

NZSIF



New Zealand
Social Infrastructure
Fund Limited



Melbourne Convention & Exhibition Centre



Hobsonville Secondary School

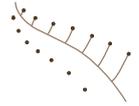


Bendigo Healthcare Accommodation

Annual Report

For the year ended 31 March 2014

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Report to shareholders

16 July 2014

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) annual report for the year ended 31 March 2014. The report includes our audited financial statements for that period.

Highlights of this report include:

- NZSIF produced a profit for the period of \$758,498 (2013: \$710,861), a return on shareholder funds of 6.48% (2013: 5.53%).
- NZSIF's earnings were negatively impacted by lower distributions received from the PIP Fund with earnings generated by the Melbourne Convention & Exhibition Centre being affected by the strong NZ dollar and Australian non-resident withholding tax deducted, but benefited from strong revaluation gains from all our investments.
- Net asset backing at 31 March 2014 was 41.1 cents per share (cps).
- *Distributions*
NZSIF made two distributions during the financial period. Gross dividends of 0.79 cps on 19 July 2013 and 0.48 cps on 6 December 2013. The Board has approved a final dividend relating to 2014 cash flows of 0.62 cps to be paid to shareholders before the end of July 2014.
- *Hobsonville Schools*
The primary school was completed and opened January 2013. The secondary school was completed and opened mid-February 2014. The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.25 million.
- *Bendigo Healthcare Group Accommodation Facility*
We announced this investment in April 2013. This healthcare workers' accommodation facility is based in Bendigo, Victoria, Australia. Stage 1 was successfully delivered to the hospital in October 2013, with Stage 2 completed in February 2014 (three months early). The total equity investment for the PIP Fund was A\$8.7 million, equivalent to approximately NZ\$10.8 million. NZSIF has invested NZ\$2.3 million.
- *Melbourne Convention & Exhibition Centre (MCEC)*
The MCEC investment has performed well producing solid cash flows, and showed an increase in valuation at 31 March 2014, despite the strong NZ dollar impacting on the valuation.

- *Auckland Prison*

In April 2014 the Corrections Department announced that Next Step Partners a PIP Fund consortium was shortlisted to develop a proposal for designing, building, financing and maintaining a new maximum security facility at Auckland Prison. While the Government is yet to make a final commitment, we are expecting to fund investment calls from late 2014, which will be returned by the Government with interest, if no final commitment is made.

The NZSIF Board is encouraged by the investment progress and prospects in addition to those noted above.

Background

Limited Partnership and Capital

NZSIF invests as a Limited Partner in the Public Infrastructure Partners LP Fund (PIP Fund). The PIP Fund is an institutional fund established by Morrison & Co, structured as a limited liability partnership, to invest in public-private partnerships (PPPs) that deliver social infrastructure assets such as schools, hospitals, accommodation facilities and local government facilities to the community.

The final close for the PIP Fund was 31 December 2010. The PIP Fund has nine limited partners with capital commitments of \$176.5 million. NZSIF has a 23% interest in the PIP Fund and is the second largest investor, behind the New Zealand Superannuation Fund.

As at 31 March 2014 the limited partners have contributed close to 40% of their committed capital to the PIP Fund.

Investment Portfolio

Hobsonville Schools

In April 2012 Learning Infrastructure Partners (LIP, a PIP Fund consortium) entered into a contract with the Government to provide New Zealand's first public private partnership (PPP) for the design, construction, finance and maintenance of Auckland's Hobsonville Point primary and secondary schools, for the next 25 years.

The primary school was completed and opened January 2013. The secondary school was completed and opened mid-February 2014.

The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.25 million. Westpac Bank provided the senior debt. The PIP Fund owns 97.5% of LIP, while Hawkins Construction has a 2.5% equity interest.

Primary School - Hobsonville Point School,
West Auckland



Hobsonville Secondary School



The first distributions from Hobsonville Schools are expected to be made by the PIP Fund after the June 2014 quarter, and to be reflected in future NZSIF dividends.

*Bendigo Healthcare Group Accommodation Facility
(Bendigo, Victoria, Australia)*

We announced this investment on 18 April 2013. This is a doctors and nurses residential facility based in Bendigo, Victoria, Australia. The Bendigo facility comprises 96 one bedroom and 24 two bedroom residential apartment units for doctors and nurses working in the Bendigo Hospital. The accommodation facility was fully completed in March 2014.

Investment factors include:

- The Bendigo Healthcare Group (BHCG) is the tenant. BHCG is a public health provider for the State of Victoria under the Health Services Act 1988;

Bendigo Healthcare Group Accommodation Facility



- 30 year property lease with inflation linked cash flow;
- There is no occupancy risk; and
- APIP Fund entity owns the land, and retains ownership of the land and buildings at the end of the lease.

BHCG employs 3,000 staff, has a A\$300 million budget and is currently building a new A\$600 million hospital. Construction of the new hospital began in 2013 and is due for completion by the end of 2016.

The total equity investment in the accommodation facility was A\$8.7 million, equivalent to approximately NZ\$10.8 million. NZSIF's share of this investment was NZ\$2.3 million.

We expect to see the Bendigo distributions to the PIP Fund commencing after the June 2014 quarter, and be reflected in future NZSIF dividends.

The Melbourne Convention and Exhibition Centre

The Melbourne Convention and Exhibition Centre (MCEC) was the first PIP Fund investment, completed in 2010. The MCEC investment represents 22% of the PIP Fund's committed capital. The MCEC is a substantial development with property, plant and equipment assets of approximately A\$826 million (MCE Trust Annual Report June 2013) and long-term funding in place. The MCEC investment is an established operational PPP asset.

NZSIF's net investment cost was NZ\$9 million. The MCEC was a NZ\$40 million equity investment for the PIP Fund. The MCEC is regarded as an ideal investment, with the underlying revenue streams being based on availability of the facility, and not demand or patronage driven.

Melbourne Convention & Exhibition Centre



In February 2012 Caisse de dépôt et placement du Québec (Caisse), a leading Canadian fund manager and Plenary Group reached an agreement for Caisse to invest in five public-private partnership (PPP) projects in Australia, including the Melbourne Convention and Exhibition Centre. This resulted in a return of capital by the PIP Fund to the limited partners, including NZSIF. This return of capital, equivalent to 2.8 cps was passed through to NZSIF shareholders in two tranches in May and July 2012.

During the financial period to 31 March 2014 the MCEC investment performed to expectations producing strong cash flows, with no revenue deductions for equity investors; a satisfying outcome. Generally when faced with revenue deductions (for disruption in any of the facilities' services) these deductions are passed through to the operations management company, Brookfield Multiplex.

Key information on the MCEC:

- Melbourne Convention Centre, a 5,000 seat hall, meeting and banquet rooms, six-star Green Star rated building.
- Melbourne Exhibition Centre, a pre-existing 30,000m² facility adjacent to the Melbourne Convention Centre. The older exhibition centre assets are due to be upgraded at the expense of the State of Victoria rather than as a PPP variation.
- The concession runs for 25 years from January 2009 to 2034, with the State of Victoria as counter-party.

Chart 1 below shows the NZSIF investment mix as at 31 March 2014. As well as the investments made the chart shows capital returned and the proportion of capital remaining to be called.

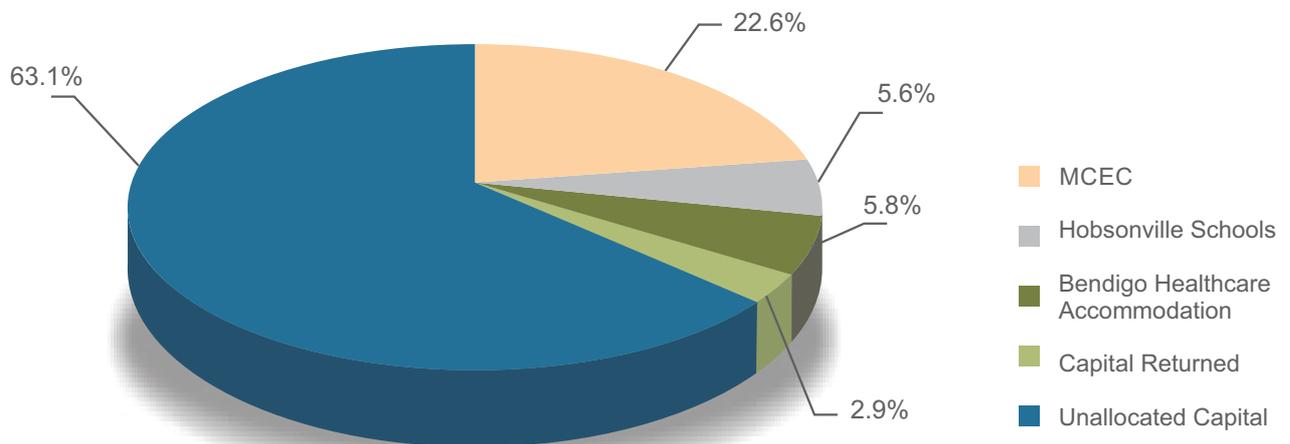
Investment Opportunities

There are a number of investment opportunities over the next 12 months in both New Zealand and Australia.

New Zealand opportunities:

- *Auckland Prison*
Paremoremo Prison Rebuild - In April 2014 the Corrections Department announced that Next Step Partners a PIP Fund consortium was shortlisted to develop a proposal for designing, building, financing and maintaining a new maximum security facility at Auckland Prison. (no custodial services).

Chart 1 - NZSIF Investment Mix as at 31 March 2014



- New Zealand Grouped Schools (Christchurch, Auckland, Queenstown/Wakatipu, Hamilton) for which an Expression of Interest was lodged by a PIP Fund consortium in April 2014.
- Auckland Pathway Project – a harbour bridge cycle lane – a decision from Council is likely this quarter.
- Roads of National Significance - Puhoi-Warkworth – currently looking at consortium partners.

The PIP Fund consortium 'Positive Connection' was one of two consortia shortlisted for the bidding phase of the Transmission Gully roading PPP tender but unfortunately was unsuccessful with its bid in December 2013.

Australian opportunities:

The main opportunity for the PIP Fund in Australia is the Wollongong University Student Accommodation. This is essentially an existing accommodation facility that is being “monetised”. A Request for Proposal has recently been submitted.

Opportunities mentioned in earlier shareholder reports, including the Royal Adelaide Hospital and the East-West Link in Melbourne, are not progressing.

Investment Timeline

The PIP Fund investment period commenced 30 October 2009 and runs until 29 October 2015, unless extended by approval of the Advisory Committee (see Committees page 31).

With the completion of the Bendigo and Hobsonville School investments the PIP Fund has called close to 40% of its committed capital. Success with a further two to three investments, scale dependent, would push our invested capital towards the investment commitment limit and inside the target investment timeline of October 2015.

Distributions

Dividend approved for payment

The Board has approved a dividend of 0.62 cps and the aim is to pay this to shareholders before the end of July 2014. This will be a cash payment less tax at shareholder prescribed tax rates. There are no imputation credits available to attach to this distribution as the income is sourced entirely from the PIP Fund investment in the MCEC.

Dividends paid

For the 2014 financial period NZSIF made two distributions totaling 1.27 cps (2013: 1.52 cps). This included gross dividends of 0.79 cps on 19 July 2013 (relating to 2013 cash flows) and 0.48 cps on 6 December 2013.

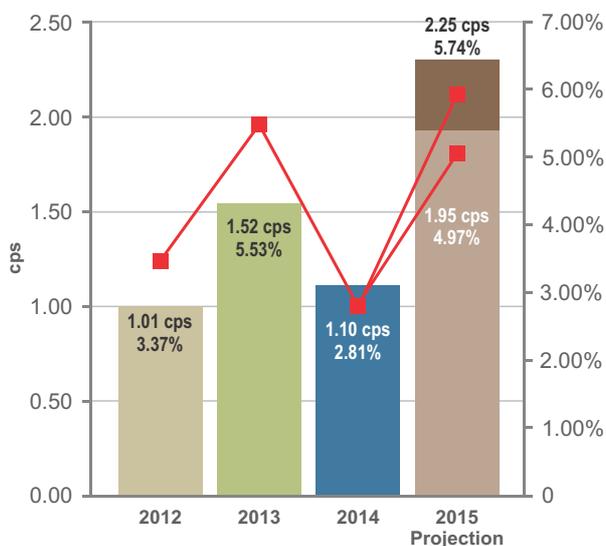
The gross dividend yield on net investor capital for the financial year ended 31 March 2014 will therefore be 2.81% (based on PIP Fund cash flows generated in the 2013-2014 period which includes the 0.62 cps to be paid July 2014).

Projected dividend payments for 2015 are estimated to be in the range of 1.95 cps to 2.25 cps based on current investments and known cash flows (including expected distributions commencing from Hobsonville Schools and Bendigo) and would represent a 5.74% gross yield on net 39.2 cps called to date.

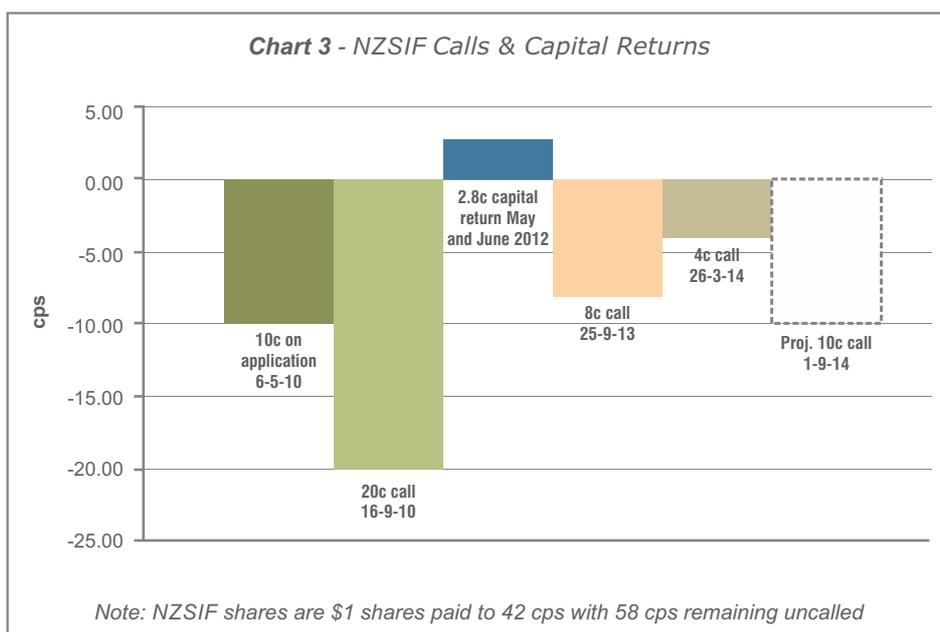
The forecasts above include distributions from Hobsonville Schools and Bendigo, both expected to begin after the June 2014 quarter.

Chart 2 below provides a snapshot of the dividends and respective yields paid from 2012 and the projected dividends for 2015.

Chart 2 - NZSIF Dividend Yields 2012-2015



Note: 2012 gross dividend yield on 30 cps capital base; 2013 gross yield on a 27.2 cps average capital base; 2014 gross yield on an a 39.2 cps average capital base; 2015 gross yield on a 39.2 cps average capital base



NZSIF Capital Position and Calls

Shareholders have to date contributed \$17.2 million (42 cps) in capital to NZSIF and received capital returns of \$1.15 million (2.8 cps), resulting in a net 39.2 cps invested.

The timing of the next call will depend on the success of the bid for the Auckland Prison PPP. If the bid is successful we would expect to call a further 10 cps in September/October 2014. We have shown this next call as a projection only in *Chart 3*.

The net asset backing as at 31 March 2014 was 41.1 cps.

Chart 3 shows all capital contributions from inception and capital returned, plus a 2014-2015 call projection.

PIP Fund Investment Valuation

As there is no quoted market price for the PIP Fund, valuation techniques must be utilised to determine the fair value of the PIP Fund, which may require an aggregation of valuations of the PIP Fund's investments. The valuation techniques utilised can include 'the price of recent acquisitions', 'market based earnings multiples' or

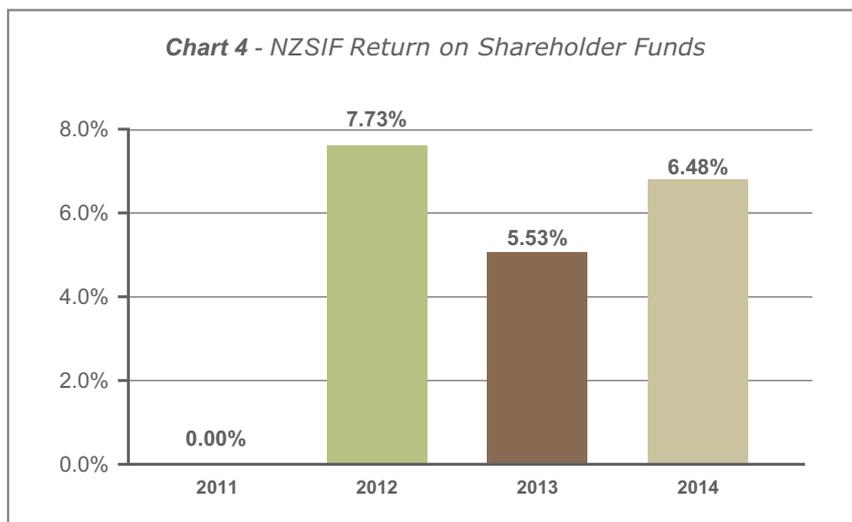
'discounted cash flows'. As at 31 March 2014 the valuation method used by the PIP Fund to value its operating project investments, (Melbourne Convention & Exhibition Centre, Bendigo Healthcare Group and Hobsonville Schools) was the discounted cash flow method. Other net assets were valued at current market value.

The PIP Fund employs third party experts to value the Fund's investments annually. The valuation is calculated at each 31 March balance date.

NZSIF Investment Valuation & Returns

NZSIF policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss.

NZSIF's investment in the PIP Fund at 31 March 2014 was valued at \$16.1 million (2013: \$11.3 million), which included an increase in fair value of \$2.1 million, but this was partially off-set by a negative foreign exchange movement of \$1.6 million on the MCEC investment due to the strength of the NZ dollar. NZSIF paid \$4.2 million in PIP Fund calls of which \$3.1 million was invested in Bendigo and Hobsonville Schools.



The NZSIF shareholder return on the starting capital position for the year was 6.48% compared with 5.53% in 2013. *Chart 4* shows the return on opening shareholder funds from 2011 to 2014.

NZSIF shareholder returns from the various investments will continue to increase over time, particularly as our costs are spread across a greater investment base. Cash flows are expected to increase during 2014-2015 as distributions from the Bendigo and the Hobsonville Schools investments come on stream.

Annual Financial Statements

The audited annual financial statements covering the 12-month period to 31 March 2014 are provided in this annual report for your information.

The financial period delivered another solid performance. NZSIF received dividend income of \$520,370 from the PIP Fund (2013: \$711,528). There was a small amount of interest income, \$20,520 plus a

positive movement in the fair value of NZSIF's investment in the PIP Fund of \$494,382 (after the impact of the strengthening NZ dollar during the financial year). After expenses of \$277,708 and tax, net income of \$758,498 (2013: \$710,861) was recorded. See *Chart 5* for the past period comparisons.

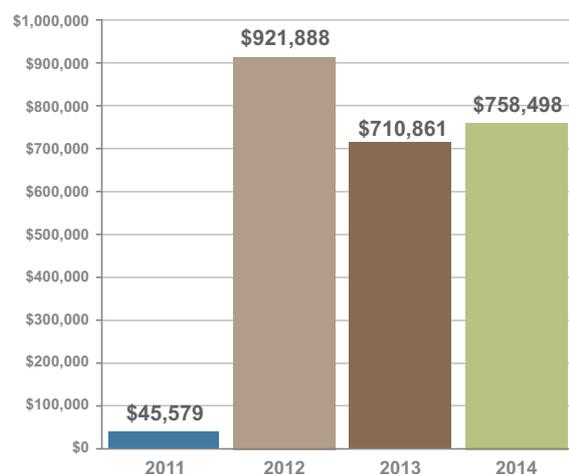
The current value of the NZSIF investment in the PIP Fund is \$16,059,580 (2013: \$11,343,102). Liabilities represent just 0.4% of NZSIF's equity.

Capital and Net Asset Backing

Issued capital is \$15,649,239. Combined with retained earnings of \$1,204,933 total capital is \$16,854,172 which represents net asset backing of 41.1 cps as at 31 March 2014.

Dividends of \$520,367 were paid, equivalent to 1.27 cps during the financial period.

Chart 5 - NZSIF Net Income Comparison for 2011-2014 Periods



NZSIF Annual Shareholders Meeting

The details for our Annual Shareholders Meeting are:

Date: Monday, 18 August 2014

Time: 11.30 a.m.

Place: Craigs Investment Partners Limited,
Level 32, Vero Centre, 48 Shortland Street,
Auckland.

RSVP: Contact Peter Lalor on 07 577 4727 or email
enquiries@nzsif.co.nz by 11 August 2014.

We extend an invitation to attend this meeting and look forward to seeing you there.

Outlook

The Manager of the PIP Fund and NZSIF Directors are encouraged by the investment progress and performance despite the significant negative impact the strengthening NZ dollar had on the MCEC investment during the period. Now that the Hobsonville Schools and Bendigo investments have been completed an uplift in cash flows and distributions is expected.

The PIP Fund is paying regular six monthly dividends which means NZSIF can continue to pass these cash flows through to our shareholders six monthly.

The NZSIF Fund is focused on investing for yield. Yields from the various investments will continue to increase over time.

There continue to be attractive investment prospects in both the New Zealand and Australian markets. The Manager is confident that the Fund will be fully committed by October 2015.

Any new investment made by the PIP Fund will entail a call being made on NZSIF to fund the investment. In turn we will make a call on NZSIF shareholders.

We will keep you informed as investments are made by the PIP Fund through media releases, via the NZSIF website www.nzsif.co.nz or by writing directly to you. All shareholder reports plus news updates are always available to view on our website www.nzsif.co.nz.

If you have any queries regarding your investment in NZSIF, please discuss with your Investment Adviser or you may call Peter Lalor at NZSIF Management on 07 577 4727.

On 16 May 2014 Neil Craig resigned as a director of New Zealand Social Infrastructure Fund Limited. I would like to sincerely thank Neil for his contribution as a director since inception of the Fund. I welcome David McCallum as a new director to the Fund. David is a Director, Investment Banking for Deutsche Craigs Limited (a Craigs Investment Partners subsidiary).

Thank you for your continuing support of NZSIF.

Yours sincerely
NEW ZEALAND SOCIAL INFRASTRUCTURE
FUND LIMITED



Kim Ellis
Chairman

Directors' report

For the 12 month period ended 31 March 2014

Directors holding office during the year and their remuneration.

	Director Fees \$	Date of appointment
K Ellis	46,000	26-Jan-10
I Fraser*	30,000	26-Jan-10
N Craig**	nil	26-Jan-10
M Caird**	nil	26-Jan-10

*GST exclusive

**Craigs Investment Partners Limited directors waived their NZSIF directors' fees for the entire financial period.

Entries recorded in the interests register

The entries shown in the table below were recorded in the interest register of the Company during the year.

Directors' shareholdings (including relevant interests) and dealings in NZSIF for the period to 31 March 2014.

	Original Shares subscribed for	Change in holdings for the period
K Ellis	150,000	+100,000*
N Craig	100,000	nil
M Caird	100,000	nil

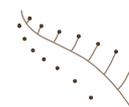
*acquired at market June 2013



Director
25 June 2014



Director
25 June 2014



Statement of comprehensive income

For the year ended 31 March 2014

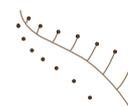
	<i>Note</i>	2014	2013
		\$	\$
Dividend income		520,370	711,528
Interest income		20,520	73,898
Movement in fair value of investment in PIP Fund	5	494,382	188,249
Total investment income		<u>1,035,272</u>	<u>973,675</u>
Administrative expenses	3	(277,708)	(262,840)
Profit/(Loss) before tax		<u>757,564</u>	<u>710,835</u>
Income tax benefit/(expense)	4	934	26
Profit for the year		<u>758,498</u>	<u>710,861</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>758,498</u>	<u>710,861</u>

Statement of changes in equity

For the year ended 31 March 2014

	Share capital	Retained earnings	Total equity
Balance at 31 March 2013	10,729,239	966,802	11,696,041
Profit for the year	-	758,498	758,498
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>758,498</u>	<u>758,498</u>
Capital issued	4,920,000	-	4,920,000
Dividends paid	-	(520,367)	(520,367)
Balance at 31 March 2014	<u>15,649,239</u>	<u>1,204,933</u>	<u>16,854,172</u>

	Share capital	Retained earnings	Total equity
Balance at 31 March 2012	11,878,696	967,467	12,846,163
Profit for the year	-	710,861	710,861
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>710,861</u>	<u>710,861</u>
Redemption of capital	(1,149,457)	-	(1,149,457)
Dividends paid	-	(711,526)	(711,526)
Balance at 31 March 2013	<u>10,729,239</u>	<u>966,802</u>	<u>11,696,041</u>



Statement of financial position

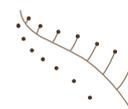
As at 31 March 2014

	<i>Note</i>	2014 \$	2013 \$
Assets			
Investment in PIP fund	5	16,059,580	11,343,102
Total non current assets		<u>16,059,580</u>	<u>11,343,102</u>
Cash and cash equivalents	9	774,882	368,062
Receivables and prepayments	7	77,073	25,334
Taxation receivable	4	6,627	21,999
Total current assets		<u>858,582</u>	<u>415,395</u>
Total assets		<u>16,918,162</u>	<u>11,758,497</u>
Equity			
Issued capital	10	15,649,239	10,729,239
Retained earnings		1,204,933	966,802
Total equity attributable to equity holders		<u>16,854,172</u>	<u>11,696,041</u>
Liabilities			
Trade and other payables	8	63,990	62,456
Total current liabilities		<u>63,990</u>	<u>62,456</u>
Total liabilities		<u>63,990</u>	<u>62,456</u>
Total equity and liabilities		<u>16,918,162</u>	<u>11,758,497</u>

For and on behalf of the Board

Director
25 June 2014

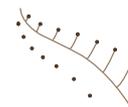
Director
25 June 2014



Statement of cash flows

For the year ended 31 March 2014

	<i>Note</i>	2014 \$	2013 \$
Cash flows from operating activities			
Dividends received		520,370	711,528
Interest received		20,781	78,664
Interest paid		(3,729)	-
Income tax refunds		22,115	57,051
Income taxes paid		(5,809)	(21,999)
Cash paid to suppliers		(272,445)	(236,950)
Net cash from operating activities	<i>11</i>	281,283	588,294
Cash flows from financing activities			
Call monies received		4,868,000	-
Redemption of capital		-	(1,149,457)
Dividends paid		(520,367)	(711,526)
Net cash from financing activities		4,347,633	(1,860,983)
Cash flows from investing activities			
Proceeds from PIP fund	<i>5</i>	-	1,149,457
Investment in PIP fund	<i>5</i>	(4,222,096)	(1,789,024)
Net cash from investing activities		(4,222,096)	(639,567)
Net movement in cash and cash equivalents		406,820	(1,912,256)
Cash and cash equivalents at 31 March 2013		368,062	2,280,318
Cash and cash equivalents at 31 March 2014	<i>9</i>	774,882	368,062



Notes to the financial statements

1. General Information

(a) Reporting entity

New Zealand Social Infrastructure Fund Limited (the “Company”) is a company incorporated and domiciled in New Zealand. New Zealand Social Infrastructure Fund Limited is registered under the Companies Act 1993 and is an issuer and a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements of the Company are for the year ended 31 March 2014.

The Company is primarily involved in investing into public-private partnerships as a limited partner of the Public Infrastructure Partners Limited Partnership (the “PIP Fund”).

The financial statements were approved by the Directors on 25 June 2014.

(b) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards (“IFRS”) and the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

(c) Basis of measurement

The financial statements are prepared on the historical cost basis except that the investment in the PIP Fund is stated at fair value. (See Note 2(a))

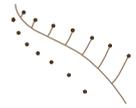
(d) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the Company’s functional currency, and rounded to the nearest dollar.

(e) Use of estimates and judgements

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. The key area involving the use of estimates and judgements is the investment in the PIP Fund (see Note 5).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



Notes to the financial statements

2. Significant accounting policies

The accounting policies set out below have been applied consistently through all periods presented in these financial statements.

(a) *Investment in the PIP Fund*

The PIP Fund is a limited liability partnership, established under the Limited Partnerships Act 2008. The primary purpose of the PIP Fund is to make investments in social infrastructure assets through Public Private Partnerships (PPPs).

New Zealand Social Infrastructure Fund Limited invests in the PIP Fund as a limited partner.

The Company's investment in the PIP Fund is classified at fair value through profit or loss and presented as a non-current asset in the statement of financial position. The investment is stated at fair value, with any resultant change in fair value recognised in profit or loss.

(b) *Finance income and expense*

Interest income is recognised as it accrues, using the effective interest rate method.

All finance expenses are recognised in the profit or loss using the effective interest method.

(c) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of 3 months or less.

(d) *Impairment*

The carrying amounts of the Company's assets, other than investments in the PIP Fund (see accounting policy (a)), and deferred tax assets (see accounting policy (g)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on the present value of estimated future cash flows, discounted at the original effective interest rate.

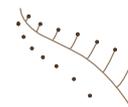
Impairment losses are recognised in profit or loss. An impairment loss is reversed in profit or loss if there has been a change in the estimates used to determine the recoverable amount.

(e) *Share capital*

Share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option.

(f) *Other financial assets and liabilities*

Other financial assets and liabilities, including receivables and payables are carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value.



Notes to the financial statements

2. Significant accounting policies *(continued)*

(g) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(h) Goods and services tax (GST)

All amounts are shown inclusive of GST, as the Company is not registered for GST.

(i) New standards and pronouncements relevant to the Company

The Company has adopted the following new standard, with a date of application of 1 April 2013.

- NZ IFRS 13 Fair Value Measurement

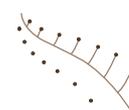
This standard had had no material impact on the disclosures in the financial statements.

A number of new or revised standards are not effective for the period ended 31 March 2014, and have not been applied in preparing these financial statements. Those that are applicable to the Company are:

- NZ IFRS 9 – ‘Financial Instruments: Classification and Measurement’ – effective 1 January 2015. This standard simplifies how an entity should classify and measure financial assets.

The Company does not plan to early adopt this standard and management does not believe there will be any material changes as a result of adopting this standard.

There are a number of other standards and interpretations which are not yet effective and management consider they will have no impact on the Company.



Notes to the financial statements

3. Administrative expenses

	<i>Note</i>	2014	2013
Management fees	13	116,965	118,783
Directors' fees	13	76,000	76,000
Insurance		26,450	25,905
Auditor's remuneration (see below)		30,653	25,944
Other administrative expenses		27,640	16,208
		<u>277,708</u>	<u>262,840</u>

Auditor's remuneration to KPMG comprises:

Review of interim financial statements	8,332	8,447
Audit of year end financial statements – current year	17,854	16,905
Audit of year end financial statements – previous year	591	592
Tax advice	3,876	-
	<u>30,653</u>	<u>25,944</u>

4. Income tax expense/(benefit)

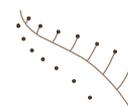
	2014	2013
Income tax expense/(benefit) in statement of comprehensive income	<u>(934)</u>	<u>(26)</u>

Reconciliation of effective tax rate

	<i>Note</i>	2014	2013
Profit before tax		<u>757,564</u>	<u>710,835</u>
Income tax expense at 28% tax rate		212,118	199,034
Tax exempt income		(284,131)	(251,938)
Prior period adjustment		(116)	(26)
Tax loss not recognised	6	-	52,904
Share of income from underlying partnerships		503,279	-
Share of tax credits from underlying partnerships		(49,243)	-
Recognition of previously unrecognised tax losses	6	<u>(382,841)</u>	<u>-</u>
Total income tax expense/(benefit)		<u>(934)</u>	<u>(26)</u>

Taxation payable/(receivable)

	<i>Note</i>	2014	2013
RWT receivable		<u>(6,627)</u>	<u>(21,999)</u>
		<u>(6,627)</u>	<u>(21,999)</u>



Notes to the financial statements

5. Investment in PIP Fund

The Company currently has one investment, which is in the Public Infrastructure Partners LP (PIP Fund).

The Company's fair valuation of its share of the PIP fund as at 31 March 2014 is \$16,059,580 (2013: \$11,343,102) which is recorded in the statement of financial position. The movement against the previous valuation is shown as a fair value movement through profit or loss increase of \$494,382 (2013: \$188,249).

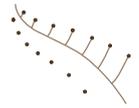
The following table is a reconciliation of the opening balance to the closing balance for fair value measurement of the Investment in the PIP Fund:

Investments	2014	2013
Opening balance	11,343,102	10,515,286
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments	2,063,812	329,236
- Foreign exchange movement	(1,569,430)	(140,987)
	494,382	188,249
Capital distributions received	-	(1,149,457)
Purchase of investments	4,222,096	1,789,024
Closing balance	16,059,580	11,343,102

The 'purchase of investments' relates to five capital calls made by the PIP Fund totalling \$4,222,096, of which \$871,955 was for a further investment in the Bendigo Healthcare Group accommodation facility, \$2,248,725 related to the acquisition by the PIP Fund of the Hobsonville Schools, with the balance of \$1,101,416 for PIP working capital.

Total gains or losses included in profit or loss for the year in the above table are presented in profit or loss as follows:

Investments	2014	2013
Total gains/(losses) included in profit or loss for the year	494,382	188,249
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	494,382	188,249



Notes to the financial statements

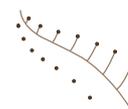
5. Investment in PIP Fund *(continued)*

Key estimates and judgements

Company policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. As there is no quoted market price for the PIP Fund, the Company has adopted as fair value its proportional share of the net assets attributable to partners of the PIP Fund from the PIP Fund audited financial statements as at 31 March 2014. The PIP Fund itself has made three investments as at 31 March 2014. Valuation techniques have been utilised by the PIP Fund in its audited financial statements to determine the fair value of the PIP Fund project investments. The valuation techniques utilised can include 'the price of recent acquisition', 'market based earnings multiples' or 'discounted cash flows'. The General Partner of the PIP Fund arranges valuations of the project investments as at the end of the reporting period by an independent valuation expert.

The PIP Fund is subject to a performance fee which is payable to the manager if certain conditions are met. The PIP fund has disclosed this as a contingent liability in its 31 March 2014 financial statements. This contingency at a PIP Fund level has the potential to reduce the Company's investment in the PIP Fund if/when recognised, however based on early estimates the Directors do not consider it material to the 31 March 2014 financial statements.

As at 31 March 2014 the valuation method used by the PIP Fund to value its operating project investments, (Melbourne Convention & Exhibition Centre, Bendigo Healthcare Group and Learning Infrastructure Partners LP) was the discounted cash flow method, which is appropriate for valuing a series of future cash flows to equity. Last year the PIP Fund's investment in Learning Infrastructure Partners LP (LIP LP) (Hobsonville Schools project) was under construction at balance date and the fair value was determined to be nil by the Directors. The other assets of the PIP Fund are primarily cash and cash equivalents. Their carrying value is considered to be fair value and the Company have taken up their share of the carrying value of these other assets.



Notes to the financial statements

6. Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	<i>Note</i>	2014	2013
Opening balance		763,556	155,150
Tax losses from underlying Partnerships not yet recognised		-	555,502
Utilisation of unrecognised tax losses	4	(382,841)	-
Tax loss not recognised	4	-	52,904
Closing balance 31 March 2014		<u>380,715</u>	<u>763,556</u>

Tax losses in New Zealand do not expire, subject to shareholder continuity rules being met. Deferred tax assets have not been recognised in respect of these items because it is uncertain when and to what extent future taxable profit will be available against which the Company can utilise the benefit. The gross amount of tax losses not recognised at 31 March 2014 is \$1,359,696 (2013: \$2,726,985).

7. Receivables and prepayments

	2014	2013
Receivables	52,000	261
Prepayments	25,073	25,073
	<u>77,073</u>	<u>25,334</u>

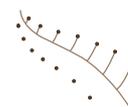
8. Trade and other payables

	2014	2013
Trade payables	125	101
Accruals	44,303	43,355
Related party payables	19,562	19,000
	<u>63,990</u>	<u>62,456</u>

9. Cash and cash equivalents

	<i>Note</i>	2014	2013
Call deposits:			
Westpac Short Term Loan Facility		237	-
ANZ Bank New Zealand Limited		278	272
ANZ Bank New Zealand Limited via CIP Cash Management			
Nominees Limited	13	774,367	74,452
Short-term deposits - ANZ Bank New Zealand Limited		-	293,338
Cash and cash equivalents in the statement of cash flows		<u>774,882</u>	<u>368,062</u>

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 13). The weighted average interest rate on call deposits was 2.82% (2013: 2.58%). No Short-term deposits were held directly with ANZ Bank New Zealand Limited during the year however in 2013 the weighted average was 3.79%.



Notes to the financial statements

10. Share capital

	Number of preference shares 2014	Number of ordinary shares 2014
On issue at 31 March 2013	3,985,054,296	41,000,000
Issued during the year	-	-
On issue at 31 March 2014	3,985,054,296	41,000,000

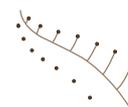
	Number of preference shares 2013	Number of ordinary shares 2013
On issue at 31 March 2012	4,100,000,000	41,000,000
Redeemed during the year	(114,945,704)	-
On issue at 31 March 2013	3,985,054,296	41,000,000

Each \$1.00 share comprises one ordinary voting share with a nil issue price, and 100 non-voting redeemable preference shares in New Zealand Social Infrastructure Fund at \$0.01 each (a stapled security). The ordinary shares are partly paid to \$0.42 per share.

During the year \$0.12 per share was called, resulting in \$0.42 per share being paid-up. The remaining \$0.58 per share is still to be called. This represents \$17,220,000 in paid up capital with \$23,780,000 of uncalled capital. During the previous year \$1,149,457 (\$0.028 per share) was returned to shareholders.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the year there were no capital returns paid to shareholders (2013: \$1,149,457). No preference shares were redeemed during the year (2013: 114,945,704). During the year two dividends were paid to shareholders totalling \$520,367 (2013: \$711,526) or 1.27 cents per share. This amount was equal to dividends received from the PIP Fund.



Notes to the financial statements

11. Reconciliation of profit after taxation to the net cash flow from operating activities

	2014	2013
Profit/(Loss) for the year	758,498	710,861
Movement in fair value of PIP Fund Investment	(494,382)	(188,249)
	<u>264,116</u>	<u>522,612</u>
Movement in Working Capital		
Change in receivables and prepayments	260	4,220
Change in income tax receivable/payable	15,372	35,026
Change in trade payables and accruals	1,535	26,436
	<u>17,167</u>	<u>65,682</u>
Net cash flow from/(to) operating activities	<u>281,283</u>	<u>588,294</u>

12. Financial risk management

Introduction and overview

The Company has exposure to the following risks from its use of financial instruments:

- equity price risk
- credit risk
- interest rate risk
- liquidity risk

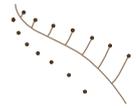
This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The risk disclosures have been prepared on the basis of the Company's direct investment in the PIP Fund and not on a look through basis for investments held by the PIP Fund. Consequently the disclosure of risk in the notes does not fully represent the true risk profile of the Company.

Equity price risk

Through the Limited Partnership Agreement (LPA), the Company has policies in place to mitigate equity price risk, particularly in the investments made by the PIP Fund. This includes detailed analysis by the PIP Fund of all prospective Public Private Partnership (PPP) investments. These types of minority investment holdings are, by their nature, less liquid and subject to greater price risk than listed securities.

The Company's exposure to price risk is affected by the PIP Fund's exposure to foreign exchange and valuation of its underlying investments.



Notes to the financial statements

12. Financial risk management (continued)

Credit risk

Exposure to credit risk arises in the normal course of the Company's business from its loans and receivables and bank balances. The Company does not require collateral in respect of financial assets. At reporting date there were no significant concentrations of credit risk.

The Company invests its surplus funds in call and short-term deposits with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited and also directly with ANZ Bank New Zealand Limited. The credit rating of ANZ Bank New Zealand Limited is AA-. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position (see Note 9).

Interest rate risk

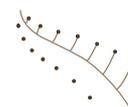
Exposure to interest rate risk arises in the normal course of the Company's business from bank accounts and short-term deposits. The Company earns interest on bank accounts and short-term deposits. Management invest excess funds in short-term deposits to maximise interest revenue whilst ensuring funds are available if required.

Effective interest rates and repricing

The only interest bearing financial assets in the Company are bank balances (refer Note 9). At the end of the reporting period the effective interest rate for bank balances is 3.20% (2013: 2.30%). Bank balances reprice daily and short-term deposits reprice within 3 months.

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
2014				
Cash and cash equivalents	9	774,882	237	774,645
Total		<u>774,882</u>	<u>237</u>	<u>774,645</u>
2013				
Cash and cash equivalents	9	368,062	-	368,062
Total		<u>368,062</u>	<u>-</u>	<u>368,062</u>



Notes to the financial statements

12. Financial risk management *(continued)*

Sensitivity analysis

In managing interest rate risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Changes in interest rates will have an impact on profit. At 31 March 2014 it is estimated that a general increase of 1.00% in interest rates on its cash and cash equivalents would increase the Company's profit before income tax by approximately \$5,372 (2013: \$5,455) over a one-year period.

Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis, and maintains sufficient cash to meet all obligations. Investments in unlisted equity securities are, by their nature, less liquid. The liquidity risk associated with future calls made by the PIP Fund will be mitigated by the ability of the entity to call the remaining \$0.58 per share still to be called (See note 10). The Company has an overdraft facility of \$500,000 in place to better manage liquidity risk.

Capital management

The Company's capital includes share capital and retained earnings.

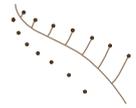
The Company's policy is to maintain its capital structure in terms of the prospectus and repay capital as investments are realised. As disclosed in note 10, \$0.42 per share has been paid on the \$1.00 share capital. The remaining \$0.58 will be called as required in accordance with the terms of the original prospectus.

The Company has the power to borrow, if a call has been approved by the Board, to the extent of the aggregate amount of that call and for a term not exceeding 90 days after the date on which the call is due.

The Company is not subject to any externally imposed capital requirements.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Company's management of capital during the period.



Notes to the financial statements

12. Financial risk management (continued)

Classification and fair values

	<i>Note</i>	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2014						
Assets						
Investment in PIP Fund	5	16,059,580	-	-	16,059,580	16,059,580
Cash and cash equivalents		-	774,882	-	774,882	774,882
Receivables		-	52,000	-	52,000	52,000
Total assets		16,059,580	826,882	-	16,886,462	16,886,462

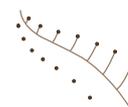
Liabilities

Trade and other payables		-	-	19,687	19,687	19,687
Total liabilities		-	-	19,687	19,687	19,687

	<i>Note</i>	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2013						
Assets						
Investment in PIP Fund	5	11,343,102	-	-	11,343,102	11,343,102
Cash and cash equivalents		-	368,062	-	368,062	368,062
Receivables		-	261	-	261	261
Total assets		11,343,102	368,323	-	11,711,425	11,711,425

Liabilities

Trade and other payables		-	-	19,101	19,101	19,101
Total liabilities		-	-	19,101	19,101	19,101



Notes to the financial statements

12. Financial risk management (continued)

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).

31 March 2014	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	16,059,580	16,059,580

31 March 2013	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	11,343,102	11,343,102

13. Related parties

(a) Identity of related parties

The Company has a related party relationship with Craigs Investment Partners Limited, which owns 100% of NZSIF Management Limited, the Manager of New Zealand Social Infrastructure Fund Limited, and CIP Cash Management Nominees Limited.

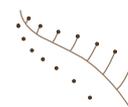
During the year the following directors of the Company were also directors of Craigs Investment Partners Limited:

- Neil John Craig *
- Michael John Caird

During the year the following director of the Company was also a director of CIP Cash Management Nominees Limited:

- Neil John Craig *

*Neil John Craig resigned as a director of New Zealand Social Infrastructure Fund Limited on 16 May 2014. David McCallum was appointed as his replacement on the same date.



Notes to the financial statements

13. Related parties (continued)

(b) Transactions with related parties

During the period, New Zealand Social Infrastructure Fund Limited entered into the following transactions with related parties:

- Management fees paid to NZSIF Management Limited totalled \$116,965 (2013: \$118,783).
- Craigs Investment Partners Limited paid certain expenses of New Zealand Social Infrastructure Fund Limited. As at 31 March 2014, no balance remained owing to Craigs Investment Partners Limited (2013: Nil).
- An on-call bank account is held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, which is a 100% subsidiary of Craigs Investment Partners Limited. CIP Cash Management Nominees Limited act as an agent. The credit rating of ANZ National Bank Limited is AA- according to Standard & Poors. At 31 March 2014 the balance held was \$774,367 (2013: \$74,452) (see Note 9).

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.

(c) Transactions with key management personnel

	2014	2013
Directors fees (total remuneration)	76,000	76,000

The balance of directors' fees owing at 31 March 2014 was \$19,000 (2013: \$19,000).

Director's interests

The following directors or their associated entities held shares in New Zealand Social Infrastructure Fund Limited at 31 March 2014:

- | | |
|-------------------------|----------------|
| • Kimmitt Rowland Ellis | 150,000 shares |
| • Neil John Craig | 100,000 shares |
| • Michael John Caird | 100,000 shares |

14. Commitments

The Company has commitments of \$25,266,880 to the PIP fund for further investments as at 31 March 2014, which will be met from cash reserves and further calls of capital. The PIP Fund investment period runs to 29 October 2015 unless extended by the Advisory Committee. The Directors of the New Zealand Social Infrastructure Fund Limited are of the opinion that it is likely that the PIP Fund will be fully committed by that date.

15. Subsequent events

On 20th June 2014 the Company received a distribution of \$255,394 from the PIP Fund.

There were no other material subsequent events for the Company.

Independent auditor's report



To the shareholders of New Zealand Social Infrastructure Fund Limited

Report on the financial statements

We have audited the accompanying financial statements of New Zealand Social Infrastructure Fund Limited ("the company") on pages 10 to 26. The financial statements comprise the statement of financial position as at 31 March 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company in relation to taxation services. Subject to certain restrictions, 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 auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion the financial statements on pages 10 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company as at 31 March 2014 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by New Zealand Social Infrastructure Fund Limited as far as appears from our examination of those records.

A handwritten signature of the KPMG auditor, written in blue ink.

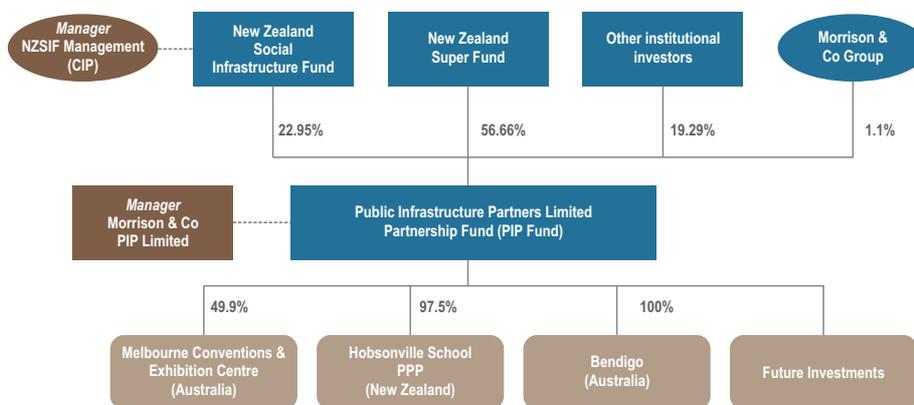
25 June 2014
KPMG Tauranga

Corporate governance & structure

Structure

NZSIF was established to provide the New Zealand public with an opportunity to invest in the PIP Fund and thereby gain an exposure to New Zealand and Australian Social Infrastructure PPP Assets.

NZSIF is a limited partner in the PIP Fund, as shown below:



Each share held by investors of NZSIF is a stapled security and consists of 1 ordinary voting share (nil issue price) and 100 non-voting redeemable preference shares of one cent each. NZSIF has 41 million shares on issue at an issue price of \$1.00 per share. Ordinary shares held by investors in NZSIF confer normal voting rights. The redeemable preference shares confer no voting rights. As a Limited Partner, NZSIF is required to make capital contributions to the PIP Fund, as called by the General Partner. When such capital calls are made, we then make calls on NZSIF shareholders up to the fully paid value of the shares.

NZSIF will receive a pro-rata share of the income and capital returns from investments made by the PIP Fund.

- Where Investments by the PIP Fund are structured through a limited partnership, NZSIF will receive distributions comprising gross income and also returns of capital from the underlying investments. Tax will be paid by NZSIF and income distributed to investors through imputed dividends (where imputation credits are available) and capital will be returned via redemption of the redeemable preference shares.
- Where Investments by the PIP Fund are structured through a company, NZSIF will receive distributions

in the form of dividends and returns of capital from the underlying social infrastructure assets. Dividends will be paid to holders of shares (with imputation credits, where available) and capital will be returned via redemption of the redeemable preference shares.

Governance

NZSIF will retain a separate Board to ensure best practice corporate governance and that the interests of shareholders are represented. Directors can be appointed by shareholder ordinary resolution or by the Board to fill a vacancy. Any NZSIF director can be removed by ordinary shareholder resolution. Craigs Investment Partners Limited while it continues to hold all of the issued shares in the Manager, is entitled to appoint up to one-half of the directors of the Company.

Directors are provided with regular reporting. Directors receive detailed reports ahead of each quarterly board meeting. The investment manager presents to the Board each quarter.

The Board will report on the performance of NZSIF's PIP Fund investment to shareholders semi-annually. In addition, the Board will review the capital adequacy of NZSIF, be responsible for shareholder reporting and set annual shareholder meetings for NZSIF.

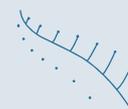
Investment Management

The investment management services for the PIP Fund are undertaken by the Investment Manager, Morrison & Co PIP Limited. Accordingly, other than rights provided to Limited Partners through representation on the Advisory Committee, neither NZSIF nor the NZSIF Management will have control over the investment management decisions associated with the PIP Fund.

Administration

NZSIF has engaged NZSIF Management Limited as the Administration Manager, to provide day-to-day administrative and management services, such as investment of unallocated or surplus cash, investor relations, the preparation of interim and annual reports and other shareholder services that may be required from time to time.

The Administration Manager is a wholly owned subsidiary of Craigs Investment Partners Limited.



NZSIF Board

The Board comprises four directors, including two independent directors, one of whom is Chairman, and two from Craigs Investment Partners. The Board is responsible for monitoring NZSIF's investment in the PIP Fund, the reporting obligations of NZSIF, and monitoring the Administration Manager's performance.



Chairman and Independent Director

Kimmitt Rowland Ellis

BCA (Hons), BE (Hons)

Kim is a widely experienced Chief Executive best known for his 13 years at the helm of Waste Management NZ Ltd, culminating in the company's sale in 2006. His earlier CEO appointments, dating back to 1978, covered a number of market sectors including health, manufacturing, distribution, transport, property, agriculture and fashion. Kim is currently a Director of FSF Management Company, Freightways, Port of Tauranga, Moa Group, Ballance Agri-Nutrients, Envirowaste Services and Tasman Tanning. He also a member of the Wanganui Collegiate School Board of Trustees.

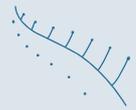


Independent Director

Ian Alexander Nicholson Fraser

BE (Hons), Dist FIPENZ.

Ian is a Distinguished Fellow of the Institution of Professional Engineers. He is a former Executive Director of Beca Group Ltd, and a former Managing Director of Beca Carter Hollings and Ferner Limited. He has a broad engineering background across the industrial, electricity, civil infrastructure and institutional and commercial building sectors. Ian is currently a Director and Deputy Chair of Transpower NZ Ltd. He is currently Chair of the University of Canterbury Earthquake Engineering Centre. Ian is a former Director of Stevenson Group Ltd and a former Director and Deputy Chair of Mighty River Power Ltd, a former Trustee Board member of Wellington and Wellesley Colleges and a former Board member and President of the Association of Consulting Engineers of New Zealand.



Director
Neil John Craig
BAGCom

Neil is the founding principal and Chair of Craigs Investment Partners, a company he has been instrumental in building from a small regionally-based share broking business in Whakatane to its current position as a leading full service NZX Participant Firm. Neil has a broad experience in stock exchange listings, capital raisings and corporate activity for a wide range of companies.

Neil is a Director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited, as well as being Chair of NZX Listed Comvita Limited, Chair of Enterprise Angels Inc. and a Director of a number of privately held companies.

Neil resigned as a director of New Zealand Social Infrastructure Fund Limited on 16 May 2014. David McCallum was appointed as his replacement on the same date.



Director
Michael John Caird
BCom, LLB

Mike has been a Director of Craigs Investment Partners since 2001. Mike's career in financial markets includes 4 years as Head of Debt Capital Markets for Craigs Investment Partners, 11 years with ABN AMRO, during which he was Head of Acquisition and Leveraged Finance for Australia and New Zealand and Head of Global Markets New Zealand, Brierley Investments Limited for 10 years and Ernst & Young for four years. Mike has previously been a Director of Hospital Car Parking Limited, McConnell Property Limited, Mangawhai Development Holdings Limited, AsiaPower Limited and Aetna Health (New Zealand) Limited. During his time at ABN AMRO, Mike was involved in acquiring the Auckland District Health Board car-parking concession and the Mangawhai township wastewater design, build, finance, and operating concession, two early PPP style projects in New Zealand. Mike is a director of the AMN Limited private group of companies involved in glass services, Just Plants Ltd, Signal Corporation Ltd, and the two Pohutukawa Private Equity funds.



Committees

NZSIF Committee

The Board has one committee, an Audit Committee, comprising all board members. The Audit Committee meets as required. The Audit Committee has full powers to require the Manager to provide any information or documents relating to the Fund, which it requires to enable it to meet the obligations of an Audit Committee. The Directors of New Zealand Social Infrastructure Fund Limited and NZSIF Management Limited must respond to any recommendations made to their Boards from the Audit Committee.

There is no remuneration committee because NZSIF and the Manager have no employees. The Manager is entitled to remuneration in respect of management of the funds. Information about the remuneration received by the Manager for this reporting period can be found in the financial statements set out in this report. The Manager does not pay directors' fees.

To the extent applicable and possible, the Board endeavours to adopt the governance, structures and principles of a listed company.

PIP Fund Advisory Committee

The Advisory Committee of the PIP Fund comprises limited partner representatives, up to a maximum of five members. New Zealand Social Infrastructure Fund Limited has one representative, currently Kim Ellis. The Advisory Committee meets quarterly with the General Partner and Investment Manager. The Advisory Committee manages conflicts of interest between the Investment Manager and the PIP Fund; approves the independent valuer; considers and approves investment opportunities outside of the PIP Fund's core investment criteria; and is responsible for removal of the Investment Manager.



Directory

BOARD OF DIRECTORS OF NZSIF

Kimmit Rowland Ellis (Chair)
Ian Alexander Nicholson Fraser
Neil John Craig*
Michael John Caird**
David Ross McCallum*/**

**Neil Craig resigned as a director in May 2014, and was replaced by David McCallum.*

***Mike Caird is a director of Craigs Investment Partners Ltd (CIP). Both Mike Caird and David McCallum are shareholders in CIP (via CIP Holdings Ltd). CIP wholly owns the manager of the New Zealand Social Infrastructure Fund Ltd, NZSIF Management Ltd.*

The Board can be contacted at NZSIF's registered office address set out below.

OFFICES OF NZSIF

New Zealand Social Infrastructure Fund Limited

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158 Cameron Road
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Tauranga 3141

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Email: enquiries@nzsif.co.nz
Website: www.nzsif.co.nz

AUDITORS

KPMG

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Tauranga 3140

Phone: (07) 578 5179

INVESTMENT MANAGER

Morrison & Co PIP Limited

97 The Terrace
PO Box 1395
Wellington 6140

ADMINISTRATION MANAGER

NZSIF Management Limited

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Tauranga 3141

Phone: (07) 577 4727
Email: enquiries@nzsif.co.nz

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