



Pohutukawa

PRIVATE EQUITY LIMITED



INTERIM REPORT

For the half year ended 30 June 2011



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Report to Shareholders

30 September 2011

Dear Shareholder

I am pleased to present Pohutukawa's interim report, which includes Pohutukawa's financial performance for the half year to 30 June 2011 and the Manager's update on the performance of the Fund's portfolio.

The Market and Portfolio Performance

2011 has been challenging for our portfolio companies, particularly those companies that generate most of their earnings offshore. The historically high NZ-US exchange rate has dampened export earnings. Further, the Australian economy which was seemingly immune to the global financial situation has shown more weakness recently than expected.

The financial impact has made it demanding for the portfolio companies to meet profit expectations. The overall resilience of the portfolio has been satisfying.

All portfolio companies have continued to focus on cashflow and have the support of their bankers.

During the period to 30 June 2011 there were no follow-on investments made into Pohutukawa's existing portfolio, although BioPacificVentures (BPV) made two small follow-on investments; one into Coda Therapeutics, a company focused on the development and commercialization of therapeutics for wound care and tissue repair; the other into Vital Foods as that company raised capital for further expansion into new products.

Pohutukawa's remaining cash reserves (approximately \$2.6m) are held for follow-on investment commitments to the existing portfolio companies and to BPV. The total gross value of investments (excluding cash) at 30 June 2011 was \$43.03 million (or 81cents per share (cps)), and including cash and receivables this represents approximately 86.6 cps.

Distributions

During the period Pohutukawa made a distribution of \$1.165 million (2.20 cps) to shareholders from:

- March 2011 Express Logistics capital distribution;
- March 2011 Fully imputed dividends from NZ King Salmon, Triton, Stratex and Fishpond; and
- March 2011 Fully imputed dividends via BPV for NZ Pharmaceuticals and NZ King Salmon.

Pohutukawa has to date realised investment proceeds of \$45.52 million. You have so far received back by way of dividends and capital returns, 69 cps share from your original \$1 investment. This means 31 cents remains invested against a net asset backing of 88 cps (before manager earnout provision).

Investment Capital

Pohutukawa is able to invest up to \$53 million (the original committed capital) in portfolio companies. Our total investments to date total \$45.5 million (comprising investments in and loans to portfolio companies). Pohutukawa is able to invest up to another \$7.5 million in portfolio companies, and has a current cash balance of \$2.6 million. Our preferred means to achieve close to the \$53 million investment in portfolio companies is to utilise the cash on hand and then to re-invest initial invested capital as it is returned from portfolio companies. Pohutukawa will only continue to do this until a total of \$53 million has been invested in portfolio companies.

Portfolio Company Realisations

We received the final Triton Hearing Clinic sales proceeds of \$58,000 and a further distribution from Express Logistics of \$180,000. We are expecting a small final wash-up distribution from both Innovair and Express Logistics before the companies are wound up.

New Zealand King Salmon Shareholder Loan

Pohutukawa lent NZ King Salmon by way of a shareholder loan \$5,836,000. In September 2009 and September 2010,

Report to Shareholders

NZ King Salmon attributed interest of \$842,000 and \$875,000 respectively to Pohutukawa, effectively capitalising the interest on the loan. NZ King Salmon has since repaid all this capitalised interest. The last repayment of capitalised interest was received in March 2011 for \$587,000. Similarly the outstanding capitalised interest on a shareholder loan of \$475,000 to NZ King Salmon through BPV was also fully repaid at this time.

Portfolio Revaluation

The Manager revalues the portfolio at the end of each quarter. Under Australian Private Equity & Venture Capital Association valuation guidelines, each portfolio company is revalued quarterly. The market value of the portfolio has shown some softening due to the relative earnings performances in a tough trading environment. As at 30 June 2011, the portfolio investment value was \$43.03 million which compares to the 31 March 2011 valuation of \$44.09 million.

Investor Return to Date

In summary, shareholders total dollar return to 30 June 2011 from their original \$1 investment is as follows:

Investors' Return to 30 June 2011

Original investment	\$	1.00
Distributions		
December 2007		0.33
November 2008		0.08
June 2009		0.02
December 2009		0.17
March 2010		0.07
March 2011		0.02
Assessed Net Asset Value 30 June 2011		0.88
	\$	1.57
Return		1.57x

* Excluding manager's earnout

Interim Financial Statements 30 June 2011

Our interim financial statements for the period ending 30 June 2011 are included in this interim report.

As at 30 June 2011 Pohutukawa had 53 million stapled securities on issue, fully paid to \$1.

At balance date shareholders' funds were \$46.65 million. Pohutukawa has no borrowings.

Assets comprised:

• Investments	\$32.28 million
• Cash	\$2.87 million
• Loans and Receivables (portfolio companies)	\$10.75 million

Investments included revaluations of the portfolio as at 30 June 2011, under the fair value method.

The receivables figure of \$10.75 million included the Pohutukawa shareholder loan to NZ King Salmon of \$6.31 million (including the BPV portion), NZP Holdings Limited \$3.026 million, GoBus Holdings Limited \$993,000 and loans to Hamilton City Bus Depot Limited \$139,000 (the GoBus Hamilton property holding company), and to Rodd & Gunn for \$119,400. There were also various loans to BPV portfolio companies totalling \$167,000.

The item non-controlling interest (previously minority interest) in the balance sheet refers to the equity of the Investment Companies, as this is owned directly by shareholders of the parent and not by the parent company itself. These non-controlling interests are attributable to the parent company / Pohutukawa shareholders as a result of their investment in the preference shares of the Investment Companies.

Income was derived from interest of \$510,000 (mainly from the NZ King Salmon loan). The positive change in fair value of investments was \$1.65 million. The profit for the period was \$1.595 million.



Report to Shareholders

Overall we are satisfied with the result for Pohutukawa against a generally difficult economic backdrop. Our outlook is cautiously optimistic but returns will be greatly influenced by improving global trading conditions and any weakening of the NZ dollar relative to the US dollar for the portfolio's exporters.

Please continue to view the Pohutukawa website, www.pohutukawafund.co.nz from time to time for updates.

Thank you for your ongoing support of Pohutukawa and if you have any queries regarding your investment, please call your Investment Adviser or Peter Lalor at Pohutukawa Management on 07 5774 727.

Yours sincerely,
Pohutukawa Private Equity Limited

John McDonald
Chairman

Manager's Report on Portfolio Companies

Portfolio Performance Summary

The Manager is pleased to report on the financial performance of the portfolio companies for the 6-month period to 30 June 2011, given the prevailing economic conditions.

Individual performance and prospects are highlighted in the portfolio company summaries that follow. Although there was an initial optimistic outlook for 2011 we can now say that any positive outlook prospects have diminished due to the ongoing tough market conditions.

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares	Shareholder Loan
Pohutukawa*	15.8%	4,594,451	2,691,244
Total Direct Capital shareholding 51.0% (including Pohutukawa)			
*Pohutukawa has an additional 1.96% stake through BPV			

Background

First established in 1971, New Zealand Pharmaceuticals Ltd ("NZP") manufactures specialty chemicals for some of the world's leading pharmaceutical companies. 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. These drugs form a large and fast-growing category of the global pharmaceuticals market and are increasingly significant to NZP's business.

Performance

Both revenue and EBITDA for the year to date FY2011 were below budget expectations.

The continued strength of the NZD against the USD adversely impacted performance in the core business. The YTD result was achieved with an average exchange rate of 76.6c compared with the budgeted 70c.

An increase in the cost of NZP's main raw material, bile, due to increasing worldwide demand and a reduction in cattle numbers being slaughtered, also impacted on gross margins in the core business, although it did achieve increased cholic acid volumes in the year.

Integration of reporting and management was completed for Dextra, the UK carbohydrate business acquired in late 2009 and the company met the initial targets set at the time of the acquisition.

Outlook

The Company is in the final stages of re-engineering its cholic acid production process to increase production capacity by approximately 50%. This initiative will, provided that sufficient raw material can be secured, not only significantly increase the volume of cholic acid that NZP is able to manufacture but also assist in the widening of NZP's customer base. NZP is also looking at alternative sources of bile, from chickens.

Manager's Report on Portfolio Companies

STRATEX GROUP LIMITED

www.stratexgroup.co.nz



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares
Pohutukawa	32.8%	3,598,812
Total Direct Capital shareholding 83.2% (including Pohutukawa)		

Background

Stratex is a manufacturer of specialty packaging materials providing extrusion coated and laminated products to the paper, food and industrial markets of NZ and Australia. Stratex laminates polymer and foil on to paper and film producing products such as foil and non-foil food bags, food sachets, specialty cheese wraps, flexible food packaging material, insulation materials, mill wrap, and formed trays (such as convenience meal bases).

Performance

Stratex completed its 2011 FY with both revenue and EBITDA results ahead of the 2010 results.

The FY12 financial year has seen revenue tracking below budget levels, reflecting a decline in Australian market conditions.

Outlook

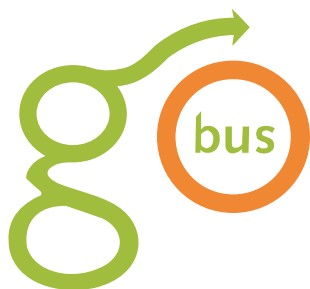
Stratex has a number of products emerging from its product development cycle (often a 12-18 month process) which is likely to strengthen sales from mid this financial year.

The company continues to assess strategic acquisition targets in Australia and to continue building a substantial trans-Tasman operation

Manager's Report on Portfolio Companies

GOBUS HOLDINGS LIMITED

www.gobus.co.nz



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	33.1%	7,510,506	993,280
Total Direct Capital shareholding 82.4% (including Pohutukawa)			
*Interest bearing			

Background

GoBus is the leading regional provider of public transport services in the North Island, providing urban, school and charter bus services in the Waikato, Bay of Plenty and Hawkes Bay. GoBus also provides urban and school bus services in the Christchurch region following the purchase of Christchurch Bus Services in late 2010.

Performance

GoBus completed its March 2011 financial year with EBITDA ahead of

budget, and the start to the current financial year has remained positive with all indicators supporting the continued achievement of budget projections.

The Christchurch earthquake has resulted in some restructuring of services for each of the urban operators, reflecting new traffic flows in Christchurch. In conjunction with these changes Environment Canterbury has extended contract tenures. Despite the considerable disruption of the

earthquake on the business and GoBus' staff, the performance of the Christchurch operations continue to meet GoBus' expectations, and has provided the group with a strong platform for further growth in the South Island.

Outlook

The opportunities for growth in the public transport sector are expected to remain positive, and GoBus is currently reviewing a number of significant growth initiatives.

HAMILTON CITY BUS DEPOT LIMITED

Background

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

GoBus has a long-term lease of the premises on standard commercial terms.

Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	17.3%	60,380	138,994
Total Direct Capital shareholding 42.9% (including Pohutukawa)			
*Interest bearing			

Manager's Report on Portfolio Companies

SHEARS & MAC LIMITED

www.shearsandmac.co.nz

SHEARS&MAC.

Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares
Pohutukawa	18.1%	31,018
Total Direct Capital shareholding 45.5% (including Pohutukawa)		

Background

Shears & Mac Ltd (S&M) is a full-service provider of joinery manufacturing and installation services for the retail and commercial sectors. Specialising in fit-outs, the company provides joinery manufacturing based on integrated operational production systems, and installation services managing the actual fit-out and associated services. S&M is New Zealand's largest specialist fit-out group, and provides the capacity and infrastructure for significant growth, both in New Zealand and increasingly into the Australian market.

Performance

S&M has achieved significant revenue growth during the investment period but at a cost to operating margins within a very difficult retail environment. Nonetheless it retains a strong market position and is growing its Australian market presence. It has also broadened its sector focus to include commercial fit-out opportunities.

The retail shop-fitting market remains strongly price competitive in both NZ and Australia. Quoting levels however remain high, and particularly so in the

broader commercial sector where S&M has been developing good industry relationships over the last 18 months.

Outlook

Shears & Mac is very focussed on maintaining its solid revenue base and implementing initiatives to improve operating margins and earnings.

Manager's Report on Portfolio Companies

RODD & GUNN LIMITED

www.rodandgunn.com



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	11.9%	1,193,770	119,377
Total Direct Capital shareholding 30.0% (including Pohutukawa)			
*Interest bearing			

Background

Rodd & Gunn is a menswear apparel retailer, with 79 stores in malls, on high streets and department store concessions in Australian and New Zealand. The retailer has a long established brand and targets the premium male customer.

Performance

Following a particularly busy 2010 when Rodd & Gunn shifted its head office from Brisbane to Melbourne and underwent a significant systems implementation process, with this investment in infrastructure necessary due to the substantial increase in the

size of the store portfolio over the last five years, 2011 has allowed an increased focus on operational efficiency to maximise the benefit of these structural changes.

One important recent store opening was the 'R&G Duck' concept store on Auckland's High Street in June which, like the first Duck concept store in Osborne Street in Newmarket, is aimed at the younger customer and is an important initiative to continue to expand Rodd & Gunn's customer base.

Rodd & Gunn's profit result for its financial year to June 2011 was up slightly on the previous year.

Outlook

It is expected that further Myer concession openings this financial year will increase total stores beyond 80.

Retail trading conditions remain challenging in both countries, with Australia proving especially tough, for all retailers. The climate does however provide an opportunity for Rodd & Gunn to grow market share for the longer term and the business remains focussed on continuing to grow profitability.

Manager's Report on Portfolio Companies

NEW ZEALAND KING SALMON LIMITED

www.kingsalmon.co.nz



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa**	11.2%	2,721,682	5,836,335
Total Direct Capital shareholding 43.3% (including Pohutukawa)			
*Interest bearing			
**Pohutukawa has an additional 0.90% stake through BPV			

Background

Based in Nelson with farms in Marlborough and employing 444 staff, NZ King Salmon is New Zealand's largest integrated aquaculture company specialising in the farming and processing of Chinook salmon. With operations encompassing breeding, farming, processing and distribution, the company has developed its business to include a strong domestic market, plus achieving premium price positioning in export markets along with a wide variety of value-added products such as smoked salmon, fillets, tailored portions and kebabs. It owns the strong consumer brands of Regal, Southern Ocean and Seasmoke.

Performance

Despite a challenging trading environment late in the company's financial year, the 2011 year end result remained in line with expectations and well above the prior year performance. The full year result is another record for the business and completes an upward trend since 2005. The unsettled market conditions have continued since year end and will impact on the current financial year.

Outlook

New legislation aimed at boosting aquaculture has now been passed, effective from October 1. NZ King Salmon has publicly confirmed its intention to apply for up to an additional

10 hectares of new farm space under the new legislation via the Environmental Protection Authority process.

The company has made a number of significant capital commitments to secure the future growth of the company including the purchase of new marine farms, the application for new water space and additional land for processing.

NZ King Salmon has recently completed arrangements for entry into China with the first shipment made in September. The domestic market continues to provide a positive outlook for 2012 while export markets are more challenging due to uncertain economic conditions.

Manager's Report on Portfolio Companies

FISHPOND LIMITED

www.fishpond.co.nz



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares
Pohutukawa	4.4%	24,806
Total Direct Capital shareholding 12.0% (including Pohutukawa)		

Background

Fishpond is Australasia's largest local online retailer, offering a selection of over 6.8 million books, 250,000 CDs and DVDs, as well as a wide selection of games, toys, electronics, stationery, health and beauty and lifestyle products.

Performance

Fishpond's revenue growth has slowed but was still nearly 30% ahead of the previous year. There have been significant increases in the number of books (more than doubling from the

prior 2.5 million) and other products offered (four new categories).

Significant ownership changes occurred in the sector in the year and the online retail market continues to change quickly. Publisher Pearsons Australia acquired the online Australian assets of collapsed REDgroup, consisting of the Borders.com.au and robertangus.com.au websites. Borders.com.au, Fishpond's largest competitor after Amazon has seen its traffic decline in recent months. The Whitcoulls.co.nz website, also owned by REDgroup, was acquired by the Norman family as part of their acquisition of the

NZ retail assets. UK competitor Book Depository, which has had rapidly growing sales in the Australasian region, was acquired by Amazon.com.

Outlook

The outlook for the business is one of improvement in revenue and earnings on last year.

Volatility in the online retail sector will remain high with changes in the sector and in competitor behaviour sure to continue, and Fishpond will need to continue to adapt and respond.

BIOPACIFICVENTURES

www.biopacificventures.com



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

Capital invested with BPV to date totals \$4.7 million.

BPV has seven current investments. The main activity in the last quarter has occurred in five of the companies: Horizon Science with its successful launch of a new sugar product across Australia, New Zealand, Hong Kong & Singapore; CoDa Therapeutics with its promising applications for healing chronic wounds; Vital Foods with its increasing revenue from kiwi-fruit based

functional foods; and two co-investments with Direct Capital III / Pohutukawa being New Zealand Pharmaceuticals (NZP) and New Zealand King Salmon (NZKS). These companies represent the five largest investments in the BPV portfolio.

Investment activity for BPV involved two small follow-on investments into Coda Therapeutics for clinical trial costs, and into Vital Foods to assist the company whilst seeking out long-term investors.

Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2011

		Unaudited 6 months Jun 2011	Unaudited 6 months Jun 2010	Audited 12 months Dec 2010
	<i>Note</i>			
Interest Income	2	509,581	455,973	1,225,894
Dividend Income		-	2,865,427	3,876,881
Change in fair value of investments	1d	1,651,010	(1,721,948)	(2,589,452)
Other operating income		100,004	174,200	281,914
Administrative expenses		(665,238)	(691,956)	(1,406,789)
Operating profit		1,595,357	1,081,696	1,388,448
Profit before and after tax		1,595,357	1,081,696	1,388,448
Attributable to:				
Equity holders of the parent		(53,314)	(61,783)	94,107
Non-controlling interest	1c	1,648,671	1,143,479	1,294,341
Profit for the period		1,595,357	1,081,696	1,388,448
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period attributable to the equity holders of stapled securities		1,595,357	1,081,696	1,388,448

Consolidated interim statement of changes in equity

For the six months ended 30 June 2011

Attributable to equity holders of the parent

	Share capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	41,734,006	(2,603,977)	39,130,029	7,133,682	46,263,711
Total comprehensive income	-	(53,314)	(53,314)	1,648,671	1,595,357
Distributions to equity holders	-	-	-	(1,208,331)	(1,208,331)
Balance at 30 June 2011	41,734,006	(2,657,291)	39,076,715	7,574,022	46,650,737
Balance at 1 January 2010	41,734,006	(2,698,084)	39,035,922	9,589,522	48,625,444
Total comprehensive income	-	(61,783)	(61,783)	1,143,479	1,081,696
Distributions to equity holders	-	-	-	(2,848,558)	(2,848,558)
Repayment of preference shares	-	-	-	(901,622)	(901,622)
Balance at 30 June 2010	41,734,006	(2,759,867)	38,974,139	6,982,821	45,956,960
Balance at 1 January 2010	41,734,006	(2,698,084)	39,035,922	9,589,522	48,625,444
Total comprehensive income	-	94,107	94,107	1,294,341	1,388,448
Distributions to equity holders	-	-	-	(2,848,559)	(2,848,559)
Repayment of preference shares	-	-	-	(901,622)	(901,622)
Balance at 31 December 2010	41,734,006	(2,603,977)	39,130,029	7,133,682	46,263,711

Financial Information

Consolidated interim statement of financial position

As at 30 June 2011

	<i>Note</i>	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Assets				
Loans and receivables	2	10,755,305	9,229,494	11,247,899
Investments – equity securities	3	32,275,714	33,127,336	30,967,559
Total non-current assets		43,031,019	42,356,830	42,215,458
Trade and other receivables	5	799,888	1,566,146	422,527
Cash and cash equivalents	4	2,866,783	2,061,042	3,683,492
Total current assets		3,666,671	3,627,188	4,106,019
Total assets		46,697,690	45,984,018	46,321,477
Equity				
Issued capital		41,734,006	41,734,006	41,734,006
Retained losses		(2,657,291)	(2,759,867)	(2,603,977)
Total equity attributable to equity holders of the parent		39,076,715	38,974,139	39,130,029
Non-controlling interest	1c	7,574,022	6,982,821	7,133,682
Total equity attributable to equity holders of stapled securities		46,650,737	45,956,960	46,263,711
Liabilities				
Trade and other payables		46,953	27,058	57,766
Total current liabilities		46,953	27,058	57,766
Total liabilities		46,953	27,058	57,766
Total equity and liabilities		46,697,690	45,984,018	46,321,477

For and on behalf of the Board



Director

19 September 2011

Date



Director

19 September 2011

Date

Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2011

	<i>Note</i>	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Cash flows from operating activities				
Cash receipts from fees		73,140	82,925	281,483
Interest received		694,814	611,700	1,526,307
Dividends received		-	16,869	1,028,323
Income taxes paid		(488)	(15,416)	(28,860)
Income tax refunded		23,533	-	-
Cash paid to suppliers		(623,802)	(801,571)	(1,567,755)
Net cash from operating activities	6	167,197	(105,493)	1,239,498
Cash flows from investing activities				
Proceeds from sale of investments		238,461	901,622	2,235,172
Loans repaid by investment companies		-	-	157,315
Loans advanced to related parties		-	-	(993,280)
Acquisition of investments		(14,036)	(46,595)	(266,720)
Net cash from investing activities		224,425	855,027	1,132,487
Cash flows from financing activities				
Repayment of preference shares		-	(901,622)	(901,622)
Distributions to equity holders		(1,208,331)	(2,848,558)	(2,848,559)
Net cash from financing activities		(1,208,331)	(3,750,180)	(3,750,181)
Net movement in cash and cash equivalents		(816,709)	(3,000,646)	(1,378,196)
Cash and cash equivalents at 1 January		3,683,492	5,061,688	5,061,688
Cash and cash equivalents at end of period		2,866,783	2,061,042	3,683,492

Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies

Pohutukawa Private Equity Limited (the “Company”) is a company domiciled in New Zealand. The consolidated interim financial statements of the Company for the six months ended 30 June 2011 comprise the Company and 14 (30 June 2010: 24) Investment Companies (together referred to as the “Group”).

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

The interim financial statements were approved by the Directors on 19 September 2011.

(a) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standard (NZ IFRS) NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

(b) Basis of preparation

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

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.

(c) Basis of consolidation

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

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

Special purpose entities

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

Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies (*continued*)

Joint ventures

Joint ventures are entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. In the case of the Group, this relates to the interest in the Partnership. Joint ventures are accounted for using the proportionate method.

A Partnership entity is in place between the Investment Company and the Portfolio Company for one investment (Fishpond Limited). The other partners in the Partnership are entities associated with Direct Capital III, the co-investors in the Portfolio Company. There is no effect on Pohutukawa Private Equity Limited shareholders resulting from this new structure.

Non-controlling Interest

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

(d) Investments in equity securities

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

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

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

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

2. Loans and receivables

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
New Zealand King Salmon Limited**	6,310,922	6,122,565	6,945,166
Rodd & Gunn Limited	119,377	119,377	119,377
GoBus Holdings Limited	1,132,274	-	1,132,274
Vital Food Processors Limited*	-	-	25,296
NZP Holdings Limited**	3,025,786	2,848,558	3,025,786
Horizon Science Pty Limited*	109,193	-	-
Rissington Breedline Limited*	17,036	-	-
CoDa Therapeutics Inc*	40,717	-	-
	<u>10,755,305</u>	<u>9,229,494</u>	<u>11,247,899</u>

(*Investments through BioPacificVentures)

(** Investments through Pohutukawa Private Equity Limited & BioPacificVentures)

Financial Information

Notes to the consolidated interim financial statements

2. Loans and receivables *(continued)*

The terms of the New Zealand King Salmon loan enable the capitalisation of the loans and interest into equity. The interest rate is set annually, currently 15% (30 June 2010: 15%). During the period \$634,248 of previously capitalised interest was repaid (30 June 2010: \$555,623). Interest income accrued during the period includes \$469,423 (30 June 2010: \$434,127) relating to these loans.

The loan to NZP Holdings Limited (investment held by Pohutukawa Delta Investments Limited) was recognised in March 2010 at an interest rate of nil.

3. Investments

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Non-current investments			
Equity securities carried at fair value	32,275,714	33,127,336	30,967,559
	<u>32,275,714</u>	<u>33,127,336</u>	<u>30,967,559</u>

The Group has a number of investments in unlisted equity securities. Group policy is to carry these investments at fair value with subsequent movements in fair value recognised in profit or loss. As there is no quoted market price for these securities, valuation techniques must be utilised to determine fair value.

The valuation techniques utilised include the use of market based earnings multiples and an adjustment factor of up to 20% for privately owned investments.

The difference between the cost and the carrying value in the statement of financial position is shown as a fair value movement through profit or loss.

Financial Information

Notes to the consolidated interim financial statements

3. Investments (*continued*)

The following details the unlisted equity securities held at 30 June 2011 at their cost price:

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
NZP Holdings Limited ¹	Food/agriculture	Nov 2005	15.8%	4,775,157
BioPacificVentures ²	Private equity vehicle	Nov 2005	n/a	3,117,204
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
GoBus Holdings Limited ³	Services	Dec 2007	33.1%	7,570,886
Shears & Mac Limited	Manufacturing	May 2008	18.1%	1,990,295
Rodd & Gunn NZ Limited & Rodd & Gunn Australia Limited ⁴	Retail	Aug 2008	11.9%	2,590,481
NZ King Salmon Investments Limited ⁵	Food	Sept 2008	11.2%	2,721,682
Fishpond Limited	Online retail	Oct 2009	4.4%	772,348

1 In addition to the equity investment of \$4,775,157 the Group is due an amount of \$3,025,786. Refer Note 2 for further details.

2 In addition to the equity investment of \$3,117,204 the Group has loaned \$109,193, \$17,036 & \$40,717 directly to companies which BioPacificVentures has invested in. Refer Note 2 for further details.

3 In addition to the equity investment of \$7,570,886 the Group has also loaned \$1,132,274 for a total investment of \$8,703,160.

4 In addition to the equity investment of \$2,590,481 the Group has also loaned \$119,377 for a total investment of \$2,709,858.

5 In addition to the equity investment of \$2,721,682 the Group has also loaned \$6,310,922 for a total investment of \$9,032,604. Refer to Note 2 for further details on the loan

4. Cash and cash equivalents

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Call deposits	603,646	330,750	1,446,397
Short-term deposits	2,263,137	1,730,292	2,237,095
	<u>2,866,783</u>	<u>2,061,042</u>	<u>3,683,492</u>

Call deposits are held on short-term deposit with the National Bank of New Zealand via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited (2010: CIP Cash Management Trust Limited). The interest rate at 30 June 2011 is 3.00%.

Short-term deposits are held with the National Bank of New Zealand for periods of up to 90 days and have interest rates ranging from 3.00% to 3.70%.

Financial Information

Notes to the consolidated interim financial statements

5. Trade and other receivables

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Goods and services tax receivable	3,637	28,662	-
Income tax receivable	29,348	-	63,401
Sale of investment proceeds receivable	-	703,272	-
Other receivables	766,903	834,212	359,126
	<u>799,888</u>	<u>1,566,146</u>	<u>422,527</u>

Other receivables includes interest receivable on loans from Pohutukawa Private Equity Limited to portfolio companies.

6. Reconciliation of profit for the period with net cash from operating activities

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Profit for the period	1,595,357	3,374,631	1,388,448
<i>Adjustments for:</i>			
Changes in fair value of investments - equity securities	(1,651,010)	(570,987)	2,589,452
Interest capitalised	-	-	(875,450)
Non-cash dividends received	-	(2,848,558)	(2,848,558)
Capitalised interest received	611,024	555,623	1,130,750
	<u>555,371</u>	<u>510,709</u>	<u>1,384,642</u>
<i>Movements in Working Capital:</i>			
Change in trade and other receivables	(411,414)	(510,887)	(23,921)
Change in income tax receivable	34,053	(15,049)	(61,665)
Change in trade and other payables	(10,813)	(90,266)	(59,558)
Net cash from operating activities	<u>167,197</u>	<u>(105,493)</u>	<u>1,239,498</u>

Financial Information

Notes to the consolidated interim financial statements

7. Subsequent events

There have been no material subsequent events.

8. Related parties

a) Identity of related parties

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

Craigs Investment Partners Limited and Direct Capital Limited own 50% each of Pohutukawa Management Limited, the Manager of Pohutukawa Private Equity Limited. Certain directors of the Company are also directors of Craigs Investment Partners Limited. Certain directors of the Investment Companies are also directors of Direct Capital Limited and Direct Capital Management Limited.

Direct Capital Management Limited employees are responsible for preparing valuations of investments.

b) Transactions with related parties

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

- Management fees paid to Pohutukawa Management Limited totalled \$503,876 (30 June 2010: \$503,876).
- Call deposits have been invested into the National Bank of New Zealand via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited (2010: CIP Cash Management Trust Limited). At 30 June 2011 the balance held was \$603,646 (30 June 2010: \$330,750).

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 were advanced by Pohutukawa Private Equity Limited to companies which the Investment Companies hold an ownership interest in (see Note 2).

c) Transactions with key management personnel

	Unaudited Jun 2011	Unaudited Jun 2010
Directors fees (total remuneration)	50,000	50,000

The balance owing to key management personnel at 30 June 2011 is \$25,000 (30 June 2010: \$25,000).

Auditor's Review Report



To the shareholders of Pohutukawa Private Equity Limited

We have reviewed the attached consolidated interim financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The consolidated interim financial statements (the financial statements) provide information about the past financial performance of the group and its financial position as at 30 June 2011.

Directors' responsibilities

The Directors of Pohutukawa Private Equity Limited are responsible for the preparation of financial statements which give a true and fair view of the financial position of the group as at 30 June 2011 and the results of the group's operations and cash flows for the six month period ended on that date.

Reviewers' 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

A review is limited primarily to enquiries of the group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. There are however certain restrictions on dealings which partners and employees of our firm have with the group. These matters have not impaired our independence as auditors of the group. The firm has no other relationship with, or interest in, the group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached financial statements do not give a true and fair view of the financial position of the group as at 30 June 2011, the results of the group's operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 19 September 2011 and our opinion is expressed as at that date.

The KPMG logo, featuring the letters 'KPMG' in a stylized blue font with a white outline, set against a dark blue background.

Tauranga

Directory

BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY

John McDonald
Neil Craig
Maurice Prendergast
Frank Aldridge

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

OFFICES OF POHUTUKAWA

Pohutukawa Private Equity Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3141
Phone: (07) 5774 727
Fax: (07) 928 6443
Email: enquiries@pohutukawafund.co.nz

AUDITORS

KPMG
35 Grey Street
Tauranga 3110
Phone: (07) 578 5179
Fax: (07) 578 2555

MANAGER

Pohutukawa Management Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3141
Phone: (07) 5774 727
Fax: (07) 928 6443
Email: enquiries@pohutukawafund.co.nz

SHARE REGISTRY

Link Market Services Limited
138 Tancred Street
PO Box 384
Ashburton 7700
Phone: (03) 308 8887
Fax: (03) 308 1311
Email: info@linkmarketservices.com

SOLICITORS

Chapman Tripp Sheffield Young
Level 35, 23-29 Albert Street
PO Box 2206
Auckland 1140
Phone: (09) 357 9000
Fax: (09) 357 9099





