Interim Report

For the half year ended 30 June 2015

Pohutukawa

PRIVATE EQUITY II LIMITED

Contents

Report to Shareholders

18 September 2015

Dear Shareholder

I am pleased to present Pohutukawa II's interim report, including Pohutukawa II's financial performance for the interim period to 30 June 2015, the Investment Manager's update on the portfolio performance and its outlook.

Portfolio Overview

The Pohutukawa II portfolio has produced another strong performance for the period, with a further uplift in the unrealised portfolio value. The market value of the portfolio (including equity and debt instruments) at 30 June 2015 was $46.6 million.

Up to 30 June 2015, Pohutukawa II has received total gross investment proceeds of $28.9 million from a total of $34.4 million invested.

Shareholder Distributions & Returns

At 30 June 2015 you have contributed 62 cps of your Capital Commitment which has now been capped at 80 cps. In April 2015 Pohutukawa II made a gross distribution of 2.3 cps. This took total gross distributions (by way of imputed dividends and capital returns) to 34.6 cps gross. Including the unrealised investments, this represents a rate of return of approximately 12.4% p.a as at 30 June 2015.

Table 1 Summary of Investor Returns

Investors Return to 30 June 2015	
Total capital paid	$0.62
Gross Returns to Investors	
September 2011	0.02
September 2012	0.04
May 2013	0.03
November 2013	0.04
May 2014	0.04
August 2014	0.16
April 2015	0.02
Total Gross Return	**0.35**
Assessed Net Asset Value 30 June 2015*	0.62
Estimated Gross Return*	**$0.97**

**Before allowing for earnout currently estimated to be $0.07 per share at 30 June 2015*

Current Portfolio

Transaction Services Group (TSG)

The two UK acquisitions have now completed their first full year and performed to expectations. Recently an experienced CEO was appointed for its USA business expansion strategy.

Bayley Corporation Limited (Bayleys)

Bayleys has been performing strongly in all sectors. Its performance in the first quarter of the new financial year was ahead of expectations and the same period last year.

Cavalier Wool Holdings Limited (CWH)

The company, together with New Zealand Wool Services International Ltd is currently seeking Commerce Commission approval to merge their souring assets.

Scales Corporation Limited (Scales)

In July 2014 Pohutukawa II sold down 66% of its shareholding into the Scales IPO. Post IPO Pohutukawa II holds a 2.8% shareholding in Scales. The company has performed very well and is expecting to exceed its prospectus forecast by at least 25%.

George H Investments Limited (GHI)

On 30 April 2014 Scales went through a demerger process involving its investment assets. These investment assets were transferred to GHI.

PF Olsen Group Limited (PF Olsen)

There is continuing log market volatility impacting client harvesting programmes, particularly in NZ. Countering this is a continued strong performance from PF Olsen Australia.

Hiway Group Limited (Hiway)

Trading has been in line with expectations although impacted by the continuing reduction of project work in the Queensland market and a below budget revenue performance from the geo-tech business.

Energyworks Holdings Limited (Energyworks)

The business has continued to operate below expectations due to the downturn in the industry sector.

Investment portfolio composition as at 30 June 2015 is shown on page 3.

Report to Shareholders

Investment Capital

Paid-up Capital and Calls

Following the 5 cps call payment on 29 June 2015 your Pohutukawa II shares are now paid to 62 cps, for a total Contributed Capital amount of $51 million. On 18 December 2014 the Board confirmed the maximum amount to be called was 80 cps, a reduction of 20 cps from the original $1 per share of Committed Capital.

Shareholders paid 10 cps on application in March 2009. There have been subsequent calls of:

- 10 cps paid in September 2010
- 17 cps paid in September 2011
- 10 cps paid in April 2012
- 10 cps paid in April 2014
- 5 cps paid in June 2015

The remaining 18 cps will be called as required for investments with timing to be determined by the Board.

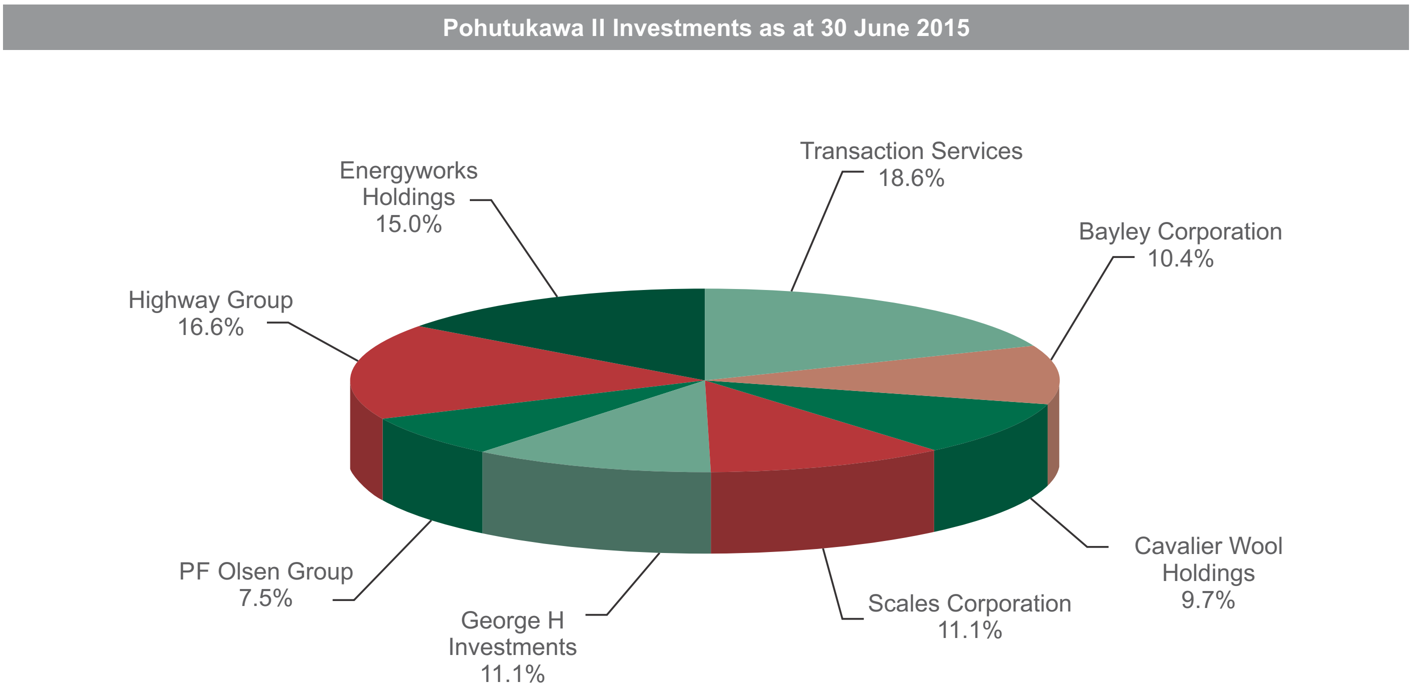
Investment Funding

With a cash balance of $4.2 million at 30 June we have sufficient cash resources to meet current known follow-on investments and to provide for working capital needs.

Portfolio Revaluation

The Investment Manager revalues the portfolio at the end of each quarter under the International Private Equity and Venture Capital (IPEV) valuation guidelines. The Net Asset Value (NAV) of Pohutukawa II at 30 June 2015 was 55.1 cps (after allowing for earnout), compared to a NAV at 31 December 2014 of 47.2 cps which was prior to the 5 cps shareholder call, 2.3 cps distribution, and appreciation in the unrealised portfolio value during the period.

Investment Portfolio Composition as at 30 June 2015 (at investment cost)



Report to Shareholders

Interim Financial Statements 30 June 2015

Our interim financial statements for the six-month period ending 30 June 2015 are included in this interim report.

Pohutukawa II had 82.5 million stapled securities on issue, paid to 62 cps of 80 cents of Committed Capital.

At balance date shareholder funds were $51.1 million, or 62 cps before allowing for earnout adjustment.

Assets comprised:

• Investments	$45.3 million
• Loans to portfolio companies	$1.3 million
• Cash	$4.2 million
• Receivables	$0.3 million

Pohutukawa II received income from dividends and interest totalling $650,745 and recognised a $4.7 million unrealised uplift in the fair value of investments. Administrative expenses, comprising mainly management fees, were $613,569, compared to $702,286 for the previous corresponding period. The profit for the period was $4.8 million compared to a profit of $10.6 million in the previous corresponding period (which included the Scales IPO).

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. We provide a news alert email service and if you would like to avail yourself of this service please contact the Manager.

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 07 577 4727.

Yours sincerely,

Pohutukawa Private Equity II Limited

John McDonald
Chairman

Investment Manager's Report on Portfolio Companies

Portfolio Performance Summary

The Investment Manager is pleased to report on the financial performance of the portfolio companies for the six months to 30 June 2015. While the period has been pleasing for the portfolio, the performance of individual companies within the portfolio is varied. The $4.7 million increase in the unrealised valuations for the period (including equity and debt instruments) equates to an increase in Net Asset Value (NAV) of 5.7 cps post the 2.3 cent distribution.

The Investment Manager has at least one director representative on each portfolio company Board. Through this direct involvement, the Investment Manager receives frequent updates on financial performance, and has active input into the strategic direction of each portfolio company whilst also influencing key performance indicators that the Board monitors. A key indicator for each company is the establishment and monitoring of comprehensive Health & Safety (H&S) processes. While each portfolio company has a different H&S risk profile, each Board strives for zero harm to all employees. Several portfolio companies operate in high risk industries, and for this reason those companies are driven by relentless pursuit of H&S best practice.

We continue to encourage portfolio companies to remain bold and consider opportunities to generate value, while we also assess select opportunities where we can crystalise value within the portfolio. We are confident that the portfolio will contribute good returns from imputed dividends and long term capital growth. Further portfolio expansion is also possible by way of bolt-on acquisitions and parallel investments in the existing portfolio, and Pohutukawa II is well capitalised to fund this growth.

More detailed performance targets and prospects are highlighted in the portfolio company summaries that follow.

TRANSACTION SERVICES GROUP

www.debitsuccess.co.nz

TSG TRANSACTION SERVICES GROUP

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
January 2010	Third party processing	Buyout	$6,433	11.5*

* Total shareholding managed by Direct Capital 48%

Background

Transaction Services Group Limited (TSG) is the largest third party recurring payment processing company in NZ, Australia and the UK. TSG processes $2 billion worth of transactions annually across two million customers operating in a range of industries including health and fitness facilities, sports clubs, property management companies, childcare operators and retailers.

TSG operates under the brands Debitsuccess and FFA Paysmart in Australasia, Harlands Group and DFC in the UK, and Debitsuccess in the USA.

Performance

The March 2015 financial year was completed with TSG once again achieving strong revenue growth. The performance of the two businesses acquired in the UK, Harlands and DFC, was particularly notable with their first full year trading results under TSG ownership meeting expectations. Furthermore the level of new business development opportunities being advanced by these businesses has further reinforced the market opportunity in the UK and Europe.

The Company has also continued to build on its initial steps into the American market, and recently appointed a USA based CEO with considerable experience in the payments industry both in the USA and internationally. TSG expects to commence billing for USA clients in the final quarter of this year.

While the Australasian market is more developed, TSG continues to originate new opportunities.

Outlook

The subscription economy is revolutionising the way organisations collect recurring payments. Transaction Services is continuing to lead the industry in Australasia and the UK while the USA business is seen as offering significant potential over the longer term.

Investment Manager's Report on Portfolio Companies

BAYLEY CORPORATION

www.bayleys.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
June 2010	Real Estate	Expansion /succession	$3,575	7.4*

* Total shareholding managed by Direct Capital 31%

Background

Bayleys is a national property services company operating with 890 agents from 78 offices. It has a leading position in marketing and leasing commercial, industrial, rural, and high-value residential property. In addition to agency, Bayleys Property Services is a significant market participant, with $2.3 billion worth of commercial property under management, and offers valuation, research, and other advisory services.

Performance

Bayleys' result for its financial year to March 2015 was ahead of expectation and the previous year. Strong performance and cash generation enabled the business to make a number of imputed dividend payments during the year.

Bayleys' commercial, industrial and rural/lifestyle divisions performed well over the six months to June, with all reporting settled commissions increasing from the previous year. The Company has also benefited from a strong residential market, and Bayleys residential market share reached an all-time high as at 30 June 2015 on the back of a series of organic and acquisition strategies. The property services and valuation divisions have grown, and continue to benefit from the strategic partnership the company formed with Augusta Capital last year.

Outlook

Bayleys has made a strong start to its March 2016 financial year, with conditions buoyant across its residential, commercial and industrial, and property services divisions. A reduced dairy payout may reduce transaction activity in the rural sector. While residential activity has increased significantly in recent months compared to the previous year, regulatory changes have the potential to adversely impact volumes.

Bayleys remains well capitalised and well positioned to expand its market share and react to any market developments.

Investment Manager's Report on Portfolio Companies

CAVALIER WOOL HOLDINGS

www.cavalierwoolscourers.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
December 2010	Wool Scouring	Expansion	$3,336	6*

* Total shareholding managed by Direct Capital 25%

Background

Cavalier Wool Holdings Limited (CWH) is one of two wool scouring businesses in New Zealand. Operating from sites in Napier and Timaru, CWH processes greasy wool on behalf of wool exporters and carpet makers, removing grease and contaminants to produce 'clean' wool ready for either local conversion into carpet, or export shipment. A major by-product is wool grease which is extracted and exported to global customers who further refine and convert it into lanolin, cholesterol and Vitamin D3, for use in cosmetic, pharmaceutical and food grade products.

Performance

Wool volumes during the year remained stable, consistent with volumes achieved in the 2013/14 year. Growing conditions were generally good, despite some parts of the country experiencing lower than average rainfall through the summer. Commodity prices for wool grease (the main by-product of the scouring process) continued to recover. Higher prices for wool grease were offset to some extent by the higher NZD experienced during the year.

The key strategic initiative for the company remains the proposed merger between CWH and the scouring business of New Zealand Wool Services International Limited (owned by Lempriere). The merger was agreed between the parties in October 2014 and requires authorisation under the Commerce Act by the Commerce Commission. The regulatory process for this continues.

Outlook

Industry forecast for wool volumes remains consistent with prior periods. Wool grease prices are expected to continue to recover and as forward hedging of USD receipts expires, the NZD value of wool grease is expected to lift materially at current exchange rates.

The opportunity to 'right-size' the processing industry in New Zealand remains the most significant strategic initiative for the company and the sheep industry generally, and if authorised, will materially and positively impact the forward outlook.

Investment Manager's Report on Portfolio Companies

SCALES CORPORATION

www.scalescorporation.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
July 2011	Agri- Services	Buyout	$3,808	2.8*

* Total shareholding managed by Direct Capital 18%

Background

Scales is a large New Zealand agribusiness group. Its businesses are classified into three main operating divisions: (1) Storage & logistics – cold and bulk liquid storage and logistics; (2) Horticulture – Mr Apple and a 50% interest in Fernridge Produce; and (3) Food ingredients (juice concentrate and pet food).

In July 2014 Scales Corporation listed on the NZX which involved Pohutukawa II reducing its shareholding from 9.6% to 2.8%. Because of the listed company nature, this commentary provides information which is available in the public domain.

Performance

The company paid a final cash dividend of 7 cps share for the 2014 financial year on 10 July 2015. Taking into account the 3 cps interim dividend the total fully imputed dividends for the 2014 year was 10 cps, higher than the prospectus forecast.

In addition, during August Scales announced its 2015 half year performance with Net Profit after tax of $33.2m – 59% above the same period last year. The company also noted that it expected to exceed prospectus Forecast earnings (of $41.2m) by at least 25%.

As a listed company Scales publishes its interim and annual reports which can be viewed at www.scalescorporation.co.nz under the *Investors* tab.

GEORGE H INVESTMENTS

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
July 2011	Agri- Services	Buyout	$3,818	9.6*

* Total shareholding managed by Direct Capital 84%

Background

George H Investments Limited (GHI) holds industrial property assets and share investments.

GHI's principal assets are:

- Three industrial parks (at Whakatu and Groome Place in Hawke's Bay and Silverstream in Mosgiel);
- A section on Canada Crescent, Christchurch;
- A 10.3% shareholding in NZX listed Turners & Growers.

Performance

GHI continues to focus on developing the three industrial parks by undertaking sub divisions of the parks into marketable parcels and where appropriate completing developments of individual sites for contracted tenants. These planning initiatives will put GHI in the position where it can commence marketing of these properties to external parties over the course of 2016.

Outlook

Further positive progress is expected over the coming year to maximise the value of the various investments with any surplus funds to be distrbuted to shareholders as available.

Investment Manager's Report on Portfolio Companies

PF OLSEN GROUP

www.pfolsen.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
September 2011	Agri- Services	Buyout	$2,488	9.5*

* Total shareholding managed by Direct Capital 40%

Background

PF Olsen is Australasia's largest provider of professional forestry services, including asset and harvesting management, health and safety compliance, environmental compliance, genetically improved seed and containerised seedling sales, forestry enterprise software, advisory and other technical services. PF Olsen manages the harvest of over 4.7 million tonnes of logs per annum, and manages over 300,000 hectares of timberlands across Australasia. At any one moment approximately 2,000 contractors may be engaged by PF Olsen across New Zealand and Australia.

Performance

PF Olsen performed to expectations with the half year result to 30 June 2015 also in line with the previous half year result. The downturn to global commodities has impacted the New Zealand export log market, with significant volatility in log prices and client harvest programmes. This has so far been offset by diversification within the business, both geographically with PF Olsen's Australian business continuing to grow, and consistent asset management income from NZ operations. The business continues to be cash generative, paying two fully imputed dividends year to date.

Sadly, despite significant resource and investment made towards health and safety, and PF Olsen's commitment to improving industry standards, subcontractors engaged by the business continue to occasionally experience incidents of serious harm. While PF Olsen's subcontractor health and safety statistics are less than half current NZ and Australian averages, and substantial progress has been made in other areas, such incidents reinforce the need for continuous investment and improvement in internal and industry procedures.

Outlook

Volatility in the export log markets is expected to remain a feature of the market and this is likely to continue to adversely impact client harvest programmes. PF Olsen's full year result may remain static or reduce as the business continues to significantly invest in its own internal systems and capabilities, particularly in areas of health and safety and auditing of external contractors, environmental, etc. PF Olsen has recently secured new asset management contracts and has a strong backlog of promising prospects.

Investment Manager's Report on Portfolio Companies

HIWAY GROUP

www.hiwaygroup.co.nz

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
December 2011	Infrastructure Services	Buyout	$5,716	14.3*

* Total shareholding managed by Direct Capital 60%

Background
Hiway Group is a leading roading and infrastructure services contractor, with operations in both New Zealand and Australia. Hiway Group operates through two main operating companies, Hiway Stabilizers and Hiway Geo Technical deploying a number of specialist technologies including deep soil mixing, soil nailing, aggregate modification, sub-grade stabilisation, fill drying and foamed bitumen recycling. The company also offers a number of environmental contracting services including soil recycling and site remediation.

Performance
The company's full year result was below forecast following strong results over the previous two years. The operating environment in Queensland continues to be particularly challenging and is expected to remain below forecast during the current financial year. In addition the overall level of activity in Christchurch is slowing and the company will continue to look to diversify further nationally.

Management has actively reviewed the business over this period and continues to make material improvements in overall cost of operating. At the same time the company has continued to develop and improve its safety culture and business metrics which have improved significantly over the past year.

Outlook
The outlook for the current year for the Stabilisation division remains positive in both New Zealand and Victoria. In New Zealand, the business is benefitting from the rapid growth in subdivisions in the upper North Island which unusually has continued over the autumn and winter months. In Victoria there are a number of main road contracts entering the market and this will drive high levels of activity over the summer period.

Longer term the continued development of major capital projects in both markets is looking very promising for both Hiway Stabilizers and Hiway Geo Technical business units.

Investment Manager's Report on Portfolio Companies

ENERGYWORKS HOLDINGS

www.energyworks.net.nz

innovations in the pipeline
energyWORKS LIMITED

Date of Original Investment	Industry	Stage	Total Investment Cost $000	Shareholding %
December 2011	Infrastructure Services	Buyout	$5,180	16.7*

* Total shareholding managed by Direct Capital 70%

Background
Energyworks is a leading provider of engineering solutions to the Australasian natural gas and petrochemical industry. The business provides essential maintenance and brownfield services to the onshore gas and petrochemical sector, as well as the fabrication and installation of mechanical components and associated infrastructure such as piping, wellheads, skids, and high pressure gas pipelines.

Performance
The energy sector globally has recently suffered from a rapid decline in oil prices. This has led to operators cutting back on new projects and reducing overall capital expenditure. While each market has its own operating environment and mix of resources the general approach from all companies has been similar. This environment has impacted on Energyworks and in particular the scheduled capital projects the company was expecting over the last twelve months.

This situation has resulted in lumpy levels of work requiring close management of all resources. In addition the initial key initiative to develop further into Australia has been delayed after market conditions have proved to be too challenging at this time.

In the short term the company is focussed on achieving satisfactory results in New Zealand under the current market conditions.

Outlook
The company is looking forward to a busy summer works schedule as a result of several large required maintenance close downs. The level of this work is significant combined with an unusual number of individual projects. Management is focussed on ensuring the right level of resource is available to complete this work within the customer's schedules.

Longer term the announcement of the feasibility of a number of large projects in the Taranaki region provide confidence for the future of the company.

Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2015

	Note	Unaudited 6 months Jun 2015	Unaudited 6 months Jun 2014	Audited 12 months Dec 2014
Interest income		23,011	27,110	89,091
Dividends received		627,734	338,796	2,569,644
Change in fair value of investments	*4*	4,769,588	9,961,439	941,632
Gain on sale of investments	*4*	-	1,030,888	10,164,629
Advisory fee income		-	67,702	67,702
Administrative expenses		(613,569)	(702,286)	(1,417,538)
Operating profit		4,806,764	10,723,649	12,415,160
Finance expenses - interest		-	(51,217)	(51,217)
Profit before tax		4,806,764	10,672,432	12,363,943
Tax expense		-	-	-
Profit after tax		4,806,764	10,672,432	12,363,943
Attributable to:				
Owners of the parent		243,253	277,516	159,849
Non-controlling interests	*1c*	4,563,511	10,394,916	12,204,094
Profit for the period		4,806,764	10,672,432	12,363,943
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period attributable to the equity holders of stapled securities		4,806,764	10,672,432	12,363,943

Consolidated interim statement of changes in equity

	Attributable to equity holders of the parent				
	Share capital	Retained earnings	Total	Non-controlling interest	Total equity
Unaudited					
Balance at 1 January 2015	35,048,542	(5,509,460)	29,539,082	14,035,290	43,574,372
Total comprehensive income	-	243,253	243,253	4,563,511	4,806,764
Distributions to equity holders	-	-	-	(1,375,919)	(1,375,919)
Issued Capital	4,125,000	-	4,125,000	-	4,125,000
Balance at 30 June 2015	39,173,542	(5,266,207)	33,907,335	17,222,882	51,130,217
Unaudited					
Balance at 1 January 2014	34,434,751	(5,669,309)	28,765,442	9,359,090	38,124,532
Total comprehensive income	-	277,516	277,516	10,394,916	10,672,432
Distributions to equity holders	-	-	-	(1,443,605)	(1,443,605)
Redemption of share capital	(1,030,887)	-	(1,030,887)	-	(1,030,887)
Issued Capital	8,250,000	-	8,250,000	-	8,250,000
Balance at 30 June 2014	41,653,864	(5,391,793)	36,262,071	18,310,401	54,572,472
Audited					
Balance at 1 January 2014	34,434,751	(5,669,309)	28,765,442	9,359,090	38,124,532
Total comprehensive income	-	159,849	159,849	12,204,094	12,363,943
Distributions to equity holders	-	-	-	(7,527,894)	(7,527,894)
Redemption of share capital	(7,636,209)	-	(7,636,209)	-	(7,636,209)
Issued Capital	8,250,000	-	8,250,000	-	8,250,000
Balance at 31 December 2014	35,048,542	(5,509,460)	29,539,082	14,035,290	43,574,372

Financial Information

Consolidated interim statement of financial position

As at 30 June 2015

	Note	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Assets				
Loans and receivables	*3*	1,325,560	-	1,325,560
Investments – equity securities	*4*	45,308,506	51,950,138	40,453,012
Total non-current assets		46,634,066	51,950,138	41,778,572
Trade and other receivables	*2*	309,419	82,391	19,340
Cash and cash equivalents	*5*	4,221,383	2,616,909	1,829,728
Total current assets		4,530,802	2,699,300	1,849,068
Total assets		51,164,868	54,649,438	43,627,640
Equity				
Issued capital		39,173,542	41,653,864	35,048,542
Retained losses		(5,266,207)	(5,391,793)	(5,509,460)
Total equity attributable to equity holders of the parent		33,907,335	36,262,071	29,539,082
Non-controlling interest	*1c*	17,222,882	18,310,401	14,035,290
Total equity attributable to equity holders of stapled securities		51,130,217	54,572,472	43,574,372
Liabilities				
Trade and other payables		34,651	76,966	53,268
Total current liabilities		34,651	76,966	53,268
Total non-current liabilities		-	-	-
Total liabilities		34,651	76,966	53,268
Total equity and liabilities		51,164,868	54,649,438	43,627,640

For and on behalf of the Board

Director

8 September 2015

Date

Director

8 September 2015

Date

Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2015

	Note	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Cash flows from operating activities				
Advisory fees		-	67,702	67,702
Interest received		33,599	18,125	78,503
Dividends received		627,734	338,796	2,569,644
Interest paid		-	(51,217)	(51,217)
Cash paid to suppliers		(646,208)	(681,611)	(1,408,406)
Net cash from operating activities		15,125	(308,205)	1,256,226
Cash flows from investing activities				
Acquisition of investments		(85,906)	(5,464,461)	(5,503,639)
Realisations from investments		-	1,030,888	12,079,157
Loans to portfolio companies		-	-	(1,325,560)
Net cash from investing activities		(85,906)	(4,433,573)	5,249,958
Cash flows from financing activities				
Proceeds from share capital		3,838,355	8,197,500	8,250,000
Redemption of preference shares		-	(1,030,887)	(7,636,209)
Distributions to equity holders		(1,375,919)	(1,443,605)	(6,925,926)
Net cash from financing activities		2,462,436	5,723,008	(6,312,135)
Net movement in cash and cash equivalents		2,391,655	981,230	194,049
Cash and cash equivalents at beginning of period		1,829,728	1,635,679	1,635,979
Cash and cash equivalents at end of period	*5*	4,221,383	2,616,909	1,829,728

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

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Profit for the period	4,806,764	10,672,432	12,363,943
Adjustments for:			
Changes in fair value of investments – equity securities	(4,769,588)	(9,961,439)	(941,632)
Call monies receivable	-	52,500	-
Gain on sale of investments	-	(1,030,888)	(10,164,629)
Movements in Working Capital:			
Change in trade and other receivables	(3,435)	(15,989)	(5,092)
Change in trade and other payables	(18,616)	(24,821)	3,636
Net cash from operating activities	15,125	(308,205)	1,256,226

Financial Information

Notes to the consolidated interim financial statements

1. Significant accounting policies

Pohutukawa Private Equity II 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 2015 comprise the Company and 25 Investment Companies (30 June 2014: 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 2014.

The interim financial statements were approved by the Directors on 8 September 2015.

(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 2014.

(b) Basis of preparation

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993. The FRA 2013 is effective for companies with financial periods beginning on or after 1 April 2014 unless they meet the definition of a FMC reporting entity under the Financial Markets Conduct Act ("FMC Act") and meet the transitional provision requirements of the FMC Act that require them to apply the Financial Reporting Act 1993. As Pohutukawa Private Equity II Limited meets the requirements of an entity operating under the transitional provisions of the FMC Act, Pohutukawa Private Equity II Limited will become an FMC reporting entity at the earlier of making an issue of securities under the FMC Act or, opting into the FMC Act , or becoming a recipient of funds from a conduit issuer or Pohutukawa Private Equity II Limited's next balance date after 1 December 2016 i.e. 31 December 2016.

The change in legislation has no material impact on the entity's obligation to prepare general-purpose financial statements. Neither the FRA 2013 nor the FMC Act require the preparation of parent financial statements where group financial statements are prepared. Accordingly on adoption of the FMC Act and the FRA 2013 Pohutukawa Private Equity II Limited will no longer be required to prepare separate financial statements for the Company.

The External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. Under the new XRB framework the entity has continued to apply NZ IFRS as applicable for Tier 1 for-profit entities. This has had no material impact on the preparation and disclosures included in the financial statements.

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.

Notes to the consolidated interim financial statements

1. Significant accounting policies (continued)

(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.

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 International Private Equity and Venture Capital Association Limited (IPEV) valuation guidelines.

(e) Receivables

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. They are classified as other liabilities.

Financial Information

Notes to the consolidated interim financial statements

2. Trade and other receivables

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
GST receivable	1,865	-	1,773
Interest receivable	-	8,984	10,588
Call monies outstanding*	286,645	52,500	-
Prepayments	20,899	20,899	6,966
Other receivables	10	8	13
	309,419	82,391	19,340

* Call monies outstanding relate to a 5 cents call made on 29 May 2015 (2014:10 cents, 24 April 2014) and received subsequent to period end.

3. Loans to portfolio companies

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Hiway Group Limited	783,402	-	783,402
Energyworks Holdings Limited	542,158	-	542,158
	1,325,560	-	1,325,560

4. Investments

Non-current investments

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 in most instances, valuation techniques are utilised to determine fair value.

The investment in Scales Corporation Limited has been valued at the June 2015 market bid price of $1.68 (2014: $1.60) per share with a 10% discount applied to the escrow shareholding.

Shares in George H Investments Limited have been valued based on the net assets of the company.

The valuation techniques utilised for all other investments 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 of $27,511,033 (30 June 2014: $29,902,446) and the carrying value of $45,308,506 (30 June 2014: $51,950,138) in the statement of financial position is shown as a fair value movement through profit or loss.

Notes to the consolidated interim financial statements

4. Investments *(continued)*

The following details the equity securities held at 30 June 2015 at their cost price:

Entity name	Activities	Initial Acquisition date	Voting Interest	Unaudited Jun 2015 Cost of acquisition	Unaudited Jun 2014 Cost of acquisition	Audited Dec 2014 Cost of acquisition
Transaction Services Group Limited	3rd party payment processing	Jan 2010	11.7%	4,831,332	4,831,332	4,831,332
Bayley Corporation Limited	Real estate services	Jun 2010	7.4%	3,574,666	3,574,666	3,574,666
Cavalier Wool Holdings Limited	Agri-services	Dec 2010	6.0%	3,336,366	3,336,366	3,336,366
Scales Corporation Limited[1]	Agri-services	Jul 2011	9.6%	1,301,608	3,818,105	1,301,608
George H Investments Limited[1]	Investment assets	Jul 2011	9.6%	3,818,105	3,818,105	3,818,105
PF Olsen Group Limited	Forestry management	Sep 2011	9.5%	2,573,526	2,487,620	2,487,620
Hiway Group Limited	Roading and ground stabilisation	Dec 2011	14.3%	3,437,897	3,398,719	3,437,897
Energyworks Holdings Limited	Energy sector service provider	Jan 2014	16.7%	4,637,533	4,637,533	4,637,533
				27,511,033	29,902,446	27,425,127

[1] The investment in George H Investments Limited was recognised as part of a 50% de-merger and share capital buy-back from Scales Corporation Limited. This resulted in a gain on sale of $1,030,888 in the six months to June 2014.

5. Cash and cash equivalents

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Call deposits	383,028	116,909	429,728
Short-term deposits	-	2,500,000	1,400,000
Call monies held in Trust	3,838,355	-	-
	4,221,383	2,616,909	1,829,728

The majority of call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a 100% subsidiary of Craigs Investment Partners Limited (refer to note 7). The interest rate at 30 June 2015 is 2.55% (30 June 2014: 3.35%).

When applicable, short-term deposits are held with ANZ Bank New Zealand Limited for periods of up to 90 days. There are no deposits held at 30 June 2015, (Deposits held at 30 June 2014 had interest rates ranging from 3.49% to 3.95%).

Pohutukawa Private Equity II Limited call monies received by Computershare are held in the Registry's trust bank account on behalf of the company.

Financial Information

Notes to the consolidated interim financial statements

6. Financial risk management

(a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2015	Level 1	Level 2	Level 3	Total
Investments in listed equity securities	-	5,904,094	-	5,904,094
Investments in unlisted equity securities	-	-	39,404,412	39,404,412
30 June 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in unlisted equity securities	-	17,702,132	34,248,006	51,950,138
31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in listed equity securities	-	4,990,364	-	4,990,364
Investments in unlisted equity securities	-	-	35,462,648	35,462,648

The following table shows reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

Investments	Jun 2015	Dec 2014
Opening balance	35,462,648	36,524,238
Total gains/(losses)		
Change in fair value	3,855,858	941,632
Transfer to Level 2	-	(4,990,364)
Investments at cost during the year	85,906	5,503,639
Divestments	-	(2,516,497)
Closing balance	39,404,412	35,462,648

Total gains included in the above table are presented in the statement of comprehensive income as follows:

Investments	2015	2014
Total gains/(losses) included in profit or loss for the period	3,855,858	11,106,261
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	3,855,858	941,632

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Refer Note 6(c) for sensitivity analysis with regards to the earnings multiple or adjustment factor.

Notes to the consolidated interim financial statements

6. Financial risk management *(continued)*

(b) Significant unobservable inputs used in measuring fair value

Significant unobservable inputs are developed as follows:

EBITDA multiples:

Represent amounts that market participants would use when pricing the investments. EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA. Other factors that management considers are items such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability:

Represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Management determines the discount for lack of marketability based on its judgment after considering market liquidity conditions and company-specific factors such as the developmental stage of the portfolio company, if any.

(c) Sensitivity Analysis for Unlisted Securities

A movement of 0.2 in the earnings multiples applied to the investments carried at fair value changes the value of the investments by $1,203,807.

A movement in the adjustment factor of 5% changes the value of the investments by $3,049,858. A movement in the maintainable earnings of 5% changes the value of the investments by $2,497,118. A movement in the bid price for listed securities of 5% changes the value of the investments by $399,739, and removal of the Scales Corporation Limited adjustment of 10% would change the value of the investments by $656,010.

7. 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. Craigs Investment Partners Limited and Direct Capital IV Investment Partners LP are partners in Pohutukawa II Investment Holdings LP which is the holder of the 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 IV Management Limited and Craigs Investment Partners Limited.

Direct Capital IV Management Limited is responsible for preparing valuations of investments.

Notes to the consolidated interim financial statements

7. 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 $531,015 (30 June 2014: $602,889). At the end of the reporting period no management fees or interest were owing to Pohutukawa II Management Limited (30 June 2014: $Nil).
- Craigs Investment Partners Limited paid certain expenses of Pohutukawa Private Equity II Limited. As at 30 June 2015, $7,055 remained owing to Craigs Investment Partners Limited (30 June 2014: $Nil).
- Call deposits have been invested in ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, a subsidiary of Craigs Investment Partners Limited. At 30 June 2015 the balance held was $382,129 (30 June 2014: $115,493).
- Direct Capital IV Management Limited paid certain expenses on behalf of Pohutukawa Private Equity II Limited. As at 30 June 2015, no expenses were owing to Direct Capital IV Management Limited (30 June 2014: $Nil).

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.

Transactions with key management personnel

	Unaudited Jun 2015	Unaudited Jun 2014	Audited Dec 2014
Directors fees (total remuneration)	42,500	42,500	85,000

The balance owing to key management personnel at 30 June 2015 is $21,250 (30 June 2014: $21,250).

8. Subsequent events

There were no material subsequent events for the Group.

Auditor's Review Report

To the shareholders of Pohutukawa Private Equity II Limited

We have completed a review of the interim financial statements of Pohutukawa Private Equity II Limited on pages 13 to 22 which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 6 months ended on that date, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities

The Directors of Pohutukawa Private Equity II Limited are responsible for the preparation and fair presentation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting. As the auditor of Pohutukawa Private Equity Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Subject to certain restrictions, partners and employees of our firm may also deal with Pohutukawa Private Equity II Limited on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Other than in our capacity as auditors we have no relationship with or interests in the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of Pohutukawa Private Equity II Limited do not present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and of its financial performance and its cash flows for the 6 months ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

KPMG

8 September 2015
Tauranga

Directory

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John McDonald
Maurice Prendergast
Neil Craig
Mike Caird

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