MANAGERS ADDRESS TO THE POHUTUKAWA ASM 19 MAY 2009

Thank you for coming to our 5th Annual Shareholder's Meeting.

It's my pleasure to report on the investment activity of Pohutukawa I, the current state of the investment portfolio and Direct Capital's view, as Manager of Pohutukawa I, on the future prospects and direction of it. You will recall that Pohutukawa I invests in private companies alongside Direct Capital lII.

In last year's annual shareholder report, we made the following comments:

1. We reiterated that valuations had reached new heights, and that bank debt was too readily available.

2. Investments were being priced solely on their upside, with insufficient attention being paid to their risks.

3. This is a credit crisis and those of us with equity capital would continue to fund investment opportunities. In fact, we would make our best investments when capital was scarce.

4. Risk in the investment business is often the opposite to the way it appears. When everything is going up, risk is at its highest, and when everything is cheap, at its lowest.

We were correct in some of these forecasts, but did not predict the severity of some. Fortunately, however, we had been wary of the investment climate for 12 – 18 months prior to 2008 and had tempered our investment activity and valuations we were prepared to buy at accordingly.

As a result of that approach we are able to report on a strong and healthy Pohutukawa portfolio today. You will all have read the annual report which gives a full outline on their businesses and activities for the year to 31 December 2008 and at this meeting, we will give you an update on 4 of the larger investments in the portfolio, namely

New Zealand King Salmon (29%),
GoBus (19%),
Paper Coaters (12%) and
NZ Pharmaceuticals (11%),

to demonstrate the resilience of the portfolio and why we are confident in it.

If we were reporting solely on the year to 31 December 2008, we would be very upbeat in our attitudes. Notwithstanding a very difficult capital market, our companies traded exceptionally well and we could not have been happier. However, the March quarter was especially poor across the board.

The majority of the Pohutukawa portfolio experienced difficult trading conditions as well, but the large investments performed the best. The portfolio valuation to March was affected only slightly because of 4 factors:

1. Strong profit growth in NZKS.

2. A very strong profit performance in NZ Pharmaceuticals.

3. Further debt reductions in Express Logistics and Paper Coaters.

4. The GoBus expansion

We have invested in great private companies with sensible capital structures and therefore we are in solid shape. Undeniably the macro outlook has become worse. The three months to 31 March in particular were hard and we saw a drop in performance in many, but not all of our companies. We can confirm that the trading performance in the portfolio has stabilised since the end of March.

This current slow down is both positive and negative for the Pohutukawa portfolio. Clearly it is harder to operate in recessionary times, but conversely the expansion and acquisition opportunities have improved for each of them. The remaining 19% cash holdings will be invested into the existing portfolio to continue their growth path. In almost all instances our portfolio companies are looking at expansion and acquisitions now. Our view is that the opportunities are sufficiently good for us to make those acquisitions.

You will note that the positive view we are fortunate to be able to give you of the portfolio is in stark contrast to a number of press reports you will have read about 'The Private Equity Market', which almost exclusively focus on highly leveraged transactions by off-shore funds in very large New Zealand companies. Direct Capital and Pohutukawa are involved in mid sized companies with revenues usually between $25m - $150m, with good growth prospects and significantly lower levels of debt.

In fact we have lower levels of debt in Pohutukawa portfolio companies on average than Stock Exchange companies. Most of that negative private equity press surrounds debt levels and you need not be concerned about that in the Pohutukawa portfolio.

We made three new investments during the year:
Shears & Mac4
Rodd & Gunn and
New Zealand King Salmon

and achieved liquidity events in two, resulting in distributions of 8.3c/share.

It was particularly pleasing that both realisations were at premiums over our investment level in what was a particularly poor economic climate. Innovair returned 4.5 x its original investment.

Forecast

Although I have indicated improved economic activity since the end of March, we continue to forecast a flat economic performance for the balance of 09 and 2010. Our comments are on the underlying financial performance of businesses.

I would now like to update you on recent initiatives in four of our largest companies,

New Zealand King Salmon

The domestic consumption of salmon continues to grow with YTD New Zealand revenues up 15% up on last year.

Global salmon supply is forecast to drop by 8-10% in 2010 and 2011 due to disease issues in Chile. NZKS is well placed to capitalise on this demand/supply imbalance.

Exports have also been strong, being up 27% YTD. NZKS's premium product position has allowed the company to hold its pricing, which has meant the fall in the NZD has significantly increased profitability

There is now a much better acquaculture legislation outlook. NZKS has made significant progress developing new water space by converting mussel farms.

GoBus

Over the last 12 months GoBus has been transformed from a Waikato regional business to the dominant bus operator for the middle of the North Island with 700 buses in operation.

In particular, GoBus has:

- Won the Hawkes Bay urban bus services in Napier/Hastings.
- Won the Tauranga urban bus services.
- Tripled its Ministry of Education school bus contracts, becoming the major school bus operator from the Waikato down to the Hawkes Bay; and
- Remained the primary provider of urban bus services in Hamilton.

The new business will increase GoBus' EBITDA by 70%. The bus industry is of course capital intensive and winning new contracts means buying new buses. Pohutukawa has participated in rights issues in 2008 and 2009 to fund these purchases alongside bank debt.

In the current economic climate, we believe that investing in a business with long term government contracts and asset backing is an appropriate application of Pohutukawa's capital.

The bus industry is going through a period of evolution, with increasing bus quality standards, driver training, safety etc. all of these favour well capitalized highly organized bus companies like GoBus.

It now has revenues of ~$40m. After the significant growth spurt of the last year, the focus for the next 12 months will be on maximizing service performance and the profit contribution from the new services.

Over the longer term, we believe GoBus will make a suitable NZX listing in combination with another complementary bus operator.

Paper Coaters

Paper Coaters is a niche manufacturer providing specialist linings to the broader packaging industry, particularly the food and hygiene areas. Paper Coaters generates 66% of its revenues in Australia and is real example of a New Zealand trans-tasman success.

Paper Coaters remained resilient during FY09 with its focus on non discretionary markets. The company has also managed its inventories particularly well and has generated strong cashflows, reduced debt by $1m and is paying a dividend of $400k. It is well placed for new business and acquisition opportunities.

Paper Coaters acquired an Australian business at the end of 2007 and this has strengthened its Australian operation by fully integrating this acquisition into its Sydney premises and shifting its focus from low margin to high margin food and hygiene sectors.

NZ Pharmaceuticals

New Zealand Pharmaceuticals as most of you will know, is an exporter of pharmaceutical products which are incorporated into medicines by international drug companies.

1. This year has seen continued growth in NZP's core cholic acid business, with the real prospect of large volume increases this year.

2. Positive progress has also been made with the 'Just the Berries' subsidiary – the unit extracting and selling blackcurrant antioxidants for the food and nutraceutical markets, which achieved annual sales of over $5m.

3. The third business, its fledging Carbohydrates unit, continues to be impacted however by a temporary hold on purchases from its main customer. The only blot on the landscape.

Being an entirely export business, the value of the NZD is a significant factor in the company's profitability. Last year when we met with you the dollar was at 80 cents and NZP's profits had fallen. Well, a year is a very long time in the foreign exchange market and with the fall in the NZD back around 60 cents – combined with the positive business highlighted above - the Company is on track to achieve a stronger result in 2009.

NZP's business focus over the next few years will remain on diversifying its products and customers across each of these three business units.

NZP is another company with the potential to list on the NZX.

CONCLUSION

We are happy to take any questions on those four companies or any in the portfolio.

John has mentioned the successful capital raising for Pohutukawa II. Thank you to those of you here who have reinvested into Pohutukawa II.

We think we are entering into a very favourable investment climate for that fund as it is for the portfolio companies in Pohutukawa I. It is, however, a time to look at every investment incredibly closely as without the rising economy we have had for the last 15 years, imperfections in businesses become apparent very quickly.

Thank you once again for joining us at our 5th ASM. We would now like to take any questions.