

INTERIM REPORT

For the half year ended 30 June 2012



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Report to Shareholders

14 September 2012

Dear Shareholder

I am pleased to present Pohutukawa's interim report, which includes Pohutukawa's financial performance for the half year to 30 June 2012, including comment on the realisation of our GoBus Holdings investment and the Manager's update on the performance of the Fund's portfolio.

The Market and Portfolio Performance

The 2012 year has been as challenging as 2011 for our portfolio companies.

Surveys of consumer and business confidence continue to indicate weak consumer spending and credit growth and below average business investment intentions. In the past the rural sector has provided some offset to this, helped by high commodity prices. However, falling commodity prices has seen a pull-back in rural investment and spending. The delay in the rebuilding of Christchurch has also played its part but this is only a timing issue, at some point this will have a positive impact on economic activity.

Whilst New Zealand economic activity has been positive, albeit somewhat subdued, New Zealand has fared considerably better than many other economies. The global economy continues to be plagued by the European debt crisis, and a lack of political will to address many of the economic issues in both the US and Europe. Adding to investors' concerns is the slowing economic growth in China with implications for our largest trading partner, Australia. With the New Zealand economy in a healthier position than many others, the New Zealand dollar has remained at stubbornly high levels.

We continue to ask ourselves - are market conditions likely to show a gradual improvement over time, or is the current situation now the "normal" business environment?

The heartening news is that we are starting to see some early signs of improvement. Listed companies have generally reported better profit performances for the June period and this has resulted in the local stock market outperforming most other stock markets of late, thus indicating a returning market

confidence. Interest rates remain at a historical low, providing better capacity to service debt levels.

Our portfolio companies continue to be profitable with some pleasing turnarounds evident. However, one of our larger investments, New Zealand King Salmon (NZKS) has experienced lower fish production levels related to a number of seasonal factors. Also the cost of the NZKS application for Environmental Protection Authority (EPA) approval for increased water farm area is well over the original anticipated cost. These factors have produced a result that is below expectation to the end of June 2012.

All other portfolio companies continue to pay down debt and all have the support of their bankers.

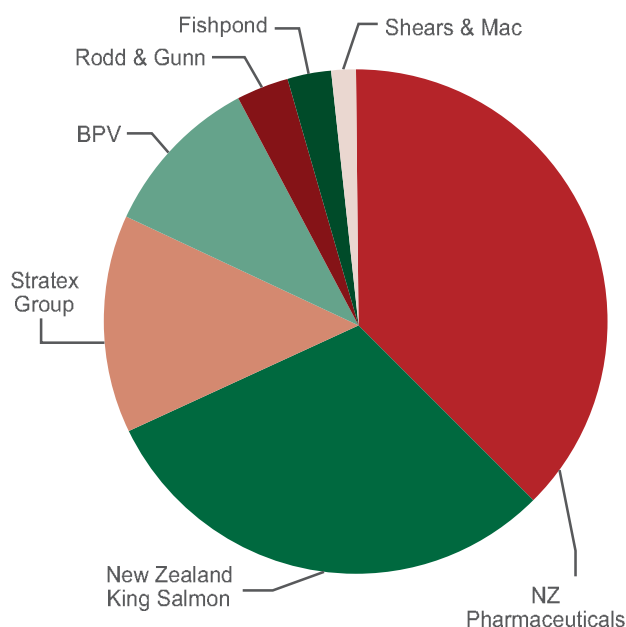
Follow-on Investments

While there were no follow-on investments made in Pohutukawa's portfolio companies during the six month period to 30 June 2012, we expect to see some follow-on investment activity in the second half of 2012.

Pohutukawa's remaining cash reserves (approximately \$2.8m) are held for follow-on investment commitments to the existing portfolio companies and to BioPacific Ventures (BPV).

Report to Shareholders

Investment Portfolio Composition as at 30 June 2012



Six investments remain in the portfolio, plus the interest in BioPacific Ventures (BPV), with the three largest companies representing over 80% of the portfolio value

Portfolio Company Realisations

GoBus Holdings (and Hamilton City Bus Depot-HCBD) was sold in May 2012. The Board was delighted with this investment outcome which produced a return multiple of nearly two times the original investment.

Distributions

Pohutukawa made a distribution of \$16.83 million (31.75 cents per share (cps)) to shareholders on 18 May 2012. This distribution included proceeds from:

- GoBus and HCBD realisations – capital return of 30.51 cps;
- Innovair final capital return of 0.05 cps
- Imputed dividends from GoBus, HCBD, New Zealand King Salmon and Fishpond of 1.20 cps

At 30 June Pohutukawa has realised investment proceeds of \$63.9 million. You have so far received back by way of dividend and capital returns, \$1.088 gross (net \$1.012) per share from your original \$1 per share investment.

Investment Capital

Pohutukawa is able to invest up to \$53 million (the original committed capital) in Portfolio Companies. Our total investments to date total \$48.7 million (comprising investments in and loans to portfolio companies). Pohutukawa is able to invest up to another \$4.3 million in Portfolio Companies, and has a current cash balance of \$2.8 million. Our preferred means to achieve close to the \$53 million investment in Portfolio Companies is to utilise the cash on hand and then, if required, re-invest capital as it is returned from Portfolio Companies. Pohutukawa may only continue to do this until a total of \$53 million has been invested in Portfolio Companies.

Portfolio Revaluation

The Manager revalues the portfolio at the end of each quarter. Under Australian Private Equity & Venture Capital Association (AVCAL) valuation guidelines each portfolio company is revalued quarterly. The market value of the portfolio has shown some softening in line with the difficult trading conditions that persisted. As at 30 June 2012 the portfolio investment value was \$27.8 million (excluding cash) or 53 cps, and including cash and receivables approximately 58 cps. After allowing for the manager's earn-out of approximately 13 cps this leaves an estimated net asset backing of approximately 45 cps.

In summary shareholders total dollar return to 30 June 2012 from their original \$1 investment is as follows:

Our interim financial statements for the period ending 30 June 2012 are included in this interim report.

As at 30 June 2012 Pohutukawa had 53 million stapled securities on issue, fully paid to \$1.

At balance date shareholders' funds were \$30.89 million. Pohutukawa has no borrowings.

Assets comprised:

● Investments-equity	\$17.78 million
● Cash	\$2.24 million
● Loans and Receivables (Portfolio Companies)	\$10.04 million
● Other including accrued interest	\$0.87 million

Investments included revaluations of the portfolio as at 30 June 2012, under the fair value method.

The loans and receivables figure of \$10.04 million is at face value.

The item non-controlling interest in the statement of financial position refers to the equity of the Investment Companies, as this is owned directly by shareholders of the parent and not by the parent company itself. These non-controlling interests are attributable to 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 \$564,000 (mainly from the NZ King Salmon loan) and dividend income of \$268,000. A gain of \$1.40 million is recorded relating to the realisation of the Go-Bus and Hamilton City Bus Depot investments. There was a positive uplift in fair value of the remaining investments of \$2.26 million

The profit after tax for the period was \$4.09 million.

The Board is pleased to have achieved a significant milestone for Pohutukawa with all original shareholder contributed capital now returned. The Board now expects Pohutukawa to continue to produce improving returns from the remaining investments.

Please continue to view the Pohutukawa website, www.pohutukawafund.co.nz from time to time for investment and news updates. We also provide a news alert email service.

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

Yours sincerely,
Pohutukawa Private Equity Limited

More

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 six months to 30 June 2012.

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

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com



Shareholder Statement as at 30 June 2012	Shareholding %	No. Shares	Shareholder Loan
Pohutukawa	15.6	4,594,451	2,376,614
Direct Capital III	16.3	4,802,108	2,484,030
BioPacificVentures	13.9	4,103,489	682,340
Coinvestment	4.5	1,319,095	2,122,649
NZP Management	49.7	14,636,221	20,707,367
	<u>100.0</u>	<u>29,455,364</u>	<u>28,373,000</u>
Total Direct Capital shareholding 51.0%			

Background

New Zealand Pharmaceuticals ("NZP") is an international supplier of specialised biopharmaceuticals and carbohydrates. The company continues to enjoy strategic growth, building on its position as a global market leader in the manufacture of high purity bile acids and the provision of specialised carbohydrate products and service solutions. It has a 35 year track record of regulatory compliance and reliability delivering high quality products and services to the pharmaceutical industry.

Performance

For the six months to June NZP exceeded both revenue and earnings targets. Earnings were more than 20% ahead of company expectations for the year to date. Volumes are ahead of expectations, as are actual exchange rates and margins.

The company has successfully completed a number of customer and regulatory body audits in the half year. These are carried out as part of normal business, on an annual, two or three yearly rotation.

Outlook

The demand picture for NZP's main products is healthy – as a result of increasing volumes for the end market drugs its customers are selling, and the development of new therapeutic applications.

Efforts continue to widen and strengthen the cattle bile supply network, particularly in South and North America, with raw material supply being one of the main constraints to growth in this business. There is also development work occurring on extracting bile from other species, particularly sheep and goat.

Manager's Report on Portfolio Companies

STRATEX GROUP

www.stratexgroup.co.nz



Shareholder Statement as at 30 June 2012	Shareholding %	No. Shares
Pohutukawa	32.8	3,598,812
Direct Capital III	42.6	4,668,049
Coinvestment	7.9	863,139
Stratex Management/other	16.8	1,839,424
	<u>100.0</u>	<u>10,969,424</u>
Total Direct Capital shareholding 83.2%		

Background

Stratex is a manufacturer of specialty base materials used in the packaging industry. The company laminates varying combinations of paper, foil and film bases with polymer resins and adhesives to produce complex base materials used across a wide range of food packaging and industrial applications.

Performance

During the FY12 financial year a number of changes occurred in the industry around competitor consolidation that impacted on Stratex's market and customers. This resulted in lower earnings being achieved for the period compared with previous years.

Outlook

As a result of the industry changes that have occurred, Stratex invested in a significant upgrade of its capability enabling it to secure direct end-customer relationships previously intermediated by converters. This investment is expected to be operational during the first six months of the FY13 financial year and the company is making good progress securing several new contracts off the back of this investment.

Earnings for the current financial year are however likely to remain lumpy as revenues from new contracts will only impact on a part year basis.

Manager's Report on Portfolio Companies

SHEARS & MAC

www.shearsandmac.co.nz

SHEARS&MAC.

Shareholder Statement as at 30 June 2012	Shareholding %	No. Shares
Pohutukawa	18.1	31,018
Direct Capital III	23.2	39,841
Coinvestment	4.1	7,064
S&M Management	54.5	93,509
	<u>100.0</u>	<u>171,432</u>
Total Direct Capital shareholding 45.5%		

Background

Shears & Mac is a provider of joinery manufacturing and building installation fit-out services for the retail, commercial and hospitality sectors across New Zealand and Australia.

Performance

The retail sectors in both New Zealand and Australia continue to experience difficult trading conditions, impacting capital investment decisions of retailers in either developing new stores, or updating existing store fit-outs. However, the hospitality and gaming sector, particularly in Australia is experiencing good growth and Shears and Mac secured a number of new contract wins in this market, leveraging its lower cost manufacturing advantage.

The Company has completed an improved first six months to June 2012 compared to the previous year, with revenues remaining broadly in line but margins improved off the back of a number of operational changes completed over the last 12 months.

Outlook

The retail sector continues to be very challenging and is not expected to improve for some time. The hospitality and gaming sector is more positive and Shears & Mac is well-positioned to continue growing its business particularly in Australia. While the Company has a good order book in place for the immediate future, financial performance remains dependent on underlying capital investment across retail and hospitality.

Manager's Report on Portfolio Companies

RODD & GUNN

www.rodandgunn.com



Shareholder Statement as at 30 June 2012	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	11.9	1,193,770	119,377
Direct Capital III	15.3	1,533,861	153,386
Coinvestment	2.7	272,369	27,237
R&G Management	70.0	7,000,000	2,200,000
	<u>100.0</u>	<u>10,000,000</u>	<u>2,500,000</u>
Total Direct Capital shareholding 30.0%			
<i>*Interest bearing</i>			

Background

Rodd & Gunn is a menswear apparel retailer, with 84 stores in malls, on high streets and department store concessions in Australia and New Zealand. The retailer has a long established brand and targets the premium male customer.

Performance

Rodd & Gunn's profit result for its financial year to June 2012 was down marginally on the previous year, reflecting some start-up costs associated with growth initiatives and the tougher trading conditions in Australia.

2012 has seen the commencement of apparel wholesale sales in the United States and shoe wholesale sales in Australia. The Company has approached these new markets cautiously, each of which leverages Rodd & Gunn's existing experience without significant additional capital. In October, Rodd & Gunn is also launching a new brand for the younger male consumer, with a dozen Myer concessions planned in Australia and a small number of stores in New Zealand. The new brand adds another important string to the Company's bow and targets a consumer with different purchasing profile. The new opportunities offer significant potential for the business.

Outlook

Retail trading conditions remain challenging in both countries however the growth initiatives outlined above have the potential to make a significant additional contribution to the businesses profitability in the longer term.

Manager's Report on Portfolio Companies

NEW ZEALAND KING SALMON

www.kingsalmon.co.nz



Shareholder Statement as at 30 June 2012	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	10.8	2,721,682	6,569,867
Direct Capital III	14.4	3,636,689	8,792,765
BioPacificVentures	6.3	1,590,136	6,214,317
Coinvestment	10.2	2,570,243	3,844,623
Oregon	50.9	12,856,250	31,083,767
Management	7.5	1,892,695	4,387,537
	<u>100.0</u>	<u>25,267,695</u>	<u>60,892,875</u>
Total Direct Capital shareholding 41.6%			
<i>*Principal is interest bearing</i>			

Background

Based in Nelson with farms in Marlborough and employing 417 staff, NZKS is New Zealand's largest integrated aquaculture company specialising in the farming and processing of Chinook salmon. With operations including breeding, farming, processing and distribution, the company has developed its business to include a strong domestic market, plus achieving premium price positioning in export markets along with a wide variety of value-added products such as smoked salmon, fillets, tailored portions and kebabs. It owns the strong consumer brands of Regal, Southern Ocean and Seasmoke.

Performance

Lower than expected revenues and earnings for the period was as a result of lower production levels caused by poor fish performance on the farms currently being harvested. This was due to a number of seasonal factors. Management continued to review these and the company expects harvest volumes to return to normal for the remainder of the year.

Sales have been impacted by a lack of available fish particularly in key export markets.

Outlook

The company forecasts an improvement in trading results for 2013. While the outlook for the new financial year remains challenging the company continues to enjoy strong growth in New Zealand sales and is launching the new premium Ora King brand in all export markets by year end.

Marine Farms - Environmental Protection Authority ("EPA") Application

The company has dedicated significant resources, both management time and financial to the application for new marine farms. The formal EPA process commenced on 27 August 2012 in Blenheim and is expected to last 10 weeks, involving a number of expert reports. The decision of the company's application is expected by year end, the successful outcome will enable the company to continue with its growth plans.

Manager's Report on Portfolio Companies

FISHPOND

www.fishpond.co.nz



Shareholder Statement as at 30 June 2012	Shareholding %	No. Shares
Pohutukawa	4.4	24,806
Direct Capital III	5.8	32,223
Coinvestment	1.8	9,930
Fishpond Management	88.0	493,223
	<u>100.0</u>	<u>560,182</u>
Total Direct Capital shareholding 12.0%		

Background

Fishpond is Australasia's largest local online retailer, offering a selection of more than 10 million products, including books, toys, games, music, movies, health and beauty products amongst others.

Performance

Fishpond concluded its financial year during the period with strong high double digit growth in revenue and a more than doubling of earnings from the previous year when the competitive situation tightened significantly. The company made major advances expanding its product range and lowering its cost of goods, which have had a positive flow on impact on revenue and market share.

Outlook

A number of initiatives are underway to expand existing categories and to launch product categories. Fishpond's recently launched Asian and rest of world domiciled websites, are growing rapidly and it is hoped they will become an increasingly meaningful part of the business.

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 \$4.8 million.

BPV has seven current investments.

Activity of note includes:

- *Horizon Science* with its new sugar cane product, LogiCane. The focus for the company this quarter has been on closing a new round of financing successfully. BPV did not participate but has the rights from its earlier loan preserved.
- *CoDa Therapeutics* with its promising applications for healing chronic wounds. A major focus for CoDa over the past twelve months has been securing the last stage of its Series B fund-raising. This was successfully completed days after the interim reporting period with an investment by Russian sovereign fund Rusnano.

- *Vital Foods* with its increasing revenue from kiwi-fruit based functional foods. Preparation for the Australian launch of the Kivia (Phloe in New Zealand) consumer marketing program has been the main focus for the quarter.

BPV's two larger co-investments are with Direct Capital III / Pohutukawa in New Zealand Pharmaceuticals and New Zealand King Salmon.

These companies represent the five largest investments in the BPV portfolio.



Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2012

		Unaudited 6 months Jun 2012	Unaudited 6 months Jun 2011	Audited 12 months Dec 2011
	<i>Note</i>			
Interest Income	2	564,444	509,581	1,159,915
Dividend Income		267,506	-	382,635
Change in fair value of investments	1d	2,262,398	1,651,010	(1,543,893)
Gain / (loss) on realisation of investments	3	1,403,106	-	(179,491)
Other operating income		238,017	100,004	116,600
Administrative expenses		(633,016)	(665,238)	(1,357,839)
Operating profit/(loss)		4,102,455	1,595,357	(1,422,073)
Profit/(loss) before tax		4,102,455	1,595,357	(1,422,073)
Tax expense		(11,011)	-	-
Profit/(loss) after tax		4,091,444	1,595,357	(1,422,073)
Attributable to:				
Owners of the parent		244,696	(53,314)	(214,635)
Non-controlling interests	1c	3,846,748	1,648,671	(1,207,438)
Profit/(loss) for the period		4,091,444	1,595,357	(1,422,073)
Other comprehensive income for the period		-	-	-
Profit/(loss) for the period attributable to the equity holders of stapled securities		4,091,444	1,595,357	(1,422,073)

Financial Information

Consolidated interim statement of changes in equity

For the six months ended 30 June 2012

	Attributable to equity holders of the parent			Non-controlling interest	Total equity
	Share capital	Retained earnings	Total		
Balance at 1 January 2012	41,734,006	(2,818,612)	38,915,394	4,717,915	43,633,309
Total comprehensive income	-	244,696	224,696	3,846,748	4,091,444
Distributions to equity holders	-	-	-	(635,381)	(635,381)
Repayment of preference shares	(5,898,219)	-	(5,898,219)	(10,296,416)	(16,194,635)
Balance at 30 June 2012	35,835,787	(2,573,916)	33,261,871	(2,367,134)	30,894,737
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 2011	41,734,006	(2,603,977)	39,130,029	7,133,682	46,263,711
Total comprehensive income	-	(214,635)	(214,635)	(1,207,438)	(1,422,073)
Distributions to equity holders	-	-	-	(1,028,323)	(1,028,323)
Repayment of preference shares	-	-	-	(180,006)	(180,006)
Balance at 31 December 2011	41,734,006	(2,818,612)	38,915,394	4,717,915	43,633,309

Financial Information

Consolidated interim statement of financial position

As at 30 June 2012

	<i>Note</i>	Unaudited Jun 2012	Unaudited Jun 2011	Audited Dec 2011
Assets				
Loans and receivables	2	10,041,085	10,755,305	10,174,403
Investments – equity securities	3	17,779,379	32,275,714	28,718,831
Total non-current assets		27,820,464	43,031,019	38,893,234
Trade and other receivables	5	869,814	799,888	536,855
Loans and receivables	2	-	-	1,132,274
Cash and cash equivalents	4	2,241,301	2,866,783	3,176,810
Total current assets		3,111,115	3,666,671	4,845,939
Total assets		30,931,579	46,697,690	43,739,173
Equity				
Issued capital		35,835,787	41,734,006	41,734,006
Retained losses		(2,573,916)	(2,657,291)	(2,818,612)
Total equity attributable to equity holders of the parent		33,211,787	39,076,715	38,915,394
Non-controlling interest	<i>1c</i>	(2,367,134)	7,574,022	4,717,915
Total equity attributable to equity holders of stapled securities		30,894,737	46,650,737	43,633,309
Liabilities				
Trade and other payables		36,842	46,953	105,864
Total current liabilities		36,842	46,953	105,864
Total liabilities		36,842	46,953	105,864
Total equity and liabilities		30,931,579	46,697,690	43,739,173

For and on behalf of the Board



Director

7 September 2012

Date



Director

7 September 2012

Date

Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2012

	<i>Note</i>	Unaudited Jun 2012	Unaudited Jun 2011	Audited Dec 2011
Cash flows from operating activities				
Cash receipts from fees		238,017	73,140	116,600
Interest received		259,002	694,814	827,178
Dividends received		267,506	-	-
Income taxes paid		(11,285)	(488)	-
Income tax refunded		17,851	23,533	33,420
Interest paid		(3,030)	-	-
Cash paid to suppliers		(850,744)	(623,802)	(1,438,072)
Net cash from operating activities	6	(82,683)	167,197	64,682
Cash flows from investing activities				
Proceeds from realisation of investments		14,844,916	238,461	180,009
Loans repaid by portfolio companies		1,132,274	-	276,392
Loans advanced to related parties		-	-	253,273
Acquisition of investments		-	(14,036)	(72,709)
Net cash from investing activities		15,977,190	224,425	636,965
Cash flows from financing activities				
Repayment of preference shares		(16,194,635)	-	(180,006)
Distributions to equity holders		(635,381)	(1,208,331)	(1,028,323)
Net cash from financing activities		(16,830,016)	(1,208,331)	(1,208,329)
Net movement in cash and cash equivalents		(935,509)	(816,709)	(506,682)
Cash and cash equivalents at 1 January		3,176,810	3,683,492	3,683,492
Cash and cash equivalents at end of period	4	2,241,301	2,866,783	3,176,810

Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies

Pohutukawa Private Equity Limited (the “Company”) is a company incorporated and domiciled in New Zealand. The consolidated interim financial statements of the Company for the six months ended 30 June 2012 comprise the Company and 13 (30 June 2011: 14) 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 2011.

The interim financial statements were approved by the Directors on 7 September 2012.

(a) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalents to International Accounting Standard (NZ IAS) NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

(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 Group is profit-oriented.

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

The fair value of investment in equity securities measured at their fair value is their quoted bid price at the reporting date, if available, or valuations. Investments in unlisted equity securities are valued in accordance with the 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.

Financial Information

Notes to the consolidated interim financial statements

2. Loans and receivables

	Unaudited Jun 2012	Unaudited Jun 2011	Audited Dec 2011
Non-current assets			
New Zealand King Salmon Limited**	7,115,565	6,310,922	7,115,565
Rodd & Gunn Limited***	119,377	119,377	119,377
NZP Holdings Limited**	2,672,044	3,025,786	2,672,044
Horizon Science Pty Limited*	109,193	109,193	109,193
Rissington Breedline Limited*	24,906	17,036	24,905
CoDa Therapeutics Inc*	-	40,717	133,319
	<u>10,041,085</u>	<u>10,755,305</u>	<u>10,174,403</u>

(*Loans through the investments by BioPacificVentures)

(** Loans through the investments by Pohutukawa Private Equity Limited & BioPacificVentures)

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

	Unaudited Jun 2012	Unaudited Jun 2011	Audited Dec 2011
Current assets			
Hamilton City Bus Depot Limited	-	993,280	993,280
GoBus Holdings Limited	-	138,994	138,994
	<u>-</u>	<u>1,132,274</u>	<u>1,132,274</u>

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 2011: 15%). During the period no previously capitalised interest was repaid (30 June 2011: \$634,248). Interest income accrued during the period includes \$470,732 (30 June 2011: \$469,423) 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.

During the period loans to Hamilton City Bus Depot Limited and GoBus Holdings Limited were repaid.

Financial Information

Notes to the consolidated interim financial statements

3. Investments

The Group has a number of investments in unlisted equity securities. Group policy is to carry these investments at fair value with subsequent movements in fair value recognised in profit or loss. As there is 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.

The following details the unlisted equity securities held at 30 June 2012 at their cost price:

Entity name	Activities	Initial Acquisition date	Voting interest	June 2012 Cost of acquisition	Dec 2012 Cost of acquisition
NZP Holdings Limited	Pharmaceuticals	Nov 2005	15.6%	4,775,157	4,775,157
BioPacific Ventures	Private equity vehicle	Nov 2005	n/a	3,118,177	2,984,859
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812	3,598,812
GoBus Holdings Limited	Transport services	Dec 2007	33.1%	-	7,510,506
Hamilton City Bus Depot Limited	Bus depot	Dec 2009	17.3%	-	60,380
Shears & Mac Limited	Manufacturing	May 2008	18.1%	1,990,295	1,990,295
Rodd & Gunn NZ Limited &					
Rodd & Gunn Australia Limited	Retail	Aug 2008	11.9%	2,590,481	2,590,481
NZ King Salmon Investments Limited	Food	Sept 2008	10.8%	2,721,682	2,721,682
Fishpond Limited	Online retail	Oct 2009	4.4%	772,348	772,348
				<u>19,566,952</u>	<u>27,004,520</u>

During the period equity investments held in GoBus Holdings Limited and Hamilton City Bus Depot Limited were realised resulting in a gain on realisation of \$7,491,435 and subsequent distribution of \$0.3175 per share.

Financial Information

Notes to the consolidated interim financial statements

4. Cash and cash equivalents

	Unaudited Jun 2012	Unaudited Jun 2011	Audited Dec 2011
Call deposits	474,888	603,646	591,500
Short-term deposits	1,766,413	2,263,137	2,585,310
	<u>2,241,301</u>	<u>2,866,783</u>	<u>3,176,810</u>

Call deposits are held on short-term deposit with the ANZ National Bank Limited via CIP Cash Management Nominees Limited, a 100% subsidiary of Craigs Investment Partners Limited. The interest rate at 30 June 2012 is 3.00% (2011: 3.00%).

Short-term deposits are held with the ANZ National Bank Limited for periods of up to 90 days and have interest rates ranging from 3.00% to 4.35% (2011: 3.00 to 3.70%).

5. Trade and other receivables

	Unaudited Jun 2012	Unaudited Jun 2011	Audited Dec 2011
Goods and services tax receivable	26,546	3,637	-
Income tax receivable	12,404	29,348	29,981
Interest receivable	769,106	756,535	464,014
Other receivables	61,758	10,368	42,860
	<u>869,814</u>	<u>799,888</u>	<u>536,855</u>

Other receivables include 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 2012	Unaudited Jun 2011	Audited Dec 2011
Profit for the period	4,091,444	1,595,357	(1,422,073)
<i>Adjustments for:</i>			
Changes in fair value of investments - equity securities	(3,772,145)	(1,651,010)	1,421,541
Interest capitalised	-	-	(1,269,763)
Loss on realisation of investments	-	-	301,843
Capitalised interest received	-	611,024	776,243
	<u>319,299</u>	<u>555,371</u>	<u>(192,209)</u>
<i>Movements in Working Capital:</i>			
Change in trade and other receivables	(350,542)	(411,414)	175,373
Change in income tax receivable	17,577	34,053	33,420
Change in trade and other payables	(69,017)	(10,813)	48,098
Net cash from operating activities	<u>(82,683)</u>	<u>167,197</u>	<u>64,682</u>

Financial Information

Notes to the consolidated interim financial statements

7. Related parties

a) Identity of related parties

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

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

Direct Capital Limited is responsible for preparing valuations of investments.

b) Transactions with related parties

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

- Management fees paid to Pohutukawa Management Limited totalled \$506,113 (30 June 2011: \$503,876).
- Call deposits have been invested into ANZ National Bank Limited via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited. At 30 June 2012 the balance held was \$474,818 (30 June 2011: \$603,646).

The terms and conditions of the transactions with key management personnel and their related parties are in accordance with the terms of the management agreement.

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

c) Transactions with key management personnel

	Unaudited Jun 2012	Unaudited Jun 2011
Directors fees (total remuneration)	50,000	50,000

The balance owing to key management personnel at 30 June 2012 is \$25,000 (30 June 2011: \$25,000)

8. Subsequent events

In August NZP Holdings Limited made a loan repayment of \$629,261 to the loan held by Pohutukawa Private Equity Limited and \$78,222 for the loan held by BioPacificVentures.

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 2012.

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 2012 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 company 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 2012, the results of their 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 7 September 2012 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

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