

# NZSIF



New Zealand  
Social Infrastructure  
Fund Limited

## Interim Report

For the half year ended 30 September 2015



Melbourne Convention & Exhibition Centre



Hobsonville Primary School



Bendigo Healthcare Accommodation



University of Wollongong Student Accommodation



New Zealand Schools 2 - Aranui Campus



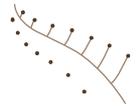
Auckland Prison



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## Report to shareholders

November 2015

*Dear Shareholder*

I am pleased to present the New Zealand Social Infrastructure Fund's (NZSIF) interim report for the half year to 30 September 2015. This report includes the financial statements for the period.

### Background

NZSIF invests as a limited partner in the Public Infrastructure Partners Limited Partnership (PIP Fund). The PIP Fund, which has nine limited partners and investment commitments of \$176.5 million, 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.

The PIP Fund has made four investments and has two investment commitments. The four investments are all operational and providing an income stream.

To date NZSIF has met 54% of its investment commitment to the PIP Fund. Recent investment commitments for New Zealand Schools 2 and Auckland Prison take our investment commitment to an estimated 90%. Provided an anticipated follow-on investment in the first quarter of 2016 proceeds, we will be close to fully committed.

## Investment Portfolio Update

### New Zealand Schools 2

In May 2015 the PIP Fund consortium 'Future Schools Partners' signed a 25 year contract with Education Minister Hekia Parata for the design, construction, finance and maintenance of four schools throughout New Zealand. The schools are Ormiston Junior College in Auckland, Aranui Community Campus and Rolleston Secondary School in Canterbury and Wakatipu High School in Queenstown. The schools are due to open in 2017 and 2018.

Construction work on Aranui, Rolleston and Ormiston commenced in July 2015.

The PIP Fund's equity investment will be \$22 million, with NZSIF's share \$5 million.

### Auckland Prison

The Department of Corrections announced in September 2015 that financial close was reached with Next Step Partners (NSP), a Public Infrastructure Partners (PIP) Fund consortium, to design, build, finance and maintain a new Auckland Prison facility, and maintain the existing facility.

Custodial operations are not included in the contract and both facilities will continue to be operated by Corrections.

The NSP consortium comprises the PIP Fund, Fletcher Construction (Building and Interiors), Cushman and Wakefield (formerly DTZ) and Westpac. Fletcher Construction is undertaking the design and construction



*Ormiston Junior College*



*Auckland Prison (design view)*

of the new facility, Cushman and Wakefield will be responsible for the Asset Management and Facilities Maintenance, and Westpac are the debt providers. Macquarie Capital is providing financial and commercial advice to NSP.

The PIP Fund's equity investment will be \$30 million, with NZSIF's share \$7 million.

*The Project*

Auckland Prison is located near Albany, northwest of Auckland City and has designated capacity for 681 male prisoners, ranging from minimum to maximum security classification. The existing Auckland East Facility within Auckland Prison is New Zealand's only maximum security facility and has a capacity of 261 male prisoners. The existing Auckland East Facility was built nearly 50 years ago and is one of Correction's older facilities. It requires redevelopment as it has reached the end of its operational life, with structural and operational deficiencies. Corrections is not seeking to simply replace like with like. The 1960s design of the existing facility reflects an operating model focused mainly on the containment of difficult prisoners.

This project will see the existing end of life maximum security facility replaced with a secure, modern facility.

Early works started on the new maximum security facility site in October 2014. Construction starts in December 2015. The development and construction period is 25 months, with completion in December 2017 and operational commencement forecast for mid-2018.

**University of Wollongong Student Accommodation Facility**

*(Wollongong, NSW, Australia)*



The Wollongong investment was announced in December 2014.

The PIP Fund made an initial stage one investment of A\$14.6 million for a 39 year concession to operate and maintain the existing student accommodation facilities (1,900 beds across nine sites, with 273 existing beds being decommissioned over three years).



*University of Wollongong Student Accommodation*

Stage two involves the design and build, management and maintenance of two new facilities (totalling 1,060 beds) to be built over the next three years.

The PIP Fund (Living & Learning Partners) is working through the new build approval process with the University of Wollongong and the local council. The Wollongong Council requested additional carparks be included in the plan so this needs to be satisfied before stage two can proceed.

The PIP Fund is a 50/50 equity investor alongside Balfour Beatty Investments. Programmed Facility Management is maintaining the facility, Hutchinson Builders providing development and construction services, and ANZ and NAB the senior debt. NZSIF has contributed NZ\$4 million for its initial stage one equity investment with a similar sized investment expected for stage two once planning consent is received.

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



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



*Bendigo Healthcare Group Accommodation Facility*

The following were key investment factors:

- The Bendigo Healthcare Group, the tenant, 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;
- A PIP Fund entity owns the land, and retains ownership of the land and buildings at the end of the lease.

The Bendigo Healthcare Group employs 3,000 staff, has a A\$300 million budget and is currently building a new A\$630 million hospital. Construction of the new hospital began in 2013 and is due for completion by the end of 2016. This is the largest regional hospital development in Victoria.

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

The accommodation facility has been running well although there are a couple of matters requiring remedial work, including the water tightness of the underground carpark podium and some air-conditioning issues, neither of which is the PIP Fund's responsibility.

***Hobsonville Schools***



*Hobsonville Point Primary School*

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

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

The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.25 million. The initial equity interest in LIP was PIP Fund 97.5% and Hawkins Construction 2.5%.

The school facilities have been operating well although there is some remedial work required on the primary school's air conditioning and ventilation system which is being attended to over the upcoming summer break (at no cost to the PIP Fund).

**Melbourne Convention and Exhibition Centre**



Melbourne Convention and Exhibition Centre

The Melbourne Convention and Exhibition Centre (MCEC) was the PIP Fund's first investment, with \$40 million invested in 2010. NZSIF's net investment cost was \$9 million. The MCEC investment represents 22% of the PIP Fund's committed capital.

MCEC is a substantial development with property, plant and equipment assets of A\$797 million (MCE Trust Annual Report June 2015) and long-term funding in place. MCEC is an established operational PPP asset and is regarded as an ideal investment, with the underlying revenue streams being based on availability of the facility, and not demand or patronage driven.

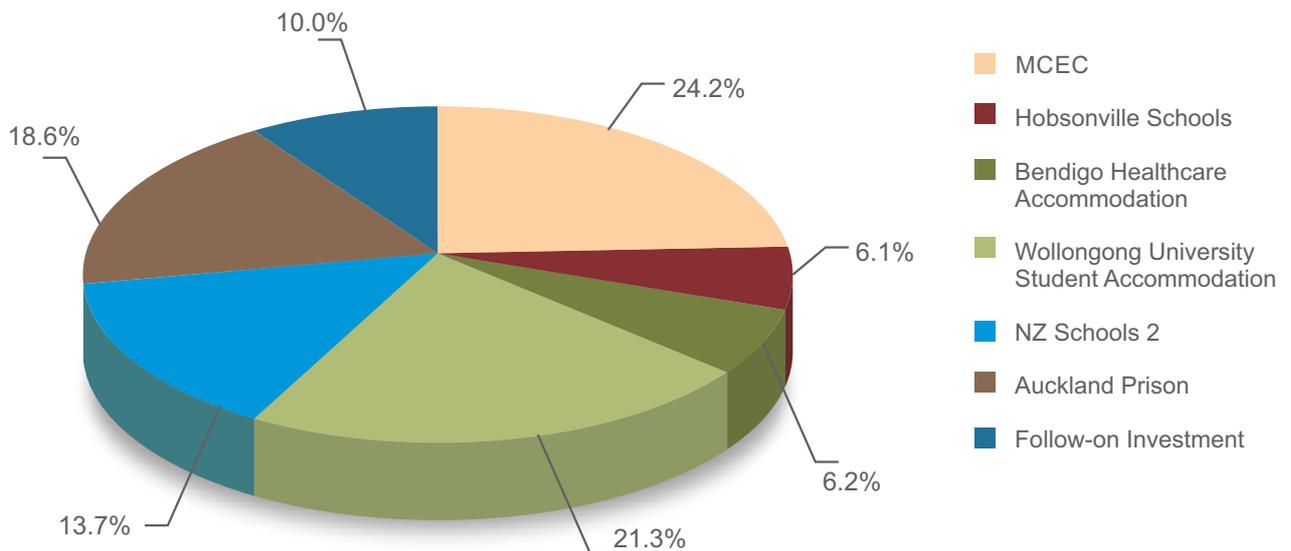
The MCEC investment continues to perform to expectations producing strong cash flows, with no revenue deductions for equity investors. Generally when faced with revenue deductions (for disruption in any of the facilities' services) these deductions are passed through to the operations management company, Brookfield Multiplex.

The State of Victoria has stated its intention to expand the exhibition centre. The State issued a request for proposal in October 2015 to the current equity providers to fund this expansion and this is currently being considered.

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.

**Chart 1 - NZSIF Expected PPP Investment Mix (when fully invested)**



### Potential Follow-on Investment

The PIP Fund has exclusivity on a follow-on investment, anticipated to be a \$16 million equity investment, which for NZSIF equates to \$3.7 million. No further details are available at this stage.

### Investment Timeline

The PIP Fund investment period commenced 30 October 2009 and ran to 29 October 2015. The PIP Fund Advisory Committee may approve the extension of the investment period at its discretion.

With NZ Schools 2 and Auckland Prison now committed, and assuming both the follow-on investment and Wollongong stage two are completed, the PIP Fund will be close to reaching its full investment commitment target, although outside the original investment period.

### Distributions

#### *Dividend*

The Board recently approved a dividend of 1.0 cps which was paid to shareholders on 27 November 2015. This was a cash payment less tax at each shareholder's prescribed tax rate. Consistent with earlier distributions there were no imputation credits attached to the dividend.

#### *Distributions paid and returns*

NZSIF has paid 1.75 cps relating to 2016 cash flows. NZSIF's aim is to pay quarterly dividends.

NZSIF has paid, from inception, total gross distributions of 13.05 cps (including a capital return of 2.8 cps).

### 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 \$21.8 million to 30 September 2015.

### NZSIF Capital and Calls

Shareholders have to date contributed \$23.37 million (57 cps) in capital to NZSIF and received capital returns of \$1.15 million (2.8 cps), resulting in a net contribution of 54.2 cps.

The last call was for 15 cps paid in November 2014. There remains 43 cps to be called.

The net asset backing of the Fund as at 30 September 2015 was 56 cps.

If the follow-on investment proceeds in the first quarter of 2016 we estimate a call of between 10 cps and 12 cps may be required in March 2016. This will be wholly dependent on investment success and timing of settlement.

We will advise shareholders in writing specifying the call amount and timing once the investment details have been confirmed.

Beyond that, we expect to make further calls later in 2016 and through 2017 when we will be required to contribute the Fund's equity share for Wollongong (stage two assuming it proceeds), NZ Schools 2 and Auckland Prison.

### Investment Valuation

NZSIF policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. 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. As there is no quoted market price for the PIP Fund, NZSIF for the purposes of its 30 September half year financial statements, estimated the fair value of its investments in the PIP Fund after considering 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 2015 and whether there have been any significant changes to forecast future cash flows and any foreign exchange movements that would impact on the valuations of operating project investments.

This has resulted in a fair valuation for NZSIF's current investment in the PIP Fund as at 30 September 2015 of \$22,620,582 (March 2015: \$20,066,528). This was largely due to a positive fair value movement of \$1,718,833.

Of the fair value movement \$1,718,833, an amount of \$1,134,649 resulted from a positive FX rate movement (a weakening NZ\$). The New Zealand dollar weakened against the Australian dollar from 31 March to 30 September (March quarter end 0.9785 compared to September quarter end 0.9094) increasing the Australian investment valuations, in New Zealand dollars.

*Table 1* compares NZSIF's net asset value, at 30 September 2015 and 31 March 2015.

Table 1  
Nzsif Net Asset Position

Nzsif Asset Position	30-Sep-15 \$	31-Mar-15 \$
PIP Fund Investment	22,620,582	20,066,528
Nzsif Cash	348,264	1,662,328
Nzsif Net Working Capital	-11,573	-670,968*
<b>Total Net Assets</b>	<b>22,957,273</b>	<b>21,057,888</b>
	<b>cps</b>	<b>cps</b>
Nzsif Net Asset Value cps	56.0	51.4
Capital returned 2012	2.8	2.8
AUD/NZD rate	0.9094	0.9785

\*Includes dividend payable \$669,571

### Interim Financial Statements

The financial statements covering the 6-month period to 30 September 2015 are provided for your information.

The statement of comprehensive income shows Nzsif received dividend income (from PIP Fund) of \$921,859 plus a small amount of interest income, \$9,005. There was a positive movement in fair value of \$1,718,833 with operating costs of \$135,312 including the manager's fee and directors' remuneration.

The profit for the period was \$2,514,385 which was aided by the positive movement in fair value.

Nzsif has 41 million \$1 shares\* on issue which were paid to 57 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;
- 8 cps was paid in September 2013;
- 4 cps was paid in March 2014; and
- 15 cps was paid in November 2014.

In addition there was capital return of 2.8 cps during 2012.

Including the capital return, investors have contributed net capital of 54.2 cps.

The 30 September 2015 value of the Nzsif investment in the PIP Fund was \$22,620,582. Liabilities represent just 0.15% of the total Nzsif assets.

Nzsif's net asset backing per share as at 30 September 2015 was 56.0 cps which compares to net capital contributed of 54.2 cps.

The last sale price for Nzsif shares on the secondary market facilitated by Craigs Investment Partners was 53 cps.

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

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 07 927 7927.

Yours sincerely

**NEW ZEALAND SOCIAL INFRASTRUCTURE  
FUND LIMITED**



**Kim Ellis**  
Chairman

## Interim Financial Statements

### Statement of comprehensive income

For the six months ended 30 September 2015

	Unaudited 6 months Sep 2015	Audited 12 months Mar 2015	Unaudited 6 months Sep 2014
Note	\$	\$	\$
Dividend income	921,859	1,943,880	255,394
Interest income	9,005	30,780	13,128
Movement in fair value of PIP Fund	3 1,718,833	(1,706,384)	298,121
<b>Total investment income</b>	<b>2,649,697</b>	<b>268,276</b>	<b>566,643</b>
Administrative expenses	(135,312)	(270,989)	(132,022)
<b>Profit/(loss) before tax</b>	<b>2,514,385</b>	<b>(2,713)</b>	<b>434,621</b>
Income tax credit/(expense)	4 -	276	-
<b>Profit/(loss) for the period</b>	<b>2,514,385</b>	<b>(2,437)</b>	<b>434,621</b>
Other comprehensive income/(loss) for the period	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>2,514,385</b>	<b>(2,437)</b>	<b>434,621</b>

### Statement of changes in equity

For the six months ended 30 September 2015

	Share capital	Retained earnings/ (losses)	Total equity
<b>Balance at 1 April 2015</b>	21,799,239	(741,351)	21,057,888
Total comprehensive income for the period	-	2,514,385	2,514,385
Dividends paid	-	(615,000)	(615,000)
<b>Balance at 30 September 2015</b>	<b>21,799,239</b>	<b>1,158,034</b>	<b>22,957,273</b>

For the year ended 31 March 2015

	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	-	(2,437)	(2,437)
Issue of share capital	6,150,000	-	6,150,000
Dividends paid	-	(1,943,847)	(1,943,847)
<b>Balance at 31 March 2015</b>	<b>21,799,239</b>	<b>(741,351)</b>	<b>21,057,888</b>

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>	<b>15,649,239</b>	<b>1,384,161</b>	<b>17,033,400</b>

## Statement of financial position

As at 30 September 2015

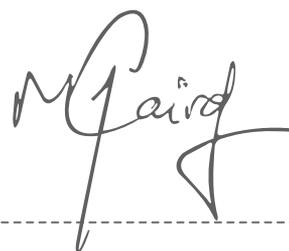
	Note	Unaudited 6 months Sep 2015 \$	Audited 12 months Mar 2015 \$	Unaudited 6 months Sep 2014 \$
<b>Assets</b>				
Investment in PIP Fund	3	22,620,582	20,066,528	16,644,528
Total non current assets		22,620,582	20,066,528	16,644,528
Cash and cash equivalents	7	348,264	1,662,328	394,188
Receivables and prepayments	6	11,812	26,552	11,812
Taxation receivable		11,426	8,904	10,303
<b>Total current assets</b>		371,502	1,697,784	416,303
<b>Total assets</b>		22,992,084	21,764,312	17,060,831
<b>Equity</b>				
Issued capital		21,799,239	21,799,239	15,649,239
Retained earnings/(losses)		1,158,034	(741,351)	1,384,161
<b>Total equity attributable to equity holders</b>		22,957,273	21,057,888	17,033,400
<b>Liabilities</b>				
Trade and other payables		34,811	36,853	27,431
Dividend payable		-	669,571	-
<b>Total current liabilities</b>		34,811	706,424	27,431
<b>Total liabilities</b>		34,811	706,424	27,431
<b>Total equity and liabilities</b>		22,992,084	21,764,312	17,060,831

For and on behalf of the Board



Director

27 November 2015



Director

27 November 2015

## Statement of cash flows

For the six months ended 30 September 2015

	Note	Unaudited 6 months Sep 2015 \$	Audited 12 months Mar 2015 \$	Unaudited 6 months Sep 2014 \$
<b>Cash flows from operating activities</b>				
Dividends received		921,859	1,943,880	255,394
Interest received		9,005	30,780	13,128
Income taxes refunded/(paid)		(2,521)	(2,001)	(3,676)
Interest paid		-	(2,360)	-
Cash paid to suppliers		(122,615)	(297,245)	(155,320)
<b>Net cash from operating activities</b>	8	<u>805,728</u>	<u>1,673,054</u>	<u>109,526</u>
<b>Cash flows from financing activities</b>				
Issue of share capital		-	6,202,000	52,000
Dividends paid		(1,284,571)	(1,274,276)	(255,393)
<b>Net cash from financing activities</b>		<u>(1,284,571)</u>	<u>4,927,724</u>	<u>(203,393)</u>
<b>Cash flows from investing activities</b>				
Investment in PIP Fund	3	(835,221)	(5,713,332)	(286,827)
<b>Net cash from investing activities</b>		<u>(835,221)</u>	<u>(5,713,332)</u>	<u>(286,827)</u>
Net movement in cash and cash equivalents		(1,314,064)	887,446	(380,694)
Cash and cash equivalents at beginning of period		1,662,328	774,882	774,882
<b>Cash and cash equivalents at end of period</b>	7	<u>348,264</u>	<u>1,662,328</u>	<u>394,188</u>



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## 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 1993. The Financial Markets Conduct Act 2013 (“FMC Act”) came into effect on 1 April 2014 where most existing issuers will become FMC reporting entities. The Financial Reporting Act 1993 will continue to apply to unlisted issuers during the transitional period (which ends on 1 December 2016), unless an opt-in or trigger event occurs before 1 December 2016, at which time the Financial Reporting Act 2013 and FMC Act will apply. Management have not yet determined the impact of these changes.

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 27 November 2015.

#### (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 2015.

#### (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 2015 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 2015, except in relation to the valuation of individual investments made by the PIP Fund. No valuations by an independent valuation expert are used for interim reporting periods (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 2015 is \$22,620,582 (March 2015: \$20,066,528, September 2014: \$16,644,528) 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 \$1,718,833 (March 2015: decrease of \$1,706,384, September 2014 increase of \$298,121).

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 2015</b>	<b>Audited Mar 2015</b>	<b>Unaudited Sep 2014</b>
Opening balance	20,066,528	16,059,580	16,059,580
Calls made by the PIP Fund	835,221	5,713,332	286,827
Movement in fair value of PIP Fund	1,718,833	(1,706,384)	298,121
Closing balance	<u>22,620,582</u>	<u>20,066,528</u>	<u>16,644,528</u>
The movement in fair value of the PIP Fund is made up of:			
Movement in FX rates	1,134,649	(739,863)	578,665
Movement in net assets of PIP Fund	584,184	(966,521)	(280,544)
Movement in fair value of PIP Fund	<u>1,718,833</u>	<u>(1,706,384)</u>	<u>298,121</u>
FX Rates used to value investments within the PIP Fund	0.9094	0.9785	0.8910

'Calls made by the PIP Fund' relates to three capital calls in the current period. These calls were 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	<b>Unaudited Sep 2015</b>	<b>Audited Mar 2015</b>	<b>Unaudited Sep 2014</b>
Total gains/(losses) included in profit or loss for the period	1,718,833	(1,706,384)	298,121
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	1,718,833	(1,706,384)	298,121

#### Key estimates and judgements

Company policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. 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. As there is no quoted market price for the PIP Fund, the Company, for the purposes of its 30 September half year financial statements, estimated the fair value of its investments in the PIP Fund after considering 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 2015 and whether there have been any significant changes to forecast future cash flows and any foreign exchange movements that would impact on the valuations of operating project investments. The PIP Fund itself has made five investments as at 30 September 2015.

The PIP Fund is subject to an annual performance fee, which is payable to the Manager if certain conditions are met. The PIP Fund has accrued for the amount payable for performance up to 31 March 2014 and NZSIF's share of the payable is \$440,537. The PIP Fund has not accrued for the performance fee payable for the year ended 31 March 2015 in the 31 March 2015 or 30 September 2015 interim management accounts. Once the fee is recognised at the PIP Fund level, it will reduce the Company's investment in the PIP Fund. It is estimated that NZSIF's share of the fee will be approximately \$70,000.

### 4. Income tax

No income tax expense has been included in the interim financial statements due to the Company having surplus unrecognised tax losses. The estimated gross amount of tax losses not recognised at 30 September 2015 is \$1,919,603 (31 March 2015: \$1,793,293, 30 September 2014: \$1,007,522).



## Notes to the financial statements

### 5. Issued capital

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 \$0.57 per share is now called with \$0.43 per share still to be called.

### 6. Receivables and prepayments

	Unaudited Sep 2015	Audited Mar 2015	Unaudited Sep 2014
Receivables	-	1,479	-
Prepayments	11,812	25,073	11,812
	<u>11,812</u>	<u>26,552</u>	<u>11,812</u>

### 7. Cash and cash equivalents

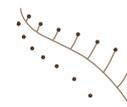
	Note	Unaudited Sep 2015	Audited Mar 2015	Unaudited Sep 2014
Call deposits:				
ANZ Bank New Zealand Limited		185	284	281
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	10	347,903	1,661,782	393,756
Westpac New Zealand Limited		176	262	151
Cash and cash equivalents in the statement of cash flows		<u>348,264</u>	<u>1,662,328</u>	<u>394,188</u>

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 10), and also directly with ANZ Bank New Zealand Limited and Westpac New Zealand Limited. The average interest rate on call deposits is 3.03% (March 2015: 3.11%, September 2014: 3.22%).

The Company has a \$500,000 overdraft facility with Westpac New Zealand Limited. The interest rate payable on any overdrawn balance is 7.70%. The facility was not used during the period. The account was undrawn as at 30 September 2015.

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

	Unaudited Sep 2015	Audited Mar 2015	Unaudited Sep 2014
Profit/(loss) for the period	2,514,385	(2,437)	434,621
Movement in fair value of PIP Fund	(1,718,833)	1,706,384	(298,121)
	795,552	264,116	136,500
<b>Movement in Working Capital</b>			
Change in receivables and prepayments	14,786	(1,479)	13,261
Change in income tax receivable	(2,521)	(2,277)	(3,676)
Change in trade and other payables	(2,089)	(27,137)	(36,559)
Net cash flow from/(to) operating activities	<u>805,728</u>	<u>1,673,054</u>	<u>109,526</u>



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## Notes to the financial statements

### 9. Commitments

The Company has further commitments of \$18,718,328 to the PIP Fund as at 30 September 2015, which will require further calls of capital. The PIP Fund has a further follow on investment planned and expected to be committed in the first quarter of 2016. This will fall outside the original investment period which ran to October 2015. The PIP Fund Advisory Committee may extend the investment period at its discretion.

### 10. 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.

The following director of the Company is also a director of Craigs Investment Partners Limited:

- Michael John Caird

The following director of the Company is also an employee of Craigs Investment Partners Limited:

- David Ross McCallum

#### 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 \$55,614 (31 March 2015: \$116,652, 30 September 2014: \$58,240).
- Craigs Investment Partners Limited paid certain expenses of the Company.
- 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 2015 the balance held was \$347,903 (31 March 2015: \$1,661,782, 30 September 2014: \$393,756) (see Note 7). 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.

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.



## Notes to the financial statements

### 10. Related parties (continued)

#### Transactions with key management personnel

	Unaudited 6 months Sep 2015	Audited 12 months Mar 2015	Unaudited 6 months Sep 2014
Directors' fees (total remuneration)	38,000	76,000	38,000

The balance of directors' fees owing to key management personnel at 30 September 2015 was \$19,000 (31 March 2015: \$19,000, 30 September 2014: \$19,000).

#### Directors' interests

The following directors or their associated entities held shares in the Company at 30 September 2015:

- Kimmitt Rowland Ellis 150,000 shares
- Ian Alexander Nicholson Fraser 100,000 shares
- David Ross McCallum 35,000 shares
- Michael John Caird 100,000 shares

### 11. Subsequent events

On 13 November 2015 the PIP Fund made a call for \$498,869 which is due for payment on 18 December 2015. On 16 November 2015 NZSIF directors approved a dividend of \$410,000 equivalent to 1 cent per share. The dividend will be payable on or about 27 November 2015.



## Auditor's review report

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

We have completed a review of the interim financial statements of New Zealand Social Infrastructure Fund Limited on pages 8 to 16 which comprise the statement of financial position as at 30 September 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

### Directors' responsibilities

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

### Our responsibilities

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

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

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

Other than in our capacity as auditors we have no relationship with or interests in New Zealand Social Infrastructure Fund Limited.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of New Zealand Social Infrastructure Fund Limited do not present fairly, in all material respects, the financial position as at 30 September 2015, and of its financial performance and its cash flows for the six months ended on that date, in accordance with NZ IAS 34 Interim Financial Reporting.

Date: 27 November 2015

  
Tauranga



## Directory

### BOARD OF DIRECTORS OF NZSIF

Kimmitt Rowland Ellis (Chair)  
Ian Alexander Nicholson Fraser  
Michael John Caird\*/\*\*  
David Ross 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

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

Phone: (07) 927 7927  
Email: [enquiries@nzsif.co.nz](mailto:enquiries@nzsif.co.nz)  
Website: [www.nzsif.co.nz](http://www.nzsif.co.nz)

### AUDITORS

#### 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

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### SHARE REGISTRAR

#### Computershare Investor Services Limited

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159 Hurstmere Road  
Takapuna  
North Shore City 0622

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Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### SOLICITORS

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