

# NZSIF



New Zealand  
Social Infrastructure  
Fund Limited



Melbourne Convention & Exhibition Centre



Hobsonville Point Primary School



Bendigo Healthcare Accommodation



Hobsonville Point Secondary School

## Interim Report

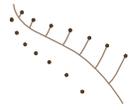
For the half year ended 30 September 2014



---

# Contents

---



Report to shareholders	2
Statement of comprehensive income	7
Statement of changes in equity	7
Statement of financial position	8
Statement of cash flows	9
Notes to the financial statements	10
Auditor's review report	16
Directory	17

---

## Report to shareholders

27 November 2014

Dear Shareholder

I am pleased to present the New Zealand Social Infrastructure Fund's (NZSIF) interim report for the half year to 30 September 2014. This report includes the interim financial statements for the six-month period.

### Background

NZSIF invests as a limited partner in the Public Infrastructure Partners Limited Partnership (PIP Fund). The PIP Fund is an institutional fund established by Morrison & Co to invest in public-private partnerships (PPPs) that deliver social infrastructure assets such as schools, hospitals and local government facilities to the community. The PIP Fund is designed for long-term infrastructure investing.

NZSIF now has three operational PPP investments with a further two investments, the Wollongong University Student Accommodation and Auckland Prison project, near financial close. Three of these investments are providing income streams.

When we pay the next PIP Fund call on 8 December we will have met 52% of our investment commitment to the PIP Fund. Taking into account the likely remaining commitments for Auckland Prison and Wollongong we estimate we are 84% of our total PIP Fund investment commitment.

### Investment Portfolio

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

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

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;
- 30 year property lease with inflation linked cash flows;
- No occupancy risk; and
- A PIP 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 million. NZSIF's share of this investment was NZ\$2.3 million.

Bendigo distributions are now flowing to the PIP Fund, and will be reflected in future NZSIF dividend payments.

The PIP Fund manager is following up on one construction completion issue relating to water tightness of the underground car park which is expected to be remedied by the builder.



*Bendigo Healthcare Group Accommodation Facility*

#### ***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.



*Hobsonville Point Primary School*

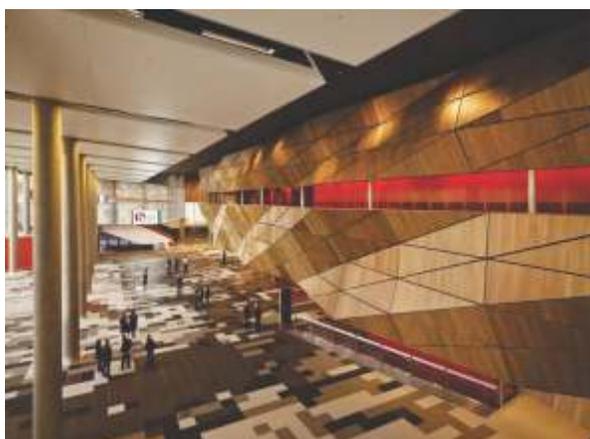
The primary school was completed and opened in January 2013. The secondary school was completed and opened in mid-February 2014.

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

The first distributions from Hobsonville Schools are now flowing to the PIP Fund, and will be reflected in future NZSIF dividends.

### **Melbourne Convention and Exhibition Centre**

The Melbourne Convention and Exhibition Centre (MCEC) was the PIP Fund's first 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 A\$809 million (MCE Trust Annual Report June 2014) and long-term funding in place. The MCEC investment is an established operational PPP asset.



*Melbourne Convention and Exhibition Centre*

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.

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 project to the PIP Fund, and on 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 30 September 2014 the MCEC investment performed to expectations producing strong cash flows, with no revenue deductions for equity investors. Generally when faced with revenue deductions (for disruption in any of the facilities' services) these deductions would be 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 30,000m<sup>2</sup> 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.

### **Investment Commitments**

The following two investments have been committed to, but financial close has not been reached for either at this stage.

- Auckland Prison – Paremoremo**  
The PIP Fund has made solid progress with this investment. Auckland Prison early stage works commenced in September 2014 running through to April 2015. The PIP Fund is progressing the main request for proposal submission which will be delivered in December. Financial close on the full PPP is expected in June 2015. If for any reason the Government decided not to proceed with Auckland Prison as a PPP, then the investment made plus interest would be refunded. The project does not involve the provision of custodial services.
- Wollongong University Student Accommodation**  
A PIP Fund consortium has been listed as the Preferred Bidder for this transaction. Capital has been called for the project and financial close is expected in November. This investment involves an initial investment to acquire the current student accommodation units. Arrangements will then be made with the University to deliver new accommodation units over the next two years, with the final equity investment being made at the end of the construction period.

### **Investment Opportunities**

The New Zealand market is more positive than in the past. The Fund's pipeline includes a number of projects, including at least two which are realistic investment propositions in the FY 2014/15 period.

- NZ Grouped Schools**  
The PIP Fund has been shortlisted for this project with one other bidder. An offer will be submitted to the Ministry of Education on 30 November 2014. A decision is expected in the first or second quarter of 2015.
- Auckland Pathway Project**  
The project's successful financial close is largely dependent on the Auckland Council's business case for the project. This could be Auckland Council's first PPP project.
- Puhoi to Warkworth Rooding Project**  
This \$1.0 billion project is expected to come to market in mid-2015 and is likely to fall outside of the investment commitment period of the Fund, unless an investment period extension is approved. Even if closed earlier it may be after the Fund is fully committed to other projects.

### **PIP Fund Limited Partnership and Capital**

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. NZSIF has a capital commitment to the PIP Fund of \$40.5 million and has met calls of \$15.5 million to 30 September 2014.

The investment period commenced on 30 October 2009 and runs until 29 October 2015, unless extended with the approval of the Advisory Committee.

### **NZSIF Capital and Calls**

NZSIF shares were paid to 42 cps to the end of the reporting period.

On 15 October 2014 NZSIF made a 15 cps call to investors, totalling \$6.15 million, with the bulk of this received on 12 November 2014. At the date of this report a small amount of the call remains outstanding.

This means that NZSIF shares are currently paid to 57 cps, with 43 cps still to be called.

NZSIF has to date returned capital of 2.8 cps.

### **Distributions & Returns**

#### *Interim dividend declared*

The Board has declared a dividend of 2.485 cps to be paid in December.

This will be a cash payment less tax at shareholder prescribed tax rates. This dividend has no imputation credits attached, consistent with the July distribution. Distributions received by the PIP Fund from MCEC and Bendigo are from Australian entities and there are no NZ imputation credits available. New Zealand income tax paid by PIP and NZSIF is expected to be minimal in the initial years.

#### *Distributions and returns*

A NZSIF distribution of 0.623 cps gross was made on 25 July 2014 which related to the 2014 financial period.

At the time of the annual report our guidance range for FY2015 was between 1.95 cps and 2.25 cps. The latest declared dividend of 2.485 cps, means we have already exceeded the top of the FY2015 range projection. The distribution of 2.485 cps represents a gross yield of approximately 5.7% pa based on a projected average weighted capital base for FY2015 of 45 cps.

The MCEC, Hobsonville and Bendigo investments are making regular distributions to the PIP Fund. The PIP Fund is aiming to pass distributions through to the limited partners (including NZSIF) on a quarterly basis from 2015. NZSIF aims to make similar quarterly distributions to shareholders as they are received during 2015.

#### Investment Valuation Methodology - PIP Fund

The valuation method used by the PIP Fund to value its operating project investments (Melbourne Convention & Exhibition Centre, Bendigo Healthcare Group Accommodation Facility and Hobsonville Schools) is the discounted cash flow method, which is appropriate for valuing a series of future equity cash flows from PPP projects. The PIP Fund employs a third party expert to value the Fund's assets at the end of each financial year (31 March). At interim accounting periods the PIP Fund assets are valued at fair value based on the valuation at the end of the previous 31 March financial year end, with adjustments for any income earned less any distributions received in the period, and any exchange rate movement on Australian investment assets.

The latest investment relates to the PIP Fund's initial investment into the Auckland Prison project which was paid on 8 September 2014 and the valuation method used is the cost of the investment made to date.

#### NZSIF Investment Valuation

NZSIF's 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 valuation techniques must be utilised to determine the fair value of the PIP Fund itself, which may require an aggregation of valuations of the PIP Fund's investments. As at 30 September 2014 the PIP Fund investment is valued at fair value based on NZSIF's share of its equity in the PIP Fund.

This has resulted in a fair valuation for NZSIF's current investment in the PIP Fund as at 30 September 2014 of \$16,644,528 (March 2014: \$16,059,580, September 2013: \$10,848,047), an increase of \$584,948 since March. This was due to the positive fair value movement of \$298,121 and PIP calls of \$286,827.

The fair value movement of \$298,121 comprised \$578,665 resulting from a positive FX rate movement (a weakening NZ\$) and a reduction in our share of the PIP Fund net asset value, being \$280,544.

A weakening New Zealand dollar against the Australian dollar has the effect of increasing the Australian investment valuations.

Table 1 compares NZSIF's net tangible assets at 30 September 2014 to the 31 March 2014 and 30 September 2013 positions.

Table 1

NZSIF Asset Position	30-Sep-14 \$	31-Mar-14 \$	30-Sep-13 \$
PIP Fund Investment	16,644,528	16,059,580	10,848,047
NZSIF Cash	394,188	774,882	2,501,399
NZSIF Net Working Capital	-5,316	19,710	123,045
<b>Total Net Assets</b>	<b>17,033,400</b>	<b>16,854,172</b>	<b>13,472,491</b>
	<b>cps</b>	<b>cps</b>	<b>cps</b>
NZSIF NTA cps	41.5	41.1	32.9
Capital returned 2012	2.8	2.8	2.8
AUD/NZD rate	0.8910	0.9364	0.8883

## Interim Financial Statements

The interim financial statements covering the 6 month period to 30 September 2014 are provided for your information.

The interim statement of comprehensive income shows NZSIF received dividend income (from PIP Fund) of \$255,394 plus a small amount of interest income, \$13,128. There was a positive movement in fair value of \$298,121 with operating costs of \$132,022 including the manager's fee and independent directors' remuneration.

The profit for the period was \$434,621, which was aided by the positive movement in fair value.

NZSIF has 41 million \$1 shares\* on issue which were paid to 42 cps in the financial period (\*each share comprises one ordinary voting share and 100 non-voting redeemable preference shares).

- 10 cps was paid at the time of initial subscription;
- 20 cps was paid in September 2010;
- 2.8 cps was returned during 2012;
- 8 cps was paid in September 2013; and
- 4 cps was paid in March 2014.

There was a subsequent call of 15 cps payable on 12 November 2014. Including the November call and capital return, investors have now contributed net capital of 54.2 cps.

The 30 September 2014 value of the NZSIF investment in the PIP Fund is \$16,644,528. Liabilities represent just 0.16% of the total NZSIF assets.

NZSIF's net asset backing per share as at 30 September 2014 was 41.5 cps.

The last sale price for NZSIF shares on the secondary market facilitated by Craigs Investment Partners was 38 cps (prior to the recent call).

We will keep you informed if the PIP Fund has further investment success through media releases, via the NZSIF website [www.nzsif.co.nz](http://www.nzsif.co.nz), or by writing to you directly.

If the PIP Fund achieves a successful financial close for the Auckland Prison project we would anticipate making a further call in March 2015 for payment in April 2015 to provide for additional investment capital and for ongoing working capital. The amount to be called will depend on the final financial structure for this investment.

Calls will also be required to fund further investment in Wollongong University Student Accommodation and, if successful, for other investments. We do have the option of using bank debt to bridge PIP Fund investment calls for up to 90 days, before making a call on NZSIF shareholders.

We will continue to provide formal interim and annual shareholder reports, by way of electronic delivery via our website. These reports plus other updates for investors are available to view on our website [www.nzsif.co.nz](http://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.

Thank you for your ongoing support of NZSIF.

Yours sincerely  
**NEW ZEALAND SOCIAL INFRASTRUCTURE  
 FUND LIMITED**



**Kim Ellis**  
 Chairman

## Statement of comprehensive income

For the six months ended 30 September 2014

	Note	Unaudited 6 months Sep 2014 \$	Audited 12 months Mar 2014 \$	Unaudited 6 months Sep 2013 \$
Dividend income		255,394	520,370	323,519
Interest income		13,128	20,520	2,422
Movement in fair value of PIP Fund	3	298,121	494,382	(1,367,009)
<b>Total investment income</b>		566,643	1,035,272	(1,041,068)
Administrative expenses		(132,022)	(277,708)	(135,351)
Interest expense		-	-	(3,729)
<b>Profit/(loss) before tax</b>		434,621	757,564	(1,180,148)
Income tax credit/(expense)		-	934	116
<b>Profit/(loss) for the period</b>		434,621	758,498	(1,180,032)
Other comprehensive income/(loss) for the period		-	-	-
<b>Total comprehensive income/(loss) for the period</b>		434,621	758,498	(1,180,032)

## Statement of changes in equity

For the six months ended 30 September 2014

	Share capital	Retained earnings/ (losses)	Total equity
<b>Balance at 1 April 2014</b>	15,649,239	1,204,933	16,854,172
Total comprehensive income for the period	-	434,621	434,621
Dividends paid	-	(255,393)	(255,393)
<b>Balance at 30 September 2014</b>	15,649,239	1,384,161	17,033,400

For the year ended 31 March 2014

	Share capital	Retained earnings/ (losses)	Total equity
<b>Balance at 1 April 2013</b>	10,729,239	966,802	11,696,041
Total comprehensive income for the period	-	758,498	758,498
Issue of share capital	4,920,000	-	4,920,000
Dividends paid	-	(520,367)	(520,367)
<b>Balance at 31 March 2014</b>	15,649,239	1,204,933	16,854,172

For the six months ended 30 September 2013

	Share capital	Retained earnings/ (losses)	Total equity
<b>Balance at 1 April 2013</b>	10,729,239	966,802	11,696,041
Total comprehensive income for the period	-	(1,180,032)	(1,180,032)
Issue of share capital	3,280,000	-	3,280,000
Dividends paid	-	(323,518)	(323,518)
<b>Balance at 30 September 2013</b>	14,009,239	(536,748)	13,472,491

## Statement of financial position

As at 30 September 2014

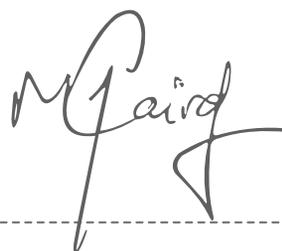
	<i>Note</i>	Unaudited 6 months Sep 2014 \$	Audited 12 months Mar 2014 \$	Unaudited 6 months Sep 2013 \$
<b>Assets</b>				
Investment in PIP Fund	3	16,644,528	16,059,580	10,848,047
<b>Total non current assets</b>		<u>16,644,528</u>	<u>16,059,580</u>	<u>10,848,047</u>
Cash and cash equivalents	6	394,188	774,882	2,501,399
Receivables and prepayments	5	11,812	77,073	129,313
Taxation receivable		10,303	6,627	22,867
<b>Total current assets</b>		<u>416,303</u>	<u>858,582</u>	<u>2,653,579</u>
<b>Total assets</b>		<u>17,060,831</u>	<u>16,918,162</u>	<u>13,501,626</u>
<b>Equity</b>				
Issued capital		15,649,239	15,649,239	14,009,239
Retained earnings/(losses)		1,384,161	1,204,933	(536,748)
<b>Total equity attributable to equity holders</b>		<u>17,033,400</u>	<u>16,854,172</u>	<u>13,472,491</u>
<b>Liabilities</b>				
Trade and other payables		27,431	63,990	29,135
<b>Total current liabilities</b>		<u>27,431</u>	<u>63,990</u>	<u>29,135</u>
<b>Total liabilities</b>		<u>27,431</u>	<u>63,990</u>	<u>29,135</u>
<b>Total equity and liabilities</b>		<u>17,060,831</u>	<u>16,918,162</u>	<u>13,501,626</u>

For and on behalf of the Board



*Director*

17 November 2014



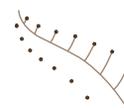
*Director*

17 November 2014

## Statement of cash flows

For the six months ended 30 September 2014

	<i>Note</i>	<b>Unaudited 6 months Sep 2014 \$</b>	<b>Audited 12 months Mar 2014 \$</b>	<b>Unaudited 6 months Sep 2013 \$</b>
<b>Cash flows from operating activities</b>				
Dividends received		255,394	520,370	323,519
Interest received		13,128	20,781	2,683
Income taxes refunded/(paid)		(3,676)	16,306	(751)
Interest paid		-	(3,729)	(3,729)
Cash paid to suppliers		(155,320)	(272,445)	(155,410)
<b>Net cash from operating activities</b>	<b>7</b>	<b>109,526</b>	<b>281,283</b>	<b>166,312</b>
<b>Cash flows from financing activities</b>				
Issue of share capital		52,000	4,868,000	3,162,497
Dividends paid		(255,393)	(520,367)	(323,518)
<b>Net cash from financing activities</b>		<b>(203,393)</b>	<b>4,347,633</b>	<b>2,838,979</b>
<b>Cash flows from investing activities</b>				
Investment in PIP Fund	<b>3</b>	(286,827)	(4,222,096)	(871,954)
<b>Net cash from investing activities</b>		<b>(286,827)</b>	<b>(4,222,096)</b>	<b>(871,954)</b>
Net movement in cash and cash equivalents		(380,694)	406,820	2,133,337
Cash and cash equivalents at beginning of period		774,882	368,062	368,062
<b>Cash and cash equivalents at end of period</b>	<b>6</b>	<b>394,188</b>	<b>774,882</b>	<b>2,501,399</b>



---

## Notes to the financial statements

### 1. General information

#### (a) Reporting entity

New Zealand Social Infrastructure Fund Limited (the “Company”, or “NZSIF”) is a company incorporated and domiciled in New Zealand. NZSIF is registered under the Companies Act 1993 and is an issuer and a reporting entity for the purposes of the Financial Reporting Act 2013.

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 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).

The interim financial statements were approved by the Directors on 17 November 2014.

#### (b) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), specifically 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 financial statements of the Company as at and for the year ended 31 March 2014.

#### (c) Basis of measurement

The interim financial statements are prepared on the historical cost basis except that certain financial instruments are stated at their fair value (see note 2(a)).

#### (d) Functional and presentation currency

The interim 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 interim 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 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. At 30 September 2014 the only estimates are in relation to the valuation of the investment in PIP Fund (see note 3).



## Notes to the financial statements

### 2. Significant accounting policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its annual financial statements as at and for the year ended 31 March 2014, except in relation to the valuation of individual investments made by the PIP Fund. Independent valuation experts are only used at each 31 March balance date. (See Note 3: Key estimates and judgements)

#### (a) Investment in the PIP Fund

NZSIF 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.

### 3. Investment in PIP Fund

The Company currently has one investment, which is in the PIP Fund.

The Company's fair valuation of the PIP Fund as at 30 September 2014 is \$16,644,528 (March 2014: \$16,059,580, September 2013: \$10,848,047) 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 of an increase of \$298,121 (March 2014: increase of \$494,382, September 2013 decrease of \$1,367,009).

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:

	<b>Unaudited Sep 2014</b>	<b>Audited Mar 2014</b>	<b>Unaudited Sep 2013</b>
Opening balance	16,059,580	11,343,102	11,343,102
Calls made by the PIP Fund	286,827	4,222,096	871,954
Movement in fair value of PIP Fund	298,121	494,382	(1,367,009)
Closing balance	<u>16,644,528</u>	<u>16,059,580</u>	<u>10,848,047</u>
The movement in fair value of the PIP Fund is made up of:			
Movement in FX rates	578,665	(1,569,430)	(923,790)
Movement in net assets of PIP Fund	(280,544)	2,063,812	(443,219)
Movement in fair value of PIP Fund	<u>298,121</u>	<u>494,382</u>	<u>(1,367,009)</u>
FX Rates (NZD/AUD) used to value investments within the PIP Fund	<u>0.8910</u>	0.9364	0.8883

'Calls made by the PIP Fund' relates to one capital call in the current period. This call was to fund working capital requirements and expenses of the PIP Fund during the period.



## Notes to the financial statements

### 3. Investment in PIP Fund *(continued)*

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

Investments	Unaudited Sep 2014	Audited Mar 2014	Unaudited Sep 2013
Total gains/(losses) included in profit or loss for the period	298,121	494,382	(1,367,009)
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	298,121	494,382	(1,367,009)

#### *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 unaudited financial statements as at 30 September 2014. The General Partner of the PIP Fund arranges annual valuations of the operating project investments at each 31 March balance date, by an independent valuation expert, using valuation methodologies approved by the Advisory Committee of the PIP Fund. At the half year these valuations of operating project investments are considered for any significant changes to forecast future cash flows and any foreign exchange movement.

The PIP Fund itself has made four investments as at 30 September 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) is the discounted cash flow method, which is appropriate for valuing a series of future cash flows to equity. The fourth investment relates to the first tranche of PIP Fund's investment into the Auckland Prison Project which was paid on 8 September 2014 and the valuation method used is price of recent acquisition.

### 4. Issued capital

	<i>Number of preference shares</i>	<i>Number of ordinary shares</i>
On issue at 31 March 2014	3,985,054,296	41,000,000
Issued/(redeemed) during the year	-	-
On issue at 30 September 2014	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 NZSIF at \$0.01 each (a stapled security). There have been no calls during the period. In all \$0.42 per share is now called with \$0.58 per share still to be called.



## Notes to the financial statements

### 5. Receivables and prepayments

	<b>Unaudited Sep 2014</b>	<b>Audited Mar 2014</b>	<b>Unaudited Sep 2013</b>
Receivables	-	52,000	117,503
Prepayments	11,812	25,073	11,810
	<u>11,812</u>	<u>77,073</u>	<u>129,313</u>

### 6. Cash and cash equivalents

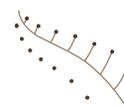
	<i>Note</i>	<b>Unaudited Sep 2014</b>	<b>Audited Mar 2014</b>	<b>Unaudited Sep 2013</b>
Call deposits:				
ANZ Bank New Zealand Limited		281	278	275
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	9	393,756	774,367	2,500,851
Westpac New Zealand Limited		151	237	273
Cash and cash equivalents in the statement of cash flows		<u>394,188</u>	<u>774,882</u>	<u>2,501,399</u>

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 9), and also directly with ANZ Bank New Zealand Limited and Westpac New Zealand Limited. The average interest rate on call deposits is 3.22% (March 2014: 2.82%) (September 2013: 2.82%).

The Company has a \$500,000 overdraft facility with Westpac New Zealand Limited. The interest rate payable on any overdrawn balance is currently 8.45%. The facility was not used during the period.

### 7. Reconciliation of profit/(loss) after taxation to the net cash flow from operating activities

	<b>Unaudited Sep 2014</b>	<b>Audited Mar 2014</b>	<b>Unaudited Sep 2013</b>
Profit/(loss) for the period	434,621	758,498	(1,180,032)
Movement in fair value of PIP Fund	(298,121)	(494,382)	1,367,009
	<u>136,500</u>	<u>264,116</u>	<u>186,977</u>
<b>Movement in Working Capital</b>			
Change in receivables and prepayments	13,261	260	13,522
Change in income tax receivable	(3,676)	15,372	(867)
Change in trade and other payables	(36,559)	1,535	(33,320)
Net cash flow from/(to) operating activities	<u>109,526</u>	<u>281,283</u>	<u>166,312</u>



## Notes to the financial statements

### 8. Commitments

The Company has further commitments of \$24,980,053 to the PIP Fund as at 30 September 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.

### 9. Related parties

#### 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 NZSIF, and CIP Cash Management Nominees Limited.

The following directors of the Company are also directors of Craigs Investment Partners Limited:

- Neil John Craig\*
- Michael John Caird

The following director of the Company is also a director of CIP Cash Management Nominees Limited:

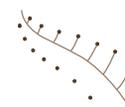
- Neil John Craig\*

\*Neil John Craig resigned as a director of New Zealand Social Infrastructure Fund Limited on 16 May 2014. David Ross McCallum, an employee of Craigs Investment Partners Limited, was appointed as his replacement on the same date.

#### Transactions with related parties

During the period, the Company entered into the following transactions with related parties:

- Management fees paid to NZSIF Management Limited totalled \$58,240 (31 March 2014: \$116,965) (30 September 2013: \$58,896).
- Craigs Investment Partners Limited paid certain expenses on behalf of the Company. As at 30 September 2014 no balance remains owing to Craigs Investment Partners Limited (31 March 2014: Nil) (30 September 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. At 30 September 2014 the balance held was \$393,756 (31 March 2014: \$774,367) (30 September 2013: \$2,500,851) (see Note 6). For deposits placed via CIP Cash Management Nominees Limited, the Company receives interest rates higher than it would otherwise obtain by going direct to banks. CIP Cash Management Nominees Limited receives a commission of up to 30 basis points on such deposits.



## Notes to the financial statements

### 9. Related parties (continued)

#### Transactions with key management personnel

	Unaudited 6 months Sep 2014	Audited 12 months Mar 2014	Unaudited 6 months Sep 2013
Directors' fees (total remuneration)	38,000	76,000	38,000

The balance of directors' fees owing to key management personnel at 30 September 2014 was \$19,000 (31 March 2014: \$19,000) (30 September 2013: \$19,000).

#### Directors' interests

The following directors or their associated entities held ordinary shares in the Company:

	30 Sep 2014	31 Mar 2014	Change
• Kimmitt Rowland Ellis	150,000 shares	150,000 shares	Nil
• Ian Alexander Nicholson Fraser	50,000 shares	Nil	+50,000 shares
• David Ross McCallum	35,000 shares	Nil	+35,000 shares
• Michael John Caird	100,000 shares	100,000 shares	Nil

### 10. Subsequent events

On 2nd September 2014 the PIP Fund made a call for \$221,832 which was subsequently paid by the Company on 6th October 2014. On the 29th September the PIP Fund made a call for \$489,026 which was paid on 3rd November 2014. The PIP Fund has made two further calls, one on 10th October 2014 for \$3,989,506 which was paid on the 14th November 2014 and one on 3rd November 2014 for \$726,141 which is due to be paid on 8th December 2014.

On 15th October 2014 NZSIF made a call of 15 cps, totalling \$6.15 million, to investors which was due on 12th November 2014. There remains \$123,000 outstanding as at the date of this report.



## Auditor's review report

### To the shareholders of New Zealand Social Infrastructure Fund Limited

We have completed a review of the interim financial statements on pages 7 to 15 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of New Zealand Social Infrastructure Fund Limited and its financial position as at 30 September 2014.

### Directors' responsibilities

The Directors of New Zealand Social Infrastructure Fund Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Company as at 30 September 2014 and the results of its operations and cash flows for the 6 month period ended on that date.

### Reviewers' responsibilities

It is our responsibility to express an independent opinion on the 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.

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 auditors of the company. The firm has no other relationship with, or interest in, the company.

### Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 7 to 15 do not give a true and fair view of the financial position of New Zealand Social Infrastructure Fund Limited as at 30 September 2014 and the results of its operations and cash flows for the 6 month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 17 November 2014 and our opinion is expressed as at that date.

Tauranga



---

## Directory

### BOARD OF DIRECTORS OF NZSIF

Kimmitt Rowland Ellis (Chair)  
Ian Alexander Nicholson Fraser  
Michael John Caird  
David Ross McCallum

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

### OFFICES OF NZSIF

#### New Zealand Social Infrastructure Fund Limited

Craigs Investment Partners House  
158 Cameron Road  
PO Box 13155  
Tauranga 3141

Phone: (07) 577 4727  
Email: [enquiries@nzsif.co.nz](mailto:enquiries@nzsif.co.nz)  
Website: [www.nzsif.co.nz](http://www.nzsif.co.nz)

### AUDITOR

#### KPMG

247 Cameron Road  
PO Box 110  
Tauranga 3140

Phone: (07) 578 5179

### INVESTMENT MANAGER

#### Morrison & Co PIP Limited

5 Market Lane  
PO Box 1395  
Wellington 6140

### ADMINISTRATION MANAGER

#### NZSIF Management Limited

Craigs Investment Partners House  
158 Cameron Road  
PO Box 13155  
Tauranga 3141

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

### SHARE REGISTRAR

#### Computershare Investor Services Limited

Private Bag 92119  
Auckland 1142  
159 Hurstmere Road  
Takapuna  
North Shore City 0622

Phone: (09) 488 8777  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### SOLICITORS

#### Chapman Tripp

Level 35, 23-29 Albert Street  
PO Box 2206  
Auckland 1140

Phone: (09) 357 9000

