

INTERIM REPORT

For the half year ended 30 June 2010



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Report to Shareholders

22 September 2010

Dear Shareholder

I am pleased to present Pohutukawa's interim report, which includes Pohutukawa's financial performance for the half year to 30 June 2010 and the Investment Manager's update on the performance of the Fund's portfolio.

The Market and Portfolio Performance

As was the case in 2009, market conditions in 2010 are proving challenging for our portfolio companies. Although the equity markets have come off their 2009 lows, there is a persistent economic malaise with no near term catalyst in sight to change this. Despite these testing conditions most of our portfolio companies have continued to perform comfortably in line with their budgets and with some exceeding forecasts.

It certainly helps that our portfolio companies are appropriately geared, which means they are in a relatively stronger financial position than many companies to take advantage of growth opportunities that may present in the current environment.

No follow-on investments were made into Pohutukawa's existing portfolio during the period, however a number of small follow-on investments were made into the BioPacificVentures (BPV) portfolio.

Pohutukawa's remaining cash reserves (approximately \$2.5m) are held for follow-on investment commitments to the existing portfolio companies and to BPV. Post the half-year we have made a further small investment into Fishpond Limited in July 2010.

Distributions and Managing our Capital

The total value of investments (excluding cash) at 30 June 2010 was \$42.36 million (or 80 cents per share), and including cash this represents approximately 84 cents per Pohutukawa share. Further, to date 67.2 cents per share has been paid out to shareholders.

During the period Pohutukawa received interest on shareholder loans from Higgins Road (the GoBus Hamilton

property holding company), dividends from Fishpond and New Zealand King Salmon and loan repayments. These distributions have been retained by the Fund to ensure we have sufficient capital reserves for follow-on investments.

Pohutukawa is able to invest up to \$53 million (the original committed capital) in portfolio companies. Our investments to date total \$47.4 million (comprising investments in and loans to portfolio companies). Pohutukawa is therefore able to invest up to another \$5.6 million in portfolio companies, and has a current cash balance of \$2.5 million. Our preferred means to achieve close to the \$53 million investment in portfolio companies is to re-invest initial invested capital returned from portfolio companies. Pohutukawa will only continue to do this until a total of \$53 million has been invested.

Portfolio Company Realisations

Both Innovair and Express Logistics are progressing through their liquidation processes and we expect there will be a small final 'wash-up' distribution once their liquidations are complete.

New Zealand King Salmon

In September 2009 NZ King Salmon (NZKS) attributed interest of \$842k to Pohutukawa, being interest on a shareholder loan. This interest was capitalised onto the loan, which stood at \$6.678 million at 31 December 2009. NZKS has since repaid \$555k of this capitalised interest. Post 30 June, NZKS also paid a fully imputed dividend which equated to a net dividend payment of \$272k.

Portfolio Revaluation

The Investment Manager revalues the portfolio at the end of each quarter. Under the private equity body AVCAL guidelines, (The Australian Private Equity & Venture Capital Association) this revaluation was completed for all portfolio companies as at 30 June 2010. The market value of the portfolio (including cash) is \$44.4 million (84cps), which compares favourably to the 31 December valuation of \$47.7 million less the \$3.8 million distribution made in March 2010.

Report to Shareholders

Investors' Return to 30 June 2010

Original investment	\$	1.00
Distribution December 2007		0.33
Distribution November 2008		0.08
Distribution June 2009		0.02
Distribution December 2009		0.17
Distribution March 2010		0.07
*Assessed Net Asset Value 30 June 2010		0.84
	\$	1.51
Current (including unrealised) return on \$1 invested		1.5x

* Excluding manager's earnout

Interim Financial Statements 30 June 2010

Our interim financial statements for the half year ended 30 June 2010 are included in this interim report.

As at 30 June 2010 Pohutukawa had 53 million stapled securities on issue, fully paid to \$1 per share.

At balance date shareholders' funds were \$45.96 million. Pohutukawa carries no debt.

Assets comprised:

● Investments	\$33.12 million
● Cash	\$2.06 million
● Loans and Receivables (Portfolio Companies)	\$9.23 million
● Trade and other receivables	\$1.56 million

Investments included revaluations of the portfolio as at 30 June 2010, under the fair value method.

The loans and receivables figure of \$9.23 million includes the NZ King Salmon loan of \$6.12 million (including accrued interest), and loans to Higgins Rd and Rodd & Gunn totalling \$258k. It also includes a \$2.85 million loan to New Zealand Pharmaceuticals made on 30 March 2010.

The item minority interest in the balance sheet refers to the equity of the Investment Companies, as this is owned directly by shareholders of the parent and not by the parent company itself. These minority interests are attributable to the parent company/Pohutukawa shareholders as a result of their investment in the preference shares of the Investment Companies.

Income was derived from interest \$456k (mainly from the NZ King Salmon loan) and dividend income of \$2.86 million. The movement in portfolio value (equity and debt instruments) are summarised below:

Portfolio at 31 December 2009	\$42,640,870
Portfolio company distributions	(\$1,457,218)
Portfolio value appreciation	<u>\$1,173,178</u>
Portfolio value at 30 June 2010	\$42,356,830

Pohutukawa achieved a bottom line profit after tax of \$1.08 million.

Overall this was another pleasing result for Pohutukawa and our financial strength has us well positioned to take advantage of follow-on investment opportunities, either to invest in the existing portfolio companies for organic growth or to provide further funding to enable the portfolio companies to make acquisitions.

Please continue to view the Pohutukawa website, www.pohutukawafund.co.nz from time to time for updates.

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

Yours sincerely,
POHUTUKAWA PRIVATE EQUITY LIMITED



John McDonald
Chairman

Manager's Report on Portfolio Companies

Portfolio Performance Summary

The Manager is pleased to report on the positive financial performance of the portfolio companies for the 6 month period to 30 June 2010. This performance resulted from stronger dividend income and other operating income.

Individual performance and prospects are highlighted in the portfolio company summaries that follow. In 2009 we mentioned the market appeared to be stabilising and we are starting to see more optimism in the outlook for 2011. Operational performance and follow-on investment opportunities will remain our focus.

It has been pleasing to see some of the companies continue to take strategic initiatives during this current environment, investments that should bode well for the companies as we see signs of a return to a "normal" economy.

NEW ZEALAND PHARMACEUTICALS

www.nzpharmaceuticals.com



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa **	15.8%	4,594,451	2,848,560
Direct Capital III	16.5%	4,802,108	2,913,155
BioPacificVentures	14.1%	4,103,489	2,544,163
Total Direct Capital shareholding 51.0%			

*Interest bearing

** Plus 1.97% through BPV

Background

First established in 1971, New Zealand Pharmaceuticals Ltd ("NZP") manufactures specialty chemicals for some of the world's leading pharmaceutical companies. In particular, it is a world leader in the production of cholic acid, a core ingredient in the manufacture of a number of liver-related pharmaceuticals. In addition to its animal extracts business, NZP is becoming increasingly involved in the production of synthesized carbohydrates (or glycotherapeutics) for the global pharmaceuticals industry. These drugs form a large and fast-growing category of the global pharmaceuticals market and are increasingly significant to NZP's business.

Performance

Both revenue and EBITDA were below budget expectations for the period to 30 June.

The June quarter showed a downturn in NZP's core cholic acid business due to a key cholic acid customer reducing its order by 25% in volume.

UK carbohydrate business Dextra's sales continue to track to budget and NZP management continues to be very positive about the chemistry capability that has been acquired and the projects that are being worked on in Dextra.

Outlook

The market for the company's bile acid business is going through a period of volatility. This is creating new customer opportunities as well as challenges with existing ones, and increased company resource has been channelled into the area.

New product developments in both the animal extracts and carbohydrate chemicals businesses are planned for manufacture in the second half of the company's financial year.

Manager's Report on Portfolio Companies

TRITON HEARING CLINICS LIMITED

www.tritonhearing.co.nz



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares
Pohutukawa	18.7%	1,449,930
Direct Capital III	24.0%	1,862,363
Total Direct Capital shareholding 47.0%		

Background

Triton Hearing Clinics is a hearing aid retail business, providing hearing tests and hearing aid fitting services with clinics in the Waikato, Bay of Plenty, Wellington and Christchurch.

Performance

Trading year to date is largely in line with budget, margins continue to improve.

The existing clinics are performing in line with expectations and the newer clinics are showing promising signs of

improvement. Triton's newest clinic (Wellington) has made significant improvements after a recent restructure.

Outlook

ACC is pushing ahead with reforms that will have an impact on the sector. Triton is focussed on growing its share of the private patient market.

STRATEX GROUP LIMITED

www.stratexgroup.co.nz



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares
Pohutukawa	32.8%	3,598,812
Direct Capital III	42.6%	4,668,049
Total Direct Capital shareholding 83.2%		

Background

Stratex operates in a niche packaging sector of extrusion coating and laminated products designing, manufacturing and supplying specialist packaging product to the paper, food and industrial markets of NZ and Australia. Stratex laminates polymer (plastic) and foil on to paper and film, producing products such as foil and non-foil food bags, food sachets, specialty cheese wraps, insulation materials, mill wrap, book covers and formed trays (such as convenience meal bases).

Performance

Stratex completed its 30 April 2010 FY with both revenue and EBITDA results behind budget mainly due to the decline in revenue from its Australian acquisition, plus the effect of a delay in releasing new products to market. EBITDA margin was slightly ahead of 2009. Results for the period to 30 June show the company to be in line with budget and comparing favourably against the 2009 performance of the same period.

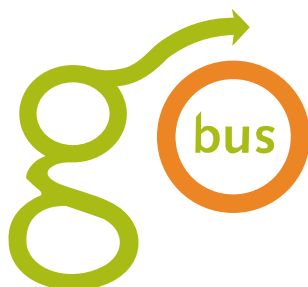
Outlook

The order book remains strong relative to last year's comparable period. The company has a number of new product developments in progress (none of which is budgeted). Stratex is in a relatively stable market position and longer term earnings growth will be derived from new products leveraging its investment in lamination capability.

Manager's Report on Portfolio Companies

GOBUS HOLDINGS LIMITED

www.gobus.co.nz



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares
Pohutukawa	33.1%	7,510,506
Direct Capital III	42.1%	9,539,683
Total Direct Capital shareholding 82.4%		

Background

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

Performance

GoBus completed its March 2010 financial year in line with expectations, and achieved revenues in the June quarter, the first quarter of its new financial year, ahead of budgeted revenues and EBITDA. GoBus has been successful in winning two small additional contracts with each of Environment Waikato and Environment BOP.

Outlook

GoBus has long-term service contracts and a modern fleet of buses. GoBus remains on the lookout for suitable acquisitions.

HIGGINS ROAD LIMITED

Background

Higgins Road Limited is the owner of GoBus' Head Office and Hamilton bus depot at 57 Higgins Rd, Hamilton.

GoBus has entered into a long-term lease of the premises with Higgins Rd Limited on commercial terms.

Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	17.3%	60,380	138,994
Direct Capital III	21.9%	76,693	176,547
Total Direct Capital shareholding 42.9%			

*Interest bearing

Manager's Report on Portfolio Companies

SHEARS & MAC LIMITED

www.shearsandmac4.co.nz

SHEARS&MAC.

Background

Shears & Mac Ltd (SML) is a full-service provider of joinery manufacturing and installation services for the retail and commercial sectors. Specialising in fit-outs, the company provides joinery manufacturing based on fully integrated operational production systems, and installation services managing the actual fit-out and associated services. SML is New Zealand's largest specialist fit-out group, and provides the capacity and infrastructure for significant growth, both in New Zealand and increasingly into the Australian market.

Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares
Pohutukawa	18.1%	31,018
Direct Capital III	23.2%	39,841
Total Direct Capital shareholding 45.5%		

Performance

For SML's full year, pre audit results show both revenue and EBITDA ahead of budget and significantly ahead of last year's results.

Given the market conditions the company is operating in, this represents an excellent result for the period and a good turnaround from what was a very difficult start to the year in April-May 2009.

Shears & Mac has experienced good performance for the period. The result

has been underpinned by strong demand across a number of key customers. The company has made good progress on customer relationships both in New Zealand and in Australia.

Outlook

The company's order book continues to be very strong and this is leading to an improvement in operating margins.

The company is actively seeking an acquisition in the Australian market to provide it with the installation capacity required to support its growing Australian business.

RODD & GUNN LIMITED

www.rodandgunn.com



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	11.9%	1,193,770	119,377
Direct Capital III	15.3%	1,533,861	153,386
Total Direct Capital shareholding 30.0%			

*Interest bearing

Background

Rodd & Gunn is a menswear apparel retailer, with nearly 70 stores in malls, on high streets and department store concessions in Australia and New Zealand.

Performance

The Company completed its June 2010

financial year with sales in excess of budget and EBITDA in line. This EBITDA result represents a substantial improvement on the 2009 result.

Outlook

Rodd & Gunn is continuing its store rollout plan while considering possible complimentary acquisitions in Australia.

The June 2011 financial year looks to be an active one in terms of new store development with new stand-alone stores and new Myer concessions will be opened, and 4 existing stores will be reformatted into the new look format.

Manager's Report on Portfolio Companies

NEW ZEALAND KING SALMON LIMITED

www.kingsalmon.co.nz



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares	*Shareholder Loan
Pohutukawa	11.2%	2,721,682	6,122,565
Direct Capital III	15.0%	3,636,689	8,178,998
BioPacific Ventures	6.5%	1,590,136	3,583,767
Total Direct Capital shareholding 43.3%			

*Interest bearing

Background

Based in Nelson with farms in Marlborough and employing 415 staff, NZKS is New Zealand's largest integrated aquaculture company specialising in the farming and processing of Chinook salmon. With operations including breeding, farming, processing and distribution, the company has developed its business to include a strong domestic market, plus achieving premium price positioning in export markets along with a wide variety of value-added products such as smoked salmon, fillets, tailored portions and kebabs. It owns the strong

consumer brands of Regal, Southern Ocean and Seasmoke.

Performance

The EBITDA result was ahead of budget due to higher sales and strong margins. The performance over the period was favourably impacted by the volcano activity in Iceland. This assisted a solid year-end EBITDA result ahead of budget and 7.2% ahead of the same period last year.

Year-end sales finished slightly ahead of budget with strong results achieved in New Zealand and Australia.

Margins were ahead of budget as the company was able to sell all fish fresh in the second six months.

Outlook

Medium term the company expects continuing strong sales in New Zealand and Australia and has a number of marketing initiatives for Japan and USA. NZKS is forecasting a shortage of fish supply over the next year and anticipates improved margins due to the increase in fresh fish sales. The Government has made a number of positive announcements concerning aquaculture, which should benefit NZKS with its expansion goals.

Manager's Report on Portfolio Companies

FISHPOND LIMITED

www.fishpond.co.nz



Shareholder Statement as at 30 June 2010	Shareholding %	No. Shares
Pohutukawa	3.5%	19,680
Direct Capital III	4.5%	25,564
Total Direct Capital shareholding 8.8%		

Background

Fishpond is Australasia's largest local online retailer, offering a selection of over 3.3 million books, 310,000 CDs and DVDs, as well as a wide selection of games, gaming consoles, and toys; plus an electronic category offering popular consumer electronic gadgets. Fishpond operates from a distribution centre in Auckland and employs approximately 50 people.

Performance

Since its launch in 2004 Fishpond has achieved compound revenue growth in excess of 100% per annum to become Australasia's largest online retailer. The company has also been profitable every year since inception.

For the period, Fishpond achieved further revenue increase. Gross profit margins were below expectation due to heavy discounting in new product categories.

Outlook

The outlook for the company is a broadening of the product offering and continuation of growth in online sales, revenue and earnings.

BIOPACIFICVENTURES

www.biopacificventures.com



Pohutukawa committed 10% of its capital (\$5.3m) to BioPacific Ventures (BPV), a venture fund focused on the life sciences, food and agri-tech sectors, and in particular "wellness through prevention".

Capital invested with BPV to date totals \$4.57 million.

BPV can place investments in early stage businesses. A number of these involve clinical trials for their products or are at a stage where they are ready to commercialise their product. Some will succeed while others may not warrant further investment. These early stage investments present Pohutukawa with potentially its main risk exposures, although these represent a small percentage of the overall portfolio. The investment risk that the early stage investments pose is mitigated by some of BPV's better performing investments in the food and pharmaceutical sector.

BPV has seven current investments with five of these considered active investments. These active companies

include: Horizon Science with its successful launch of a new sugar product across Australia and New Zealand; CoDa Therapeutics with its promising drug development for healing chronic wounds; Vital Foods with its rapidly increasing revenue from kiwi-fruit based functional foods; and two co-investments with Direct Capital III / Pohutukawa being NZ Pharmaceuticals and NZ King Salmon. These companies represent the five largest investments in the BPV portfolio.

We stated in our last report that the outlook for 2010 for these companies is that they will continue to achieve revenue growth from new product offerings and that outlook remains.

Financial Information

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2010

		Unaudited 6 months Jun 2010	Unaudited 6 months Jun 2009	Audited 12 months Dec 2009
Interest Income	2	455,973	807,100	1,449,473
Dividend Income		2,865,427	131,232	1,908,126
Change in fair value of investments	1 d	(1,721,948)	1,537,974	4,418,402
Other operating income		174,200	74,200	303,736
Administrative expenses		(691,956)	(718,848)	(1,498,511)
Operating profit		1,081,696	1,831,658	6,581,226
Finance expenses - interest		-	-	-
Profit before and after tax		1,081,696	1,831,658	6,581,226
Attributable to:				
Equity holders of the parent		(61,783)	162,452	254,698
Minority Interest	1 c	1,143,479	1,669,206	6,326,528
Profit for the period		1,081,696	1,831,658	6,581,226
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period attributable to the equity holders of stapled securities		1,081,696	1,831,658	6,581,226

Consolidated interim statement of changes in equity

For the six months ended 30 June 2010

	Attributable to equity holders of the parent			Minority interest	Total equity
	Share capital	Retained earnings	Total		
Balance at 1 January 2010	41,734,006	(2,698,084)	39,035,922	9,589,522	48,625,444
Total comprehensive income	-	(61,783)	(61,783)	1,143,479	1,081,696
Distributions to equity holders	-	-	-	(3,750,180)	(3,750,180)
Balance at 30 June 2010	41,734,006	(2,759,867)	38,974,139	6,982,821	45,956,960
Balance at 1 January 2009 (Restated)	44,872,106	(2,952,782)	41,919,324	9,914,788	51,834,112
Total comprehensive income	-	162,452	162,452	1,669,206	1,831,658
Distributions to equity holders (Restated)	-	-	-	(168,686)	(168,686)
Repayment of preference shares	(703,272)	-	(703,272)	-	(703,272)
Balance at 30 June 2009	44,168,834	(2,790,330)	41,378,504	11,415,308	52,793,812
Balance at 1 January 2009	44,872,106	(2,952,782)	41,919,324	9,914,788	51,834,112
Total comprehensive income	-	254,698	254,698	6,326,528	6,581,226
Distributions to equity holders	-	-	-	(6,651,794)	(6,651,794)
Repayment of preference shares	(3,138,100)	-	(3,138,100)	-	(3,138,100)
Balance at 31 December 2009	41,734,006	(2,698,084)	39,035,922	9,589,522	48,625,444

Financial Information

Consolidated interim statement of financial position

As at 30 June 2010

	<i>Note</i>	Unaudited Jun 2010	Unaudited Jun 2009 (Restated)	Audited Dec 2009
Assets				
Loans and receivables	2	9,229,494	6,539,607	6,936,559
Investments – equity securities	3	33,127,336	38,638,072	35,704,311
Total non-current assets		42,356,830	45,177,679	42,640,870
Cash and cash equivalents	4	2,061,042	6,970,547	5,061,688
Trade and other receivables	5	1,566,146	666,375	1,040,210
Total current assets		3,627,188	7,636,922	6,101,898
Total assets		45,984,018	52,814,603	48,742,768
Equity				
Issued capital		41,734,006	44,168,834	41,734,006
Retained losses		(2,759,867)	(2,790,330)	(2,698,084)
Total equity attributable to equity holders of the parent		38,974,139	41,378,504	39,035,922
Minority interest	1 c	6,982,821	11,415,308	9,589,522
Total equity attributable to equity holders of stapled securities		45,956,960	52,793,812	48,625,444
Liabilities				
Trade and other payables		27,058	20,791	117,324
Total current liabilities		27,058	20,791	117,324
Total liabilities		27,058	20,791	117,324
Total equity and liabilities		45,984,018	52,814,603	48,742,768

For and on behalf of the Board



Director

22 September 2010

Date



Director

22 September 2010

Date



Financial Information

Consolidated interim statement of cash flows

For the six months ended 30 June 2010

	<i>Note</i>	Unaudited Jun 2010	Unaudited Jun 2009	Audited Dec 2009
Cash flows from operating activities				
Cash receipts from fees		82,925	74,200	303,736
Interest received		611,700	180,182	329,812
Dividends received		16,869	125,606	1,908,126
Income tax refunded		-	-	3,358
Cash paid to suppliers		(801,571)	(774,955)	(1,444,262)
Interest paid		-	-	(19,278)
Income taxes paid		(15,416)	(358)	(23,533)
Net cash from operating activities	6	(105,493)	(395,325)	1,057,959
Cash flows from investing activities				
Proceeds from sale of investments		901,622	37,473	7,178,497
Loans advanced to related parties		-	-	(258,371)
Acquisition of investments		(46,595)	(1,539,407)	(2,866,261)
Net cash from investing activities		855,027	(1,501,934)	4,053,865
Cash flows from financing activities				
Proceeds from share capital		-	400,000	400,000
Repayment of share capital		-	(874)	-
Repayment of preference shares		-	-	(3,335,133)
Distributions to equity holders		(3,750,180)	(936,880)	(6,651,795)
Dividends paid		-	(131,232)	-
Net cash from financing activities		(3,750,180)	(668,986)	(9,586,928)
Net movement in cash and cash equivalents		(3,000,646)	(2,566,245)	(4,475,104)
Cash and cash equivalents at 1 January		5,061,688	9,536,792	9,536,792
Cash and cash equivalents at end of period		2,061,042	6,970,547	5,061,688

Financial Information



Notes to the consolidated interim financial statements

1. Significant accounting policies

Pohutukawa Private Equity Limited (the “Company”) is a company domiciled in New Zealand. The consolidated interim financial statements of the Company for the six months ended 30 June 2010 comprise the Company and 24 Investment Companies (together referred to as the “Group”).

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009, except that proportionate accounting has been utilised to incorporate the new Partnership structure.

The interim financial statements were approved by the Directors on 22 September 2010.

(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 2009.

(b) Basis of preparation

Pohutukawa Private Equity Limited and the 24 Investment Companies are registered under the Companies Act 1993 and are issuers and reporting entities for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993. The Company is a profit-oriented entity.

The financial statements are presented in New Zealand dollars, which is the Company’s functional currency. They are prepared on the historical cost basis except that certain financial instruments are stated at their fair value.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(c) Basis of consolidation

For every ordinary share held in Pohutukawa Private Equity Limited, investors also hold 100 preference shares in Pohutukawa Private Equity Limited as well as one preference share in each of the 24 (2009: 24) 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 Limited as the acquirer and the parent entity for the purpose of preparing consolidated financial statements. The 24 (2009: 24) 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 interest in the Partnership. Joint ventures are accounted for using the proportionate method.

A Partnership entity is now situated between the Investment Company and the Portfolio Company for one investment. The other partners in the Partnership are entities associated with Direct Capital III, the co-investor in the Portfolio Company. There is no effect on Pohutukawa Private Equity Limited shareholders resulting from this new structure.

Minority Interest

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

(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 the statement of comprehensive income.

The fair value of investment in equity securities measured at their fair value is their quoted bid price at the reporting date, if available, or valuations. Investments in unlisted equity securities are valued 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.

2. Loans and receivables

	Unaudited Jun 2010	Unaudited Jun 2009	Audited Dec 2009
Sale of investment proceeds receivable	-	703,272	-
Loan to NZ King Salmon Investments Limited	5,836,335	5,836,335	5,836,335
NZ King Salmon Investments Limited (capitalised interest)	286,230	-	841,853
Loan to Higgins Road Limited	138,994	-	138,994
Loan to Rodd & Gunn NZ Ltd and Rodd & Gunn Australia Ltd	119,377	-	119,377
Loan to NZP Holdings Limited	2,848,558	-	-
	<u>9,229,494</u>	<u>6,539,607</u>	<u>6,936,559</u>

The sale of investment proceeds receivable has now become current, and is therefore classified in Trade and other receivables. Refer to Note 5.

Financial Information

Notes to the consolidated interim financial statements

2. Loans and receivables (continued)

In September 2008 New Zealand King Salmon Investments Limited (investment held by Pohutukawa Lambda Investments Limited) was advanced \$5,836,335 as a loan at an interest rate to be set annually, currently 15%. The terms of the loan enable New Zealand King Salmon, at its option, to capitalise the loan and interest into equity. During the period \$555,623 of previously capitalised interest was repaid (30 June 2009: \$nil). Interest income accrued during the period includes \$434,127 relating to this loan.

The loan to NZP Holdings Limited (investment held by Pohutukawa Delta Investments Limited) was recognised in March 2010 at an interest rate of nil.

3. Investments

	Unaudited Jun 2010	Unaudited Jun 2009	Audited Dec 2009
Non-current investments			
Equity securities carried at fair value	33,127,336	38,638,072	35,704,311
	<u>33,127,336</u>	<u>38,638,072</u>	<u>35,704,311</u>

The Group has a number of investments in unlisted equity securities. Group policy is to carry these investments at fair value with subsequent movements in fair value recognised in the statement of comprehensive income. 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 the statement of comprehensive income.

Financial Information

Notes to the consolidated interim financial statements

3. Investments (continued)

The following details the unlisted equity securities held at 30 June 2010 at their cost price:

Entity name	Activities	Acquisition date	Voting interest	Cost of acquisition
NZP Holdings Limited ¹	Food/agriculture	Nov 2005	15.8%	4,775,157
BioPacificVentures	Private equity vehicle	Nov 2005	n/a	3,676,147
Triton Hearing Clinics Limited	Services	Nov 2006	18.7%	1,449,930
Stratex Group Limited	Manufacturing	Apr 2007	32.8%	3,598,812
GoBus Limited and Higgins Road Limited ²	Services	Dec 2007	33.1%	7,570,886
Shears & Mac Limited	Manufacturing	May 2008	18.1%	1,990,295
Rodd & Gunn NZ Limited & Rodd & Gunn Australia Limited ³	Retail	Aug 2008	11.9%	2,590,481
NZ King Salmon Investments Limited ⁴	Food	Sept 2008	11.2%	2,721,682
Fishpond Limited	On-line retail	Oct 2009	3.5%	592,938
				<u>28,966,328</u>

¹ In addition to the equity investment of \$4,775,157 the Group is due an amount of \$2,848,558. Refer Note 2 for further details.

² In addition to the equity investment of \$7,570,886 the Group has also loaned \$138,994 for a total investment of \$7,709,880.

³ In addition to the equity investment of \$2,590,481 the Group has also loaned \$119,377 for a total investment of \$2,709,858.

⁴ In addition to the equity investment of \$2,721,682 the Group has also loaned \$5,836,335, and capitalised interest of \$286,230 for a total investment of \$8,844,247. Refer to Note 2 for further details on the loan.

4. Cash and cash equivalents

	Unaudited Jun 2010	Unaudited Jun 2009	Audited Dec 2009
Cash at bank	330,750	135,547	221,688
Short-term deposits	1,730,292	6,835,000	4,840,000
	<u>2,061,042</u>	<u>6,970,547</u>	<u>5,061,688</u>

Surplus cash is held on short-term deposit with ANZ National Bank and Craigs Investment Partners Cash Management Trust Limited. The deposits are for periods of up to 90 days and have interest rates ranging from 2.00% to 3.87%.

Financial Information

Notes to the consolidated interim financial statements

5. Trade and other receivables

	Unaudited Jun 2010	Unaudited Jun 2009	Audited Dec 2009
Sale of investment proceeds receivable	703,272	-	703,272
Goods and services tax receivable	28,662	4,028	2,103
Interest receivable on New Zealand King Salmon Loan	671,578	641,475	271,682
Other receivables	162,634	20,872	63,153
	<u>1,566,146</u>	<u>666,375</u>	<u>1,040,210</u>

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

As a result of an Inland Revenue Department review of Pohutukawa Private Equity Limited, all GST refunds owing to the Company have been withheld by at 30 June 2010. The Group expects these refunds to be released by the Inland Revenue Department at the conclusion of the review.

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

	Unaudited Jun 2010	Unaudited Jun 2009	Audited Dec 2009
Profit for the period	3,374,631	1,831,658	6,581,226
<i>Adjustments for:</i>			
Changes in fair value of investments - equity securities	(570,987)	(1,537,974)	(4,418,402)
Non-cash dividend	(2,848,558)	-	-
Capitalised interest	555,623	-	(841,853)
	<u>510,709</u>	<u>293,684</u>	<u>1,320,971</u>
<i>Movements in Working Capital:</i>			
Change in trade and other receivables	(510,887)	(627,029)	(299,545)
Change in trade and other payables	(90,266)	(61,622)	34,911
Change in income tax receivable	(15,049)	(358)	1,622
Net cash from operating activities	<u>(105,493)</u>	<u>(395,325)</u>	<u>1,057,959</u>

Financial Information

Notes to the consolidated interim financial statements

7. Share capital

<i>In millions of shares</i>	Investment Co's			PPE			PPE		
	Preference shares			Ordinary shares			Preference shares		
	Jun 10	Jun 09	Dec 09	Jun 10	Jun 09	Dec 09	Jun 10	Jun 09	Dec 09
On issue at beginning of period	1,272	1,272	1,272	53	53	53	4,198	4,532	4,532
Redemption of shares	-	-	-	-	-	-	-	(94)	(334)
On issue at end of period	1,272	1,272	1,272	53	53	53	4,198	4,438	4,198

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

There are 24 Investment Companies, each with 53,000,000 preference shares. At the end of the period to 30 June 2010, there were 1,272,000,000 preference shares.

At the end of the period to 30 June 2010, there were 4,198,000,000 Pohutukawa Private Equity Limited preference shares.

Prior period adjustment (Dec 2009)

The 2009 consolidated interim financial statements included a distribution totalling \$871,085 made via the Investment Companies (Eta), however the distribution should have been treated as a repurchase of redeemable preference shares through the parent company. This change has been reflected in these financial statements and has had no impact on the statement of comprehensive income or the total equity attributable to the equity holders of stapled securities. The only impact has been on the split between share capital and the minority interest. Total equity has not changed as a result.

8. Subsequent events

The escrow amount due from Innovair of \$703,272 was received in full with interest on 9 July 2010.

A follow on investment of \$179,410 was made in Fishpond Limited on 23 July 2010.

10 Investment Companies will not be required for further investments and have been de-registered from the Companies Register.

9. Related parties

a) 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 Limited own 50% each of Pohutukawa Management Limited, the Manager of Pohutukawa Private Equity 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 Limited and Direct Capital Management Limited.

Direct Capital Management Limited employees are responsible for preparing valuations of investments.

Financial Information

Notes to the consolidated interim financial statements

9. Related parties (continued)

b) Transactions with related parties

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

- Management fees paid to Pohutukawa Management Limited totalled \$503,876 (30 June 2009: \$535,376).
- Surplus cash has been invested into Craigs Investment Partners Cash Management Trust Limited, which is managed by a subsidiary of Craigs Investment Partners Limited. At 30 June 2010 the balance held was \$330,750 (30 June 2009: \$135,547).

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.

Additionally, loans were advanced by Pohutukawa Private Equity Limited to companies which the Investment Companies hold an ownership interest (see Note 2).

c) Transactions with key management personnel

	Unaudited Jun 2010	Unaudited Jun 2009
Directors fees (total remuneration)	50,000	41,079

The balance owing to key management personnel at 30 June 2010 is \$25,000 (30 June 2009: \$16,250).

Auditor's Review Report



To the shareholders of Pohutukawa Private Equity 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 provide information about the past financial performance of the Group and its financial position as at 30 June 2010.

Directors' responsibilities

The Directors of Pohutukawa Private Equity Limited are responsible for the preparation of the consolidated interim financial statements which give a true and fair view of the financial position of the Group as at 30 June 2010 and the results of its 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 consolidated interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Company 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 Company 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 Company. The firm has no other relationship with, or interest in, the Company or the 24 Investment Companies.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2010, the results of its 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 22 September 2010 and our opinion is expressed as at that date.

KPMG

Tauranga

Directory

BOARD OF DIRECTORS OF POHUTUKAWA PRIVATE EQUITY

John McDonald
Neil Craig
Maurice Prendergast
Frank Aldridge

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