for privately owned investments.

b) Sensitivity analysis

A movement of 0.2 in the earnings multiples applied to the investments carried at fair value changes the value of the investments by $1,641,214 (2010: $2,063,995).

A movement in the adjustment factor of 5% changes the value of the investments by $3,733,884 (2010: $4,598,290).

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)

2011

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.8%	4,775,157
*BioPacificVentures	Private equity vehicle	Various	*	2,984,859
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
GoBus Holdings Limited	Transport services	Dec 2007	33.1%	7,510,506
Hamilton City Bus Depot Limited	Bus depot	Dec 2009	17.3%	60,380
Shears & Mac Limited	Manufacturing	Jun 2008	18.1%	1,990,295
**Rodd & Gunn	Retail	Aug 2008	10.9%	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

* 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.

** Rodd & Gunn NZ Limited and Rodd & Gunn Australia Limited

Notes to the consolidated financial statements

7. Investments – equity securities (continued)

b) Sensitivity analysis (continued)

2010

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
Log Group Limited	Logistics	Oct 2005	19.7%	-
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.8%	4,775,157
*BioPacificVentures	Private equity vehicle	Various	*	3,117,204
Triton Hearing Clinics Limited (sold Dec 2010)	Health services	Nov 2006	-	-
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
GoBus Holdings Limited	Transport services	Dec 2007	33.1%	7,510,506
Hamilton City Bus Depot Limited	Bus depot	Dec 2009	17.3%	60,380
Shears & Mac Limited	Manufacturing	Jun 2008	18.1%	1,990,295
**Rodd & Gunn	Retail	Aug 2008	10.7%	2,590,481
New Zealand King Salmon Investments Limited	Food	Sep 2008	11.2%	2,721,682
Fishpond Limited	Online retail	Oct 2009	4.4%	772,348

* Refer comment following 2011 table
**Refer comment following 2011 table

As investments in equity securities are carried at fair value in the Group, the results and net assets of the Portfolio Companies are not recognised in these financial statements. The fair value of the total investment portfolio as at 31 December 2011 was $28,718,831 (2010: $30,967,559).

c) Loss on sale of investments

The sale of the investment in Triton Hearing Clinics Limited resulted in the net loss on sale of $179,491 for the year ended 31 December 2011 (2010: Nil). This has been recognised in the Statement of comprehensive income.

Notes to the consolidated financial statements

8. Loans to portfolio companies

	Consolidated		Parent	
Non-current assets	**2011**	**2010**	**2011**	**2010**
New Zealand King Salmon Investments Limited	7,115,565	6,945,166	7,115,565	6,945,166
*Rodd & Gunn	119,377	119,377	119,377	119,377
Hamilton City Bus Depot Limited	-	138,994	-	138,994
Vital Food Processors Limited	-	25,296	-	25,296
NZP Holdings Limited	2,672,044	3,025,786	-	-
Horizon Science Pty Limited	109,193	-	109,193	-
Rissington Breedline Limited	24,905	-	24,905	-
CoDa Therapeutics Inc	133,319	-	133,319	-
	10,174,403	10,254,619	7,502,359	7,228,833

* Rodd & Gunn NZ Limited and Rodd & Gunn Australia Limited

	Consolidated		Parent	
Current assets	**2011**	**2010**	**2011**	**2010**
Hamilton City Bus Depot Limited	138,994	-	138,994	-
GoBus Holdings Limited	993,280	993,280	993,280	993,280
	1,132,274	993,280	1,132,274	993,280

New Zealand King Salmon Investments Limited

In September 2008 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 to be reviewed from time to time, currently 15.00% (2010: 15%). The terms of the loan enable New Zealand King Salmon, at its option, to capitalise the loan and interest into equity.

During 2011, interest income of $946,638 (2010: $946,638) was capitalised to a new loan at an interest rate of nil. During the reporting period $776,243 had been repaid (2010: $312,390).

Rodd & Gunn NZ Limited and Rodd & Gunn Australia Limited

In December 2009 Rodd and Gunn (investment held by Pohutukawa Kappa Investments Limited) was advanced $119,377 as a loan at an interest rate of 7.73% (2010: 7.73%). The terms of the loan enable Rodd & Gunn, at its option, to capitalise the loan and interest into equity.

Hamilton City Bus Depot Limited

In December 2009 Hamilton City Bus Depot Limited (investment held by Pohutukawa Theta Investments Limited) was purchased from GoBus Holdings Limited, and was advanced $138,994 as a loan at an interest rate of 7.50% (2010: 8.00%). The terms of the loan enable Hamilton City Bus Depot Limited, at its option, to capitalise the loan and interest into equity.

Notes to the consolidated financial statements

8. Loans to portfolio companies (continued)

GoBus Holdings Limited

In November 2010 GoBus Holdings Limited (investment held by Pohutukawa Theta Investments Limited) was advanced $993,280 as a loan at an interest rate to be set annually, currently 9.00% (2010: $993,280, 9.00%). During the year interest income of $74,455 was earned by the Company (2010: $Nil)

Vital Food Processors Limited

In September 2010 Vital Food Processors Limited (investment held by Pohutukawa Alpha Investments Limited) was advanced $25,296 as a loan at an interest rate of 15% (2010: $25,296, 15.00%). During 2011 this loan and interest of $2,377 were capitalised into equity.

NZP Holdings Limited

In March 2010 NZP Holdings Limited (investment held by Pohutukawa Alpha Investments Limited & Pohutukawa Delta Investments Limited) was advanced $3,202,658, at an interest rate of nil. At the end of the reporting period $530,613 had been repaid in total (2010: $176,872).

9. Other receivables

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Income tax receivable	29,981	63,401	10,147	11,396
Prepayments	9,917	9,927	9,917	9,927
Other receivables	496,957	349,199	287,137	260,044
	536,855	422,527	307,201	281,367

As at 31 December 2011, no trade and other receivables are considered past due. (2010: $nil).

Notes to the consolidated financial statements

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	2011	2010	2011	2010
Opening balance 1 January 2011		408,704	1,106,120	668,880	705,340
Tax profit/(loss) not recognised	*6*	97,575	(697,416)	21,141	(36,460)
Closing balance 31 December 2011		506,279	408,704	690,021	668,880

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 losses cannot be used by the parent.

11. Cash and cash equivalents

	Consolidated		Parent	
	2011	2010	2011	2010
Call deposits	591,500	1,446,397	591,500	1,446,397
Short-term deposits	2,585,310	2,237,095	2,585,310	2,237,095
Cash and cash equivalents in the statement of cash flows	3,176,810	3,683,492	3,176,810	3,683,492

Call deposits are held with the National Bank of New Zealand via CIP Cash Management Nominees Limited. The weighted average interest rate for 2011 on call deposits was 2.98% (2010: 3.57%).

Short-term deposits are held with National Bank of New Zealand. The weighted average interest rate on short-term deposits is 4.12% (2010: 4.26%).

Notes to the consolidated financial statements

12. Share capital

Share capital

Consolidated	Investment Co's Preference shares		PPE Ordinary shares		PPE Preference shares	
In millions of shares	2011	2010	2011	2010	2011	2010
On issue at 1 January	742	1,272	53	53	4,198	4,198
Redemption and cancellation of shares	-	(530)	-	-	-	-
On issue at 31 December	742	742	53	53	4,198	4,198

Parent

	Ordinary shares		Preference shares	
In millions of shares	2011	2010	2011	2010
On issue at 1 January	53	53	4,198	4,198
Redemption of shares	-	-	-	-
On issue at 31 December	53	53	4,198	4,198

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

At 31 December 2011, the share capital of the Company comprised 53,000,000 ordinary shares (2010: 53,000,000), and 4,198,400,900 preference shares (2010: 4,198,400,900). In addition, there are 742,000,000 (2010: 742,000,000) preference shares in the 14 (2010: 14) Investment Companies (53,000,000 in each).

No class of share has a par value. Ordinary shares and Investment Company preference shares have been allotted at nil value. The Pohutukawa Private Equity preference shares have been allotted at $0.01 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. 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.

Notes to the consolidated financial statements

13. Trade and other payables

	Consolidated		Parent	
	2011	2010	2011	2010
Directors fees payable	26,125	26,125	26,125	26,125
Non-trade payables and accrued expenses	79,739	31,541	82,123	31,541
	105,864	57,766	108,248	57,766

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

	Consolidated		Parent	
	2011	2010	2011	2010
Profit/(loss) for the year	(1,422,073)	1,388,448	(5,732,077)	94,107
Adjustments for:				
Change in fair value of investments	1,421,541	2,589,452	-	-
Interest capitalised	(1,269,763)	(875,450)	(1,269,763)	(875,450)
Non-cash dividends received	-	(2,848,558)	-	-
Capitalised interest received	776,243	1,130,750	776,243	1,130,750
Impairment of loans from investment companies	-	-	5,656,576	-
Loss on sale of investments	301,843	-	176,018	-
Change in trade and other receivables	175,373	(23,921)	49,851	(203,314)
Change in income tax receivable	33,420	(61,665)	1,249	(9,660)
Change in trade payables and accruals	48,098	(59,558)	50,484	(60,545)
Net cash flow to/(from) operating activities	64,682	1,239,498	(291,419)	75,888

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 the National Bank of New Zealand (See Note 11). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, 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.

Notes to the consolidated financial statements

15. Financial risk management (continued)

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 2011 is 2.98% (2010: 3.25%), short-term deposits for 2011 is 4.12% (2010: 3.82%), and loans advanced to portfolio companies which the Investment Companies hold an ownership interest in is 9.25% (2010: 12.40%).

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

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. 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 2011				
Cash and cash equivalents	*11*	3,176,810	-	3,176,810
Loans to portfolio companies	*8*	11,306,677	-	11,306,677
Total		**14,483,487**	-	**14,483,487**
Consolidated 2010				
Cash and cash equivalents	*11*	3,683,492	-	3,683,492
Loans to portfolio companies	*8*	11,247,899	-	11,247,899
Total		**14,931,391**	-	**14,931,391**
Parent 2011				
Cash and cash equivalents	*11*	3,176,810	-	3,176,810
Loans to portfolio companies	*8*	8,634,633	-	8,634,633
Total		**11,811,443**	-	**11,811,443**
Parent 2010				
Cash and cash equivalents	*11*	3,683,492	-	3,683,492
Loans to portfolio companies	*8*	8,222,113	-	8,222,113
Total		**11,905,605**	-	**11,905,605**

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 2011 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 $16,611 (2010: $23,696) over a one-year period.

At 31 December 2011 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 $162,620 (2010: $242,288) 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 has the power to borrow only with the prior written approval of the Board, and only in respect of borrowings with a maturity date not in excess of ninety days.

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 2011						
Assets						
Cash and cash equivalents	*11*	-	3,176,810	-	3,176,810	3,176,810
Investments in equity securities	*7*	28,718,831	-	-	28,718,831	28,718,831
Loans to portfolio companies	*8*	-	11,306,677	-	11,306,677	11,306,677
Other receivables	*9*	-	526,938	-	526,938	526,938
Total assets		**28,718,831**	**15,010,425**	-	**43,729,256**	**43,729,256**
Liabilities						
Trade and other payables	*13*	-	-	105,864	105,864	105,864
Total liabilities		-	-	**105,864**	**105,864**	**105,864**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Consolidated 2010						
Assets						
Cash and cash equivalents	*11*	-	3,683,492	-	3,683,492	3,683,492
Investments in equity securities	*7*	30,967,559	-	-	30,967,559	30,967,559
Loans to portfolio companies	*8*	-	11,247,899	-	11,247,899	11,247,899
Other receivables	*9*	-	412,600	-	412,600	412,600
Total assets		**30,967,559**	**15,343,991**	-	**46,311,550**	**46,311,550**
Liabilities						
Trade and other payables	*13*	-	-	57,766	57,766	57,766
Total liabilities		-	-	**57,766**	**57,766**	**57,766**

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 2011						
Assets						
Cash and cash equivalents	*11*	-	3,176,810	-	3,176,810	3,176,810
Loans to investment companies	*17*	-	23,524,430	-	23,524,430	23,524,430
Loans to portfolio companies	*8*	-	8,634,633	-	8,634,633	8,634,633
Receivables from investment companies		-	1,008,280	-	1,008,280	1,008,280
Other receivables	*9*	-	297,290	-	297,290	297,290
Total assets		-	**36,641,443**	-	**36,641,443**	**36,641,443**
Liabilities						
Loans from related parties	*17*	-	-	3,145,154	3,145,154	3,145,154
Trade and other payables	*13*	-	-	108,248	108,248	108,248
Total liabilities		-	-	**3,253,402**	**3,253,402**	**3,253,402**

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Parent 2010						
Assets						
Cash and cash equivalents	*11*	-	3,683,492	-	3,683,492	3,683,492
Loans to investment companies	*17*	-	29,735,251	-	29,435,251	29,435,251
Loans to portfolio companies	*8*	-	8,222,113	-	8,222,113	8,222,113
Receivables from investment companies		-	652,427	-	652,427	652,427
Other receivables	*9*	-	271,440	-	271,440	271,440
Total assets		-	**42,564,723**	-	**42,564,723**	**42,564,723**
Liabilities						
Loans from related parties	*17*	-	-	3,386,855	3,386,855	3,386,855
Trade and other payables	*13*	-	-	57,766	57,766	57,766
Total liabilities		-	-	**3,444,621**	**3,444,621**	**3,444,621**

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 2011	Level 1	Level 2	Level 3	Total
Investments	-	-	28,718,831	28,718,831

31 December 2010	Level 1	Level 2	Level 3	Total
Investments	-	-	30,967,559	30,967,559

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	2011	2010
Opening balance	30,967,559	35,704,311
Total gains or losses:		
Change in fair value	(1,543,893)	(2,589,452)
Loss on disposal	(179,491)	-
Investments at cost during the year	34,604	266,720
Divestments	(559,948)	(2,414,020)
Closing balance	28,718,831	30,967,559

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	2011	2010
Total gains or losses included in profit or loss for the year	(1,723,384)	(2,589,452)
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	(1,543,893)	(2,326,380)

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 $5,300,000 with BioPacificVentures Limited (BPV). These funds are called by BPV as required and as at 31 December 2011 $419,405 remained uncalled (2010: $615,913).

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 after investors have received back their original investment together with further distributions producing pre-tax compound hurdle rate of 8.0% per annum on Called Capital. As at 31 December 2011 the earnout payment is calculated as $6.16m (2010: $6.38m), however this calculation is based on unrealised portfolio company fair value valuations of $28.7m (2010: $30.9m) and loans receivable of $11.3m (2010: $11.2m) 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 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 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 shareholders 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.

Direct Capital Limited employees are 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 $1,021,087 (2010: $1,007,751).
- No legal and accounting expenses were incurred in relation to investment activity by Direct Capital Limited during 2011. In 2010 $58,856 was incurred and reimbursed by Pohutukawa Private Equity Limited.
- Surplus cash has been invested in the National Bank of New Zealand via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited.
- Receivables from Investment companies were $1,008,280 at the end of the year (2010: $652,427)

Notes to the consolidated financial statements

17. Related parties (continued)

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.

Total Pohutukawa Private Equity parent company loans to the Investment companies as at 31 December 2011 were $23,524,430 (2010: $29,735,251). 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. This does not affect the consolidated financial statements.

Advances from investment companies to the parent company as at 31 December 2011 were $3,145,154 (2010: $3,386,855). Advances are interest free and not payable until called by the investment companies.

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

c) Transactions with key management personnel

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Directors fees (total remuneration)	100,000	100,000	100,000	100,000

The balance owing to key management personnel at 31 December 2011 is $25,000 (2010: $25,000).

18. Subsequent events

There were no material subsequent events for the Company.

Notes to the consolidated financial statements

19. Group entities

Investment Companies	Country of incorporation	Ownership interest*	
		2011	2010
Pohutukawa Alpha Investments Limited ("Alpha")	New Zealand	0%	0%
Pohutukawa Gamma Investments Limited ("Gamma")	New Zealand	0%	0%
Pohutukawa Delta Investments Limited ("Delta")	New Zealand	0%	0%
Pohutukawa Epsilon Investments Limited ("Epsilon")	New Zealand	0%	0%
Pohutukawa Zeta Investments Limited ("Zeta")	New Zealand	0%	0%
Pohutukawa Eta Investments Limited ("Eta")	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

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 17 to 41. The financial statements comprise the statements of financial position as at 31 December 2011, 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). 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. There are however certain trading restrictions on dealings which partners and employees of our firm have with 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 17 to 41:

- 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 2011 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.

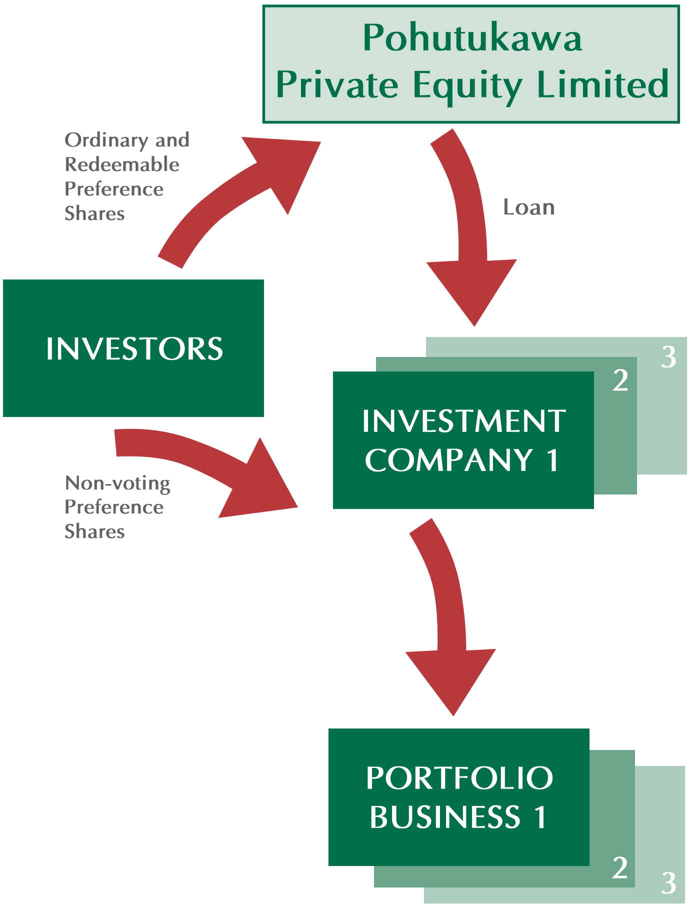
KPMG

4 April 2012
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 fourteen special purpose vehicles (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 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 content of this review. It reviews the capital adequacy of Pohutukawa and is responsible for continuous disclosure and shareholder meetings of Pohutukawa. The Directors of each Investment Company can be appointed or removed only by the limited partners.

The Manager is a 50/50 joint venture between Direct Capital 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.

The Pohutukawa Board

The Board of Pohutukawa Private Equity Limited (whose profiles follow) comprises four directors, two from Craigs Investment Partners and two independents, 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..

JOHN MCDONALD
(Chairman and Independent Director)

John is a Company director and trustee who has 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 Solid Energy New Zealand Limited; Horizon Energy Distribution Limited and he is also Chairman of both Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited. John was previously a director of Air New Zealand for 9 years.

MAURICE JOHN PRENDERGAST
(Independent Director)

Maurice is currently a director of Pumpkin Patch Limited. He was previously CEO of Pumpkin Patch, a position he held from 1993 to 2011. Maurice brings international business experience with him along with a wealth of knowledge in logistics, technology, retail and global expansion. Maurice has held executive positions in accounting, distribution and property development in both New Zealand and Australia. He is also a director of Comvita Limited; Pohutukawa Private Equity Limited; Pohutukawa Private Equity II Limited; and a number of other private companies.

NEIL JOHN CRAIG
(Non-Executive Director)

Neil is the founding principal and Chairman of Craigs Investment Partners, a leading full service NZX Participant Firm. Craigs Investment Partners has approximately 310 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 and a director of a number of privately held companies.

FRANK MAURICE ALDRIDGE
(Non Executive Director)

Frank is Managing Director of Craigs Investment Partners, having been appointed in 2005, previously working for some eight years in various roles at Craigs Investment Partners. During this time, Frank has been involved in all facets of private wealth management as well as a number of NZX listings and capital raisings. Prior to joining Craigs Investment Partners, Frank worked at the New Zealand Stock Exchange.

Frank is a director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited and is on the board of a number of Craigs Investment Partners subsidiaries. He is also Chairman of Priority One Limited, the Tauranga and Western Bay Economic Development Agency, and Chairman of the Securities Industry Association.

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's 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 LIMITED

John McDonald
Neil Craig
Maurice Prendergast
Frank Aldridge

The Directors can be contacted at Pohutukawa's registered office address set out below.

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