

NZSIF



New Zealand
Social Infrastructure
Fund Limited

Interim Report

For the six months ended 30 September 2019



Melbourne Convention & Exhibition Centre



Bendigo Key Worker Village



Hobsonville Point Primary School



Auckland Prison

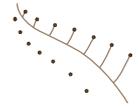


University of Wollongong Student Accommodation



New Zealand Schools 2 – Rolleston College

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Report to Shareholders

November 2019

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) report for the six months to 30 September 2019. The report includes the financial statements for the period.

Highlights for the period included:

- Distributions*

The Board announced the recommencement of distributions in November 2018 with gross payments of 2.3 cps on 16 November 2018; 2.5 cps on 29 March 2019; 2.0 cps on 12 July 2019; and 5.0 cps on 27 September 2019.
- Net Asset Value (NAV)*

NZSIF's NAV at 30 September 2019 was \$1.39 per share.
- All investment assets are performing well and generating cash flow for the PIP Fund.

Background

Limited Partnership and Capital

NZSIF is a Limited Partner in the Public Infrastructure Partners LP Fund (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, 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.

Investment Portfolio

Melbourne Convention and Exhibition Centre

MCEC was the PIP Fund's first investment, with NZ\$40 million invested in 2010 for an ownership interest of 49.9%. NZSIF's net investment was NZ\$9 million. The contract counterparty is the State of Victoria with the concession due to expire in January 2034. The MCEC investment represents 22% of the PIP Fund's committed capital.

MCEC is a substantial development with net assets of A\$902 million (MCE Trust Annual Report June 2019). The PIP Fund's revenue streams are based on availability of the facility and are not demand or patronage driven.

The MCEC investment continues to perform well producing strong cash flows, and there have been 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.

Exhibition Centre Expansion Project

The State of Victoria entered into a contract with a PIP Fund consortium to develop a 20,000m² expansion, including a 9,000m² extension of the exhibition centre. The expansion opened 9 July 2018. This was a A\$15 million follow-on investment with NZSIF's share being NZ\$3.7 million.

The State of Victoria is the contract counter party and the expiry of the concession in January 2034 aligns with the original Melbourne Convention Centre PPP contract.

Solutions for the few remaining construction-related defects in the new facility are being developed and agreed with the State, noting that none are causing operational issues.



Melbourne Convention & Exhibition Centre



Hobsonville Point Primary School

Hobsonville Schools

In January 2013 Learning Infrastructure Partners (LIP, a PIP Fund consortium) delivered New Zealand's first public private partnership (PPP) for the design, construction, finance and maintenance of Auckland's Hobsonville Point primary and secondary schools. The 25-year concession is with the Ministry of Education and expires in 2039.

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

The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.25 million.

The schools are designed as open learning environments and continue to operate well with all planned and reactive maintenance tasks being completed within the required timeframes.

Both facilities have now been operational for more than five years, and the asset replacement (lifecycle) programme has commenced in accordance with the asset management plans.

The primary school has continued to experience rapid roll growth with the facility expected to be full by the end of the year. The Ministry of Education has issued a note of intent to expand the facility to accommodate roll growth and engagement with the school and Ministry advisers has commenced to define the scope.

New Zealand Schools 2

Financial close was reached in April 2015, and in May 2015 the PIP Fund consortium 'Future Schools Partners' signed a 25-year contract with the Ministry of Education for the design, construction, finance and maintenance of four schools throughout New Zealand. The 25-year concession expires in 2043. The Partnership has a 90% interest in the project, with the PIP II Fund holding the balance.

The schools are Ormiston Junior College in Auckland, Haeata Community Campus and Rolleston Secondary School in Canterbury, and Wakatipu High School in Queenstown. All are now operational.

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

In May 2018, the builder of NZ Schools 2 (and the Hobsonville Schools), (a Hawkins Construction related entity,) was placed in liquidation. While all the schools were completed some time ago a bank bond was still held for NZ Schools 2. This bank bond was "called" and the PPP company is currently holding a significant cash deposit. In terms of any construction defects, the bond monies are called for rectification costs as required. The balance of the bond money will be released when all the builder's residual obligations have been verified as completed.

The project continues to operate well with all planned and reactive maintenance tasks generally being completed within the required timeframes.

Due to roll growth, the Ministry is seeking approval to proceed with an expansion of both Rolleston College and Wakatipu High School. The Ministry has issued two change notices, to advance the developed design for Wakatipu and to prepare a functional brief for the Rolleston College expansion.



Wakatipu High School

Bendigo Key Worker Village (Bendigo, Victoria, Australia)



The Bendigo investment was completed in March 2014. This is a doctors and nurses residential facility based in Bendigo, Victoria, Australia, consisting of 120 accommodation units.

Investment factors:

- The Bendigo Healthcare Group, the tenant, is a public health provider for the State of Victoria under the Health Services Act 1988
- PIP has entered into a 30 year property lease with inflation linked cash flows
- There is 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 and has a A\$300 million annual budget. The Bendigo Hospital Project oversaw the completion of the construction of a new A\$630 million hospital, which is now fully operational.

The completed development continues to operate well for both the tenant and the PIP Fund.

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 debt refinancing was completed in early August and the Investment Manager made a refinancing-related distribution in the September quarter.



Bendigo Health Village

University of Wollongong Student Accommodation Facility (Wollongong, NSW, Australia)



The Wollongong investment was made in December 2014.

The PIP Fund took a 50% interest in the University of Wollongong concession to operate 1,900 existing student accommodation beds along with the design and build of an additional 1,000 beds in a two stage development. The contract counter party is the University of Wollongong and the concession is for a term of 39 years expiring 2053.

Stage 1 known as "Bangalay" was completed in February 2017 and is targeted at graduate students (and their families in the larger apartments). It is comprised of 113 single-bed studio apartments, 57 double-bed studio apartments, 30 two-bedroom apartments and 8 three-bedroom apartments (comprising 254 beds in total).

Stage 2 known as "Kooloobong" was completed in December 2017. Kooloobong provides an 800 bed accommodation facility and opened to students in February 2018.

Occupancy is strong across the portfolio other than the off-campus older-style accommodation. The facility manager and Wollongong University continue to look at marketing initiatives to address this. While the University underwrites occupancy risk to 85%, the base case equity returns assume a 93% occupancy rate. The University has agreed a subsidised rent strategy for the 2020 operating year, which is expected to materially improve occupancy going forward.

In respect of the buildings themselves the NSW Government introduced the Building Products (Safety) Act which restricted the use of Aluminium Composite Panelling (ACP) due to fire safety risk, and set the groundwork to require building owners to survey the materials in their buildings and carry out independent risk assessments if ACP was found. ACP has been identified on three of the student accommodation facilities (Marketview, old Kooloobong and Bangalay) and it is expected that the ACP will be replaced. The University

has requested quotes to commence initial rectification work by the end of November. There are “change of law” provisions in the original contract with the University and the manager believes that as a result the University, and not the PIP Fund, will be responsible for the replacement. The sums involved are not expected to be material.

A successful refinancing drove a large distribution to investors in Q3.

The PIP Fund is a 50/50 equity investor alongside another Morrison & Co managed fund (which bought its stake from the original investor, Balfour Beatty Investments, in June 2016). Programmed Facility Management is maintaining the facility, Hutchinson Builders provided development and construction services, and ANZ and NAB provided the senior debt. NZSIF contributed NZ\$7.6 million for its share of the investment.



University of Wollongong Student Accommodation

Auckland Prison

The Department of Corrections (Corrections) announced in September 2015 that financial close was reached with Next Step Partners (NSP), a PIP Fund consortium, to design, build, finance and maintain a new Auckland Prison facility, and maintain the existing facility. The contract counter party is the Department of Corrections with the concession set to expire in 2042.



Auckland Prison

The NSP consortium comprised the PIP Fund, Fletcher Construction (Building and Interiors), Cushman and Wakefield and Westpac. Fletcher Construction was responsible for the design and construction of the new facility, Cushman and Wakefield is responsible for the Asset Management and Facilities Maintenance (AM/FM), and Westpac is the debt provider.

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

Custodial operations are not included in the contract and both facilities are operated by Corrections.

Auckland Prison is located near Albany, northwest of Auckland City and has a designated capacity for 681 male prisoners, ranging from minimum to maximum security classification.

Corrections has completed prisoner build-up and the facility has been functioning as an operational prison since October 2018. Planned and reactive maintenance activities are being undertaken as required. The Manager is working with Corrections and the subcontractors to work through specific operational issues as they arise.

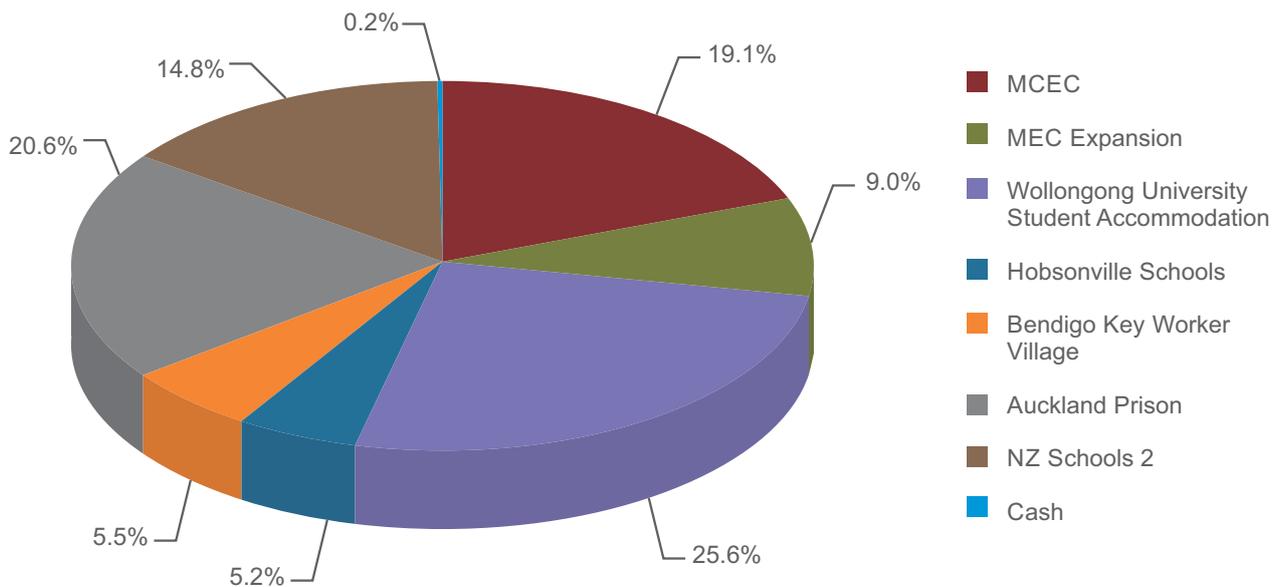
The provision of AM/FM Services has been running smoothly and has received positive feedback from Corrections. There is one availability dispute regarding access design, which is being worked through with Corrections.

After more than a two-year delay by Corrections (due to muster pressures), the refurbishment of the West Facility recommenced in September 2018. While the costs for this delay has been approved by Corrections, formalising the payment schedule is being worked through with the parties. The works on site are progressing well with the refurbishment of a third of the five units nearing completion.

Investment Portfolio Mix

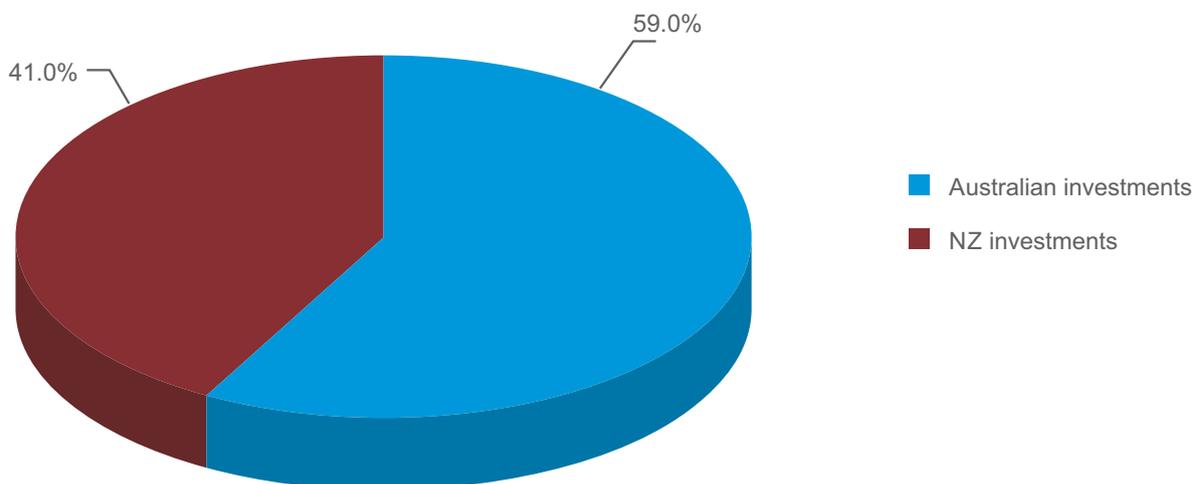
The portfolio investment composition is shown below.

Chart 1 – NZSIF Investment Mix 30 September 2019



Investment values based on PIP Fund 30 September 2019 valuations

Chart 2 – Investment Concentration by Country



Investment Commitment

As at 30 September 2019 the limited partners had contributed 99.6% of their committed capital to the PIP Fund. If PIP should call the final 0.4%, NZSIF intends to meet that call from working capital.

Distributions

On 12 July 2019 NZSIF made a gross distribution of 2.0 cps and on 27 September 2019 a further gross distribution of 5.0 cps.

NZSIF has to date paid total gross distributions of 27.8 cps (including capital returns of 3.6 cps).

All investments are contributing cash flows to the PIP Fund.

NZSIF Capital Position and Calls

At 30 September Shareholders had contributed \$41m (\$1.00 per share) in capital to NZSIF. Shareholders have received capital returns of \$1.47 million (3.6 cps), which means the net capital contribution is 96.4 cps.

NZSIF's unaudited net asset value as at 30 September 2019 was \$1.39 per share, after the 5.0 cps distribution paid on 27 September 2019.

PIP Fund Investment Valuation

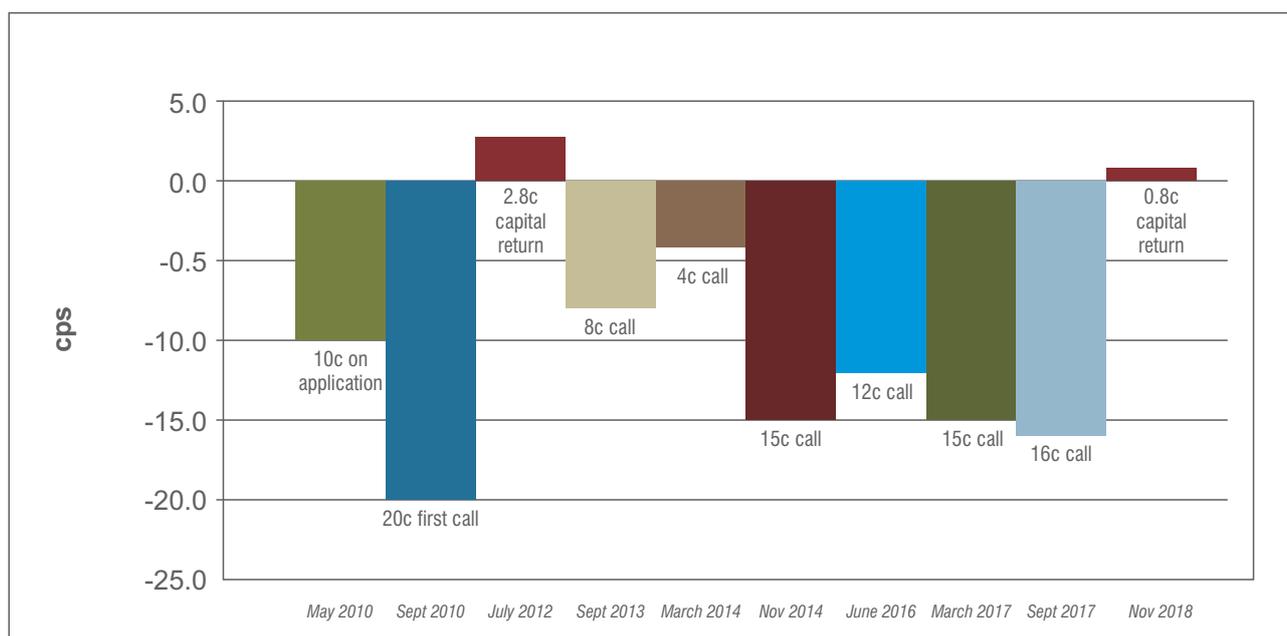
The valuation method used by the PIP Fund to value its project investments is the discounted cash flow method, which is appropriate for valuing PPP projects. The PIP Fund engages a third party expert to value the Fund's assets at the end of each financial year (31 March). At interim accounting periods 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.

NZSIF Investment Valuation & Returns

NZSIF's policy is to carry investments at fair value with subsequent movements in fair value recognised through the profit or loss statement. This includes investments in the PIP Fund and special purpose vehicle bid loans within the PIP Fund.

NZSIF's investment in the PIP Fund at 30 September 2019 was valued at \$56.4 million (March 2019: \$56.8 million).

Chart 3 – NZSIF Calls & Capital Returns



Financial Statements

The unaudited interim financial statements covering the six-month period to 30 September 2019 are provided in this report for your information.

NZSIF's reported profit was \$2,596,603 (Sept 2018: \$2,598,777). This was the result of distribution and interest income of \$3,144,767 offset by a slight decrease in the net assets of the PIP Fund of \$383,715. The movement in fair value of investment in the PIP Fund is shown in the statement of comprehensive income.

Expenses were \$164,449 (Sept 2018: \$148,479).

The value of the NZSIF investment in the PIP Fund was \$56,413,469 (Sept 2018: \$55,229,248). Liabilities totalled \$28,823.

Capital and Net Asset Value

Issued capital was \$39,429,239. Combined with retained earnings of \$17,412,024 total capital was \$56,841,263, which represents a net asset value of \$1.39 per share as at 30 September 2019, which is similar to the NAV as at 31 March 2019.

Outlook

Distributions

NZSIF's aim is to pay consistent quarterly distributions of approximately 2.0 cps as it receives its share of the PIP Fund income. There may from time to time be smaller distributions as cash is applied to (for example) management performance fees for the investment manager; or larger distributions as capital is released within PIP projects.

Based on PIP Fund projections the forecast distribution for Q4 2019 is 1.0 cps; and for Q1 2020 approximately 2.5 cps. The distribution for Q4 2019 is slightly lower than we initially expected as the PIP Fund has retained some funds to meet the costs of investigating the potential school expansions.

PIP Fund Sales Process - Potential Exit

The PIP Fund sought expressions of interest for the sale of the investment portfolio in August. A number of indicative bids have been received, and the level of the bids point to a good outcome for investors. If the final bids meet PIP Fund's threshold and a sale is successfully concluded, then the timing of the transaction and any distributions will be dependent ultimately on the approval of the Overseas Investment Office.

Directors continue to recommend that NZSIF shareholders hold their investment until the outcome of the sales process is known.

We will keep you up to date through media releases, via the NZSIF website www.nzsif.co.nz or by writing directly to you. All shareholder reports plus news updates are available to view on the website.

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.

Thank you for your continuing support of NZSIF.

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 2019

	Note	Unaudited 6 months Sep 2019 \$	Audited 12 months Mar 2019 \$	Unaudited 6 months Sep 2018 \$
Distribution income		3,140,588	2,459,054	-
Interest income		4,179	5,500	435
Movement in fair value of Investment in PIP Fund	3	(383,715)	4,314,757	2,746,821
Total investment income		2,761,052	6,779,311	2,747,256
Administrative expenses		(164,449)	(326,391)	(148,212)
Interest expense		-	(683)	(267)
Profit/(loss) before tax		2,596,603	6,452,237	2,598,777
Income tax credit/(expense)	4	-	76	-
Profit/(loss) for the period		2,596,603	6,452,313	2,598,777
Other comprehensive income/(loss) for the period		-	-	-
Total comprehensive income/(loss) for the period		2,596,603	6,452,313	2,598,777

Statement of changes in equity

For the six months ended 30 September 2019

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2019	39,429,239	17,685,421	57,114,660
Total comprehensive income for the period	-	2,596,603	2,596,603
Dividends paid/payable	-	(2,870,000)	(2,870,000)
Balance at 30 September 2019	39,429,239	17,412,024	56,841,263

For the year ended 31 March 2019

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2018	39,429,239	13,198,566	52,627,805
Total comprehensive income for the period	-	6,452,313	6,452,313
Dividends paid/payable	-	(1,965,458)	(1,965,458)
Balance at 31 March 2019	39,429,239	17,685,421	57,114,660

For the six months ended 30 September 2018

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2018	39,429,239	13,198,566	52,627,805
Total comprehensive income for the period	-	2,598,777	2,598,777
Balance at 30 September 2018	39,429,239	15,797,343	55,226,582

Statement of financial position

As at 30 September 2019

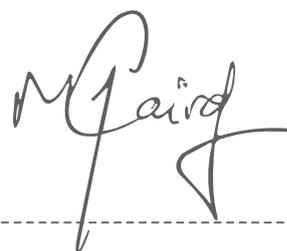
	Note	Unaudited 6 months Sep 2019 \$	Audited 12 months Mar 2019 \$	Unaudited 6 months Sep 2018 \$
Assets				
Property, plant and equipment		97	129	194
Investment in PIP Fund	3	56,413,469	56,797,184	55,229,248
Total non current assets		56,413,566	56,797,313	55,229,442
Cash and cash equivalents	7	440,903	339,355	299
Receivables and prepayments	6	12,838	-	12,400
Taxation receivable		2,779	29,656	28,162
Total current assets		456,520	369,011	40,861
Total assets		56,870,086	57,166,324	55,270,303
Equity				
Share capital		39,429,239	39,429,239	39,429,239
Retained earnings/(losses)		17,412,024	17,685,421	15,797,343
Total equity attributable to equity holders		56,841,263	57,114,660	55,226,582
Liabilities				
Bank overdraft	7	-	-	22,762
Trade and other payables		28,823	51,664	20,959
Total current liabilities		28,823	51,664	43,721
Total liabilities		28,823	51,664	43,721
Total equity and liabilities		56,870,086	57,166,324	55,270,303

For and on behalf of the Board



Director

18 November 2019



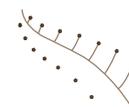
Director

18 November 2019

Statement of cash flows

For the six months ended 30 September 2019

	Note	Unaudited 6 months Sep 2019 \$	Audited 12 months Mar 2019 \$	Unaudited 6 months Sep 2018 \$
Cash flows from operating activities				
Distributions received		3,140,588	2,459,054	-
Interest received		4,179	5,500	435
Interest paid		-	(683)	(267)
Income taxes refunded		26,877	(1,537)	(119)
Cash paid to suppliers		(200,096)	(311,999)	(176,990)
Net cash from operating activities	8	<u>2,971,548</u>	<u>2,150,335</u>	<u>(176,941)</u>
Cash flows from financing activities				
Dividends paid		(2,870,000)	(1,965,458)	-
Proceeds from called capital		-	-	-
Net cash from financing activities		<u>(2,870,000)</u>	<u>(1,965,458)</u>	<u>-</u>
Cash flows from investing activities				
Investment in PIP Fund	3	-	-	-
Net cash from investing activities		<u>-</u>	<u>-</u>	<u>-</u>
Net movement in cash and cash equivalents		101,548	184,877	(176,941)
Cash and cash equivalents at beginning of period		339,355	154,478	154,478
Cash and cash equivalents at end of period	7	<u>440,903</u>	<u>339,355</u>	<u>(22,463)</u>



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 FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013.

The interim financial statements of the Company have been prepared for the six months ended 30 September 2019, in accordance with the Financial Reporting Act 2013 and the Financial Markets Conduct 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 interim financial statements were approved by the Directors on 18 November 2019.

(b) Statement of compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They do not include all 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 2019.

(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 2019 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 2019. 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 fair valuation of the investment in the PIP Fund as at 30 September 2019 is \$56,413,469 (31 March 2019: \$56,797,184, 30 September 2018: \$55,229,248) 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, being a decrease of \$383,715 (31 March 2019: increase of \$4,314,757, 30 September 2018: increase of \$2,746,821).

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

	Unaudited Sep 2019	Audited Mar 2019	Unaudited Sep 2018
Opening balance	56,797,184	52,482,427	52,482,427
Investment in PIP Fund	-	-	-
Movement in fair value of investment in PIP Fund	(383,715)	4,314,757	2,746,821
Closing balance	56,413,469	56,797,184	55,229,248

The movement in fair value of PIP Fund investment is made up of:

Movement in FX rates	1,014,114	(523,613)	792,822
Movement in net assets of PIP Fund Investment	(1,397,829)	4,838,370	1,953,999
Movement in fair value of PIP Fund Investment	(383,715)	4,314,757	2,746,821



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 2019	Audited Mar 2019	Unaudited Sep 2018
Total gains/(losses) included in profit or loss for the period	(383,715)	4,314,757	2,746,821
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	(383,715)	4,314,757	2,746,821

Key estimates and judgements

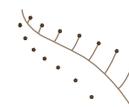
Company policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. The General Partner of the PIP Fund arranges annual valuations of the operating project investments at each 31 March balance date, by an independent valuation expert, using 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 2019 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 information as at 30 September 2019 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.

Fair value hierarchy

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

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

30 September 2019	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	56,413,469	56,413,469
31 March 2019	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	56,797,184	56,797,184
30 September 2018	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	55,229,248	55,229,248



Notes to the financial statements

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 2019 is \$4,902,815 (31 March 2019: \$4,743,309, 30 September 2018: \$4,540,283).

5. Issued capital

Each \$1.00 share originally comprised 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). The total \$1.00 per share is now called. With the capital returns to date NZSIF shares now comprise 96 non-voting redeemable preference shares.

6. Receivables and prepayments

	Unaudited Sep 2019	Audited Mar 2019	Unaudited Sep 2018
Receivables	-	-	-
Prepayments	12,838	-	12,400
	<u>12,838</u>	<u>-</u>	<u>12,400</u>

7. Cash and cash equivalents

	Note	Unaudited Sep 2019	Audited Mar 2019	Unaudited Sep 2018
Call deposits:				
ANZ Bank New Zealand Limited		-	-	179
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	10	440,902	339,268	120
Westpac New Zealand Limited (Overdraft)		1	87	(22,762)
Cash and cash equivalents in the statement of cash flows		<u>440,903</u>	<u>339,355</u>	<u>(22,463)</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 1.97% (March 2019: 2.20%, September 2018: 1.63%).

The Company has a \$500,000 overdraft facility with Westpac New Zealand Limited. The interest rate payable on any drawn balance is 7.50% at 30 September 2019. The account was in funds by \$1 as at 30 September 2019.



Notes to the financial statements

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

	Unaudited Sep 2019	Audited Mar 2019	Unaudited Sep 2018
Profit/(loss) for the period	2,596,603	6,452,313	2,598,777
Depreciation	32	129	65
Movement in fair value of PIP Fund Investment	383,715	(4,314,757)	(2,746,821)
	<u>2,980,350</u>	<u>2,137,685</u>	<u>(147,979)</u>
Movement in Working Capital			
Change in receivables and prepayments	(12,838)	-	(12,400)
Change in income tax receivable	26,877	(1,613)	(119)
Change in trade and other payables	(22,841)	14,263	(16,443)
Net cash flow from/(to) operating activities	<u>2,971,548</u>	<u>2,150,335</u>	<u>(176,941)</u>

9. Commitments

As at 30 September 2019, the Company has further commitments of \$144,856 to the PIP Fund. Any future calls will be met from existing working capital.

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



Notes to the financial statements

10. Related parties (continued)

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 \$82,102 (31 March 2019: \$151,305; 30 September 2018: \$75,652).
- Craigs Investment Partners Limited paid certain expenses on behalf 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 2019 the balance held was \$440,902 (31 March 2019: \$339,268, 30 September 2018: \$120) (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.

Transactions with key management personnel

	Unaudited 6 months Sep 2019	Audited 12 months Mar 2019	Unaudited 6 months Sep 2018
Directors' fees (total remuneration)	38,000	76,000	38,000

The balance of directors' fees owing to key management personnel at 30 September 2019 was \$19,000 (31 March 2019: \$19,000, 30 September 2018: \$19,000).

Directors' interests

The following directors or their associated entities held shares in the Company at 30 September 2019:

- | | |
|----------------------------------|----------------|
| • 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

There were no material subsequent events for the Company.



Independent Review Report

To the Shareholders of New Zealand Social Infrastructure Fund Limited
Report on the interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 9 to 17 do not:

- i. Present fairly in all material respects the Company's financial position as at 30 September 2019 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. Comply with NZ IAS 34 Interim Financial

Reporting. We have completed a review of the accompanying interim financial statements which comprise:

- The statement of financial position as at 30 September 2019;
- The statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.



Use of this Independent Review Report

This report is made solely to the Shareholders as a body. Our review work has been undertaken so that we might state to the 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 Shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the interim financial statements

The Directors, on behalf of the Company, are responsible for:

- The preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- Implementing necessary internal control to enable the preparation of interim financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim financial statements

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. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

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 these interim financial statements.

This description forms part of our Independent Review Report.

Tauranga

18 November 2019



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
Website: 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

Phone: (07) 927 7927
Email: 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

SOLICITORS

Chapman Tripp

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

Phone: (09) 357 9000

