Pohutukawa
PRIVATE EQUITY LIMITED

ANNUAL REPORT
For the period ending 31 December 2007

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Report to Shareholders

Dear Shareholder

On behalf of directors I am pleased to present Pohutukawa's 2007 annual report. 2007 proved to be a defining year for Pohutukawa with a number of significant milestones achieved, including:

- $4.6 million in equity invested in GoBus Limited;
- The sale of Max Fashions to Ezibuy which provided a gross return of $17.9 million (4.97x the original investment of $3.6 million);
- From this sale Pohutukawa returned 29.9 cents per share capital to shareholders in December;
- Pohutukawa paid its maiden dividend of 3.25 cents per share in December 2007 from dividends received from Portfolio Companies;
- Completion of a successful call of 30 cents per share, raising $15.9 million additional capital, bringing the amount paid on the $1 shares to 70 cents.

Shareholders saw a net cash return of $17.5 million in December comprising the net sale proceeds from Max Fashions, plus fully imputed dividends from Max Fashions, Express Logistics and NZ Pharmaceuticals. The net cash payment was 33.15 cents per share, an impressive return on the original 40 cents per share investment.

Pohutukawa made the following direct investments during the year:

2nd May 2007 and 30th November 2007 – Paper Coaters Group Limited
Pohutukawa invested via two tranches in Paper Coaters totalling $3.6 million for a 32.8% stake. Paper Coaters is one of Australasia's leading flexible packaging companies with plants in New Zealand and Australia. It designs, manufactures and supplies packaging to the paper, food and industrial markets by adding value to paper, foil and polymers.

17th September 2007 - Innovair Group Limited
Pohutukawa made an investment in Innovair Group Limited for a 11.3% shareholding. Innovair manufacture and market a range of world-class advanced automatic air dispensing systems, predominantly focused on pest control under the well-known brand Robocan. Pohutukawa's shareholding has been acquired alongside the original shareholders. The investment case is in support of the company's offshore expansion.

20th December 2007 - GoBus Limited
Pohutukawa acquired a 31.8% shareholding in GoBus Limited. GoBus is the major bus operator in the greater Waikato region providing urban, school and charter bus services with a modern fleet of 410 vehicles.

In addition to these direct investments Pohutukawa portfolio companies made the following acquisitions:

27th April 2007 – Express Logistics
Express Logistics through its wholly owned Australian subsidiary, completed the purchase of Victory International Logistics Pty Limited, which specialises on the important Asia to Australia trade lane.

7th August 2007 – International Forwarding/Gluck
Gluck announced that, through its wholly owned subsidiary Gluck New Zealand, it completed the purchase of Campbell Henry thus becoming a leading third party logistics provider for the fashion industry.

27th September 2007 - Triton Hearing Clinics (Formerly Professional Hearing Services)
Triton announced the acquisition of Canterbury Hearing, the opening of a new clinic in Hamilton, and the re-branding of the business as Triton Hearing Clinics.

6th December 2007 – Paper Coaters
The company completed the acquisition of Trans Tec an Australian based business manufacturing thermal laminated film predominately for the book cover market.

Pohutukawa is committed to 10% of its committed capital of $53 million to BioPacificVentures (BPV) thus providing access to the NZ agri-biotech sector. Effectively Pohutukawa owns approximately 11% of the BPV portfolio of stocks. Pohutukawa made the following further investments through BPV.

- *May 2007*– BPV invested for a 7.7% stake in Novotech Australia Pty. Novotech is Australasia's largest Contract Research Organisation providing a wide range of outsourced clinical drug development services (including data management and regulatory affairs) with operations in NZ, Australia and the USA.
- *May 2007* – BPV took a 23.1% shareholding in Hawkes Bay - based livestock genetics company Rissington Breedline. Rissington Breedline is New Zealand's largest sheep and beef genetics company with breeding operations throughout New Zealand, and in the United Kingdom and South America.
- *July 2007* – BPV made its ninth investment of 19.4% into EnCoate Ltd, the biopolymer company previously owned 50/50 by AgResearch and Ballance Agri-Nutrients.

Report to Shareholders

- July and October 2007 – BPV made further investments into Vital Foods taking its stake to 28.7%.
- July 2007 – BPV took a 16.4% stake in Anzamune Ltd. Anzamune is developing a natural product as a therapeutic drug for use in allergy prevention and potentially other immune-mediated diseases.

The Manager continues to review a number of investment prospects and at the date of finalising this report has progressed two of these to a final offer stage. We would expect to make an announcement on the completion of at least one of these by the end of April.

We currently have seven direct company investments: Express Logistics (Express 19.7%), International Forwarding (Gluck 22.4%), NZ Pharmaceuticals (NZP 15.8%), Triton Hearing Clinics Limited (Triton 18.7%), Paper Coaters (32.8%), Innovair Group (11.3%), and GoBus (31.8%), plus investments via - BioPacificVentures (BPV). In addition to Pohutukawa's holdings, Direct Capital manages a similar % of each of these companies on behalf of institutional investors through the investment vehicle DCP III.

In December 2007 we divested the Max Fashions investment for close to a five-fold return on our initial investment. Following the Max Fashions realisation, Pohutukawa currently has $20.4 million invested (41.3% of Pohutukawa's remaining committed investment capital of $49.382 million). With a further $3.1 million commitment to BPV this brings the total Pohutukawa investments and commitments to 47.7% of total potential investments. Pohutukawa currently has cash of $10.5 million.

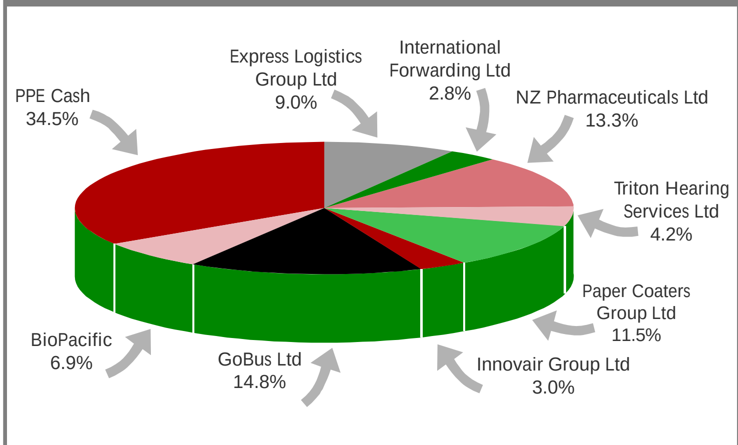
Investment Revaluations

The Manager revalues the portfolio at the end of each quarter. Under the private equity body 'AVCAL' guidelines this revaluation is completed on the first anniversary of the investment into a portfolio company and annually thereafter. At 31 December 2007 the Manager, using the AVCAL valuation guidelines, revalued the direct investments in Express Logistics, New Zealand Pharmaceuticals, IFL-Gluck and Triton Hearing Clinics. These investments, which have a cost to Pohutukawa of $9.1 million, were valued at $14.2 million, representing a book gain of $5.1 million. It is important to understand, as illustrated by the sale of Max Fashions, that AVCAL valuation methodology is a reasonably conservative valuation approach.

The following table (on page 4) shows our investments to the end of March 2008, in both dollar terms and as a percentage of the shareholding in the individual companies. The table also shows the comparison between the cost of the investments, $20.4 million, and the current AVCAL based valuation of the investment portfolio, $25.8 million, giving a 26.8% value uplift. The revaluations are based on the respective investment companies' financial performance to 31 December 2007.

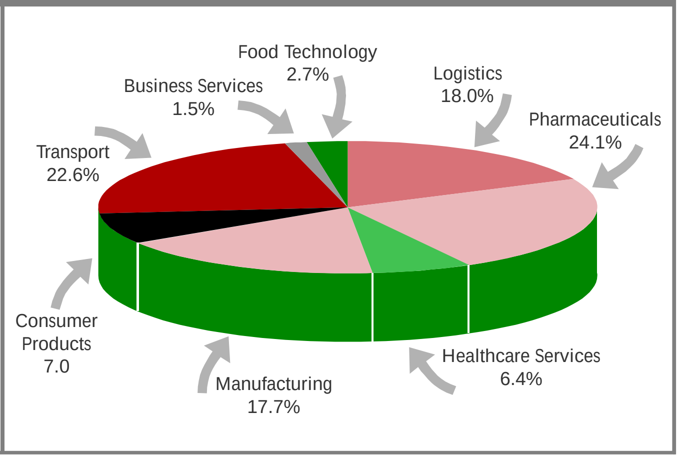
The following chart shows a breakdown of our investment portfolio and cash available for investment to March 2008.

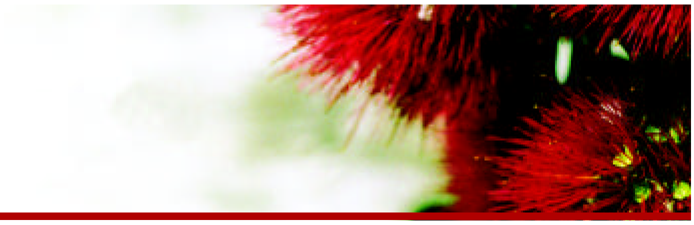
Pohutukawa Investments 31 March 2008



Our industry exposure in percentage terms is:

Pohutukawa Industry Exposure





Report to Shareholders

Summary Table of Investments

Schedule of Investments to 31 March 2008	Date of Investment	Industry	Stage	Initial Investment (NZ$000)	Shareholding %	*Investments with Revaluations (NZ$)
Direct Investments						
Express Logistics Group Ltd	October 05	Logistics	MBO	$ 2,800	19.70	*
International Forwarding Ltd	October 06	Logistics	Expansion	$ 873	22.40	*
NZ Pharmaceuticals Ltd	November 05	Pharmaceuticals	Pre IPO	$ 4,143	15.80	*
Triton Hearing Services Ltd	November 06	Healthcare Services	Expansion	$ 1,310	18.70	*
Paper Coaters Group Ltd	May 07	Manufacturing	MBO	$ 3,599	32.80	
Innovair Group Ltd	September 07	Consumer Products	Expansion	$ 919	11.30	
GoBus Ltd	December 07	Transport	MBO	$ 4,596	31.80	
Total Direct Investments				**$ 18,240**		
BioPacificVentures Investments				**$ 2,159**		*
Total Pohutukawa Investments				**$20,399**		**$ 25,864**

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

Portfolio Companies Performance and Outlook

The Board is satisfied with the performance of all portfolio companies for the period to 31 December 2007. The Board also acknowledges that we face a tougher operating environment in 2008. In the face of pressures from: a continuing high NZ$ which impacts on exporters in the portfolio; tightening bank credit policies; higher cost of credit; historically high oil prices; rising commodity prices; and the flow-on uncertainty for consumers, the Board recognises that the portfolio companies will have a more challenging year ahead.

The investment portfolio diversification across businesses and industry provides the portfolio with some degree of protection as we head into a volatile trading year. The fund has no exposure to the property sector.

We provide comment on the individual portfolio company performance from page 7 onwards.

Annual Financial Statements 31st December 2007

Our Annual Financial Statements for the 12-month period to 31 December 2007, Directors' Report and the KPMG Audit Report are included in this annual report.

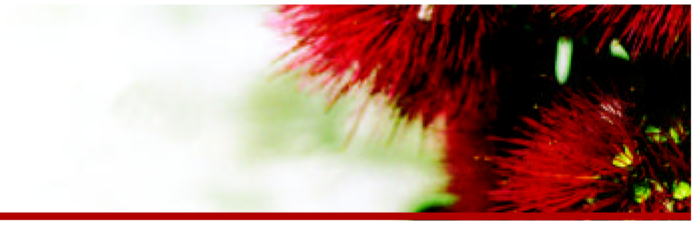
- As at 31 December 2007 Pohutukawa had 53,000,000 $1 shares on issue, partly paid to 40 cents.
- Subsequently the 30-cent call in January 2008 has resulted in the shares now being paid to 70 cents.

The Financial Statements show portfolio investments at $25.8 million. This includes the effect of revaluations of certain of the portfolio companies under the fair value method.

Dividend income was received for the first time at $1.7 million with the bulk of this coming from Max Fashions. Express Logistics and NZ Pharmaceuticals also paid fully imputed dividends. Interest income was lower at $276k, a reflection of the lower average cash position. The $3.08 million increase in the fair value of investments compared to $4.3 million in 2006 (Note 13, page 29). Also shown in the income statement is the gain on sale of the Max Fashions investment at $10.2 million. There was also management fee income of $245k from the portfolio companies.

Operating costs showed a 7.4% increase to $1.7 million on last year with the increase solely related to legal and finance costs associated with the Max Fashions sale.

The profit for the period was $13.8 million, of which $10.2 million was



Report to Shareholders

capital gain arising from the Max Fashions sale.

The Financial Statements show that at balance date we had shareholders' funds of $20.8 million. Assets comprised investments of $25.8 million plus cash and receivables of $157k. At balance date Pohutukawa had drawn $5.1 million against a bridging facility with the ANZ Bank. This covered the GoBus investment and the second investment into Paper Coaters. The bridging facility was cleared on 24 January 2008 from the call monies received.

All cash continues to be invested in short-term deposits with ABN AMRO Craigs Cash Management Trust Limited (a $700 million Cash Management Trust investing in prime bank deposits, credit rated securities of AA- or higher, and Local Authority stock, with a maturity of less than 12 months). The current return on the term deposits is 8.6% per annum.

The Manager

One of the roles of the Pohutukawa Board is to review the Manager's performance. This review was undertaken at the end of 2007 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.

Investment Prospects

In the current environment it is pleasing to see that Direct Capital continues to access a strong level of deal-flow with a good number via referral. During 2007 the Manager reviewed a significant number of prospective investments, however the investment team remains focused on quality investments that must meet strict investment criteria. The sound performance of the investment portfolio highlights a thorough investment process.

Follow-on investment in existing portfolio companies should continue to contribute to the fund's investments. Opportunities are presently being reviewed for all existing portfolio companies, many of which would require further additional capital from Pohutukawa.

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.

30 Cent Call and Bridging Facility

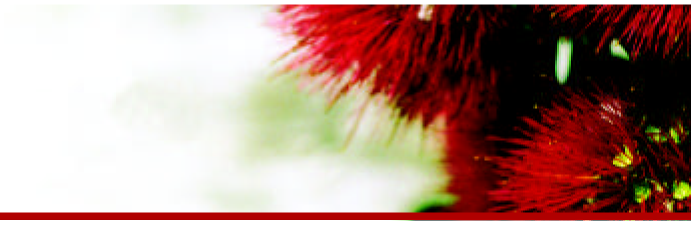
The GoBus investment and Paper Coaters follow-on investment were completed during December, prior to receiving the proceeds of the first call (due 22 January 2008), with funding via an ANZ Bank bridging facility. When the call proceeds of $15.9 million were received the bridging facility was repaid.

Final Call

At this time we are reviewing several investment opportunities. It is possible that the final call of 30 cents per share will be made by mid-year. Once the decision is made you will receive 3 months notice before the payment is due.

Pohutukawa Performance Summary
For the year ended 31 December 2007

		2007 $000	2006 $000
Operating Results			
Interest income		277	717
Dividend income		1,721	-
Other income		245	335
Change in fair value of investments		3,083	4,307
Gain on sale of investment		10,222	-
Operating expenses		-1,747	-1,610
Profit after tax		13,801	3,749
Share Performance			
Share capital	$1.00	49,382,000	53,000,000
Paid to	40c		
Net asset backing per share		0.42	0.46
Earnings per share (cents)		27.95	7.59



Report to Shareholders

Secondary Market

ABN AMRO Craigs 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 27 March 2008 was 70 cents.

Annual Shareholders Meeting

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

- **Date: Tuesday, 13 May 2008**
- **Time: 2.30pm**
- **Place: ABN AMRO Craigs Ltd, Level 32,Vero Centre, 48 Shortland Street, Auckland**
- **RSVP: Contact Peter Lalor on 07 5774 727 or enquiries@pohutukawafund.co.nz by 2nd May 2008.**

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

Chairman

As you will be aware Jon Cimino tendered his resignation as Chairman of Pohutukawa in January to take up a new role as Managing Director of the Dubai Financial Group. As much as we regret to lose Jon we recognise that the role he was offered truly recognises Jon's reputation in the international financial markets' arena and does make us appreciate how fortunate we were to have had someone of Jon's standing heading Pohutukawa. On behalf of the Board and Shareholders we thank Jon for his considerable contribution to Pohutukawa and wish him well in his new role.

The Board is currently considering a number of candidates to replace Jon and we will inform the market once a decision has been made.

Thank you for your ongoing support of Pohutukawa and I trust that like the Board, you are as pleased with the Company's performance through the 2007 period.

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

Yours sincerely,

POHUTUKAWA PRIVATE EQUITY

For the Directors

Manager’s Report on Portfolio Companies

EXPRESS LOGISTICS

www.xprs.co.nz

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
October 2005	Global Logistics	MBO	$2,800	19.7

Total shareholding managed by Direct Capital 50%

Background

Express Logistics Group Limited ("Express") is an Australasian based international logistics service provider offering a complete range of import, export, and supply chain logistics services. Express is based in Auckland and Sydney with operations in Christchurch, Palmerston North, Napier, Wellington, Brisbane, Melbourne, Perth, Gold Coast and Los Angeles. Approximately 50 Express employees are shareholders in the business.

Performance

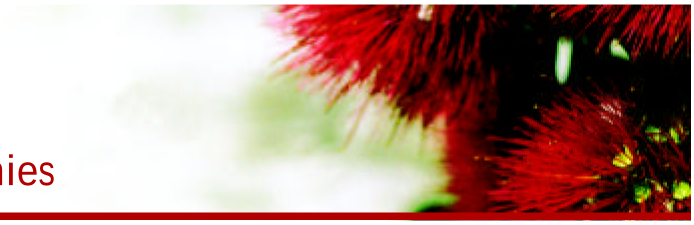
The trading result for the year to December remains solid, with sales 30% ahead of the same period last year, assisted by the Victory acquisition.

Sales in Australia are 90% ahead of the same period last year, highlighting the group focus and success in this market. In addition the business made significant progress on developing the high volume Asia to Australasia trade lane in conjunction with its key local agents.

Outlook

The Company is focussed on the following growth strategies:

- Organic
    - The business continues to expand in Australia with the opening of a new office in the Gold Coast. To build on this progress in Australia the company has also appointed a local non-executive chairman to assist with their development in this market.
    - Committed to expand operating sites in both Auckland and Sydney over the next 18 months, adding to overall capacity by 50%. Also Express added a new office in Los Angeles to service existing New Zealand based retail customers.
- Bolt-on Acquisitions
  Completed three bolt-on acquisitions since investment. In addition the company continues discussions with a number of parties in New Zealand and Australia.



Manager's Report on Portfolio Companies

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
November 2005	Pharmaceuticals	Pre-IPO	$4,142	15.80
November 2005	Pharmaceuticals	Pre-IPO	$515	1.97*

* Through BioPacificVentures
Total shareholding managed by Direct Capital 51%

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 synthesized carbohydrates (or 'glycotherapeutics') for the global pharmaceuticals industry. The drugs form a large and fast-growing category of the global pharmaceuticals market and are increasingly significant to NZP's business.

Performance

NZP achieved a record level of profitability in 2007, with sales' increases achieved in all key product categories. As an almost exclusively export orientated business however, the continuing high NZD has increasingly impacted NZP's performance which, combined with significant volume fall for a key product, will mean the outstanding 2007 result will not be repeated this year.

The Company was again a finalist in the annual New Zealand Export Awards, and this year was the winner in the "Agritech, Life Sciences and Biotechnology" category, appropriate recognition of the company's growth in export sales in recent years.

Outlook

While the NZP Board had been focussed on pursuing a public listing of the company in 2008, in light of present stock market conditions and the trading conditions referred to above it is likely that this will be put on hold for the short term.

In the meantime NZP management continue their focus on growing the company's product range and customers, including NZP's emerging glycotherapeutics business. The Company continues to make progress in developing new products for manufacture in the new facility opened by the Prime Minister in February 2007.

INTERNATIONAL FORWARDING LIMITED

www.gluck.com.au

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
October 2006	Global Logistics	Expansion	$873	22.4

Total IFL shareholding managed by Direct Capital 57%

International Forwarding Ltd (IFL) has a 20% shareholding in the Australian logistics company Gluck Pty Limited, (Gluck), of which Pohutukawa has a 4.5% stake. Pohutukawa holds a 22.4% shareholding in IFL.

Background

Gluck is one of Australia's larger privately owned supply chain services companies employing over 150 people throughout Australasia. Gluck's range of services include air and sea freight, freight optimization, customs clearance services, local (third party logistics) 3PL services and general shipping and freight management services. Gluck is based in Melbourne with operations in Sydney, Brisbane, Adelaide and Auckland.

Performance

The core forwarding business in Australia continued a strong 12-month period. The number of shipments and contribution has increased from the previous year. In addition there were a number of pleasing developments with new growth initiatives during the year:

- Consolidation of the Australian warehouse and distribution business in Melbourne.
- The integration of the Campbell Henry business successfully into the existing New Zealand operation and appointment of an experienced logistics manager as general manager in New Zealand.

Outlook

Gluck's EBIT growth plan involves seeking new acquisitions, to acquire customers, develop new market verticals or develop wider national coverage. The company is currently in discussion with two complementary firms.

A key focus for the next year is the recent acquisition of Gluck's Asian based agent. This has opened a number of new opportunities concerning the future development of the company.

Manager's Report on Portfolio Companies

TRITON HEARING CLINICS LIMITED

www.tritonhearing.co.nz

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
November 2006	Healthcare Services	Expansion	$1,309	18.7

Total shareholding managed by Direct Capital 47%

Background

Triton Hearing Clinics (Triton) is a hearing aid retail business, providing hearing tests and hearing aid fitting services with 5 primary clinics and 8 visiting clinics in the Waikato, Bay Of Plenty and Canterbury regions.

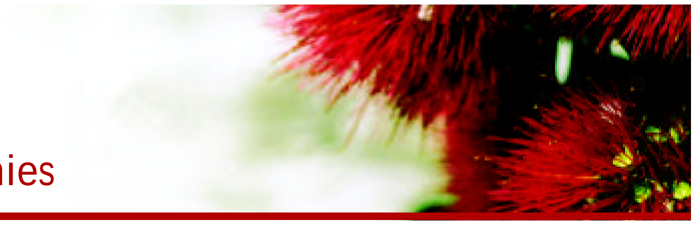
Performance

Triton's financial results to date have been in line with expectations at the time of Direct Capital's investment. The 2007 year has seen a number of positive steps taken towards the development of Triton into a larger national business. These include:

- The acquisition of Canterbury Hearing, representing Triton's entry into the South Island
- The opening of a second clinic in Hamilton at Rototuna, a second clinic in Christchurch by the Palms Mall and a lease agreed for a third Christchurch clinic
- Planning has commenced to substantially expand the Tauranga clinic
- The rebranding of the business as "Triton" (formerly Professional Hearing Services), and
- Substantial investment made in head office infrastructure, with additional marketing, information systems and accounting resources put in place to support a larger operation.

Outlook

The business continues to perform in line with expectations. Growth initiatives should support increased profitability and the company is optimistic about its prospects for 2008 and beyond.



Manager's Report on Portfolio Companies

PAPER COATERS GROUP LIMITED

www.papercoaters.co.nz

Paper Coaters

Better Performing Products

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
May 2007	Manufacturing	MBO	$3,599	32.80

Total shareholding managed by Direct Capital 83%

Background

Paper Coaters operates in a niche packaging sector of extrusion coating and laminated products, designing, manufacturing and supplying specialist packaging product to the paper, food and industrial markets of NZ and Australia. Paper Coaters laminates polymer (plastic) and foil on to paper products such as hot food bags (e.g. chicken wrapping from super market deli's), food sachets, specialty cheese wraps, insulation materials, mill wrap, and formed trays (such as convenience meal bases).

Performance

The company has traded in line with forecast since the initial investment and remain on track to achieve their year-end targets. The company results are dependant on the AUD:NZD cross rate. The company continues to see good growth in its Australian sales and business development, which has provided a good balance to a static New Zealand result. The company has continued to manage its working capital well, reducing it approximately 10% despite higher revenue levels compared to prior year.

The Manager continues to believe the original investment performance expectations to be achievable (while the company is forecasting an improvement on this).

In December the company completed the acquisition of the Trans Tec business, which provides a good platform to further develop business with both existing and new customers.

Outlook

Paper Coaters is looking at additional investment and development of the current Australian operation to provide full service capabilities and capture current market opportunities. Organic growth is expected in food packaging by developing laminated lightweight products, insulation products and current laminated products into new industry sectors.

Manager's Report on Portfolio Companies

INNOVAIR GROUP LIMITED

www.innovair.co.nz

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
September 2007	Consumer Goods	Expansion	$919	11.30

Total shareholding managed by Direct Capital 28%

Background

Innovair is based upon a pest control product – Robocan. The Robocan product is an automatic aerosol dispensing system that delivers the repellent and pesticide in a more efficient and effective fashion than its competitors. This is based around a Micromist™ technology that vaporises the pesticide and makes it easier to disperse.

Innovair has operations in New Zealand (where it has grown to become the leading retailer of pest control products) and more recently Australia. The company has scoped a number of offshore territories to continue the growth of the business. Intellectual property protection has been undertaken in relevant markets and detailed entry plans have been developed for South Africa and Asia.

Performance

Innovair has enjoyed another positive year to date. Both sales and margins are significantly ahead of the investment case. Growth has remained strong in New Zealand and impressive results have been achieved in Australia which is still a relatively young market for the company.

Outlook

Innovair undertook extensive media advertising throughout Australia, which had an immediate effect on consumer awareness and provides a strong base to develop the market more rapidly. In addition South Africa has received its first shipment this season and a number of market registrations are in progress for further rollouts next season.

The company is in discussions with international groups to assist with the future development and new market expansion.

Manager's Report on Portfolio Companies

GOBUS HOLDINGS LIMITED

www.gobus.co.nz

Date of Investment	Industry	Stage	Total Initial Investment $000	Shareholding %
December 2007	Transport	MBO	$4,596	31.80

Total shareholding managed by Direct Capital 79%

Background

GoBus is a leading provider of public transport services in the Waikato region, providing urban, school and charter/tour bus services. Employing 460 people, the Company operates a fleet of 410 vehicles, 4 workshop facilities and 8 depots around the Waikato region.

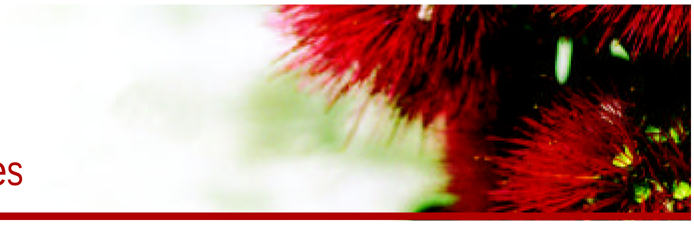
Performance

The investment in GoBus Holdings Limited was completed on 20 December 2007 with positive feedback from all stakeholders. The business has implemented a number of new business initiatives in the New Year and has traded in line with expectations.

Outlook

The public transport sector has several positive fundamental drivers influencing growth including demographic trends, socio-behavioural trends driven by escalating fuel prices, and increasing government support and investment.

The GoBus' operations will continue to be developed in the greater Waikato region as will expansion into complementary geographic markets.



Manager's Report on BioPacificVentures

BIOPACIFICVENTURES

www.biopacificventures.com

Company	Date of Investment	Industry	Stage	Total Initial Investment $000
NZ Pharmaceuticals	Nov - 05	Pharmaceuticals	Pre IPO	$515
Vital Food Processors Ltd	Feb, Oct, Dec-06	Consumer Products	Early	$258
Horizon Science Pty Ltd	Jul, Nov - 06	Food technology	Early	$334
Karios Holdings	Oct, Dec - 06	Consumer Products	Early	$257
Novatech (Aust) Pty Ltd	May - 07	Business Services	Early Expansion	$311
Rissington Breedline Ltd	May - 07	Food / Agri	Early	$106
EnCoate Ltd	July, Oct - 07	Food / Agri-tech	Early	$113
Anzamune Ltd	July, Oct - 07	Pharmaceuticals	Early	$265
Total BPV Investments				**$2,159**

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".

There have been nine investments to date, since reduced to eight following the repayment of the Cleveland Biosensor convertible note at its maturity. We provide a brief comment on seven of these companies (with NZP having been discussed earlier).

Vital Food Processors Limited

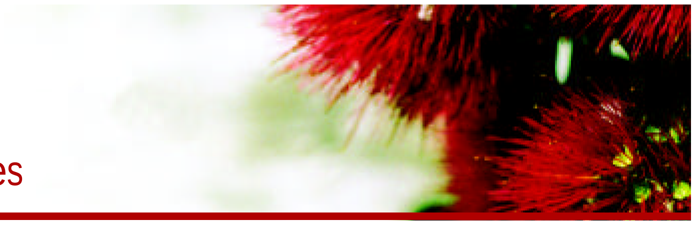
Vital is an Auckland based food manufacturing company. Realising the huge potential of kiwifruit in the nutraceuticals arena Vital has developed kiwifruit based products with a core focus on refining and improving the digestive health properties of its kiwifruit powder, Zyactinase. In 2007 a significant and confidential research project was undertaken to prove the safety and efficacy of Zyactinase in digestive health. The results of the safety testing and clinical trials were outstanding and were the basis for the company's launch of a new digestive health brand Phloe Healthy Bowel.

Phloe is a 100% natural digestive aid that is clinically shown to keep people regular, while supporting long term digestive health. More than simply fibre, Phloe is the first product to use a unique triple action that combines prebiotics, enzymes and fibre, all found naturally in kiwifruit, to help manage digestive health in both the short and long term. Supported by a consumer campaign including TV, radio and print advertising together with a PR campaign, the Phloe launch went very well. The scientific support for the product that was created by the company is viewed as a significant factor in the launch success.

Horizon Science Pty Limited

Horizon is an emerging technology company based in Melbourne developing nutraceuticals from food by-products. Its initial focus is on sugar cane and the powerful natural chemicals that it contains which affect the absorption and conversion of food into fat or muscle. Horizon has a strong potential lead product in low Glycaemic Index (GI) sugar.

Horizon has developed a technique for retaining rich nutrients from parts of the sugar cane that are normally discarded during processing. The result is a totally natural sugar (with a GI rating of 51), half that of glucose (GI:100), and almost 25% lower than that of white sugar (GI:65). Horizon's "low GI sugar" can be used in cooking and baking like ordinary sugar, whereas artificial sweeteners require major changes to recipes.



Manager's Report on BioPacificVentures

Pilot scale production of Horizon's lead product (Wholemeal Sugar ™) has commenced in a sugar mill in far North Queensland. The production process will be fine-tuned during the season but batches will be produced over the next 6 months. Strong interest has been shown by international food and sugar companies in accessing pilot batches.

The R&D programme regarding the beneficial effects of sugar extracts on healthy volunteers is now also being developed.

Karios Holdings Limited

Karios was established for the sole purpose of investing in the NZAX listed Wool Equities Limited (WEL). WEL is a company commercialising intellectual property (IP) arising from more than 10 years R&D at the NZ Wool Board. Its major asset is a 95% ownership in Keratec, a company with a wide portfolio of naturally derived, naturally active hair and skin therapies based on a family of wool proteins called keratins. Keratec is also developing wound healing and nutriceutical product applications based on keratins. WEL's other assets are also in commercialisation of wool science.

WEL appointed a new CEO, Elizabeth Hopkins, during the year. Elizabeth was subsequently appointed CEO of Keratec also. Significant changes have been made to the business strategy, specifically to focus on large volume high value orders and away from niche product supply.

The close relationship with Keratec's US partner company, Keraplast, continues to develop, and together the companies are exploring the possibility of combining their respective intellectual property, potentially into a new joint venture company. This would produce the foremost company in the world focused on commercialising functional keratin.

Novotech (Australia) Pty Limited

www.novotech-cro.com

Novotech is Australia's largest Contract Research Organisation, providing a wide range of outsourced clinical drug development services such as data management and regulatory affairs, with operations in Australia, New Zealand and the US.

BPV (together with Sydney based private equity house, Co-Investor) completed an A$8m investment in Novotech on 1 May 2007. (The parties have made an initial investment of A$4m with further investment of A$4m committed to fund Board approved acquisitions).

During 2007 Novotech has continued its Asian expansion plans. There continues to be significant increased CRO activity in Asia, which has reinforced the Board and Management's view that significant long-term value gain will be achieved through expansion of the business into Asia.

Rissington Breedline Limited

www.rissington.com

Rissington Breedline Limited (RBL) is a privately owned NZ genetics company focused on developing an integrated supply chain for high quality lamb and beef, driven by breeding for attributes of value to meat consumers.

RBL's business involves breeding elite sheep and cattle (non-GM), selling and distributing their genetics (via selling own breed, high value sires), measuring the rate of genetic gain, and developing, owning, protecting and exploiting related intellectual property.

BPV (alongside *inventages*) has completed an investment into Rissington in order to allow the company to extend its operations further down the supply chain, engaging with UK and South American consumer markets. A significant step has been made into the UK market with Rissington successfully securing an agreement with Marks & Spencer to supply their supermarkets with lamb.

EnCoate Limited

www.encoate.com

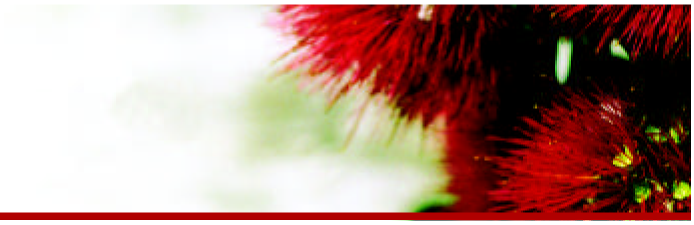
EnCoate is a New Zealand company founded on the development of biopolymers, which can be used to preserve microbes. Their lead product, already in the market for 2 years, is used to keep grub-killing bacteria alive so that they can be spread on pastures and be effective in the face of sun and dehydration. The next focus of the company is on the rapidly growing global market for probiotics, or health giving bacteria, in human foods.

Manager's Report on BioPacificVentures

Anzamune Limited

Anzamune is developing a natural product as a therapeutic drug for use in hayfever, allergy prevention and potentially other immune-mediated diseases. The product is based on chitin, a natural product found widely in shellfish and insect shells. The company will exploit their intellectual property in Australia and New Zealand, where allergies are significantly more severe than globally.

Anzamune will develop a narrowly focused clinical trial program to take the drug through to market (working product name Chitin Micro-Particles or CMP). The company is now primarily focused on its clinical trial program this quarter, with a major hay fever trial underway in 6 centres across eastern Australia.



Directors' Report

For the year ended 31 December 2007

The Directors of Pohutukawa Private Equity Limited have pleasure in submitting their annual report for the year ending 31 December 2007.

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 entries, shown in the table below, were recorded in the interest register of the company during the year:

Directors' shareholdings and dealings in Pohutukawa & Pohutukawa co-investments as at 31 December 2007

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	**Interest [1]**				
		JA Cimino [2]	**MW Davies**	**NJ Craig**	**WT Stevens**
Pohutukawa	2006	25,000	100,000	184,208	100,000
	2007	**25,000**	**100,000**	**209,208**	**100,000**
Max Fashions	2006	41,000	41,000	21,890	3,890
	2007	**-**	**-**	**-**	**-**
Express Logistics	2006	24,000	24,000	12,374	3,362
	2007	**26,087**	**31,606**	**15,196**	**4,129**
NZ Pharmaceuticals	2006	23,405	46,810	14,534	5,243
	2007	**23,405**	**46,810**	**14,534**	**5,243**
International Forwarding	2006	9,926	9,926	-	-
	2007	**9,926**	**9,926**	**-**	**-**
Triton Hearing	2006	-	14,715	-	-
	2007	**-**	**14,715**	**-**	**-**
Paper Coaters	2006	-	-	-	-
	2007	**-**	**40,834**	**-**	**-**
Innovair Group	2006	-	-	-	-
	2007	**-**	**10,331**	**-**	**-**

[1] number of shares held [2] resigned January 2008

Director

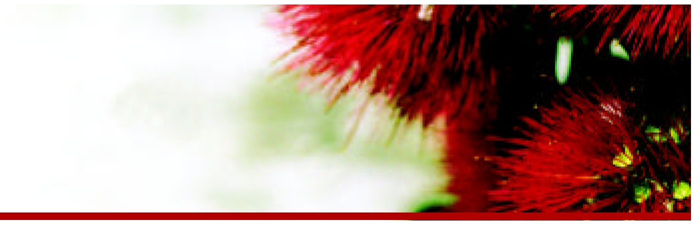
20th March 2008

Date

Director

20th March 2008

Date



Income statement

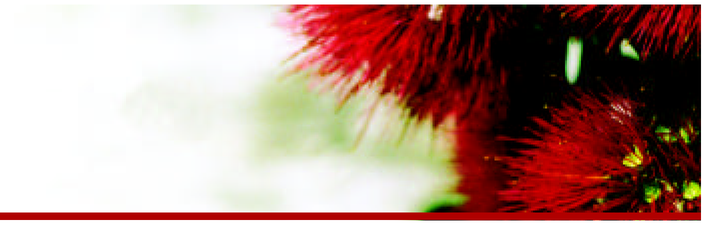
For the year ended 31 December 2007

	Note	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Interest income		276,789	716,697	276,789	716,697
Dividend income		1,721,642	-	-	-
Change in fair value of investments		13,304,644	4,306,809	-	-
Other operating income	*3*	244,958	335,029	244,958	335,029
Administrative expenses	*4*	(1,728,708)	(1,609,958)	(1,728,708)	(1,609,958)
Operating profit/(loss)		13,819,325	3,748,577	(1,206,961)	(558,232)
Finance expenses - interest		(17,834)	-	(17,834)	-
Profit/(loss) before tax		13,801,491	3,748,577	(1,224,795)	(558,232)
Income tax expense	5	-	-	-	-
Profit/(loss) for the year		13,801,491	3,748,577	(1,224,795)	(558,232)
Attributable to:					
Equity holders of the parent		(1,224,795)	(558,232)	(1,224,795)	(558,232)
Minority interest	*1c*	15,026,286	4,306,809	-	-
Profit/(loss) for the year attributable to the equity holders of stapled securities		13,801,491	3,748,577	(1,224,795)	(558,232)

Statement of recognised income and expense

For the year ended 31 December 2007

	Note	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Profit/(loss) for the year		13,801,491	3,748,577	(1,224,795)	(558,232)
Total recognised income and expense for the year		13,801,491	3,748,577	(1,224,795)	(558,232)
Attributable to:					
Equity holders of the parent		(1,224,795)	(558,232)	(1,224,795)	(558,232)
Minority interest	*1c*	15,026,286	4,306,809	-	-
Total recognised income and expense for the year		13,801,491	3,748,577	(1,224,795)	(558,232)



Balance sheet

As at 31 December 2007

	Note	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Assets					
Loans to related parties	16	-	-	20,484,105	13,441,075
Investments – equity securities	6	25,864,249	17,747,884	-	-
Total non-current assets		25,864,249	17,747,884	20,484,105	13,441,075
Investments – short-term deposits		-	6,840,000	-	6,840,000
Trade and other receivables	7	63,093	39,145	63,093	39,145
Cash and cash equivalents	9	93,787	53,347	93,787	53,347
Total current assets		156,880	6,932,492	156,880	6,932,492
Total assets		26,021,129	24,680,376	20,640,985	20,373,567
Equity					
Issued capital	11	17,332,000	20,950,000	17,332,000	20,950,000
Retained losses	11	(1,852,956)	(628,161)	(1,852,956)	(628,161)
Total equity attributable to equity holders of the parent		15,479,044	20,321,839	15,479,044	20,321,839
Minority interest	11	5,380,144	4,306,809	-	-
Total equity attributable to equity holders of stapled securities	11	20,859,188	24,628,648	15,479,044	20,321,839
Liabilities					
Loans and borrowings	10	5,096,223	-	5,096,223	-
Trade and other payables	12	65,718	51,728	65,718	51,728
Total current liabilities		5,161,941	51,728	5,161,941	51,728
Total liabilities		5,161,941	51,728	5,161,941	51,728
Total equity and liabilities		26,021,129	24,680,376	20,640,985	20,373,567

For and on behalf of the Board

Director

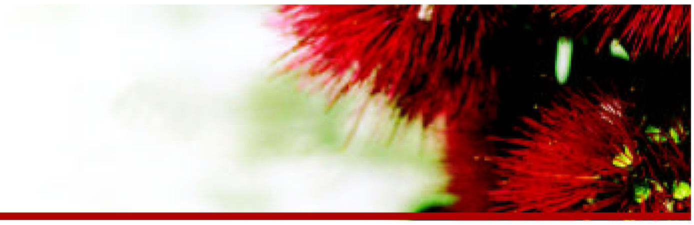
Director

20th March 2008

Date

20th March 2008

Date



Statement of cashflows

For the year ended 31 December 2007

		Consolidated		Parent	
	Note	**2007**	**2006**	**2007**	**2006**
Cash flows from operating activities					
Cash receipts from fees		207,858	335,029	207,858	335,029
Interest received		300,907	775,609	300,907	775,609
Dividends received		1,721,642	-	-	-
Income taxes paid		(7,761)	-	(7,761)	-
Cash paid to suppliers		(1,741,795)	(1,362,418)	(1,741,795)	(1,362,418)
Net cash from operating activities	*13*	480,851	(251,780)	(1,240,791)	(251,780)
Cash flows from investing activities					
Proceeds from sale of investments		22,689,309	3,160,000	6,840,000	3,160,000
Loans advanced to related parties		-	-	(10,654,992)	(2,971,432)
Loans repaid by related parties		-	-	3,618,000	-
Acquisition of investments		(10,654,992)	(2,971,432)	-	-
Net cash from investing activities		12,034,317	188,568	(196,992)	188,568
Cash flows from financing activities					
Repayment of share capital		(3,618,000)	-	(3,618,000)	-
Dividends paid		(13,952,951)	-	-	-
Loans from external parties		5,096,223	-	5,096,223	-
Net cash from financing activities		(12,474,728)	-	1,478,223	-
Net movement in cash and cash equivalents		40,440	(63,212)	40,440	(63,212)
Cash and cash equivalents at 1 January		53,347	116,559	53,347	116,559
Cash and cash equivalents at 31 December	*9*	93,787	53,347	93,787	53,347

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 31 December 2007 comprise the Company and 25 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 20 March 2008.

(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. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS").

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

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

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 6 - Investments – equity securities
- Note 14 – Financial risk management

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.

(c) 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 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

Investments in equity securities, 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 Note 1 d). 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.

Notes to the consolidated financial statements

1. Significant accounting policies *(continued)*

(iv) Minority interest

Minority 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 minority interests are attributable to the parent company shareholders as a result of their direct investment in the preference shares of the Investment Companies and to the Manager as a result of its ownership of the ordinary shares in the Investment Companies.

(d) Investments in equity securities

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

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 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.

(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 m), 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 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.

The carrying amounts of the Group's receivables 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 based on the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment losses are recognised in the Income Statement. An impairment loss is reversed in the Income Statement if there has been a change in the estimates used to determine the recoverable amount.

(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 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. 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 rate basis.

(j) Trade and other payables

Trade and other payables are stated at cost.

Notes to the consolidated financial statements

1. Significant accounting policies *(continued)*

(k) 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.

(l) Financing expenses

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

(m) 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 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.

(n) Segment reporting

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

(o) New standards and pronouncements relevant to the Group not yet adopted

The Group has not chosen to early adopt any new standards.

A number of new interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing the parent and group financial statements. The relevant standards are:

- NZ IAS 1 - Presentation of Financial Statements (Revised) – Approved in November 2007 and effective for periods beginning on or after 1 January 2009. NZ IAS 1 introduces a "Statement of Comprehensive Income" and rules around what is to appear in the Statement of Changes in Equity. NZ IAS 1, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the parent and group financial statements.

- NZ IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) – Approved in January 2008 and effective for periods beginning on or after 1 July 2009. NZ IFRS 3 reconsidered the application of acquisition accounting for business combinations and requires new disclosures. The amendments to IAS 27 reflect changes to the accounting for non-controlling (minority) interest and deal primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary. The amendments to IAS 27 (2008) relate mainly to changes in the accounting for non-controlling interest and the loss of control of a subsidiary. The Group has not yet determined the impact of these two revised standards on the parent and group financial statements.

Notes to the consolidated financial statements

2. Determination of fair values

In the year of acquisition, fair value is determined by Directors' valuation. The fair value of investment in equity securities measured at their fair value is their quoted bid price at the reporting date, if available, or valuations. Investments in unlisted equity securities are valued 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).

3. Other operating income

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
Management fees	96,558	184,238	96,558	184,238
Sundry income	148,400	150,791	148,400	150,791
	244,958	335,029	244,958	335,029

4. Administrative expenses

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
Management fees	1,340,900	1,340,900	1,340,900	1,340,900
Advisory fees	145,128	-	145,128	-
Directors’ fees	100,000	100,000	100,000	100,000
Other administrative expenses	142,680	169,058	142,680	169,058
	1,728,708	1,609,958	1,728,708	1,609,958

The following items of expenditure are included in administrative expenses:

Auditor’s remuneration to KPMG comprises:				
Audit of financial statements	20,720	18,065	20,720	18,065
Other audit-related services	2,064	-	2,064	-
Tax advice and compliance	1,419	22,066	1,419	22,066

Other audit related services include review of interim financial statements.

5. Income tax expense

Recognised in the income statement

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
Income tax expense in income statement	-	-	-	-

Reconciliation of effective tax rate

Consolidated	**2007**	**2007**	**2006**	**2006**
Profit before tax		13,801,491		3,748,577
Income tax expense at 33% tax rate	(33.0%)	4,554,492	(33.0%)	1,237,030
Non-deductible expenses	(0.4%)	59,176	-	
Tax exempt income	31.8%	(4,390,532)	37.9%	(1,421,247)
Imputation credits received	4.1%	(568,142)		-
Tax losses not recognised in the income statement	(2.5%)	345,006	(4.9%)	184,217
Total income tax expense in income statement	(0.0%)	-	(0.0%)	-

Notes to the consolidated financial statements

5. Income tax expense *(continued)*

Reconciliation of effective tax rate *(continued)*

Parent	2007	2007	2006	2006
Loss before tax		(1,224,795)		(558,232)
Income tax benefit at 33% tax rate	33.0%	(404,182)	33.0%	(184,217)
Non-deductible expenses	(4.8%)	59,176	-	-
Tax losses not recognised in the income statement	(28.2%)	345,006	(33.0%)	184,217
Total income tax expense in income statement	(0.0%)	-	(0.0%)	-

Imputation credits

	Consolidated		Parent	
	2007	2006	2007	2006
Balance at beginning of period	-	-	-	-
Income tax paid	7,761	-	7,761	-
Imputation credits attached to dividends received	847,973	-	-	-
Imputation credits attached to dividends paid	(847,973)	-	-	-
Balance at end of period	7,761	-	7,761	-

Imputation credits available to shareholders of the parent company:		
Through the parent company	7,761	-
Through investment companies	-	-
	7,761	-

6. Investments – equity securities

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 income statement. As there is no quoted market price for these securities, valuation techniques must be utilised to determine fair value.

The valuation technique utilised includes the use of market based earnings multiples and a marketability discount in the range from 10% to 30% for privately owned investments.

A movement of 0.2 in the earnings multiples applied to the investments carried at fair value changes the value of the investments by $753,074.

A movement in the marketability discount of 5% changes the value of the investments by $1,052,062.
The following table lists the investments held at balance date and the underlying cost of the initial acquisition.

The difference between the cost and the carrying value in the balance sheet is shown as a fair value movement through the income statement.

Notes to the consolidated financial statements

6. Investments – equity securities *(continued)*

Non-current investments *(continued)*

2007

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
Express Logistics Group Limited	Logistics	Oct 2005	19.7%	2,800,068
NZPH Investments Limited	Food/agriculture	Nov 2005	15.8%	4,142,685
BiopacificVentures	Private equity vehicle*	Nov 2005	11.0%	2,243,722
International Forwarding Limited	Logistics	Oct 2006	22.4%	873,502
Triton Hearing Clinics Limited	Services	Nov 2006	18.7%	1,309,614
Paper Coaters Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
Innovair Group Limited	Consumer goods	Aug 2007	11.3%	919,479
GoBus Limited	Services	Dec 2007	31.8%	4,596,223
				20,484,105

2006

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
Max Retail Holdings Limited	Retail fashion stores	Jul 2005	30.7%	3,618,000
Express Logistics Group Limited	Logistics	Oct 2005	19.7%	2,125,000
NZPH Investments Limited	Food/agriculture	Nov 2005	15.8%	4,142,685
BiopacificVentures	Private equity vehicle*	Nov 2005	11.0%	1,372,274
International Forwarding Limited	Logistics	Oct 2006	22.4%	873,502
Triton Hearing Clinics Limited	Services	Nov 2006	18.7%	1,309,614
				13,441,075

* BiopacificVentures invests across the entire spectrum of private equity - primarily in early stage investments, but also in later stage investments.

As investments in equity securities are carried at fair value in the Group, the results and net assets of the acquirees are not recognised in these financial statements. The fair value as at 31 December 2007 was $25,864,249 (2006: $17,747,884).

7. Trade and other receivables

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
Trade receivables due from related parties	38,855	6,038	38,855	6,038
Income tax receivable	7,761	-	7,761	-
Other receivables	16,477	33,107	16,477	33,107
	63,093	39,145	63,093	39,145

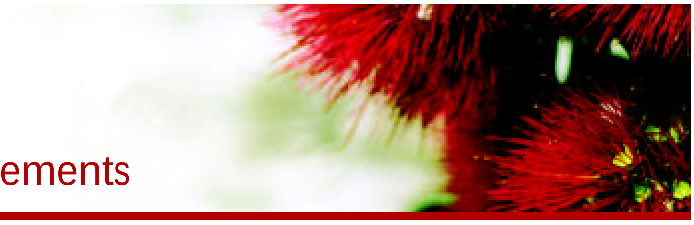
As at 31 December 2007, no trade and other receivables are considered past due (2006:$nil).

8. 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	**2007**	**2006**	**2007**	**2006**
Tax losses	5	546,194	201,188	546,194	201,188
		546,194	201,188	546,194	201,188



Notes to the consolidated financial statements

8. Deferred tax assets and liabilities *(continued)*

Unrecognised deferred tax assets *(continued)*

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 not probable that future taxable profit will be available against which the Group can utilise the benefit.

9. Cash and cash equivalents

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
Call deposits	93,787	53,347	93,787	53,347
Cash and cash equivalents in the statement of cash flows	93,787	53,347	93,787	53,347

10. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 14.

	Consolidated		Parent	
	2007	**2006**	**2007**	**2006**
Short-term credit facility	5,096,223	-	5,096,223	-
	5,096,223	-	5,096,223	-

The Directors have made an undertaking to repay the short-term credit facility upon receipt of proceeds from the second call made to shareholders in January 2008. The facility was unsecured and was contractually required to be repaid within ninety days or less. The credit facility has a nominal interest rate of 8.65%.

11. 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 2006	20,950,000	(69,929)	20,880,071	-	20,880,071
Total recognised income and expense	-	(558,232)	(558,232)	4,306,809	3,748,577
Balance at 31 December 2006	20,950,000	(628,161)	20,321,839	4,306,809	24,628,648
Balance at 1 January 2007	20,950,000	(628,161)	20,321,839	4,306,809	24,628,648
Total recognised income and expense	-	(1,224,795)	(1,224,795)	15,026,286	13,801,491
Dividends to equity holders	-	-	-	(13,952,951)	(13,952,951)
Repayment of share capital	(3,618,000)	-	(3,618,000)	-	(3,618,000)
Balance at 31 December 2007	17,332,000	(1,852,956)	15,479,044	5,380,144	20,859,188

Parent	**Share capital**	**Retained earnings**	**Total equity**
Balance at 1 January 2006	20,950,000	(69,929)	20,880,071
Total recognised income and expense	-	(558,232)	(558,232)
Balance at 31 December 2006	20,950,000	(628,161)	20,321,839
Balance at 1 January 2007	20,950,000	(628,161)	20,321,839
Total recognised income and expense	-	(1,224,795)	(1,224,795)
Repayment of share capital	(3,618,000)	-	(3,618,000)
Balance at 31 December 2007	17,332,000	(1,852,956)	15,479,044

Notes to the consolidated financial statements

11. Capital and reserves *(continued)*

Share capital

Consolidated

In millions of shares	Investment Co's Preference shares 2007	Investment Co's Preference shares 2006	PPE Ordinary shares 2007	PPE Ordinary shares 2006	PPE Preference shares 2007	PPE Preference shares 2006
On issue at 1 January	1,325	1,325	53	53	5,300	5,300
Redemption of shares	-	-	-	-	(362)	-
On issue at 31 December	1,325	1,325	53	53	4,938	5,300

Parent

In millions of shares	Ordinary shares 2007	Ordinary shares 2006	Preference shares 2007	Preference shares 2006
On issue at 1 January	53	53	5,300	5,300
Redemption of shares	-	-	(362)	-
On issue at 31 December	53	53	4,938	5,300

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

At 31 December 2007, the share capital of the Company comprised 53,000,000 ordinary shares (2006: 53,000,000), and 4,938,200,000 preference shares (2006: 5,300,000,000). In addition, there are 1,325,000,000 preference shares in the 25 Investment Companies (53,000,000 in each). As of 27 December 2007, Pohutukawa Beta Investments Limited has been voluntarily placed in liquidation following the realisation of the Max Retail Holdings Limited investment. Once the liquidation process is complete the number of Investment Companies will reduce to 24 and preference shares will reduce to 1,272,000,000.

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, of which $0.004 has been called and paid. The remaining $0.006 per share ($31,800,000) is excluded from the equity of Pohutukawa Private Equity Limited until called. 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.

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.

12. Trade and other payables

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Trade payables due to related parties	-	24,559	-	24,559
Non-trade payables and accrued expenses	65,718	27,169	65,718	27,169
	65,718	51,728	65,718	51,728

Notes to the consolidated financial statements

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

		Consolidated		Parent	
	Note	2007	2006	2007	2006
Profit / (loss) for the period		13,801,491	3,748,577	(1,224,795)	(558,232)
Adjustments for:					
Change in fair value of investments		(3,082,885)	(4,306,809)	-	-
Gain on sale of investments		(10,221,759)	-	-	-
Loans to related parties receivable/payable		(6,038)	6,038	(6,038)	6,038
		490,809	552,194	(1,230,833)	552,194
Movement in Working Capital					
Change in trade and other receivables		(16,187)	302,649	(16,187)	302,649
Change in income tax receivable		(7,761)	-	(7,761)	-
Change in trade payables and accruals		13,990	(2,235)	13,990	(2,235)
Net cash flow to/(from) operating activities		480,851	(251,780)	(1,240,791)	(251,780)

14. 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

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 receivables and bank balances. The Group does not require collateral in respect of financial assets. At balance date there were significant concentrations of credit risk.

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 from bank accounts and short-term deposits. 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. The Group also borrows short-term funds at floating rates due to the short-term nature of these borrowings.

Notes to the consolidated financial statements

14. Financial risk management *(continued)*

Effective interest rates and repricing

The only interest bearing financial assets in the Group are bank balances and short-term deposits. At balance date the effective interest rates for bank balances is 7.5% (2006: 6.5%) and short-term deposits for 2007 is 7.6%. Interest bearing liabilities are shown in Note 10.

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

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
Consolidated 2007				
Cash and cash equivalents	*9*	93,787	-	93,787
Loans and borrowings	*10*	(5,096,223)	-	(5,096,223)
Total		(5,002,436)	-	(5,002,436)
Consolidated 2006				
Cash and cash equivalents	*9*	53,347	-	53,347
Investments		6,840,000	-	6,840,000
Total		6,893,347	-	6,893,347
Parent 2007				
Cash and cash equivalents	*9*	93,787	-	93,787
Loans to related parties	*16*	20,484,105	20,484,105	-
Loans and borrowings	*10*	(5,096,223)	-	(5,096,223)
Total		15,481,669	20,484,105	(5,002,436)
Parent 2006				
Cash and cash equivalents	*9*	53,347	-	53,347
Loans to related parties	*16*	13,441,075	13,441,075	-
Investments		6,840,000	-	6,840,000
Total		20,334,422	13,441,075	6,893,347

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 2007 it is estimated that a general increase of one percentage point in interest rates on its loans and borrowings would decrease the Group's profit before income tax by approximately $34,000 (2006: $97,000) over a one-year period.

Capital management

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The group have no power to borrow, other than in respect of borrowings with a maturity date not in excess of ninety days (provided that in no case shall such borrowings exceed called but unpaid capital commitments).

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 period.

Notes to the consolidated financial statements

14. 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 2007						
Assets						
Cash and cash equivalents	*9*	-	93,787	-	93,787	93,787
Investments	*6*	25,864,249	-	-	25,864,249	25,864,249
Trade and other receivables	*7*	-	63,093	-	63,093	63,093
Total assets		25,864,249	156,880	-	26,021,129	26,021,129
Liabilities						
Loans and borrowings	*10*	-	-	5,096,223	5,096,223	5,096,223
Trade and other payables	*12*	-	-	65,718	65,718	65,718
Total liabilities		-	-	5,161,941	5,161,941	5,161,941

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Consolidated 2006						
Assets						
Cash and cash equivalents	*9*	-	53,347	-	53,347	53,347
Investments	*6*	17,747,884	-	-	17,747,884	17,747,884
Trade and other receivables	*7*	-	39,145	-	39,145	39,145
Total assets		17,747,884	92,492	-	17,840,376	17,840,376
Liabilities						
Trade and other payables	*12*	-	-	51,728	51,728	51,728
Total liabilities		-	-	51,728	51,728	51,728

Notes to the consolidated financial statements

14. 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 2007						
Assets						
Cash and cash equivalents	9	-	93,787	-	93,787	93,787
Loans to related parties	16	-	20,484,105	-	20,484,105	20,484,105
Trade and other receivables	7	-	63,093	-	63,093	63,093
Total assets		-	20,640,985	-	20,640,985	20,640,985
Liabilities						
Loans and borrowings	10	-	-	5,096,223	5,096,223	5,096,223
Trade and other payables	12	-	-	65,718	65,718	65,718
Total liabilities		-	-	5,161,941	5,161,941	5,161,941

	Note	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Parent 2006						
Assets						
Cash and cash equivalents	9	-	53,347	-	53,347	53,347
Loans to related parties	16	-	13,441,075	-	13,441,075	13,441,075
Trade and other receivables	7	-	39,145	-	39,145	39,145
Total assets		-	13,533,567	-	13,533,567	13,533,567
Liabilities						
Trade and other payables	12	-	-	51,728	51,728	51,728
Total liabilities		-	-	51,728	51,728	51,728

Notes to the consolidated financial statements

15. 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 2007 $3,056,278 (2006: $3,927,726) remained uncalled.

16. Related parties

Identity of related parties

The Company has a related party relationship with its Investment Companies (see note 18). 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 Limited and Direct Capital Management Limited. ABN AMRO Craigs Limited and Direct Capital 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 (2006: $1,192,500).
ABN AMRO Craigs Limited paid certain expenses of Pohutukawa Private Equity Limited. As at 31 December 2007, $1,755 remained owing from ABN AMRO Craigs Limited (2006: $24,559 owing to ABN AMRO Craigs).
Legal and accounting expenses incurred in relation to investment activity by Direct Capital Management Limited of $201,737 (2006: $28,377) were reimbursed by Pohutukawa Private Equity Limited.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Additionally, loans to Investment Companies totalled $10,654,992 (2006: $2,965,394). Total loans outstanding as at 31 December 2007 were $20,484,105 (2006: $13,441,075). Loans to related parties are non-interest bearing loans made to Investment Companies, which are used to acquire long-term equity investments. Loans are repayable on demand.

Transactions with key management personnel

	Consolidated		Parent	
	2007	2006	2007	2006
Directors fees (total remuneration)	100,000	100,000	100,000	100,000

17. Subsequent events

On 22 January 2008 a call of $0.003 per Pohutukawa Private Equity preference share was made, taking the total amount called to $0.007 per share. Following receipt of the call monies, the short-term credit facility was cleared in full. Any monies received prior to 31 December 2007 by the Company's share registry, Link Market Services Limited, has been held in trust by the registry, and is not recorded in these financial statements.

On 25 January 2008 Jon Cimino resigned as Chairman of Pohutukawa Private Equity Limited. A replacement Director and Chairman is still to be appointed.

Notes to the consolidated financial statements

18. Group entities

Investment Companies	Country of incorporation	Ownership interest* 2007	2006
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.

Audit report

KPMG

To the shareholders of Pohutukawa Private Equity Limited

We have audited the financial statements on pages 18 to 34. The financial statements provide information about the past financial performance of the company and group and its financial position as at 31 December 2007. This information is stated in accordance with the accounting policies set out on pages 21 to 23.

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 2007 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 and group in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

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 18 to 34:
  - 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 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 20 March 2008 and our unqualified opinion is expressed as at that date.

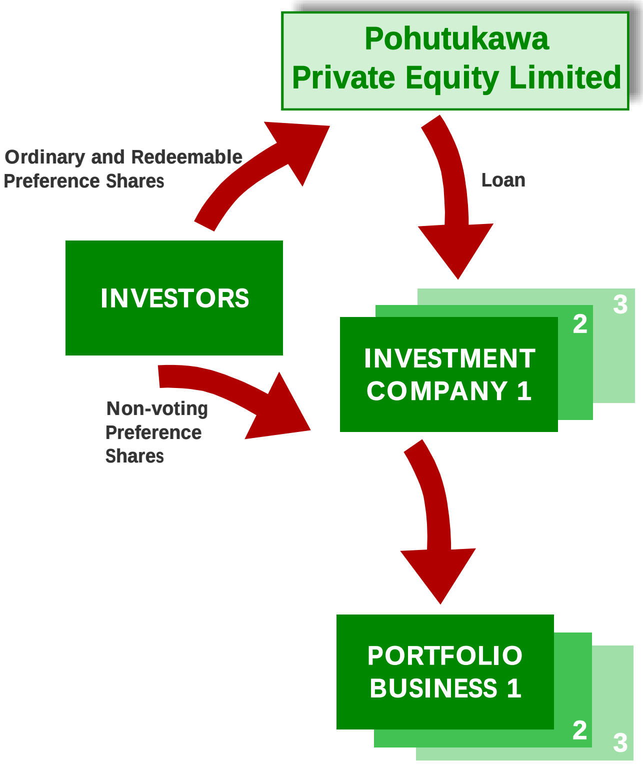
KPMG

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.

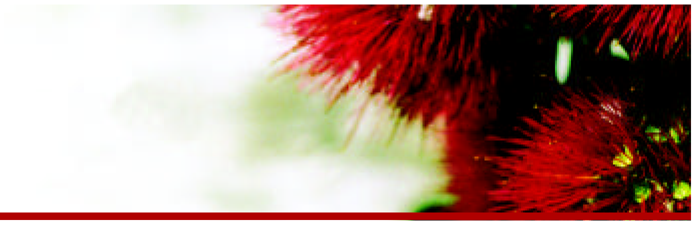
The Pohutukawa structure is:



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 divestment 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 is a director of his own investment banking operation Cimino Partners Ltd. Previously he was Chairman and Managing Director of UBS Warburg NZ. He is Chairman of Ezibuy and a former director of Waste Management, Genesis Research, TransRail and the NZSE. Jon is a graduate of Victoria University of Wellington and has completed the Advanced Management Program at Harvard Business School. Jon resigned from the Board in January 2008 to take up a position as Managing Director of Dubai Financial Group.

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.

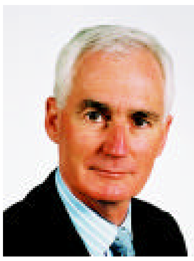
NEIL JOHN CRAIG

(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 NZX listed Comvita Limited and a director of a number of privately held companies. He has previously been a Director of Mighty River Power Limited, 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

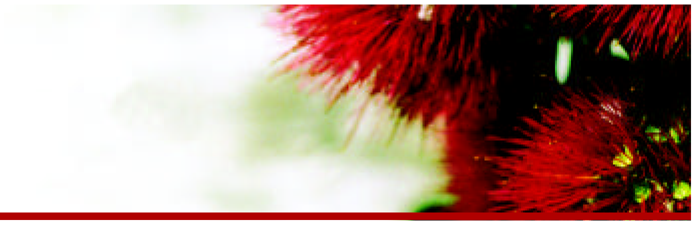
(Non-Executive Director) BBS



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 since 1986. 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 ABN AMRO Craigs acquired part of that firm in 2001.

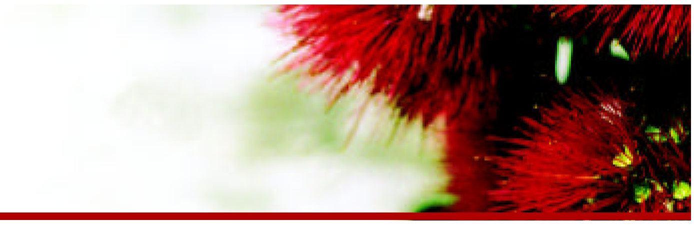


Committees

The Board has one committee, an Audit Committee, comprising all the 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 intends to adopt the governance structures and principles of a listed company.



Directory

BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY

Jon Cimino (resigned January 2008)
Neil Craig
Murray Davies
William Stevens

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

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Fax: (07) 578 2555

MANAGER

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