



Interim Report
For the half year ended 30 June 2011

Pohutukawa
PRIVATE EQUITY II LIMITED





Contents

Report to Shareholders	2
Manager's Report on Portfolio Companies	4
Consolidated interim statement of comprehensive income	7
Consolidated interim statement of changes in equity	7
Consolidated interim statement of financial position	8
Consolidated interim statement of cash flows	9
Notes to consolidated interim financial statements	10
Auditor's Review Report	15
Directory	16



Report to Shareholders

30 September 2011

Dear Shareholder

I am pleased to present Pohutukawa II's interim report for 2011, which provides commentary on our portfolio company investments and our financial performance for the half year to 30 June 2011.

Firstly I would like to comment on our latest investment in the forestry management company PF Olsen Limited.

PF Olsen Group Limited Investment



On 15 September 2011 Pohutukawa II and Direct Capital IV announced that they had acquired an initial 30% shareholding in PF Olsen Group (PFO). Pohutukawa paid \$1.77 million for a 7.1% shareholding. The remaining 70% of the Company's shareholding continues to be held by management, led by chief executive, Peter Clark, and employees.

PFO manages over 170,000 hectares of plantation forests and harvesting planning for more than 3.6 million tonnes of logs annually. As part of its service offering, PFO provides forestry management, harvesting planning and engineering, seed and containerised seedling sales from company-owned and leased orchards and nurseries, and advisory services. PFO contracts out the physical harvesting and tending operations to third parties. PFO's forestry clients include timber investment management organisations ('TIMOs), local forestry investors, government agencies, and corporate forest owners.

PFO is based in Rotorua and employs 113 staff operating out of 15 offices across New Zealand and Australia. The Company's trans-Tasman operations and growth opportunities are a key feature that attracted Direct Capital to the investment.

Portfolio Investments

Transaction Services Limited

In January 2010 Pohutukawa II and Direct Capital IV acquired a 49% stake in Transaction Services for an amount of \$24 million. Pohutukawa II has an 11.8% share.

Bayley Corporation Limited

In June 2010 Pohutukawa II and Direct Capital IV took a combined 32% stake in well-known real estate firm Bayleys. Pohutukawa II has a 7.5% share.

Cavalier Wool Holdings Limited

In December 2010 Pohutukawa II and Direct Capital IV acquired a 25% shareholding in Cavalier Wool Holdings. Pohutukawa II has a 6.0% share.

Scales Corporation Limited

In July 2011 Pohutukawa II and Direct Capital IV made its fourth portfolio company investment in Scales Corporation, together with co-investment from New Zealand Superannuation and Accident Compensation Corporation, acquiring a combined 79.7% shareholding. Pohutukawa II has an 8.7% share.

Portfolio Revaluation

The investment manager revalues the portfolio at the end of each quarter under the Austrasian private equity body AVCAL guidelines, (The Australian Private Equity & Venture Capital Association). The market value of the portfolio at 30 June 2011 was \$14.89 million, compared with an initial cost of \$12.61 million.

Call

A call of 17 cents per share (cps) was made 18 August 2011 and paid 19 September 2011. Your Pohutukawa II shares are now paid to 37 cps. The call has provided capital to date of \$14.02 million.

Report to Shareholders

Investment Funding

We settled both the Scales and PF Olsen investments using our bank facility. Call proceeds were applied in the first instance to clear the debt of just over \$9 million on the bank facility. The balance will be held for future investments and for ongoing working capital.

Distribution

On 9 September 2011 Pohutukawa II made a distribution for 2.05 cents per Pohutukawa II share. The distribution comprised net dividend payments of \$320,477 from Bayley Corporation Limited and Transaction Services Limited; and a share buyback and cancellation from Transaction Services Limited of \$1,352,159. The capital was distributed by Pohutukawa Private Equity II Limited by way of redemption of preference shares.

Market Conditions and Opportunities

The key investment approach for Direct Capital is to focus on businesses that demonstrate core business fundamentals of proven profitability, strong focused management, a strategic growth plan and the capacity to achieve this growth with further investment capital.

Direct Capital's investments are made following intensive due diligence and research. They look to take a business to the next level applying capital to help scale up the operation and providing strategic and governance support.

The pipeline of investment opportunities remains promising with the Direct Capital investment team currently reviewing a number of new and follow-on investment opportunities.

Interim Financial Statements 30 June 2011

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

As at 30 June 2011 Pohutukawa II had 82.5 million \$1 stapled securities on issue, paid to 20 cps. The \$14.02 million proceeds from the 17 cent call made in September is not reflected in these financial statements.

At balance date shareholder' funds were \$14.1 million.

Assets comprised:

● Investments	\$14.89 million
● Cash	\$0.31 million
● Receivables	\$0.40 million

At balance date 30 June 2011, investments included Transaction Services Limited, Bayley Corporation Limited and Cavalier Wool Holdings Limited. No investments were valued at cost. Investments into PF Olsen and Scales occurred post 30 June 2011.

Payables totalled \$1.502 million which included deferred management fees since the fourth quarter of 2010. Under the Management Agreement, management fees can be deferred to assist the fund with cashflow management.

Pohutukawa II received cash income from dividends and interest of \$262,000 plus a positive change in fair value of investments was recorded of \$1,352,000. The profit for the period was \$579,000 compared to a loss of \$788,000 in the previous corresponding period.

We will keep you up to date with any investment activity either by writing to you directly or via website updates. Please continue to view the Pohutukawa website, www.pohutukawafund.co.nz from time to time for news updates.

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

Yours sincerely,
Pohutukawa Private Equity II Limited



John McDonald
Chairman

Manager's Report on Portfolio Companies

Portfolio Performance Summary

The Manager is pleased with the composition of the portfolio to date and is satisfied with the trading performance given the relatively trying market conditions that have prevailed since our initial investments.

In respect of new investments, the Manager continues to assess a number of prospective companies which meet its investment mandate. Areas of particular interest at present are agri-food based businesses which possess good growth prospects.

The portfolio companies continue to monitor the market for growth opportunities. We have the capital available to help the companies achieve their growth strategies. We expect all companies to significantly scale up during the next few years and any improvement in economic conditions will serve to speed their development along.

The Manager is maintaining a focused approach on operating performance in each of the portfolio companies given the fragility of the current economic conditions.

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

TRANSACTION SERVICES LIMITED

www.debitsuccess.co.nz



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares
Pohutukawa II	11.8	4,536,464
Total Direct Capital shareholding 49% (including Pohutukawa II)		

Background

Transaction Services Limited (TSL) was established in 1994 and is Australasia's largest third party recurring payment processing company, offering the full breadth of payment services to businesses of all sizes.

TSL annually processes more than 20 million transactions on behalf of over 2,500 clients from their 620,000 customers in New Zealand and Australia. TSL operates under the brands Debitsuccess and FFA Paysmart, and manages the payment processing function for clients in a wide range of industries.

Performance

TSL's result for its financial year to March 2011 was in line with budget and again represented a meaningful uplift on the prior year's result.

A fully imputed A\$ 0.03 cents per share dividend was paid in May and a further A\$0.23 cents per share was returned to shareholders in July via a pro-rata share buyback and cancellation. These payments reflect the positive trading and cashflow generation in the business over this period.

Outlook

Despite the noticeably softer consumer market in Australia TSL remains confident of its ability to continue to grow the business over the coming year and there are a number of initiatives underway with existing and new customers across a range of industry segments including health and fitness facilities, sports clubs, property management companies, childcare operators, retailers and utilities.

Manager's Report on Portfolio Companies

BAYLEY CORPORATION LIMITED

www.bayleys.co.nz



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares
Pohutukawa II	7.5%	441,317
Total Direct Capital shareholding 31.5% (including Pohutukawa II)		

Background

Bayleys is a full-service property services company operating nationally from 54 corporate owned and franchise branches. Bayleys has a dominant position in marketing commercial industrial properties, and a leading position in high-value residential, rural and lifestyle property sales. In addition to real estate agency, Bayleys offers other services including: facilities and asset management; valuation; leasing; research and advisory services.

Performance

Bayleys achieved another strong profit result for the financial year to March 2011 despite the headwinds which impacted the property sector over the period and the Christchurch earthquake which slowed activity levels in that region.

Recently Bayleys acquired the residential sales business operated by Goodwin Realty Limited in Auckland. The business consists of five Ray White branches located in Avondale, Mt Albert, Mt Eden, Point Chevalier and Sandringham which have been rebranded as Bayleys. This transaction will see some 30 highly experienced sales personnel join Bayleys team in a complementary geographical area for the business. There are a number of other initiatives underway to grow Bayleys revenue streams.

Outlook

The outlook for the property services market remains uncertain although Bayleys has observed a meaningful pickup in activity levels in recent months against the same period last year.

Bayleys management remain focused on their strategic aims of increasing the scale of operations and contribution from all areas of the business, particularly from the property services division which includes property and asset management, valuation, consultancy, financial services and funds management.

Manager's Report on Portfolio Companies

CAVALIER WOOL SERVICES LIMITED



Shareholder Statement as at 30 June 2011	Shareholding %	No. Shares
Pohutukawa II	6.0%	348,752
Total Direct Capital shareholding 25% (including Pohutukawa II)		

Background

Cavalier Wool Holdings (CWH) is one of two wool scouring businesses in New Zealand. Operating from sites in Napier and Timaru, CWH is a commission-only scouter processing greasy wool on behalf of wool exporters and carpet makers, converting it to clean wool (removing grease and contaminants) and pressing and packing it for either local conversion into carpet, or export shipment. As a by-product, wool grease is extracted and exported to global customers who further refine it and convert it to lanolin for use in cosmetic and pharmaceutical end products.

M&A Activity

During the reporting period the Commerce Commission granted CWH authorisation to acquire the assets of NZAX-listed Wool Services International (WSI) (whose 65% shareholding is held by South Canterbury Finance Limited in receivership). Subsequent to this, CWH made an offer to WSI for the acquisition of its assets. This is contemporaneous with a tender process being run by Receiver, PWC, for the sale of the 65% shareholding. However, the bid process is on hold pending an appeal by carpet maker, Godfrey Hirst, against the Commerce Commission decision.

Performance

Trading for the year was down on prior period comparatives but in line with investment forecast. This was due to a number of factors including: late spring 2010 storms in Southland which impacted on sheep numbers and CWH's largest customer purchasing less wool during the financial year.

Outlook

CWH is working on initiatives to improve earnings and capture greater volume throughput and to benefit from improving yields in wool grease, a valuable commodity traded globally. If the company is successful in acquiring the WSI this will represent a step change for CWH.

Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2011

	<i>Note</i>	Unaudited 6 months Jun 2011	Unaudited 6 months Jun 2010	Audited 12 months Dec 2010
Interest income		3,009	19,964	54,835
Dividends received		258,631	-	
Change in fair value of investments		1,352,141	178,771	921,884
Other operating income		-	53,629	53,629
Administrative expenses		(1,009,482)	(1,020,769)	(2,021,960)
Operating profit/(loss)		604,299	(768,405)	(991,612)
Finance expenses - interest		25,150	20,256	76,599
Profit/(Loss) before and after tax		579,149	(788,661)	(1,068,211)
Attributable to:				
Equity holders of the parent		(993,467)	(880,762)	(1,654,248)
Non-controlling interest	<i>1c</i>	1,572,616	92,101	586,037
Profit/(Loss) for the period		579,149	(788,661)	(1,068,211)
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period attributable to the equity holders of stapled securities		579,149	(788,661)	(1,068,211)

Consolidated interim statement of changes in equity

For the six months ended 30 June 2011

	Attributable to equity holders of the parent			Non-controlling interest	Total equity
	Share capital	Retained earnings	Total		
Balance at 1 January 2011	16,491,895	(3,550,966)	12,940,929	586,037	13,526,966
Total comprehensive income	-	(993,467)	(993,467)	1,572,616	579,149
Balance at 30 June 2011	16,491,895	(4,544,433)	11,947,462	2,158,653	14,106,115
Balance at 1 January 2010	8,241,895	(1,896,718)	6,345,177	-	6,345,177
Total comprehensive income	-	(880,762)	(880,762)	92,101	(788,661)
Balance at 30 June 2010	8,241,895	(2,777,480)	5,464,415	92,101	5,556,516
Balance at 1 January 2010	8,241,895	(1,896,718)	6,345,177	-	6,345,177
Total comprehensive income	-	(1,654,248)	(1,654,248)	586,037	(1,068,211)
Issue of share capital	8,250,000	-	8,250,000	-	8,250,000
Balance at 31 December 2010	16,491,895	(3,550,966)	12,940,929	586,037	13,526,966

Financial Information

Consolidated interim statement of financial position

As at 30 June 2011

	<i>Note</i>	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Assets				
Investments – equity securities	3	14,885,564	9,453,944	13,533,423
Total non-current assets		14,885,564	9,453,944	13,533,423
Receivables and prepayments	2	399,233	380,608	415,665
Cash and cash equivalents	4	315,126	359,990	125,293
Taxation receivable		8,841	8,841	8,841
Total current assets		723,200	749,439	549,799
Total assets		15,608,764	10,203,383	14,083,222
Equity				
Issued capital		16,491,895	8,241,895	16,491,895
Retained losses		(4,544,433)	(2,777,480)	(3,550,966)
Total equity attributable to equity holders of the parent		11,947,462	5,464,415	12,940,929
Non-controlling interest	1c	2,158,653	92,101	586,037
Total equity attributable to equity holders of stapled securities		14,106,115	5,556,516	13,526,966
Liabilities				
Trade and other payables		15,090	46,867	22,584
Payable to Manager	8	1,487,559	-	533,672
Loans and borrowings	5	-	4,600,000	-
Total current liabilities		1,502,649	4,646,867	556,256
Total non-current liabilities		-	-	-
Total liabilities		1,502,649	4,646,867	556,256
Total equity and liabilities		15,608,764	10,203,383	14,083,222

For and on behalf of the Board



Director

19 September 2011

Date



Director

19 September 2011

Date

Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2011

	<i>Note</i>	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Cash flows from operating activities				
Cash receipts from fees		-	-	60,333
Interest received		2,324	19,964	68,407
Dividends received		258,631	-	-
Other operating income received		-	37,568	-
Interest paid		-	(13,840)	(75,847)
Cash paid to suppliers		(71,122)	(1,145,460)	(2,236,664)
Net cash from operating activities	6	189,833	(1,101,768)	(2,183,771)
Cash flows from investing activities				
Acquisition of investments		-	(9,275,173)	(12,611,539)
Net cash from investing activities		-	(9,275,173)	(12,611,539)
Cash flows from financing activities				
Proceeds from share capital		-	-	8,250,000
Transaction costs		-	-	(8,105)
Loans advanced by related parties		-	-	533,672
Loans advanced by external parties		-	4,600,000	5,100,000
Loans repaid to external parties		-	-	(5,100,000)
Net cash from financing activities		-	4,600,000	8,783,672
Net movement in cash and cash equivalents		189,833	(5,776,941)	(6,011,638)
Cash and cash equivalents at beginning of period		125,293	6,136,931	6,136,931
Cash and cash equivalents at end of period		315,126	359,990	125,293

Financial Information



Notes to the consolidated interim financial statements

1. Significant accounting policies

Pohutukawa Private Equity II Limited (the “Company”) is a company domiciled in New Zealand. The consolidated interim financial statements of the Company for the six months ended 30 June 2011 comprise the Company and 25 Investment Companies (30 June 2010: 25) (together referred to as the “Group”).

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

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

(a) Statement of compliance

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

(b) Basis of preparation

Pohutukawa Private Equity II 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 Group’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 II Limited, investors also hold 100 preference shares in Pohutukawa Private Equity II Limited as well as one preference share in each of the Investment Companies. All of these shares are stapled securities. This stapling arrangement creates a business combination by contract alone without any individual entity obtaining an ownership interest. The Group has designated Pohutukawa Private Equity II 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 interests in the Partnerships. Joint ventures are accounted for using the proportionate method.

A Partnership entity is in place between the Investment Company and the Portfolio Company for each investment. The other partner in the Partnership is Direct Capital IV Limited Partnership, the co-investor in the Portfolio Company. There is no effect on Pohutukawa Private Equity II Limited shareholders resulting from this new structure.

Non-controlling Interest

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

(d) Investments in equity securities

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

The fair value of investments 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.

(f) Loans and borrowings

Loans and borrowings are measured at amortised cost using the effective interest method.

2. Receivables and prepayments

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
GST receivable	370,435	324,584	404,039
Other receivables	7,899	35,126	4,660
Prepayments	20,899	20,898	6,966
	399,233	380,608	415,665

As a result of an Inland Revenue Department review of Pohutukawa Private Equity II Limited, some GST refunds still owing to the Group have been withheld at 30 June 2011. The Group expects further refunds to be released by the Inland Revenue Department at the conclusion of the review.

Financial Information

Notes to the consolidated interim financial statements

3. Investments

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Non-current investments			
Equity securities carried at fair value	14,885,564	9,453,944	13,533,423
	<u>14,885,564</u>	<u>9,453,944</u>	<u>13,533,423</u>

The Group has 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 2011 at their cost price:

Entity name	Activities	Acquisition date	Cost of acquisition
Transaction Services Limited	Payment processing	Jan 2010	5,700,507
Bayley Corporation Limited	Real estate	Jun 2010	3,574,666
Cavalier Wool Holdings Limited	Wool scourer	Dec 2010	3,336,366
			<u>12,611,539</u>

4. Cash and cash equivalents

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Call deposits	315,126	359,990	125,293
	<u>315,126</u>	<u>359,990</u>	<u>125,293</u>

Call deposits are held with the National Bank of New Zealand via CIP Cash Management Nominees Limited (2010: CIP Cash Management Trust Limited). The interest rate at 30 June 2011 is 3.00%.

5. Loans and borrowings

A short term bank facility is in place, to a maximum of \$8,000,000 for a maximum period of 90 days. During the period to 30 June 2011 the Group drew down \$nil (refer Note 8) (2010: \$4,600,000).

The Group made a number of withdrawals after the end of the period (refer Note 7), and the maximum of the facility was temporarily increased to \$11,000,000 during September 2011. The facility will be repaid in full and will revert back to an undrawn maximum of \$8,000,000 by the end of September 2011.

Financial Information

Notes to the consolidated interim financial statements

6. Reconciliation of profit/(loss) for the period with net cash from operating activities

	Unaudited Jun 2011	Unaudited Jun 2010	Audited Dec 2010
Profit/(loss) for the period	579,149	(788,661)	(1,068,211)
<i>Adjustments for:</i>			
Changes in fair value of investments – equity securities	(1,352,141)	(178,771)	(921,884)
<i>Movements in Working Capital:</i>			
Change in trade and other receivables	16,432	(153,407)	(188,464)
Change in trade and other payables	946,393	19,071	(5,212)
Net cash from operating activities	189,833	(1,101,768)	(2,183,771)

7. Subsequent events

On 1 July 2011, \$2,135,000 was drawn from the Westpac loan facility to meet management fees that had been deferred from October 2010 to 30 September 2011.

On 22 July 2011, the Company invested in Scales Corporation for a total of \$4,997,799. A further \$3,800,000 was drawn from the Westpac loan facility to meet this settlement.

Pohutukawa Private Equity II Limited paid a maiden distribution to shareholders of \$1,689,167 equivalent to 2.0474 cents per share on 9 September 2011.

On 15 September 2011, the investment in PF Olsen Group Limited was made for a total of \$1,772,033. A further \$1,772,033 was drawn from the Westpac loan facility to meet this settlement.

During September, the Westpac loan facility was temporarily increased to \$11m (Refer Note 5).

A 2nd call was made to shareholders on 18 August 2011 for \$0.17 per share, which is due and payable 19 September 2011. The proceeds of the call will first be applied to repay the full amount owing on the Westpac loan facility.

8. Related parties

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

Financial Information

Notes to the consolidated interim financial statements

8. Related parties (continued)

Transactions with related parties

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

- Management fees charged by Pohutukawa II Management Limited for the reporting period totalled \$928,125 (30 June 2010: \$928,125). At the end of the reporting period management fees and interest were payable to Pohutukawa II Management Limited totalling \$1,487,559. The management fees were paid in July 2011 (refer Note 7).
- Craigs Investment Partners Limited paid certain expenses of Pohutukawa Private Equity II Limited. As at 30 June 2011, no balance remained owing to Craigs Investment Partners Limited (30 June 2010: \$nil).
- Call deposits have been invested in the National Bank of New Zealand via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited (2010: CIP Cash Management Trust Limited). At 30 June 2011 the balance held was \$303,799 (30 June 2010: \$359,990).

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Transactions with key management personnel

	Unaudited Jun 2011	Unaudited Jun 2010
Directors fees (total remuneration)	21,250	30,469

The balance owing to key management personnel at 30 June 2011 is \$10,625 (30 June 2010: \$21,250).

Auditor's Review Report



To the shareholders of Pohutukawa Private Equity II Limited

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

Directors' responsibilities

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

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

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

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

Review opinion

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

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

KPMG

Tauranga

Directory

BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY II

John McDonald
Neil Craig
Maurice Prendergast
Frank Aldridge

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

OFFICES OF POHUTUKAWA II

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