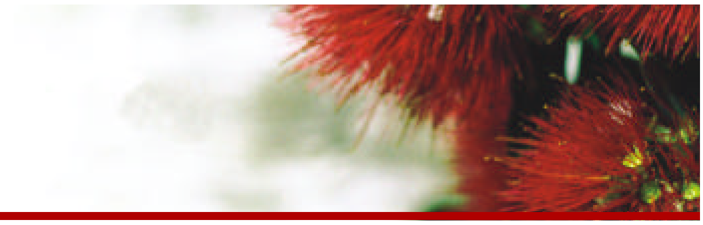
Pohutukawa

ANNUAL REPORT

For the year ending 31 December 2005

Contents



Report to Investors

10 April 2006

Dear Shareholder

This communication follows closely on the heels of our first newsletter, so the theme of that will flow through here. We hope to be able to provide you with a newsletter at least every six months.

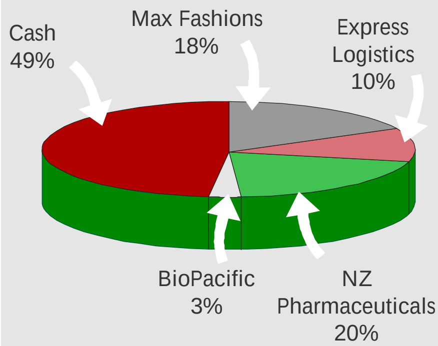
As I reflect back on the past year it is pleasing to see the genuine progress we have made with our investment portfolio and the diversity of investments that we have achieved since October 2004. We have made six investments including three direct company investments into Max Fashions (Max), Express Logistics (Express) and NZ Pharmaceuticals (NZP), while through BioPacificVentures (BPV) the investments have been Cleveland Biosensors, a further investment into NZP and Vital Food Processors (in February 2006).

The charts show a snapshot of our direct investments, BPV investments and cash available for investment to the end of March 2006 based on the initial call capital of $21.2m, and our industry exposure.

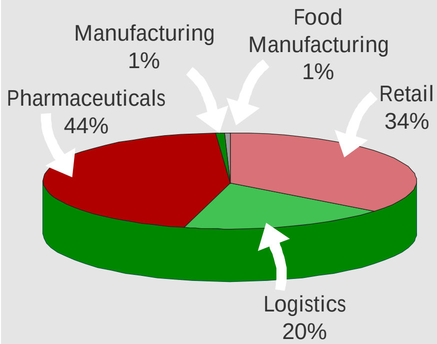
The $10.5m invested to date represents 19.9% of Pohutukawa's $53m investment capital with a further $6.8m committed for investment (including the remaining BPV commitment). This brings the total Pohutukawa investments and commitments to 33% of total potential investments.

A summary of our investments to the end of March, both in dollar terms and as a percentage of the shareholding in the individual companies, can be seen in the following table.

Pohutukawa Investments to 31 March 2006



Pohutukawa Industry Exposure



Schedule of Investments to 31 March 2006	Date of Investment	Industry	Stage	Total Investment (NZ$)	Shareholding %
Direct Investments					
Max Fashions	July-05	Retail	MBO	$ 3,618,000	30.70
Express Logistics	October-05	Logistics	MBO	$ 2,125,000	21.25
NZ Pharmaceuticals	November-05	Pharmaceuticals	Pre-IPO	$ 4,142,685	15.80
Total Direct Investments				**$ 9,885,685**	
BioPacificVentures Investments					
Cleveland Biosensors Pty Limited	November-05	Manufacturing	Early	$ 73,263	
NZ Pharmaceuticals	November-05	Pharmaceuticals	Pre-IPO	$ 516,733	1.97
Vital Food Processors	February-06	Food Manufacturing	Early	$ 63,734	
Total BPV Investments				**$ 653,730**	
Total Pohutukawa Investments				**$ 10,539,415**	

MBO = Management Buy Out Pre-IPO = Preparing to be listed on the NZX
Early = Early stages of commercialisation, either for the company or a particular product

Report to Investors

Annual Financial Statements and Audit Report

In terms of our formal annual reporting, you will find within, a copy of the Annual Financial Statements for the year to 31 December 2005, plus a copy of the KPMG Audit Report. These Accounts reflect the initial application money of $21m, plus income from interest earned on the capital invested, less related operating costs for the year, including management fees. There were no dividends to declare from the portfolio companies and their capital structure means this is likely to remain so in the medium term until debt levels are paid down. The Accounts show that at balance date we had shareholders' funds of $20.9m comprising investments to date of $10.5m plus term deposits and cash of $10.1m and receivables of $0.3m. There is an item in the Accounts referred to as Minority Interest. In this context it 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 minority interests are attributable to the parent company shareholders, as a result of their direct investment in the preference shares of the Investment Companies.

One of the roles of the Pohutukawa Board is to review the Manager's performance. This review was undertaken at the end of 2005 and the Board considered the services and activities of the Manager including all aspects of the Fund's administration; investor communications; statutory reporting and governance support for the Board. The Board found the Manager to be performing to the expected standards in all respects.

The level of deal activity continues to please and there are a number of prospective investment opportunities under close review. The investment team has been working hard to secure the next investment. During 2005 the Manager reviewed 110 prospective investments so there seems to be no shortage of potential opportunities, however our focus lies with the quality investments that must meet our strict investment criteria.

Our joint venture relationship of managers ABN AMRO Craigs and Direct Capital is working well and this relationship continues to provide a steady flow of investment opportunities to consider. Some have resulted in investment, with certain of the investments to date presenting stock exchange listing potential, which in turn presents a means for optimising returns on the invested capital over the longer term.

ABN AMRO Craigs is facilitating a secondary market for your Pohutukawa shares, details of which are available on the Pohutukawa website www.pohutukawafund.co.nz. The last sale price at 31st March was 42c.

Annual Shareholders Meeting

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

- **Tuesday, 16 May 2006**
- **At 2.30pm**
- **At ABN AMRO Craigs, Level 32,Vero Centre, 48 Shortland Street, Auckland**
- **RSVP: Peter Lalor on 07 5774 727 or enquiries@pohutukawafund.co.nz**

We extend an invitation to you to attend this meeting and look forward to seeing you there.

In terms of ongoing investor communication, we will continue to keep you informed as investments are made by Pohutukawa, through press announcements, by letter (for direct investments) and through news updates on our website. Pohutukawa six-monthly and full-year results will be formally reported to you.

I would like to take this opportunity to thank you for your support of Pohutukawa and trust that you are beginning to see the essence of private equity investing in the investments that we have made for you to date.

If you have any queries regarding your investment in Pohutukawa, please call your usual Investment Advisor or Peter Lalor at Pohutukawa Management on 07 5774 727.

Yours sincerely,
POHUTUKAWA PRIVATE EQUITY

JON CIMINO
Chairman

Report on Portfolio Companies

MAX FASHIONS

Date of Investment	Industry	Stage	Total Investment	Shareholding %
July 2005	Retail	MBO	$3,618,000	30.70

Background

Max Retail Fashions (Max) is one of New Zealand's leading women's fashion retail chains with a focus on the 18-35 age group. First established in 1985 by David Wright, it today has some 36 outlets throughout New Zealand.

In July 2005, Pohutukawa participated in the succession buyout of the business from David Wright and acquired a 30.7% stake in the business.

Performance

Following Pohutukawa's investment, Max has continued to perform exceptionally well. In line with its business plan, the existing store at the Queensgate centre in Lower Hutt was redeveloped as an enlarged flagship store in August, and a new store was opened in New Plymouth during October 2005. The financial year to January 2006 saw Max achieve sales growth of 12%.

Outlook

Looking to the year ahead, a new outlet store has already been opened at Te Rapa, just out of Hamilton and further new stores are scheduled to open in Papamoa and at Sylvia Park, Auckland. Additionally, Max is redeveloping its Queenstown and Queen St, Auckland sites as enlarged flagship stores. While a slowing economy and rises in fuel and other costs have the potential to impact levels of consumer spending, Max remains confident it will continue to achieve the positive growth of previous years.

Report on Portfolio Companies

EXPRESS LOGISTICS

Date of Investment	Industry	Stage	Total Investment	Shareholding %
October 2005	Logistics	MBO	$2,125,000	21.25

Background

Express Logistics (Express) is an Australasian-based international logistics service provider offering a complete range of import, export and supply chain logistic services. Express is based in Auckland and Sydney, with operations in Christchurch, Palmerston North, Wellington, Brisbane and Melbourne.

Founded in 1989, Express is now New Zealand's largest air freight forwarder with a focus on non-perishable goods across the Tasman, servicing a number of high-profile, New Zealand-based apparel retailers.

Express is an excellent example of the role Pohutukawa plays in the New Zealand private equity market. The founding shareholders have been able to realise value from their investment, while retaining a meaningful shareholding. In addition, the ownership transition has provided an opportunity for 44 Express employees to purchase a shareholding in Express.

Performance

The business has continued to operate and trade without the disruption usually associated with the sale of a business, reflecting one of the attractive features of buyouts where the sale is to the incumbent management.

Trading since our investment in October 2005 has remained buoyant and ahead of the budget in place at the time of our investment. Both businesses in New Zealand and Australia have reported strong results.

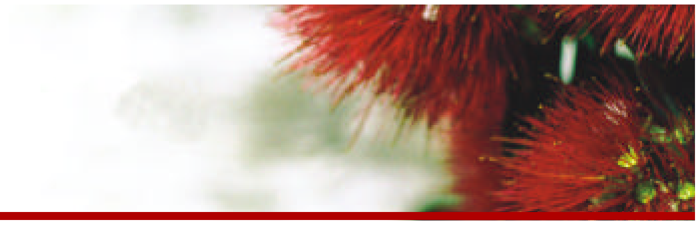
The business has continued to benefit from its strong position in the trans-Tasman trade and the unique relationship with its Asian-based agent, Kerry Logistics. With the continuing trend to outsource manufacturing to Asia, the outlook for trade in the Pacific region remains very positive. Those groups that have developed strong agent relationships in this region will benefit from this growth.

Outlook

Historically, Express has achieved its strong growth organically through the recruitment and retention of high-performing staff, supplemented by a number of complementary purchases of small add-on businesses. It is the intention of your Manager to continue to support this approach.

In April 2006, Express made its first acquisition when it acquired the international division of New Zealand Express (2005) Limited from Lyttelton Port Company Limited. The business has also identified the opportunity to expand the business further in Australia.

To support this growth the company is in the process of selecting an Australian-based director to provide local industry input.



Report on Portfolio Companies

NEW ZEALAND PHARMACEUTICALS

Date of Investment	Industry	Stage	Total Investment	Shareholding %
November 2005	Pharmaceuticals	Pre-IPO	$4,142,685	15.80
November 2005	Pharmaceuticals	Pre-IPO	$516,733	1.97*

* Through BioPacificVentures

Background

First established in 1971, New Zealand Pharmaceuticals (NZP) is involved in producing 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-related pharmaceuticals. In addition to its animal extracts business, NZP is becoming increasingly involved in the production of synthesised carbohydrates (or 'glycotherapeutics') for the global pharmaceuticals industry.

Performance

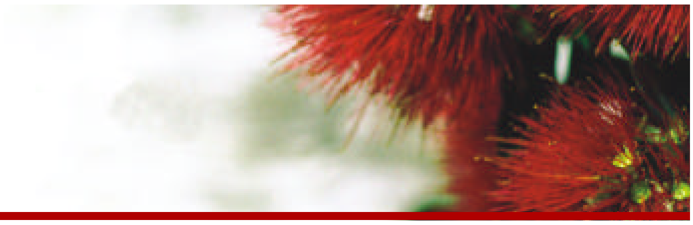
NZP joined the Pohutukawa portfolio in November 2005. NZP's trading since November has been strong and, as an almost exclusively export business, the recent weakening of the NZ dollar will further assist performance.

NZP has recruited new Logistics, HR and Finance Managers in recent months, which is both a reflection of the growth requirements of the business and also a part of the succession plan for the firm.

Outlook

As part of the Pohutukawa investment a $10m facility was established to fund the expansion of the company's glycotherapeutic business. Construction of the new plant, at NZP's existing site in Linton near Palmerston North, started in late February 2006 and commissioning is scheduled for October 2006. The new facility will significantly increase NZP's glycotherapeutic manufacturing capability and is a major development in this part of NZP's business.

The NZP management team and board remain focused on seeking a public listing of NZP within the next 2 years.



Report on Portfolio Companies

BIOPACIFICVENTURES

Investment	Date of Investment	Industry	Stage	Total Investment
Cleveland Biosensors Pty Limited	November 2005	Manufacturing	Early	$73,263
NZ Pharmaceuticals	November 2005	Pharmaceuticals	Pre-IPO	$516,733

Note: Vital Foods was a February 2006 investment

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

In addition to the New Zealand Pharmaceuticals investment, BioPacificVentures has made commitments for Pohutukawa in:

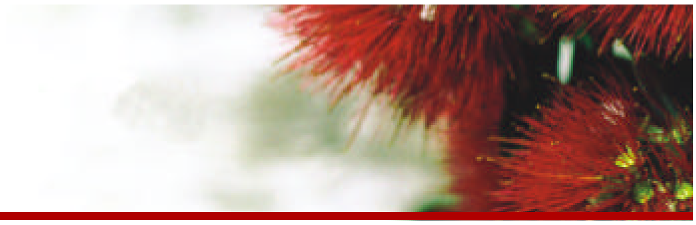
Cleveland Biosensors (Cleveland)

Background

Cleveland is a Queensland-based technology company involved in developing on-site diagnostic testing equipment, initially for the water industry. Cleveland's technology enables high-tech laboratory tests to be carried out rapidly and on-the-spot, significantly reducing costs and also meaning safer drinking water.

Outlook

Negotiations by BioPacificVentures into a larger investment are in progress and are expected to conclude shortly. Meanwhile, the company continues to track well with regard to its technology development and is attracting increasing interest from potential customers and licensing companies.



Directors' report

For the year ended 31 December 2005

The Directors of Pohutukawa Private Equity Limited have pleasure in submitting their annual report for the year ending 31 December 2005.

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 A Cimino	35,000	27 August 2004
M W Davies	35,000	27 August 2004
N J Craig	15,000	16 August 2004
W T Stevens	15,000	27 August 2004

Entries recorded in the interests register

The following entries were recorded in the interests register of the company during the year:

Directors' shareholdings and dealings in Pohutukawa & Pohutukawa co-investments as at 31 December 2005.

The directors of Pohutukawa also have co-investment rights in the investments that are undertaken by Pohutukawa. Holdings (including relevant interests) are as follows:

	Investments in (*)			
	Pohutukawa	Max Fashions	Express Logistics	NZ Pharmaceuticals
J A Cimino	25,000	41,000	24,000	23,405
M W Davies	100,000	41,000	24,000	46,810
N J Craig	150,000	21,890	12,374	14,534
W T Stevens	100,000	3,890	3,362	5,243

(*) number of shares held

Director

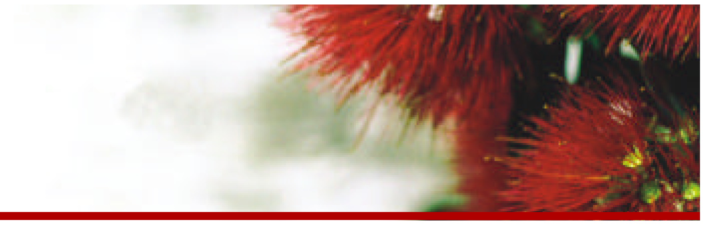
5 April 2006

Date

Director

5 April 2006

Date



Income statement

For the year ended 31 December 2005

		Consolidated		Parent	
	Note	**2005**	**2004**	**2005**	**2004**
Revenue		1,240,488	318,060	1,240,488	318,060
Other operating income	*2*	277,231	4,100	277,231	4,100
Administrative expenses		(1,551,672)	(358,136)	(1,551,672)	(358,136)
Other operating expenses		-	-	-	-
Operating loss before financing costs		(33,953)	(35,976)	(33,953)	(35,976)
Financial income		-	-	-	-
Financial expenses		-	-	-	-
Net financing costs		-	-	-	-
Loss before tax		(33,953)	(35,976)	(33,953)	(35,976)
Income tax expense	4	-	-	-	-
Loss for the period		(33,953)	(35,976)	(33,953)	(35,976)
Attributable to:					
Equity holders of the parent		(33,953)	(35,976)	(33,953)	(35,976)
Minority interest	*1(c)(iv)*	-	-	-	-
Loss for the period attributable to the equity holders of stapled securities		(33,953)	(35,976)	(33,953)	(35,976)

Statement of recognised income and expense

For the year ended 31 December 2005

		Consolidated		Parent	
	Note	**2005**	**2004**	**2005**	**2004**
Loss for the period		(33,953)	(35,976)	(33,953)	(35,976)
Total recognised income and expense for the period		(33,953)	(35,976)	(33,953)	(35,976)
Attributable to:					
Equity holders of the parent		(33,953)	(35,976)	(33,953)	(35,976)
Minority interest	*1(c)(iv)*	-	-	-	-
Total recognised income and expense for the period		(33,953)	(35,976)	(33,953)	(35,976)

Balance sheet

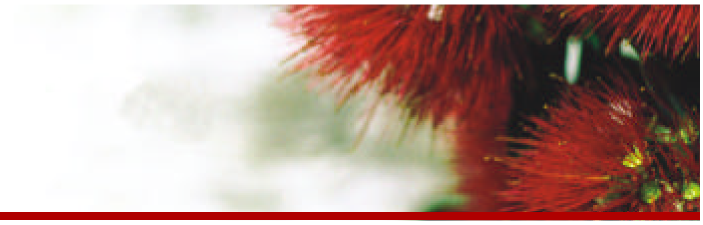
As at 31 December 2005

	Note	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Assets					
Loans to related parties		-	-	10,475,681	-
Investments	6	10,475,681	-	-	-
Total non-current assets		10,475,681	-	10,475,681	-
Investments	6	10,000,000	20,000,000	10,000,000	20,000,000
Income tax receivable	5	-	3,621	-	3,621
Trade and other receivables		341,794	341,268	341,794	341,268
Cash and cash equivalents	8	116,559	1,004,321	116,559	1,004,321
Total current assets		10,458,353	21,349,210	10,458,353	21,349,210
Total assets		20,934,034	21,349,210	20,934,034	21,349,210
Equity					
Issued capital	9	20,950,000	20,950,000	20,950,000	20,950,000
Retained deficit	9	(69,929)	(35,976)	(69,929)	(35,976)
Total equity attributable to equity holders of the parent		20,880,071	20,914,024	20,880,071	20,914,024
Minority interest	1(c)(iv)	-	-	-	-
Total equity attributable to equity holders of stapled securities	9	20,880,071	20,914,024	20,880,071	20,914,024
Liabilities					
Trade and other payables	10	53,963	435,186	53,963	435,186
Total current liabilities		53,963	435,186	53,963	435,186
Total liabilities		53,963	435,186	53,963	435,186
Total equity and liabilities		20,934,034	21,349,210	20,934,034	21,349,210

For and on behalf of the Board

Director — *5 April 2006* — Date

Director — *5 April 2006* — Date



Statement of cash flows

For the year ended 31 December 2005

	Note	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
Cash flows from operating activities					
Cash receipts from fees		279,281	2,050	279,281	2,050
Interest received		1,360,882	114,635	1,360,882	114,635
Cash paid to suppliers		(2,055,865)	(58,743)	(2,055,865)	(58,743)
Income taxes received		3,621	-	3,621	-
Income taxes paid		-	(3,621)	-	(3,621)
Net cash from operating activities	*11*	(412,081)	54,321	(412,081)	54,321
Cash flows from investing activities					
Proceeds from sale of investments		10,000,000	-	10,000,000	-
Loans advanced to related parties		-	-	(10,475,681)	-
Acquisition of investments		(10,475,681)	(20,000,000)	-	(20,000,000)
Net cash from investing activities		(475,681)	(20,000,000)	(475,681)	(20,000,000)
Cash flows from financing activities					
Proceeds from the issue of share capital		-	21,200,000	-	21,200,000
Payment of transaction costs		-	(250,000)	-	(250,000)
Net cash from financing activities		-	20,950,000	-	20,950,000
Net movement in cash and cash equivalents		(887,762)	1,004,321	(887,762)	1,004,321
Cash and cash equivalents at 1 January		1,004,321	-	1,004,321	-
Cash and cash equivalents at 31 December	*8*	116,559	1,004,321	116,559	1,004,321

Notes to the consolidated financial statements

1. Significant accounting policies

Pohutukawa Private Equity Limited (the "Company") is a company domiciled in New Zealand. The consolidated financial statements of the Company for the year ended 31December 2005 comprise the Company and 25 Investment Companies (together referred to as the "Group").

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP), applying the New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). These are the Group's first financial statements prepared in accordance with NZ IFRSs and NZ IFRS 1 *First Time Adoption* has been applied.

In preparing its opening IFRS balance sheet, there have been no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition to NZ IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 17.

(b) Basis of preparation

Pohutukawa Private Equity and the 25 Investment Companies are registered under the Companies Act 1993 and are issuers and reporting entities for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993. The Company is a profit-orientated entity.

The financial statements are presented in New Zealand dollars. 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 IFRSs 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.

Judgements made by management in the application of NZ IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening NZ IFRS balance sheet at 16 August 2004 for the purposes of the transition to NZ IFRSs.

The accounting policies have been applied consistently by Group entities.

(c) Basis of consolidation

(i) Stapled securities

For every 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 25 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 25 Investment Companies combining under the stapling arrangement are designated as acquirees.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are carried at fair value in both the parent and consolidated financial statements.

The fair value of financial instruments measured at their fair value is their quoted bid price at the balance sheet date, if available, or valuations. Investments in unlisted equity securities are valued at Directors' valuation in the year of acquisition and subsequently by

Notes to the consolidated financial statements

annual valuations carried out in accordance with the valuation principles set out by Australian Venture Capital Association Limited (AVCAL).

(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) Minority interest

Minority interest 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 minority interests are attributable to the parent company shareholders as a result of their direct investment in the preference shares of the Investment Companies.

(d) Investments in equity securities

The Group's investments in equity securities are classified as non-current assets and are stated at fair value, with any resultant change in fair value recognised in the income statement.

The fair value of financial instruments measured at their fair value is their quoted bid price at the balance sheet date, if available, or valuations. 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 Australian Venture Capital Association Limited (AVCAL).

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.

(e) Trade and other receivables

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

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash excludes short-term deposits that are not used as part of the Group's day-to-day cash management.

(g) Impairment

The carrying amounts of the Group's assets, other than investments in equity securities (see accounting policy d), and deferred tax assets (see accounting policy n), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy g(i)).

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 the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables and short term deposits carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

(ii) Reversals of impairment

An impairment loss in respect of a receivable or short term deposit carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) 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

Notes to the consolidated financial statements

equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

(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. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(iii) Dividends

All dividends are recognised as a liability in the period in which they are declared.

(i) Interest-bearing borrowings

Interest-bearing 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 the income statement over the period of the borrowings on an effective interest basis.

(j) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and other payables

Trade and other payables are stated cost.

(l) Revenue

(i) Services rendered

Revenue from services rendered is recognised in the income statement as earned.

(ii) Equity investments

Movements in the fair value of the Group's investments in equity instruments are recognised in the income statement. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(iii) Interest income

Interest income is recognised as revenue in the income statement as it accrues, using the effective interest method.

(m) Expenses

(i) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method. Interest and dividend income are recognised as revenue and not in financing due to the nature of the Group's operations.

(n) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet 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: goodwill not deductible for tax purposes, 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 balance sheet 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services

Notes to the consolidated financial statements

(business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company and group currently operate in one business segment, being an investment group, and in one geographical segment, New Zealand. Therefore no disaggregated segment reporting is presented.

(p) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is an equity investment acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(q) Comparatives

Pohutukawa Private Equity Limited was incorporated on 16 August 2004. The comparative amounts in these financial statements cover the period from incorporation to 31 December 2004.

Notes to the consolidated financial statements

2. Other operating income

	Consolidated		Parent	
	2005	**2004**	**2005**	**2004**
Investment placement fees	277,231	-	277,231	-
Other operating income	-	4,100	-	4,100
	277,231	4,100	277,231	4,100

3. Audit fees

Audit of the financial statements	15,000	5,000	15,000	5,000
Audit related services	5,678	-	5,678	-
Tax compliance services	21,991	-	21,991	-
Other fees paid to the auditor	-	-	-	-
	42,669	5,000	42,669	5,000

4. Income tax expense

Recognised in the income statement

Income tax expense in income statement	-	-	-	-

Reconciliation of effective tax rate

Consolidated

Loss before tax		(33,953)		(35,976)
Income tax benefit at 33% tax rate	33.0%	(11,204)	33.0%	(11,872)
Non-deductible expenses		-	(17.0%)	6,105
Tax losses not recognised in the income statement	(33.0%)	11,204	(16.0%)	5,767
Total income tax expense in income statement	(0.0%)	-	(0.0%)	-

Parent

Loss before tax		(33,953)		(35,976)
Income tax benefit at 33% tax rate	33.0%	(11,204)	33.0%	(11,872)
Non-deductible expenses		-	(17.0%)	6,105
Tax losses not recognised in the income statement	(33.0%)	11,204	(16.0%)	5,767
Total income tax expense in income statement	(0.0%)	-	(0.0%)	

Notes to the consolidated financial statements

5. Current tax assets and liabilities

	Consolidated		Parent	
	2005	2004	2005	2004
Current tax asset	-	3,621	-	3,621

The current tax asset represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

Imputation credits

	Parent	
	2005	2004
Balance at beginning of period	3,621	-
Income tax paid	-	3,621
Income tax refunded	(3,621)	-
Balance at end of period	-	3,621

	Consolidated	
	2005	2004
Imputation credits available to shareholders of the parent company:		
Through the parent company	-	3,621
Through subsidiaries	-	-
	-	3,261

6. Investments

	Consolidated		Parent	
Non-current investments	2005	2004	2005	2004
Equity securities carried at fair value	10,475,681	-	-	-
Current investments				
Short term deposits	10,000,000	20,000,000	10,000,000	20,000,000

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 income statement. As there is no quoted market price for these securities, valuation techniques must be utilised to determine fair value (see note 1(d)).

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
Max Retail Holdings Limited	Retail fashion stores	July 2005	30.7%	3,618,000
Express Logistics Group Limited	Transport logistics	Oct 2005	21.3%	2,125,000
NZPH Investments Limited	Pharmaceutical manufacturing	Nov 2005	15.8%	4,142,685
BioPacificVentures	Private equity vehicle	Nov 2005	11.0%	589,996
				10,475,681

As investments in equity securities are carried at fair value in the Parent and Group, the results and net assets of the acquirees are not recognised in these financial statements.

Notes to the consolidated financial statements

7. 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	**2005**	**2004**	**2005**	**2004**
Deductible temporary differences		-	-	-	-
Tax losses	4	16,971	5,767	16,971	5,767
		16,971	5,767	16,971	5,767

The deductible temporary differences do not expire under current tax legislation. Tax losses can be carried forward subject to shareholder continuity. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit.

8. Cash and cash equivalents

	Consolidated		Parent	
	2005	**2004**	**2005**	**2004**
Bank balances	-	-	-	-
Call deposits	116,559	1,004,321	116,559	1,004,321
Cash and cash equivalents in the statement of cash flows	116,559	1,004,321	116,559	1,004,321

9. Capital and reserves

Reconciliation of movement in capital and reserves

Attributable to equity holders of the parent

Consolidated	**Share capital**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2005	20,950,000	(35,976)	20,914,024	-	20,914,024
Total recognised income and expense	-	(33,953)	(33,953)	-	(33,953)
Balance at 31 December 2005	20,950,000	(69,929)	20,880,071	-	20,880,071
Balance at 1 January 2004	-	-	-	-	-
Total recognised income and expense	-	(35,976)	(35,976)	-	(35,976)
Shares issued	21,200,000	-	21,200,000	-	21,200,000
Transaction costs on share issues	(250,000)	-	(250,000)	-	(250,000)
Balance at 31 December 2004	20,950,000	(35,976)	20,914,024	-	20,914,024

Notes to the consolidated financial statements

9. Capital and reserves (cont)

Parent

	Share capital	Retained earnings	Total Equity
Balance at 1 January 2005	20,950,000	(35,976)	20,914,024
Total recognised income and expense	-	(33,953)	(33,953)
Balance at 31 December 2005	20,950,000	(69,929)	20,880,071
Balance at 1 January 2004	-	-	-
Total recognised income and expense	-	(35,976)	(35,976)
Shares issued	21,200,000	-	21,200,000
Transaction costs on share issues	(250,000)	-	(250,000)
Balance at 31 December 2004	20,950,000	(35,976)	20,914,024

Reconciliation of movement in number of shares issued

Share capital

Consolidated

	Investment Co's Preference shares		PPE Ordinary shares		PPE Preference shares	
In millions of shares	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
On issue at 1 January	1,325	-	53	-	5,300	-
Issued during year	-	1,325	-	53	-	5,300
On issue at 31 December	1,325	1,325	53	53	5,300	5,300

Parent

	Ordinary shares		Preference shares	
In millions of shares	**2005**	**2004**	**2005**	**2004**
On issue at 1 January	53	-	5,300	-
Issued for cash	-	53	-	5,300
On issue at 31 December	53	53	5,300	5,300

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

Parent company ordinary shares

The Company's authorised share capital includes 53,000,000 ordinary shares (2004: 53,000,000). These ordinary shares have no par value and have been allotted at nil value. 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.

Notes to the consolidated financial statements

9. Capital and reserves (cont)

Parent company preference shares

The Company's authorised share capital also includes 5,300,000,000 preference shares (2004: 5,300,000,000). Holders of the Company preference shares do not have an entitlement to vote, and are not entitled to participate in distribution of income, but shall be entitled to $0.01 per preference share upon redemption by the Company.

Partly paid preference share	Per share		Total value	
	2005	2004	2005	2004
	$	$	$000	$000
Issue price	0.010	0.010	53,000	53,000
Portion called and paid	0.004	0.004	21,200	21,200
Portion uncalled and unpaid	0.006	0.006	31,800	31,800

It is Pohutukawa Private Equity Limited's intention to make calls on the partly paid shares in two tranches within five years of the initial issue.

Investment companies preference shares

There are 1,325,000,000 preference shares in the 25 Investment Companies (53,000,000 in each). These preference shares have no par value and have been allotted at nil value. 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.

10. Trade and other payables

	Consolidated		Parent	
	2005	2004	2005	2004
Trade payables due to related parties	652	387,802	652	387,802
Other trade payables	33,311	12,591	33,311	12,591
Non-trade payables and accrued expenses	20,000	34,793	20,000	34,793
	53,963	435,186	53,963	435,186

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

	Consolidated		Parent	
	2005	2004	2005	2004
Loss for the period	(33,953)	(35,976)	(33,953)	(35,976)
Movement in trade and other receivables	(526)	(341,268)	(526)	(341,268)
Movement in income tax receivable	3,621	(3,621)	3,621	(3,621)
Movement in trade payables and accruals	(381,223)	435,186	(381,223)	435,186
Net cash flow from operating activities	(412,081)	54,321	(412,081)	54,321

Notes to the consolidated financial statements

12. Financial instruments

Credit risk

Exposure to credit risk arises in the normal course of the Group's business. The Group is exposed to credit risk on its investments, receivables and bank balances. The Group does not require collateral in respect of financial assets. The Group has policies in place to mitigate credit risk, particularly in its investments. This includes detailed analysis of prospective equity investments.

At the balance sheet date there were significant concentrations of credit risk. Investments in unlisted equity securities are, by their nature, less liquid and subject to greater credit risk than listed securities. The Group also invests its surplus funds in short-term deposits at one financial institution, ABN AMRO Craigs Cash Management Trust Limited. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

Exposure to interest rate risk arises in the normal course of the Group's business. The Group earns interest on bank accounts and short term deposits. Management invest excess funds in short-term deposits to maximise interest revenue whilst ensuring funds are available if required.

Effective interest rates and repricing

The only interest-bearing financial assets and liabilities in the Group are bank balances and short-term deposits. At balance sheet date the effective interest rates for bank balances is 6.7% (2004: 6.4%) and short-term deposits is 7.4% (2004: 6.7%).

Bank balances reprice daily and short-term deposits reprice within 6 months.

Fair values

The carrying amounts shown in the balance sheet are, or closely approximate, their fair values.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Unlisted equity securities

In the year of acquisition, fair value is determined by Directors' valuation. For each subsequent annual reporting date, fair value is determined by reference to a valuation carried out in accordance with the valuation principles set out by Australian Venture Capital Association Limited (AVCAL). When any unlisted equity securities are carried at values determined by AVCAL valuation, the significant assumptions made in determining those fair values will be disclosed in the financial statements.

Notes to the consolidated financial statements

13. Capital commitments and contingencies

During the year ended 31 December 2004, the Group entered into a commitment to invest $5,300,000 in BioPacificVentures Limited (BPV). These funds are called by BPV as required and as at 31 December 2005 $4,710,004 (2004: $5,300,000) remained uncalled.

The Group has also guaranteed loan obligations on two of its investments. The amount guaranteed on behalf of Max Retail Holdings Limited is $1,849,500 at 31 December 2005 (2004: $nil), and $895,000 on behalf of Express Logistics Group Limited at 31 December 2005 (2004: $nil). The guarantees, if called upon, may be compensated by the issue of additional equity or debt instruments of the borrower.

14. Related parties

Identity of related parties

The Group has a related party relationship with its Investment Companies (see note 15). Certain directors of the Company are also directors of ABN AMRO Craigs Limited. Certain directors of the Investment Companies are also directors of Direct Capital Private Equity Limited and Direct Capital Management Limited. ABN AMRO Craigs Limited and Direct Capital Private Equity Limited own 50% each of Pohutukawa Management Limited, the Manager of Pohutukawa Private Equity Limited.

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 $1,192,500 (2004: $274,438).
- In accordance with the prospectus, issue costs in excess of $250,000 were to be reimbursed by Pohutukawa Management Limited. The total reimbursed was $63,830, which was recognised in the income statement in 2004 and settled in 2005.
- Application fees received during 2004 by Pohutukawa Private Equity Limited on behalf of the initial offering lead manager, ABN AMRO Craigs Limited, totalled $778,360. In addition, ABN AMRO Craigs Limited paid certain expenses of Pohutukawa Private Equity Limited. As at 31 December 2005, $652 remained owing to ABN AMRO Craigs Limited (2004: $387,802).
- Legal and accounting expenses incurred by Direct Capital Management Limited of $30,620 (2004: nil) were reimbursed by Pohutukawa Private Equity Limited.

Transactions with key management personnel

	Consolidated		Parent	
	2005	**2004**	**2005**	**2004**
Directors fees (total remuneration)	100,000	37,361	100,000	37,361

Notes to the consolidated financial statements

15. Group entities

Investment Companies	Country of incorporation	Ownership interest 2005	2004
Pohutukawa Alpha Investments Limited ("Alpha")	New Zealand	0%	0%
Pohutukawa Beta Investments Limited ("Beta")	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%
Pohutukawa Pi Investments Limited ("Pi")	New Zealand	0%	0%
Pohutukawa Rho Investments Limited ("Rho")	New Zealand	0%	0%
Pohutukawa Sigma Investments Limited ("Sigma")	New Zealand	0%	0%
Pohutukawa Tau Investments Limited ("Tau")	New Zealand	0%	0%
Pohutukawa Upsilon Investments Limited ("Upsilon")	New Zealand	0%	0%
Pohutukawa Phi Investments Limited ("Phi")	New Zealand	0%	0%
Pohutukawa Chi Investments Limited ("Chi")	New Zealand	0%	0%
Pohutukawa Psi Investments Limited ("Psi")	New Zealand	0%	0%
Pohutukawa Omega Investments Limited ("Omega")	New Zealand	0%	0%
Pohutukawa Alpha-Pi Investments Limited ("Alpha-Pi")	New Zealand	0%	0%

As stated in note 1(c)(i), the 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.

16. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

Note 12 contains information about the assumptions and their key risks factors relating to determining the fair value of investments in unlisted equity securities.

17. Explanation of transition to NZ IFRSs

As stated in note 1(a), these are the Group's and Parent's first consolidated financial statements prepared in accordance with NZ IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the period ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 16 August 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, there have been no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

Audit report

To the shareholders of Pohutukawa Private Equity Limited

We have audited the financial statements on pages 9 to 23. The financial statements provide information about the past financial performance of the company and group and its financial position as at 31 December 2005. This information is stated in accordance with the accounting policies set out on pages 12 to 15.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 December 2005 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

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

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. Our firm has also provided other services to the company in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Unqualified opinion

We have obtained all the information and explanations we have required.
In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 9 to 23:
  - comply with New Zealand generally accepted accounting practice;
  - comply with International Financial Reporting Standards;
  - give a true and fair view of the financial position of the company and group as at 31 December 2005 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 5 April 2006 and our unqualified opinion is expressed as at that date.

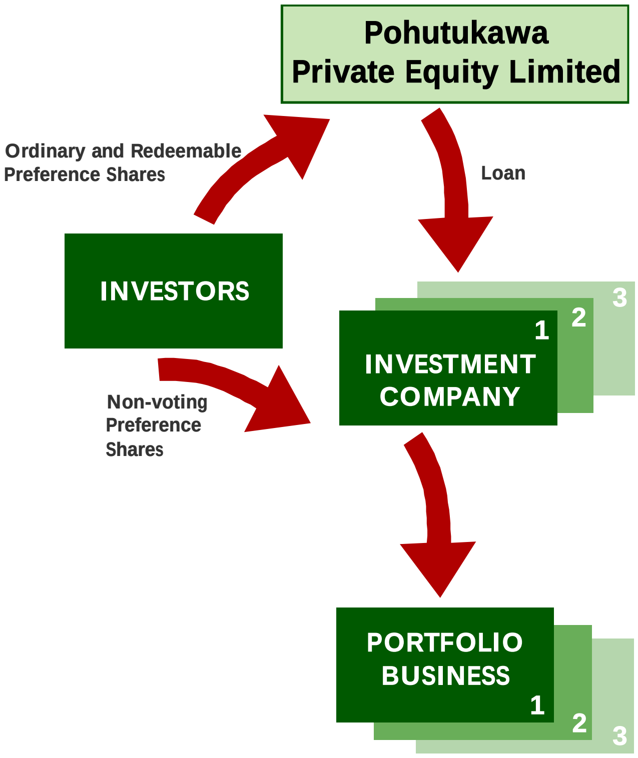
KPMG

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 the 25 special purpose vehicles (investment companies), which invest in the portfolio companies.

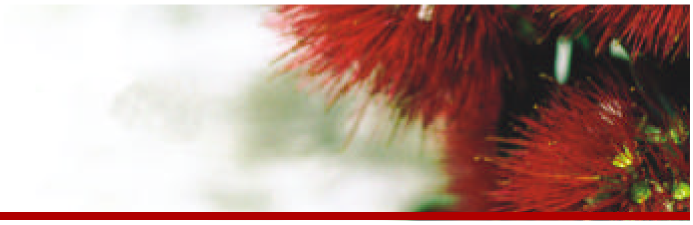
The Pohutukawa structure is:



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 holds all the ordinary voting shares in each of the Investment Companies and exercises these rights in accordance with the Pohutukawa investment policy and the investment criteria.

Pohutukawa has a separate Board to ensure best-practice corporate governance and to ensure that the shareholders' interests are held paramount. For so long as it holds at least 50% of the issued shares in the Manager, ABN AMRO Craigs is entitled to appoint up to 50% of the directors of Pohutukawa Private Equity. All other directors of Pohutukawa can be appointed 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 timely shareholder meetings of Pohutukawa. The Directors of each Investment Company can be appointed or removed only by the Manager (being the holder of the ordinary shares in the Investment Company).

The Manager is a 50/50 joint venture between Direct Capital and ABN AMRO Craigs, both of whom provide services to the Manager on a contract basis. Direct Capital provides investment management services. ABN AMRO Craigs provides fundraising, cash management, administration, investor communication, and investment sourcing and disinvestment assistance. The Investment Committee of the Manager is responsible for all investment decisions, subject to compliance with the investment policy set by the Board.



The Pohutukawa Board

The Board of Pohutukawa Private Equity Limited (whose profiles follow) comprises four directors, two from ABN AMRO Craigs 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.

JONATHAN ANDREW CIMINO

(Chairman) BCA

Jon's career has been in the sharebroking and investment banking sectors. He was Chairman and Managing Director of UBS Warburg New Zealand until 2001 and is now a director of his own investment bank Cimino Partners Limited. He is a member of the Board of listed company Waste Management NZ Limited. He has previously been a director of Tranz Rail Holdings Limited, Genesis Research and Development Corporation Limted and the New Zealand Stock Exchange. Jon is a graduate of Victoria University of Wellington and has completed the Advanced Management Program at Harvard Business School in Boston.

MURRAY WALLACE DAVIES

(Independent Director)

Murray comes from an engineering background and is an experienced investor with a wide range of private business interests with which he is actively involved. He is currently the Chairman of Radius Health Group Limited, Lexicon Group Limited and Summit Capital Investments. He is a director of Goatley Technology Limited and numerous other private companies. He is also Chairman of PriorityOne, which is responsible for Regional Development in the Tauranga region. Until recently Murray was the National President of Export New Zealand. Murray has travelled extensively on business and has a strong international, exporting and strategic focus with very good business disciplines. His spread of business interests gives him a very broad business network. Murray has lived in Tauranga since 1978. However, with many business interests in Auckland he spends a great deal of his time there.

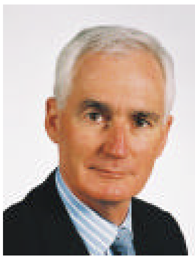
NEIL JOHN CRAIG

(Non-Executive Director) BAgCom

Neil is the Executive Chairman of ABN AMRO Craigs, a company he has been instrumental in building from a small regionally-based sharebroking business in Whakatane to its current position as a leading New Zealand investment advisory firm. Neil also heads ABN AMRO Craigs Investment Banking team and, in a personal capacity, has been an active private equity investor for many years. Neil is currently Chairman of NZAX-listed Comvita Limited and a director of a number of privately-held companies and he has previously been a Director of Mighty River Power Limited, the New Zealand Stock Exchange and Trust Bank Bay of Plenty Limited. As Head of Investment Banking for ABN AMRO Craigs, Neil has had a broad experience in listings and/or capital raisings for a wide range of small and large-sized companies.

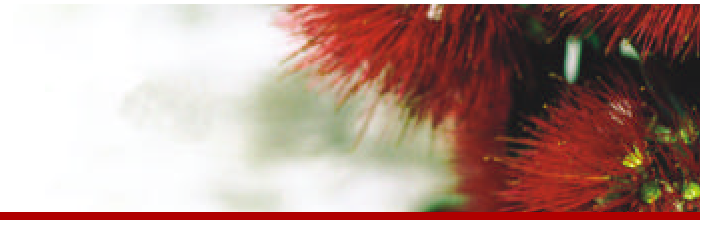
WILLIAM TURNBULL STEVENS

(Non-Executive Director) BBS



William is a director of ABN AMRO Craigs where he also works as a senior investment advisor.

He is also currently Deputy Chairman of the discipline committee of NZX, NZX Discipline. William was a Lieutenant Commander in the Royal New Zealand Navy, and has subsequently been in investment advisory work for the past 18 years. He joined Hendry Hay McIntosh in 1986 and was a director of that firm for 5 years until 1996 when it was acquired by Merrill Lynch. He was also a director of Merrill Lynch (New Zealand) for 5 years until part of that firm was acquired by ABN AMRO Craigs in 2001.



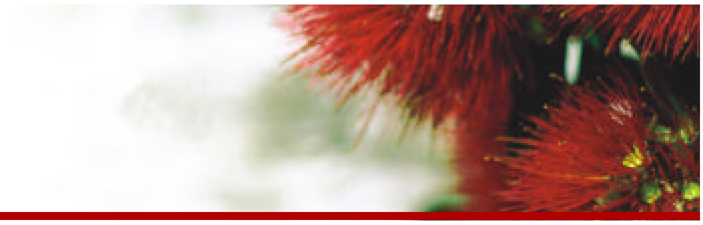
Committees

The Board has one committee, an Audit Committee, comprising Mr Jon Cimino (Chairman of Pohutukawa) and Mr Murray Davies (Independent Director of Pohutukawa). 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 during 2005 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 intends to adopt the governance structures and principles of a listed company.



Directory

BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY

Jon Cimino
Neil Craig
Murray Davies
William Stevens

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

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