



# Pohutukawa

PRIVATE EQUITY LIMITED



## INTERIM REPORT

For the period ending 30 June 2009



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# Report to Shareholders

14 September 2009

Dear Shareholder

I am pleased to present our interim report, which includes Pohutukawa's financial performance for the half year to 30 June 2009 and the Manager's update on the Fund's portfolio performance.

## Executive Summary

Pohutukawa will continue to focus on follow-on investments into the existing portfolio companies as these opportunities arise. The Manager has invested \$1.5 million over the last six months and is continuing to review a number of promising opportunities. New Zealand Pharmaceuticals has recently announced the acquisition of Dextra Laboratories, a UK chemistry company and there is further comment on this in the Manager's Report. The Dextra acquisition will require a follow-on investment into New Zealand Pharmaceuticals by Pohutukawa of over \$700,000.

In addition there remains an investment commitment to BioPacificVentures of \$600,000.

We are in a strong cash position to fund these follow-on investments with close to \$6.9 million on deposit.

The current value of the investment portfolio at the end of June was \$45.2 million plus cash and receivables of \$7.6 million which equates to NTA of 99.6 cents per share.

No divestments were made during the last 6 months.

## Distributions

In June Pohutukawa made a further net cash distribution of 2 cents per share. This comprised final settlement monies for Gluck, the remaining Innovair settlement money that was sitting in escrow and a dividend paid by Paper Coaters.

This brought the total Pohutukawa distributions to date to just under \$23 million from the \$53 million capital investment, or 43.35 cents per share.

## Portfolio Performance

The overall portfolio continues to perform well in the current environment. This is evidenced by a further increase in the reported value of the portfolio which is reflected in the profit after tax of \$1.8 million or 3.4 cents per share.

The companies have responded well to current trading conditions and have ensured they are all able to take advantage of new opportunities. In the current market place businesses in a strong financial position with supportive shareholders hold an important strategic advantage. The larger investments, being more defensive companies, have performed creditably during this time. The banks have been supportive of all the portfolio companies and the companies continue to meet their banking obligations.

## Portfolio Revaluation

Under the Australian Private Equity & Venture Capital Association Ltd guidelines (AVCAL), investments are revalued 12 months after investment, then on a quarterly basis thereafter. All portfolio companies were valued by the Manager as at 30 June 2009, providing a valuation reflecting current conditions. The Manager valuation based on the portfolio company interim results to 30 June 2009 shows the portfolio is now valued at \$45.2 million, a net increase of \$1.5 million since December. This valuation includes a nil residual value for Gluck following its sale settlement.

The valuation methodology is generally regarded as adopting a conservative approach. Net assets per share are approximately 99.6 cents and this is after the 2 cent per share distribution in June this year.

## Market and Outlook

The global recession has persisted since mid 2008 and has affected some of the most respected names in the international finance industry. Many banks' capital bases were chronically eroded and this led to a rapid tightening of credit availability. This resulted in an adverse flow-on effect to all business and consumers. For many companies who have succumbed, the effect and end result was caused by a fall-off in consumer demand, tightening credit and their highly leveraged positions.

## Report to Shareholders

You may have also read recent business commentaries that certain high profile investment companies and international private equity companies are holding highly leveraged portfolios. Their bankers are placing more pressure on them to keep injecting further capital into their portfolio companies so these remain within banking covenants. Consequently they have little headroom available for further investments. A number are becoming “required sellers”.

Pohutukawa is fortunate to operate a different investment model with our focus on mid market businesses. Pohutukawa’s overall portfolio is conservatively geared and a number are considered defensive companies where their products and services are still sought even in a downturn, meaning they can maintain reasonable cashflow levels. We also have the support of the portfolio company bankers.

The portfolio companies are well positioned to benefit from an improvement in market conditions.

We will continue to keep you up to date with any further investment activity via our website, [www.pohutukawafund.co.nz](http://www.pohutukawafund.co.nz). On matters concerning major events of portfolio companies, liquidity events and for statutory requirements, we will continue to write to you directly.

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  
LIMITED**



**JOHN MCDONALD**  
Chairman

## Manager's Report on Portfolio Companies

The portfolio continues to trade in line with the Manager's expectations. Of particular note is the positive way the management teams from each portfolio company have addressed the current trading conditions. Our management partners have ensured the portfolio companies have made significant progress during the period.

### EXPRESS LOGISTICS GROUP LIMITED (Express)

[www.xprs.co.nz](http://www.xprs.co.nz)



Investment	Direct Capital III % holding	Pohutukawa % holding
Express Logistics Group Limited	50	19.7

The initial Express investment was made in October 2005 with Direct Capital III taking a 50% stake. Pohutukawa has invested \$2.8 million for a 19.7% share.

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, Wellington, Palmerston North, Napier, Tauranga, Brisbane, Melbourne, Perth, Gold Coast and Los Angeles.

The operating result for the full financial year to 30 June 2009 was behind the same period last year. Trading

conditions were split with a positive performance for the first six months followed by a more challenging second six months, in line with the general market.

The company experienced a significantly better trading quarter in June than the March quarter which highlights that market conditions have now stabilised. The outlook remains in line with the company forecasts used for the budget.

The key operating highlights for the year were:

Gross margin for the full year was ahead of last year highlighting the focus by

management on margin management across the business.

Management has now implemented a range of initiatives to reduce the overall cost of business to match market conditions. The initiatives have now been successfully implemented reflecting in the strong budget outlook for 2010.

Despite market conditions the company has traded exceptionally well in New Zealand over the last twelve months reflecting the company's strong market position. In addition the company has maintained a specific focus on working capital.

## Manager's Report on Portfolio Companies

### NEW ZEALAND PHARMACEUTICAL HOLDINGS LIMITED (NZP)

[www.nzpharmaceuticals.com](http://www.nzpharmaceuticals.com)



Investment	Direct Capital III % holding	Pohutukawa % holding
NZP Holdings Limited	51	*15.8

\*Plus 1.97% through BPV

The NZP investment was made in November 2005 with Direct Capital III taking a 51% holding. Pohutukawa invested \$4.65 million for its 17.77% share - this includes BioPacificVentures 1.97% interest.

Based in Manawatu, NZP manufactures specialty chemicals for some of the world's leading pharmaceutical, biotechnology and nutrition companies.

As a predominantly export sales business the lower NZD has continued to have a positive impact on NZP's revenues.

The year to date sales result is characterised by close to budget volumes, which with the benefit of below budget (65c) exchange rate realisations, results in above budget actual sales. Within that, the upsides have notably been a few key products, cholic acid and heparin particularly.

The outlook for 2010 in the company's major product, cholic acid, continues to look stronger.

NZP completed the acquisition of UK chemistry company Dextra Laboratories

in September. Dextra's primary business is the design and synthesis of complex carbohydrates that are of importance to drug development companies. The acquisition significantly enhances NZP's product development and small scale GMP manufacturing base by the addition of 20 technical staff including 12 PhD chemists. This will enable NZP to provide glycotherapeutic products based on simple sugars and their derivatives.



## Manager's Report on Portfolio Companies

### TRITON HEARING CLINICS LIMITED (Triton)

[www.tritonhearing.co.nz](http://www.tritonhearing.co.nz)



Investment	Direct Capital III % holding	Pohutukawa % holding
Triton Hearing Clinics Limited	47	18.7

The Triton investment was made in November 2006. A further investment followed in November 2008 to aid expansion. Pohutukawa has invested \$1.45 million for its 18.7% share.

Triton Hearing Clinics is a hearing aid retail business, providing hearing tests and hearing aid fitting services with

clinics in the Waikato, Bay of Plenty, Wellington and Christchurch.

Triton recorded sales slightly behind budget while EBIT was ahead of budget for year to 30 June 2009.

Triton is focussed on maximising the operating performance of its three

recently opened clinics. New clinics were added in Shirley, Lower Cashmere and Lambton Quay over the last 12 months.

Triton continues to review expansion opportunities, both around existing clinics and in new geographic areas.

## Manager's Report on Portfolio Companies

### PAPER COATERS GROUP LIMITED

[www.papercoaters.co.nz](http://www.papercoaters.co.nz)



Investment	Direct Capital III % holding	Pohutukawa % holding
Paper Coaters Group Limited	83.2	32.8

Direct Capital III invested in Paper Coaters in April 2007. A follow-on investment was made in November 2007. Pohutukawa has invested \$3.6 million for a 32.8% stake in Paper Coaters.

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 producing products such as foil 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).

The company achieved a solid operating result for their full financial year to April 2009 with both sales and gross margin in line with the previous year. Despite significant movements with input prices the company managed overall gross margins exceptionally well. The core business for Paper Coaters continues to perform strongly. The outlook for next year remains positive building on the progress made during the year particularly with new product developments. The company has maintained a strong focus on working capital resulting in reductions in funding requirements. The key operating highlights for the year were:

The new extrusion business has now been successfully moved from

Melbourne to the current company plant in Sydney. New products developed to date have now been successfully manufactured and sales are expected to build over the next twelve months.

As a result of the consolidation of plant and new products the company has now rebranded and as from September will be named Stratex Limited. The new by-line 'intelligent product protection' reinforces how the company's products can provide control of elements such as flavour, moisture, heat, air and light.

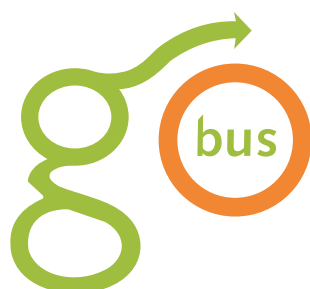




## Manager's Report on Portfolio Companies

### GoBus HOLDINGS LIMITED

[www.gobus.co.nz](http://www.gobus.co.nz)



Investment	Direct Capital III % holding	Pohutukawa % holding
GoBus Limited	82.4	33.2

In November 2007 Direct Capital III, including Pohutukawa, acquired an 82.4% interest in GoBus. Subsequent follow-on investments have increased Pohutukawa's total investment in GoBus to \$7.5 million, providing a 33.2% stake.

GoBus is the leading regional provider of public transport services in the North Island, providing urban, school and charter bus services.

The implementation of the new Tauranga urban services was completed in mid July and the new depot is

running smoothly. This followed the implementation of the Hawkes Bay urban services in February and the substantial increase in GoBus' school services through the central north island at the start of the 2009 school year. This growth phase, which has resulted in the addition of 12 new GoBus depots, has resulted in a step change in the size of the Company and the successful execution of this phase has been a credit to the GoBus management team.

Trading for the new financial year has been in line with expectations. The GoBus management team is focused on

maximising the operational efficiency of the enlarged business and continuing to achieve a high level of customer service. Further growth opportunities are expected to arise in the short and medium term.

## Manager's Report on Portfolio Companies

### NEW ZEALAND KING SALMON LIMITED

[www.kingsalmon.co.nz](http://www.kingsalmon.co.nz)



Investment	Direct Capital III % holding	Pohutukawa % holding
New Zealand King Salmon Limited	43.3	*11.2

\*Plus 0.91% through BPV

In September 2008 Direct Capital III including Pohutukawa acquired an interest in New Zealand King Salmon. There was a follow-on investment in December 2008. Pohutukawa's total investment is now \$8.55 million for an 11.2% stake. Through BioPacificVentures (which also invested in NZKS), we have exposure to a further 0.91% of NZKS. Tiong family interests and management hold 53% and 3.7% respectively. The company markets under the strong consumer brands of Regal, Southern Ocean and Seasmoke.

The operating result for the full financial year to 30 June 2009 was in line with the company budget and over 15% ahead of the same period last year. Overall a positive start for the investment in challenging times.

The key operating highlights for the year were:

Total production, sales and margins for the group were up on last year. Particularly pleasing was the sales growth in the important domestic market, which continued the historic growth rates in excess of 10%.

The outlook for next year remains solid. Further increases in production have been matched by further market investment by the company particularly in Australasia and North America. In addition global supply is expected to fall over the next two seasons.

The company continues to pursue opportunities to increase production capacity.

## Manager's Report on Portfolio Companies

### RODD & GUNN LIMITED

[www.rodandgunn.com](http://www.rodandgunn.com)



# RODD & GUNN®

Investment	Direct Capital III % holding	Pohutukawa % holding
Rodd & Gunn Limited	30	11.9

In July 2008 Direct Capital III acquired a 30% interest in one of Australasia's leading menswear retail chains, Rodd & Gunn Limited, with Chairman Howard McDonald acquiring a 7.5% shareholding and Managing Director Mike Beagley retaining a 62.5% shareholding. Pohutukawa has an 11.9% stake.

Rodd & Gunn is a menswear apparel retailer, with 57 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.

Retail trading conditions have continued to be very challenging through the last six months, with retailers having to reduce margins to

maintain sales. Within the menswear category, particularly in New Zealand, a number of operators have left the market, which is very positive for Rodd & Gunn long term.

Rodd & Gunn finished its June financial year with sales in line with the previous year but with lower margins. The performance of Rodd & Gunn's business in Australia has been a very pleasing feature.

The current market conditions do present an opportunity to grow market share for the longer term, and Rodd & Gunn has continued with its store opening plan. Commitments in place will see store numbers increase by at least three over the next twelve months.

## Manager's Report on Portfolio Companies

### SHEARS & MAC4 LIMITED

[www.shearsandmac4.co.nz](http://www.shearsandmac4.co.nz)



Investment	Direct Capital III % holding	Pohutukawa % holding
Shears & Mac4 Limited	45.5	18.1

Direct Capital III holds a 45.5% shareholding including Pohutukawa with \$1.990 million for an 18.1% holding. Management owns the balance.

Shears & Mac4 Limited is a full-service provider of joinery manufacturing and installation services for the retail and commercial sectors. Specialising in fit-outs, the company has two key areas of operation: joinery manufacturing based on fully integrated operational and production systems, and installation services managing the actual fit-out and associated services. The company 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 Australia.

The operating result for the full financial year to March 31 2009 continues to highlight the difficult trading conditions experienced within the wider construction sector. Although trading was below budget expectations, sales and gross margins were significantly up on last year, due to the acquisition.

Management now believe the current outlook is improving and the company is well positioned for any up-turn. This is reflected in a strong order book at improved margins. The forecast for the current period is in line with budget and the order book is currently at full capacity.

The company is continuing to build a solid forward order book, particularly leveraging its cost advantage into the Australian market.



## Manager's Report on Portfolio Companies

### BioPacificVentures (BPV)

[www.biopacificventures.com](http://www.biopacificventures.com)



Pohutukawa has committed 10% of its committed capital to BPV.

As expected in early stage investing, the BioPacificVentures portfolio has provided mixed results among its smaller and start-up investments, but these are balanced by its stronger performing later stage investments. The Horizon Science investment (lead product-LoGiCane™, a Low Glycemic Index (Low GI, or “slow-burning”) sugar) is showing promising signs of being commercially viable and CoDa Therapeutics is making good progress in the clinical development of its wound-healing drug Nexagon.

#### Summary

Given the current economic conditions the Manager continues to be well satisfied with the overall performance of the portfolio, highlighted by the positive portfolio valuations as at 30 June 2009, which is reflective of profitable performance. The difficult macro environment has impacted the trading performance of all the portfolio companies and we expect this to continue in the near term. We are starting to see signs of stabilising market conditions and the portfolio companies are well positioned to benefit from a recovering economic situation.

**POHUTUKAWA MANAGEMENT  
LIMITED**



## Financial Information

### Consolidated interim statement of comprehensive income

For the six months ended 30 June 2009

		Unaudited 6 months Jun 2009	Unaudited 6 months Jun 2008	Audited 12 months Dec 2008
	<i>Note</i>			
Interest Income	2	807,100	387,743	596,088
Dividend Income		131,232	275,844	275,844
Change in fair value of investments	1c	1,537,974	2,381,195	4,534,643
Other operating income		74,200	125,200	199,400
Administrative expenses		(718,848)	(808,670)	(1,783,678)
<b>Operating profit</b>		<b>1,831,658</b>	<b>2,361,312</b>	<b>3,822,297</b>
Finance expenses - interest		-	(29,165)	(111,636)
<b>Profit before and after tax</b>		<b>1,831,658</b>	<b>2,332,147</b>	<b>3,710,661</b>
<b>Attributable to:</b>				
Equity holders of the parent		162,452	(324,892)	(1,099,826)
Minority Interest	1b	1,669,206	2,657,039	4,810,487
<b>Profit for the period</b>		<b>1,831,658</b>	<b>2,332,147</b>	<b>3,710,661</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period attributable to the equity holders of stapled securities</b>		<b>1,831,658</b>	<b>2,332,147</b>	<b>3,710,661</b>

## Financial Information

### Consolidated interim statement of changes in equity

For the six months ended 30 June 2009

	Attributable to equity holders of the parent			Minority	
	Share capital	Retained earnings	Total	interest	Total equity
<b>Balance at 1 January 2008</b>	17,332,000	(1,852,956)	15,479,044	5,380,144	20,859,188
Total comprehensive income	-	(1,099,826)	(1,099,826)	4,810,487	3,710,661
Distributions to equity holders	-	-	-	(2,743,629)	(2,743,629)
Issue of share capital	31,800,000	-	31,800,000	-	31,800,000
Repayment of preference shares	(1,792,108)	-	(1,792,108)	-	(1,792,108)
<b>Balance at 31 December 2008</b>	<b>47,339,892</b>	<b>(2,952,782)</b>	<b>44,387,110</b>	<b>7,447,002</b>	<b>51,834,112</b>
<b>Balance at 1 January 2008</b>	17,332,000	(1,852,956)	15,479,044	5,380,144	20,859,188
Total comprehensive income	-	(324,892)	(324,892)	2,657,039	2,332,147
Share capital call	15,900,000	-	15,900,000	-	15,900,000
<b>Balance at 30 June 2008</b>	<b>33,232,000</b>	<b>(2,177,848)</b>	<b>31,054,152</b>	<b>8,037,183</b>	<b>39,091,335</b>
<b>Balance at 1 January 2009</b>	47,339,892	(2,952,782)	44,387,110	7,447,002	51,834,112
Total comprehensive income	-	162,452	162,452	1,669,206	1,831,658
Distributions to equity holders	-	-	-	(871,085)	(871,085)
Repayment of share capital	(873)	-	(873)	-	(873)
<b>Balance at 30 June 2009</b>	<b>47,339,019</b>	<b>(2,790,330)</b>	<b>44,548,689</b>	<b>8,245,123</b>	<b>52,793,812</b>



## Financial Information

### Consolidated interim balance sheet

As at 30 June 2009

	<i>Note</i>	Unaudited <b>Jun 2009</b>	Unaudited <b>Jun 2008</b>	Audited <b>Dec 2008</b>
<b>Assets</b>				
Loans and receivables	2	6,539,607	-	6,539,607
Investments – equity securities	3	38,638,072	29,551,611	35,598,144
<b>Total non-current assets</b>		<b>45,177,679</b>	<b>29,551,611</b>	<b>42,137,751</b>
Cash and cash equivalents	4	6,970,547	9,468,027	9,536,792
Trade and other receivables		666,375	113,790	439,011
<b>Total current assets</b>		<b>7,636,922</b>	<b>9,581,817</b>	<b>9,975,803</b>
<b>Total assets</b>		<b>52,814,603</b>	<b>39,133,428</b>	<b>52,113,554</b>
<b>Equity</b>				
Issued capital		47,339,019	33,232,000	47,339,892
Retained losses		(2,790,330)	(2,177,848)	(2,952,782)
<b>Total equity attributable to equity holders of the parent</b>		<b>44,548,689</b>	<b>31,054,152</b>	<b>44,387,110</b>
Minority interest	1b	8,245,125	8,037,183	7,447,002
<b>Total equity attributable to equity holders of stapled securities</b>		<b>52,793,814</b>	<b>39,091,335</b>	<b>51,834,112</b>
<b>Liabilities</b>				
Trade and other payables		20,789	42,093	279,442
<b>Total current liabilities</b>		<b>20,789</b>	<b>42,093</b>	<b>279,442</b>
<b>Total liabilities</b>		<b>20,789</b>	<b>42,093</b>	<b>279,442</b>
<b>Total equity and liabilities</b>		<b>52,814,603</b>	<b>39,133,428</b>	<b>52,113,554</b>





## Financial Information

### Consolidated interim statement of cash flows

For the six months ended 30 June 2009

		Unaudited 6 months Jun 2009	Unaudited 6 months Jun 2008	Audited 12 months Dec 2008
	<i>Note</i>			
<b>Cash flows from operating activities</b>				
Cash receipts from fees		74,200	162,300	243,075
Interest received		180,182	294,281	572,092
Dividends received		125,606	275,844	275,844
Income tax refunded		-	-	7,761
Cash paid to suppliers		(774,955)	(855,328)	(1,786,263)
Interest paid		-	-	(92,358)
Income taxes paid		(358)	(467)	(3,358)
<b>Net cash from operating activities</b>	5	(395,325)	(123,370)	(783,208)
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments		37,473	872,628	4,259,892
Acquisition of investments		(1,539,407)	(2,178,795)	(15,998,752)
<b>Net cash from investing activities</b>		(1,501,934)	(1,306,167)	(11,738,860)
<b>Cash flows from financing activities</b>				
Proceeds from share capital		400,000	15,900,000	31,400,000
Repayment of share capital		(874)	-	(1,792,107)
Distributions to equity holders		(936,880)	-	(2,546,596)
Dividends paid		(131,232)	-	-
Loans repaid to external parties		-	(5,096,223)	(5,096,223)
<b>Net cash from financing activities</b>		(668,986)	10,803,777	21,965,073
Net movement in cash and cash equivalents		(2,566,245)	9,374,240	9,443,005
Cash and cash equivalents at 1 January		9,536,792	93,787	93,787
<b>Cash and cash equivalents at end of period</b>		6,970,547	9,468,027	9,536,792

## 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 2009 comprise the Company and 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 2008, except for Loans and Receivables (new policy - refer Note 1d) and New Standards Adopted (refer Note 1e).

#### (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 2008.

#### (b) Basis of preparation

Pohutukawa Private Equity Limited and the 24 Investment Companies are registered under the Companies Act 1993 and are issuers and reporting entities for the purposes of the Financial Reporting Act 1993. The financial

statements have been prepared in accordance with the Financial Reporting Act 1993. The Company is a profit-orientated entity.

The financial statements are presented in New Zealand dollars, 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.

#### *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.

#### (c) Investments in 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

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).

#### (d) 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

### 1. Significant accounting policies (continued)

#### (e) New standards adopted

The adoption of the amended NZ IAS 1 has resulted in the Company presenting a statement of comprehensive income rather than an income statement and a statement of recognised revenue and expense as was presented in the 2008 financial statements. A statement of changes in equity is also now presented as part of the financial statements, rather than the notes. Due to the nature of the Company's activities this has had no impact on the interim financial statements other than name changes of the statements.

### 2. Loans and receivables

	Unaudited Jun 2009	Unaudited Jun 2008	Audited Dec 2008
Sale of investments proceeds receivable	703,272	-	703,272
Loan to NZ King Salmon Inv Limited	5,836,335	-	5,836,335
	<u>6,539,607</u>	<u>-</u>	<u>6,539,607</u>

In May 2008 Innovair Limited (investment held by Pohutukawa Eta Investments Limited) sold its business assets. The sale is subject to certain conditions (warranties). The remaining sale proceeds of \$703,272 are being held on escrow until May 2010. (NB: The equivalent escrow amount was distributed to Pohutukawa shareholders in June 2009.)

In September 2008 New Zealand King Salmon Investments Limited (investment held by Pohutukawa Lambda Investments Limited) was advanced \$5,836,335 as a loan at an interest rate to be set annually, currently 15%. The terms of the loan enable New Zealand King Salmon, at its option, to capitalise the loan and interest into equity. Interest income includes \$641,475 relating to this loan.

Note this loan was incorrectly classified as 'investments – equity securities' in the 2008 financial statements, but has been correctly classified as loans and receivables in these interim financial statements. There was no resulting change to the carrying value in the balance sheet.

### 3 Investments

	Unaudited Jun 2009	Unaudited Jun 2008	Audited Dec 2008
<b>Non-current investments</b>			
Equity securities carried at fair value	38,638,072	29,551,611	35,598,144
	<u>38,638,072</u>	<u>29,551,611</u>	<u>35,598,144</u>

#### 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.

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

## Financial Information

### 3 Investments (continued)

The following details the unlisted equity securities held at 30 June 2009 at their cost price:

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	n/a	3,588,488
Triton Hearing Clinics Limited	Services	Nov 2006	18.7%	1,449,930
Paper Coaters Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
GoBus Limited	Services	Dec 2007	33.2%	7,510,506
Shears & Mak4	Manufacturing	May 2008	18.1%	1,990,295
Rodd & Gunn NZ & Australia Limited	Retail	Aug 2008	11.9%	2,590,481
NZ King Salmon Inv Limited*	Food	Sept 2008	11.2%	2,721,682
				<u>30,392,947</u>

\*In addition to the equity investment of \$2,721,682 the group has also loaned \$5,836,335 for a total investment of \$8,558,017. Refer to Note 2 for further details on the loan.

### 4. Cash and cash equivalents

	Unaudited Jun 2009	Unaudited Jun 2008	Audited Dec 2008
Cash at bank	135,547	285,647	142,778
Short-term deposits	6,835,000	9,182,380-	9,394,014
	<u>6,970,547</u>	<u>9,468,027</u>	<u>9,536,792</u>

Surplus cash is held on short-term deposit with ANZ National Bank and Craigs Investment Partners Cash Management Trust Limited. The deposits are for periods of up to 90 days and have interest rates ranging from 3.14% to 4.80%.

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

	Unaudited Jun 2009	Unaudited Jun 2008	Audited Dec 2008
Profit for the period	1,831,658	2,332,147	3,710,661
Adjustments for:			
Changes in fair value of investments - equity securities	(1,537,974)	(2,381,195)	(4,534,643)
	<u>293,684</u>	<u>(49,048)</u>	<u>(823,982)</u>
Movements in Working Capital:			
Change in trade and other receivables	(627,029)	(50,230)	24,081
Change in trade and other payables	(61,622)	(23,625)	16,693
Income tax paid	(358)	(467)	-
Net cash from operating activities	<u>(395,325)</u>	<u>(123,370)</u>	<u>(783,208)</u>



## Financial Information

### 6. Share capital

<i>In millions of shares</i>	Investment Co's Preference shares			PPE Ordinary shares			PPE Preference shares		
	Jun 09	Jun 08	Dec 08	Jun 09	Jun 08	Dec 08	Jun 09	Jun 08	Dec 08
On issue at beginning of period	1,272	1,325	1,325	53	53	53	4,938	5,300	5,300
Redemption of shares	-	-	(53)	-	-	-	(500)	-	(362)
On issue at end of period	1,272	1,325	1,272	53	53	53	4,438	5,300	4,938

Ordinary shares and Investment Company preference shares have been allotted at nil value. The Pohutukawa Private Equity preference shares (100 issued per ordinary share at inception) have been allotted at \$0.01 per share, and are fully paid.

There are 24 Investment Companies, each with 53,000,000 preference shares. At the end of the period to 30 June 2009, there were 1,272,000,000 preference shares.

At the end of the period to 30 June 2009, there were 4,438,000,000 Pohutukawa Private Equity Limited preference shares following the redemption of preference shares relating to the Innovair and IFL/Gluck sales.

### 7. Subsequent events

Subsequent to 30 June 2009, there was one event to report.

NZPH Investments Limited announced the acquisition of Dextra Laboratories, which is a UK subsidiary of the drug development company Summit Plc. The investment cost for Pohutukawa Private Equity Limited is approximately \$700,000 with settlement expected in September 2009.



## Directory

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### BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY

John McDonald  
Maurice Prendergast (Appointed March 2009)  
Neil Craig  
Frank Aldridge (Appointed March 2009)

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