Pohutukawa

18 August 2011

CSN/Holder Number: 123456789

*BARCODE*

Dear Shareholder

**Pohutukawa II Call Notice - due 19 September 2011**
**Pohutukawa II Distribution**

At our Annual Shareholders Meeting in May we advised you of Pohutukawa II's investment in Scales Corporation Limited. The Scales investment settled on 21 July 2011. We used our short term bank facility to settle the investment in Scales which totalled $4.998 million. Attached is the Scales announcement of 22 July 2011 which details the investment.

Pohutukawa II holds a 9.1% interest in Scales Corporation Limited.

The shareholders of Scales now include:

| | |
|---|---|
| Direct Capital IV & Pohutukawa II | 35.0% |
| Co-investors | |
| • NZ Superannuation Fund | 25.7% |
| • Accident Compensation Corporation | 11.0% |
| • Other co-investors | 8.0% |
| Total Direct Capital managed shareholding | 79.7% |

There are approximately 500 minority investors who collectively own the remaining shares in the company.

At the ASM we indicated that another Shareholder Call would be made of between 10 and 20 cents per share depending on progress with respect to a further acquisition which was under consideration.

We now expect this investment to be finalised in late August with settlement anticipated during September. Details of this investment will be announced as soon as it is completed. The Call Notice fully provides for the funding of this investment.

**Call Notice**

**We now provide you with Notice of Call for 17 cents per share to be paid on or before 19 September 2011. Please send a copy of this Notice in the pre-paid envelope enclosed.**

☐ Enclose a cheque for immediate value drawn on a New Zealand bank, or bank draft in New Zealand currency, made payable to "**Pohutukawa Private Equity II Limited**".

**OR**

☐ Have paid by direct credit to
Link Market Services – Pohutukawa Private Equity
**Bank Account:** ANZ National Bank, Wellington Branch
**Bank Account Number:** 01-0505-0421433-19
**and I have quoted my surname and CSN in the bank payment advice.**

Set out below is the Call Notice as it affects your specific shareholding.

| CSN / Holder Number | Holding of Partly Paid Shares | Call Amount per Share | Total Call Payment Due |
|---|---|---|---|
| | | **17 cents** | $ |

Your Pohutukawa II shares are currently paid to 20 cents per share with a commitment to meet the total subscription price of $1 per share. Calls are subject to a 30-day call notice period. The Call will be applied to firstly repay our bank facility with the balance used for the anticipated investment in September and for ongoing working capital.

I ask you to read the terms of Investor Default on Call (overleaf) as contained in the Prospectus dated 21 November 2008, which you need to know, if for any reason you are unable to pay the Call.

**Pohutukawa Private Equity II Limited**
PO Box 13155, Tauranga
Phone: (07) 5774 727 Fax: (07) 928 6443

**Maiden Distribution**

The Directors are also pleased to advise a cash distribution of 2.05 cents per Pohutukawa II share is to be made to shareholders on the Register at 5 September 2011 and payable on 9 September 2011.

This maiden distribution is made up of dividends and a share buyback and cancellation from portfolio companies. Together with tax credits attached to dividends, the gross distribution represents a 2.22 cents per share return on the 20 cents per Pohutukawa II share already paid by you. Details of the distribution are as follows:

| Distributions received from Portfolio companies | | Gross | Imputation | RWT | Net |
|---|---|---|---|---|---|
| Bayley Corporation Limited | Fully imputed dividend | 111,962.49 | 33,588.75 | 3,358.87 | 75,014.87 |
| Transaction Services Limited | Fully imputed dividend | 257,509.77 | 77,252.93 | 7,725.29 | 172,531.55 |
| Transaction Services Limited | Share buyback | 1,352,158.92 | - | - | 1,352,158.92 |
| Bayley Corporation Limited | Fully imputed dividend | 108,852.42 | 30,478.68 | 5,442.62 | 72,931.12 |
| **Total** | | **1,830,483.60** | **141,320.36** | **16,526.78** | **1,672,636.46** |

If you have any queries relating to this Call or the distribution, please contact Peter Lalor on 07 5774 727 or email to enquiries@pohutukawafund.co.nz.

We anticipate sending an interim report to you towards the end of September covering the 6 month financial reporting period to 30 June 2011 and also commenting on the performance of the individual portfolio companies.

We thank you for your loyal support.

Yours sincerely
**Pohutukawa Private Equity II Limited**

**John McDonald**
Chairman

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**INVESTOR DEFAULT ON CALL**
**POHUTUKAWA PRIVATE EQUITY II**
**PROSPECTUS 21 NOVEMBER 2008**

If an Investor does not pay a call on committed funds on the due date the following consequences apply:

- The Investor will be liable to pay a default rate of interest on the amount that remains unpaid, at a rate of 4% per annum above the 90 day bank bill rate;
- The Board will give the Investor a further notice demanding payment after the date the notice is served;
- If the Investor fails to pay within 5 working days of such notice, the Board may resolve that the shares in respect of which payments have been called but are unpaid and the other partly paid Shares will be forfeited (forfeited shares);
- Pohutukawa II may (but is not obliged to) sell the forfeited shares. Pohutukawa II has no duty to the holder of the forfeited shares to seek a buyer for such shares or in respect of any consideration obtained, however any such consideration so received (less any costs of disposal) shall be returned to the holder of the forfeited shares; and
- Alternatively, Pohutukawa II may enforce the lien provided for in its constitution over all Shares held by the Investor and apply the proceeds towards the outstanding call and any interest on the outstanding call (with the Investor remaining liable for any shortfall after the sale or disposal of such Shares and any surplus proceeds of sale, less any costs of disposal, being returned to the Investor).

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**Pohutukawa Private Equity II Completes Investment in Scales Corporation**
22 July 2011

Pohutukawa II is pleased to announce that its investment in Scales Corporation has now been completed following the obtaining of Scales' shareholder approval for the transaction.

Through its Direct Capital IV and Pohutukawa II funds, along with co-investment partners, New Zealand Superannuation Fund and ACC, the acquisition of the 79.7% shareholding in Scales was first announced in May 2011 and was subject only to obtaining shareholder approval. A special meeting of shareholders was held in Christchurch on the 20th of July and the transaction has now been approved.

Scales was formed in 1912 and is one of New Zealand's oldest companies. Based in Christchurch, the company has group revenues of more than $200 million, employs a permanent workforce of 375 and operates from a number of sites across New Zealand.

Scales is a leading New Zealand horticulture and primary sector processing exporter and logistics business. Its operating businesses include Mr Apple, the largest grower, packer and exporter of apples in New Zealand, Meateor Foods a convertor of processed meat into the local and international pet food market, and Storage and Logistics in which it operates a number of cold store and bulk liquid facilities and logistics support services.

It is expected that two Direct Capital representatives, Mark Hutton and Tony Batterton, will join the Scales board. The investment in Scales Corporation is the fourth investment from the Pohutukawa II fund which raised $82.5 million in 2009 for investment into New Zealand private companies.

"Our recent investments reflect the global strength of New Zealand's position in the food and soft commodity sectors. Scales Corporation continues this investment theme. It is a diverse business but one that is centered on horticulture, growing its exports into Asia and providing storage and logistics infrastructure to support its own and other food and agri businesses in New Zealand. We look forward to supporting the Scales management team with their plans to develop and grow the Company." said Direct Capital's Mark Hutton.

Combined with Direct Capital III & IV, Pohutukawa I & II's portfolio companies in aggregate generate more than $1 billion in annual revenues, of which greater than 50% represent export sales or sales generated by overseas subsidiaries, and employ more than 3,600 staff. Current and past investments include: Cavalier Wool Holdings, Bayley Corporation, Transaction Services, Fishpond, New Zealand King Salmon, Rodd & Gunn, GoBus, Shears & Mac, Innovair, Triton Hearing Clinics, Stratex Group, Max Fashions, New Zealand Pharmaceuticals and Express Logistics.

End

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