

NZSIF



New Zealand
Social Infrastructure
Fund Limited

Annual Report

For the year ended 31 March 2021



Melbourne Convention & Exhibition Centre



Wakatipu High School



Hobsonville Schools

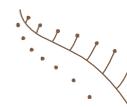


Auckland Prison



Bendigo Healthcare Accommodation

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Report to shareholders

August 2021

Dear Shareholder

Your Directors are pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) annual report for the year ended 31 March 2021. The report includes our audited financial statements for that period.

Investment Summary

All portfolio investments are performing to expectations with no significant issues.

The termination of the University of Wollongong Student Accommodation PPP (UoW) and the investment into NZ Schools Expansion were the most significant transactions of the year.

- *University of Wollongong Student Accommodation*
Public Infrastructure Partners LP and the UoW reached agreement on the termination of the UoW Student Accommodation PPP. NZSIF received settlement proceeds of \$12.5 million paid in two tranches in April and June 2021.
- *NZ Schools Expansion Follow-on Investments*
There are currently three school expansions underway at Hobsonville Primary, Wakatipu High School and Rolleston College. NZSIF committed to a \$7.5 million follow-on investment in these school expansions. The projects are expected to be value accretive for NZSIF shareholders.
- *Covid-19 Impact*
The Covid-19 risk has continued to be well contained across the majority of assets. Cash flows from all investments were maintained.
- *Distributions*
For the financial year to 31 March 2021 NZSIF paid gross distributions of 0.75 cps to shareholders. Subsequent to the financial year end NZSIF has made capital returns totalling 15 cps relating to the UoW settlement, and paid a further distribution of 1.5 cps. Including these latest distributions NZSIF has now paid 47.1 cps gross to shareholders.

- *Net Asset Value*
NZSIF's Net Asset Value was \$1.47 per share at 31 March 2021 (2020: \$1.53), which is after allowing for the first UoW distribution of 10 cps accrued as a liability.
- *Sale of PIP Fund*
The process to sell the PIP Fund was formally called off in Q1 2021. The sales process was significantly disrupted by Covid-19.

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, structured as a limited liability partnership, to invest in public private partnerships (PPPs) that deliver social infrastructure assets such as schools, hospitals, accommodation facilities, government and local government facilities to the community.

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

As at 31 March 2021 the limited partners had contributed 99.6% of their committed capital to the PIP Fund. The PIP Fund has advised that the final 0.4%, will not be called.

PIP SE Fund

The Manager of the PIP Fund established a dedicated fund, the PIP SE Fund, to fund the school expansions, with all of PIP Fund's LPs offered a pro-rata share of the \$35 million fund.

NZSIF committed \$7.5 million to PIP SE Fund for the NZ Schools expansion project. \$3.4 million has been contributed, with a further \$4.1 million to pay as the school projects progress and capital is called by PIP SE Fund.

Entitlements to invest that were not taken up by existing PIP Fund LPs were taken-up by PIP III LP.

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.

MCEC is a substantial development with net assets of A\$930 million (MCE Trust Annual Report June 2020). 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 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.

Melbourne Convention and 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 expiration of the concession in January 2034 aligns with the original Melbourne Convention and Exhibition Centre PPP contract.



MCEC Arena

Covid-19

The centre remained closed for public events for a large part of 2020, but the two projects continued receiving Service Fees as planned. The centre reopened late last year, subject to Covid-19 government guidelines and restrictions, offering virtual hosting services for events. In addition, two main events were held since reopening, a Blacklight film production and an 'indoor' drive-in cinema.

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, for 25 years. The concession is with the Ministry of Education and expires in 2039.

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

The primary school, which has a 690 student capacity, opened in January 2013 and the secondary school, which has a 1,500 student capacity, opened in mid-February 2014.

Expansion

The Ministry of Education identified that the roll growth in Hobsonville Point Primary is significantly higher than previously anticipated. The Ministry is proceeding with an expansion of this facility from 690 students to 810 students. Temporary modular classrooms will be required to meet the current roll growth. Ministry instruction to commence construction of the expansion is expected in Q4 2021.



Hobsonville Schools

Bendigo Key Worker Village
(Bendigo, Victoria, Australia)



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

Investment considerations:

- The Bendigo Healthcare Group, the tenant, is a public health provider for the State of Victoria under the Health Services Act 1988
- PIP has 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 a new A\$630 million hospital, which has been fully operational since 2020.

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



Bendigo Health Key Worker Village

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



The Wollongong investment was made in December 2014.

The Project Agreement terminated on 18 January 2021 following the notice period set out in the University's Voluntary Termination Letter. On this date, lenders were fully repaid, and the PIP Fund received an initial payment of A\$82m from the University. On 11 March 2021, an additional payment of A\$33.5m was paid.

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 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 College in Canterbury, and Wakatipu High School in Queenstown, and all are operational.

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

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

Expansion

Due to the roll growth at Rolleston College and Wakatipu High School, the Ministry of Education is proceeding with an expansion of those schools.

The expansion project for Wakatipu provided for an additional 600 students, which reached Financial Close in February 2021 and construction is on track. The supply and installation of sixteen temporary modular teaching spaces for operation at the commencement of Term 1 2021 were delivered on time.

Rolleston College is expanding to accommodate a further 700 students. The supply and installation of six temporary modular teaching spaces was completed for the commencement of Term 1 2021. The Ministry is expected to issue a Change Notice for further modular units to accommodate the additional roll growth for the 2022 school year. Internal modifications to the facility to repurpose spaces and provide additional teaching spaces has been completed and are in operation.



Rolleston College

Auckland Prison

Financial close was reached in 2015 with Next Step Partners (NSP), a PIP Fund consortium, to design, build, finance and maintain both the new Auckland prison facility, and the existing prison facility. The contract counter party is the Department of Corrections with the concession expiring in 2042.

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 provided the debt.

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, and has a designated capacity for 681 male prisoners, ranging from minimum to maximum security classification.

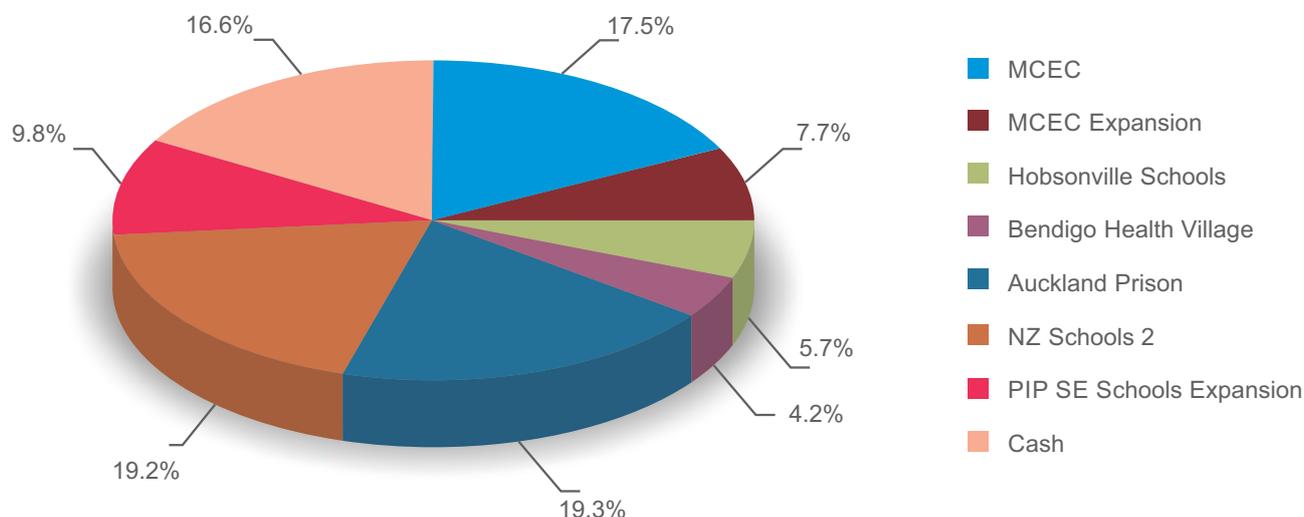
The new facility has been functioning as an operational prison since October 2018. Planned and reactive maintenance activities are being undertaken as required.

The provision of AM/FM Services continues to run smoothly.



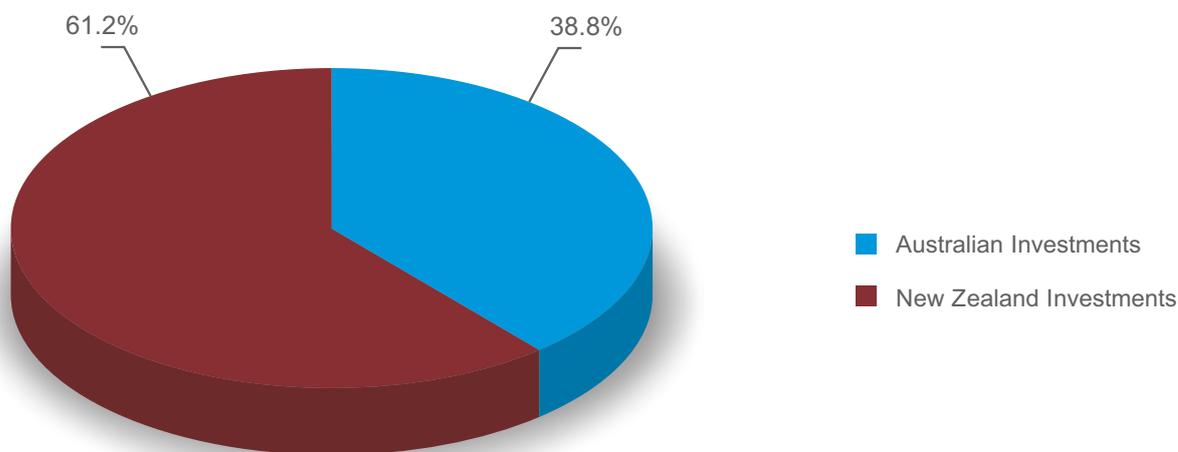
Auckland Prison

Chart 1 - NZSIF Investment Mix 31 March 2021



Investment values based on 31 March 2021 PIP Fund valuations

Chart 2 - Investment Concentration by Country



Distributions

To 31 March 2021 NZSIF has paid total distributions of 30.6 cps (including capital returns of 3.6 cps). Following the financial year end directors approved further distributions totalling 16.5 cps (including capital returns of 15 cps), taking total gross distributions to 47.1 cps.

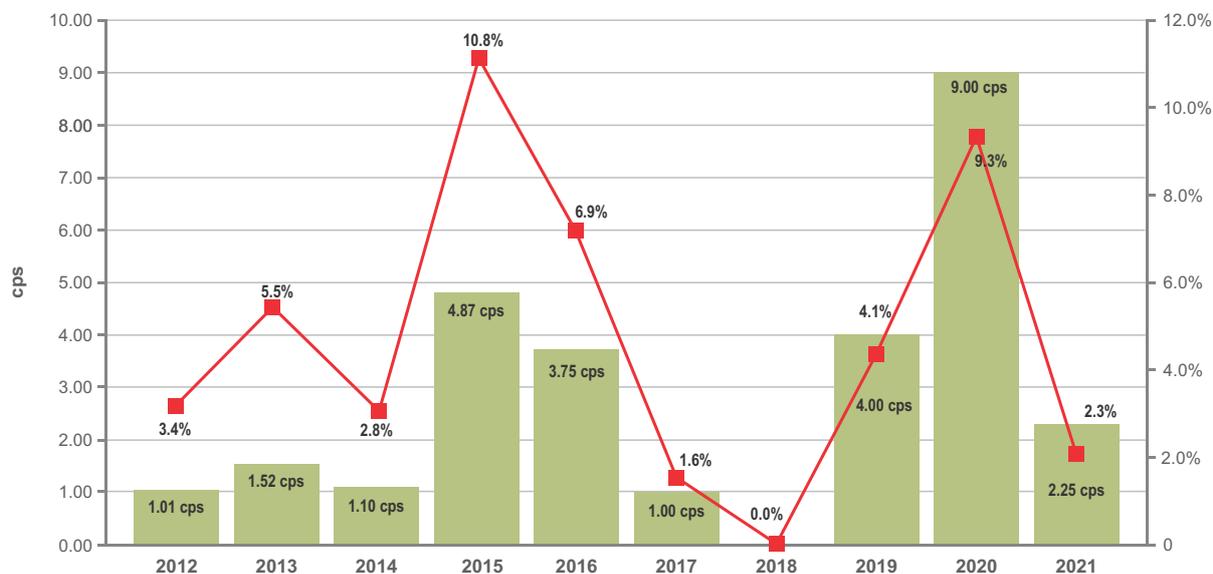
We expect to pay regular quarterly distributions going forward, dependent on the actual timing of the PIP Fund distribution payments.

NZSIF Capital Position and Net Asset Value

Shareholders have contributed capital of \$41 million (\$1.00 per share) and to 31 March 2021 had received capital returns of \$1.47 million (3.6 cps), for a net contribution of 96.4 cps.

NZSIF’s net asset value (NAV) based on the audited financial statements at 31 March 2021 was \$1.47 per share (2020: \$1.53), which is after allowing for the first UoW distribution of 10 cps.

Following distributions to NZSIF shareholders in April and June 2021 the current NAV has reduced to \$1.41 per share.

Chart 3 – NZSIF Dividend Payments and Yields to 31 March 2021

Note: Gross dividend yield based on average capital

PIP Funds Investment Valuation

The method used by the PIP Funds (PIP Fund & PIP SE Fund) to value its project investments is the discounted cash flow method, which is appropriate for valuing PPP projects. The PIP Funds engage a third-party expert to value the Fund's assets (excluding Bendigo), at the end of each financial year (31 March). In the case of Bendigo a property valuer determines fair value. At interim accounting periods the PIP Funds 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 profit or loss.

NZSIF's investment in the PIP Funds at 31 March 2021 was valued at \$53.8 million (March 2020: \$62.7 million), a decrease in fair value as a result of the UoW PP termination.

Annual Financial Statements

The audited annual financial statements covering the 12-month period to 31 March 2021 are provided in this annual report for your information.

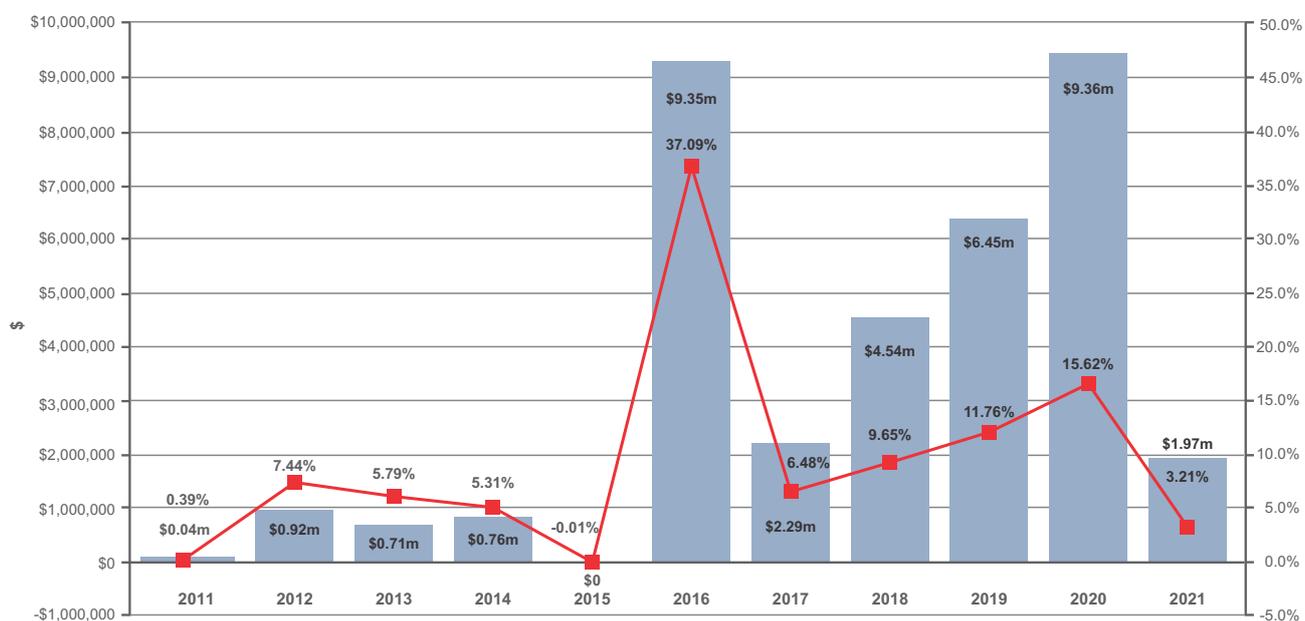
NZSIF's reported earnings were \$1,973,984 (2020: \$9,364,015). There was a realised loss on the University of Wollongong Student Accommodation concession agreement termination, offset by gains for the PIP Fund of \$554,935 benefitting from a positive foreign exchange movement; and for the PIP SE Fund a gain of \$2,859,672, being a fair value increase.

NZSIF received distribution income from the PIP Fund of \$2,018,682 (2020: \$3,796,776). There was interest income of \$5,888. Total expenses were \$503,973 (2020: \$331,904), which included borrowing charges and interest of \$106,464 being costs associated with the funding of the PIP SE Fund investment.

The value of the NZSIF investment in the PIP Fund and PIP SE Fund was \$53,800,265 at 31 March 2021 (2020: \$62,689,951). NZSIF held cash of \$10,695,570. Liabilities totalled \$4,171,834 (2020: \$68,539), which included a provision for the \$4,100,000 distribution announced as at 31 March 2021.

Capital and Net Asset Value

As at 31 March 2021 share capital was \$35,003,795 and combined with retained earnings of \$25,351,364 total shareholders' equity stood at \$60,355,159, a 3.8% decrease over 2020, as a result of distributions relating to UoW (10 cps accrued), representing NAV of \$1.47 per share.

Chart 4 - NZSIF Profit and Return on Average Equity to 31 March 2021

NZSIF Annual Shareholders Meeting

Details for the Annual Shareholders Meeting are:

Date: Friday, 27 August 2021

Time: 10.30 a.m.

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

RSVP: Contact Peter Lalor on 07 927 7927 or email enquiries@nzsif.co.nz by 20 August 2021.

We extend an invitation to shareholders to attend this meeting either in person or virtually.

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
Chair

Directors' report

For the 12 month period ended 31 March 2021

Directors holding office during the year and their remuneration.

	Director Fees \$	Date of appointment
K Ellis*	40,000	26-Jan-10
I Fraser	30,000	26-Jan-10
M Caird**	nil	26-Jan-10
D McCallum**	nil	16-May-14

* Plus GST

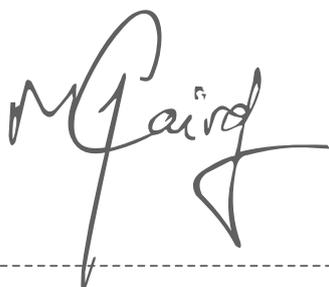
** Craigs Investment Partners Limited (CIP) appointed directors receive remuneration from CIP.
Mike Caird resigned from CIP 7 May 2020.

Entries recorded in the interests register

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

Directors' shareholdings (including relevant interests) and dealings in NZSIF for the period to 31 March 2021.

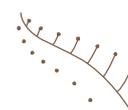
	NZSIF shares held	Change in holdings for the period
K Ellis	150,000	nil
I Fraser	100,000	nil
M Caird	100,000	nil
D McCallum	35,000	nil



Director
27 July 2021



Director
27 July 2021



Statement of comprehensive income

For the year ended 31 March 2021

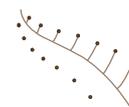
	<i>Note</i>	2021	2020
		\$	\$
Distribution income		2,018,682	3,796,776
Interest income		5,888	6,376
Realised loss on investment in PIP Fund	6	(2,961,225)	-
Movement in fair value of investment in PIP Fund	6	554,935	5,892,767
Movement in fair value of investment in PIP SE Fund	6	2,859,672	-
Total investment income		<u>2,477,952</u>	<u>9,695,919</u>
Administrative expenses		(397,509)	(331,904)
Borrowing expenses		(75,000)	-
Interest expense		(31,464)	-
Profit before tax		<u>1,973,979</u>	<u>9,364,015</u>
Income tax benefit	4	5	-
Profit for the year		<u>1,973,984</u>	<u>9,364,015</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>1,973,984</u>	<u>9,364,015</u>

Statement of changes in equity

For the year ended 31 March 2021

	Share capital	Retained earnings	Total equity
Balance at 31 March 2020	39,103,795	23,684,880	62,788,675
Profit for the year	-	1,973,984	1,973,984
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>1,973,984</u>	<u>1,973,984</u>
Redemption of capital	(4,100,000)	-	(4,100,000)
Dividends paid/payable	-	(307,500)	(307,500)
Balance at 31 March 2021	<u>35,003,795</u>	<u>25,351,364</u>	<u>60,355,159</u>

	Share capital	Retained earnings	Total equity
Balance at 31 March 2019	39,429,239	17,685,421	57,114,660
Profit for the year	-	9,364,015	9,364,015
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>9,364,015</u>	<u>9,364,015</u>
Capital issued	(325,444)	325,444	-
Dividends paid/payable	-	(3,690,000)	(3,690,000)
Balance at 31 March 2020	<u>39,103,795</u>	<u>23,684,880</u>	<u>62,788,675</u>



Statement of financial position

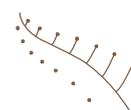
As at 31 March 2021

	<i>Note</i>	2021 \$	2020 \$
Assets			
Property, plant and equipment	9	32	65
Investment in PIP fund	6	47,502,490	62,689,951
Investment in PIP SE fund	6	6,297,775	-
Total non current assets		<u>53,800,297</u>	<u>62,690,016</u>
Cash and cash equivalents	8	10,695,570	137,347
Prepayments		29,477	28,071
Taxation receivable	4	1,649	1,780
Total current assets		<u>10,726,696</u>	<u>167,198</u>
Total assets		<u>64,526,993</u>	<u>62,857,214</u>
Equity			
Share capital		35,003,795	39,103,795
Retained earnings		25,351,364	23,684,880
Total equity attributable to equity holders		<u>60,355,159</u>	<u>62,788,675</u>
Liabilities			
Trade and other payables	7	71,834	68,539
Redemption payable	10	4,100,000	-
Total current liabilities		<u>4,171,834</u>	<u>68,539</u>
Total liabilities		<u>4,171,834</u>	<u>68,539</u>
Total equity and liabilities		<u>64,526,993</u>	<u>62,857,214</u>

For and on behalf of the Board

Director
27 July 2021

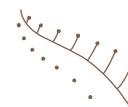
Director
27 July 2021



Statement of cash flows

For the year ended 31 March 2021

	<i>Note</i>	2021 \$	2020 \$
Cash flows from operating activities			
Distributions received		2,018,682	3,796,776
Interest received		5,888	6,376
Interest paid		(31,464)	-
Income taxes refunded		1,785	29,656
Income taxes paid		(1,649)	(1,780)
Cash paid to suppliers		(470,588)	(343,036)
Net cash from operating activities	<i>11</i>	<u>1,522,654</u>	<u>3,487,992</u>
Cash flows from financing activities			
Distributions paid		(307,500)	(3,690,000)
Net cash from financing activities		<u>(307,500)</u>	<u>(3,690,000)</u>
Cash flows from investing activities			
Proceeds from PIP Fund	<i>6(a)</i>	12,781,171	-
Investment in PIP Fund	<i>6(a)</i>	-	-
Investment in PIE SE Fund	<i>6(b)</i>	(3,438,102)	-
Net cash from investing activities		<u>9,343,069</u>	<u>-</u>
Net movement in cash and cash equivalents		10,558,223	(202,008)
Opening cash and cash equivalents		137,347	339,355
Closing cash and cash equivalents	<i>8</i>	<u>10,695,570</u>	<u>137,347</u>



Notes to the financial statements

1. General Information

(a) Reporting entity

New Zealand Social Infrastructure Fund Limited (the “Company”) is a company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. The registered office for the Company is 158 Cameron Road, Tauranga. The Company is an FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013.

The financial statements of the Company are for the year ended 31 March 2021.

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”) and the Public Infrastructure Partners SE Limited Partnership (the “PIP SE Fund”) (together “the Funds”).

The financial statements were approved by the Directors on 27 July 2021.

(b) Statement of compliance

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

(c) Basis of measurement

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

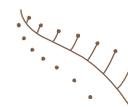
(d) Functional and presentation currency

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

(e) Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key area involving the use of estimates and judgements is the investments in the Funds (see Note 6).

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



Notes to the financial statements

2. Significant accounting policies

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

(a) Investment in the PIP Fund and PIP SE Fund

The Funds are limited liability partnerships, established under the Limited Partnerships Act 2008. The primary purpose of the Funds is to make investments in social infrastructure assets through Public Private Partnerships ("PPPs").

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

The Company's investments in the Funds are classified at fair value through profit or loss and presented as non-current assets in the statement of financial position. Any resultant change in fair value is recognised in profit or loss.

(b) Classification and initial measurement of financial assets

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss ("FVTPL"); or
- fair value through other comprehensive income ("FVTOCI").

In the years presented the Company did not have any financial assets categorised as FVTOCI.

The classification is determined by both:

- the Partnership's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

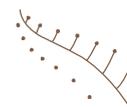
(c) Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and trade & other receivables fall into this category.



Notes to the financial statements

2. Significant accounting policies (continued)

(c) Subsequent measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model are categorised at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by using valuation techniques.

The Company's investments falls into this category.

(d) Classification and measurement of financial liabilities

The Company's financial liabilities include trade & other payables. Financial liabilities are initially measured at their fair value and adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

(e) Distribution income

Distribution income is recognised in profit or loss on the date the Company's right to receive payments is established.

(f) Finance income and expense

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

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

(g) Cash and cash equivalents

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

(h) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation. Subsequent costs are recognised in the carrying amount of the item if it is probable that the future economic benefits will flow to the Company and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. The applied rates for the current period are as follows:

- Computer and office equipment 50%

(i) Impairment of financial assets

Instruments within the scope of assessment for impairment include financial assets measured at amortised cost.

The Company makes use of a simplified approach in accounting for trade & other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.



Notes to the financial statements

2. Significant accounting policies *(continued)*

(j) Share capital

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

(k) Other financial assets and liabilities

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

(l) Income tax

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

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

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

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

(m) Goods and services tax ("GST")

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



Notes to the financial statements

3. Auditor's remuneration

	<i>Note</i>	2021	2020
Auditor's remuneration to KPMG comprises:			
Review of interim financial statements		9,056	9,056
Audit of year end financial statements		21,735	19,924
Total audit costs		<u>30,791</u>	<u>28,980</u>

4. Income tax expense/(benefit)

	2021	2020
Income tax expense/(benefit) in statement of comprehensive income	<u>(5)</u>	<u>-</u>

Reconciliation of effective tax rate

	<i>Note</i>	2021	2020
Profit before tax		1,973,979	9,364,015
Income tax expense at 28% tax rate		552,714	2,621,924
Adjusted for tax effect on the following:			
Tax exempt income		(692,178)	(2,713,071)
Share of income/(loss) from underlying partnerships		387,811	(1,527,813)
Share of tax credits from underlying partnerships		(5)	-
Tax losses not recognised		-	1,618,961
Utilisation of unrecognised tax losses	5	(248,347)	-
Total income tax expense/(benefit)		<u>(5)</u>	<u>-</u>

Taxation receivable

	2021	2020
RWT receivable	1,649	1,780
	<u>1,649</u>	<u>1,780</u>



Notes to the financial statements

5. Unrecognised deferred tax assets and liabilities

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

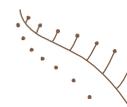
	<i>Note</i>	2021	2020
Opening balance		2,947,088	1,328,127
Utilisation of unrecognised tax losses	4	(248,347)	-
Prior period adjustment for unrecognised tax losses		-	1,527,813
Tax loss not recognised		-	91,148
Closing balance		<u>2,698,741</u>	<u>2,947,088</u>

Tax losses in New Zealand do not expire, subject to shareholder continuity rules being met. Deferred tax assets have not been recognised in respect of these items because it is uncertain when and to what extent future taxable profit will be available against which the Company can utilise the benefit. The gross amount of tax losses not recognised at 31 March 2021 is \$9,638,361 (2020: \$10,525,313).

6. Investment in PIP Funds

The Company currently has two investments (2020: one investment), which are in the Public Infrastructure Partners LP ("PIP Fund") and the Public Infrastructure Partners SE LP ("PIP SE Fund"). The PIP SE Fund has invested in the expansion of New Zealand Schools with a \$7,500,000 commitment, paid to \$3,438,103. The first investment in the PIP SE Fund was made by the Company on 16 November 2020.

The Company's fair valuation of its share of the PIP Fund is \$47,502,490 (2020: \$62,689,951) and the PIP SE Fund is \$6,297,775 as at 31 March 2021. These are recorded in the statement of financial position. The movement against the previous valuation is shown as a fair value movement through profit or loss. For the PIP Fund this was an increase of \$554,935 (2020: increase of \$5,892,767) and for the PIP SE Fund an increase of \$2,859,672. During the year the University of Wollongong PPP concession agreement was terminated and capital proceeds were received by the PIP Fund which resulted in a loss on sale of \$2,961,225.



Notes to the financial statements

6. Investment in PIP Fund (continued)

(a) Investment in PIP Fund

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

Investments	2021	2020
Opening balance	62,689,951	56,797,184
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments	(1,390,235)	6,422,515
- Foreign exchange movement	1,945,170	(529,748)
- Realised loss	(2,961,225)	-
	<u>(2,406,290)</u>	<u>5,892,767</u>
Distributions received	(12,781,171)	-
Purchase of investments	-	-
Closing balance	<u>47,502,490</u>	<u>62,689,951</u>

There were no investment purchases during the year (2020: \$Nil). There were two distributions received from the PIP Fund totalling \$12,781,171 during the year (2020: \$Nil).

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

Investments	2021	2020
Total gains/(losses) included in profit or loss for the year	(2,406,290)	5,892,767
Total gains for the year included in profit or loss for assets held at the end of the reporting period	554,935	5,892,767
Total losses for the year included in profit or loss for assets disposed of during the reporting period	(2,961,225)	-



Notes to the financial statements

6. Investment in PIP Fund *(continued)*

(b) Investment in PIP SE Fund

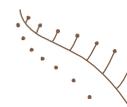
The following table is a reconciliation of the opening balance to the closing balance for fair value measurement of the Investment in the PIP SE Fund:

Investments	2021	2020
Opening balance	-	-
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments	2,859,672	-
- Foreign exchange movement	-	-
	2,859,672	-
Capital distributions received	-	-
Purchase of investments	3,438,102	-
Closing balance	6,297,775	-

There were two capital calls made by the PIP SE Fund totalling \$3,438,102 during the year (2020: \$Nil).

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

Investments	2021	2020
Total gains included in profit or loss for the year	2,859,672	-
Total gains for the year included in profit or loss for assets held at the end of the reporting period	2,859,672	-



Notes to the financial statements

6. Investment in PIP Fund *(continued)*

Key estimates and judgements

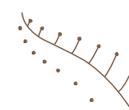
Company policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. As there is no quoted market price for the Funds, the Company has adopted as fair value its proportional share of the net assets attributable to partners of the Funds from the Funds' audited financial statements as at 31 March 2021 together with adjustments to reflect the Company's estimate of fair value of the investments.

During the year the University of Wollongong PPP concession agreement was terminated leaving the PIP Fund with six investments as at 31 March 2021 (2020: seven investments). Valuation techniques have been utilised by the PIP Fund in its audited financial statements to determine the fair value of the PIP Fund project investments. The valuation techniques utilised can include 'market based earnings multiples' or 'discounted cash flows'. The General Partner of the PIP Fund arranges valuations of the project investments as at the end of the reporting period by independent valuation experts. As at 31 March 2021 the valuation method used by the PIP Fund to value Melbourne Convention & Exhibition Centre (including the expansion), New Zealand Schools I, New Zealand Schools II and Auckland Prisons was the discounted cash flow method, which is appropriate for valuing a series of future cash flows to equity. Bendigo Accommodation Facility was valued using a combination of both the discounted cash flow method and a capitalisation approach.

The PIP SE Fund made two investments, one in New Zealand Schools I PPP and another in New Zealand Schools II PPP, during the period ended 31 March 2021. Valuation techniques have been utilised by the PIP SE Fund in its audited financial statements to determine the fair value of the PIP SE Fund project investments. The General Partner of the PIP SE Fund arranges valuations of the project investments as at the end of the reporting period by independent valuation experts. As at 31 March 2021 the valuation method used by the PIP SE Fund to value New Zealand Schools I and New Zealand Schools II was the discounted cash flow method, which is appropriate for valuing a series of future cash flows to equity.

The other assets of the Funds are primarily cash and cash equivalents. Their carrying value is considered to be fair value and the Company has taken up its share of the carrying value of these other assets.

The PIP Fund is subject to a performance fee which is payable to the manager if certain conditions are met. No performance fee is payable by the PIP Fund as at 31 March 2021 (2020: \$1,282,688).



Notes to the financial statements

7. Trade and other payables

	<i>Note</i>	2021	2020
Accruals		21,735	19,924
Directors fees payable	13(c)	19,000	19,000
Trade payables		31,099	29,615
		<u>71,834</u>	<u>68,539</u>

8. Cash and cash equivalents

	<i>Note</i>	2021	2020
Call deposits:			
Westpac Short Term Overdraft Facility		2,338,861	65
ANZ Bank New Zealand Limited via			
CIP Cash Management Nominees Limited	13(b)	8,356,709	137,282
Cash and cash equivalents in current assets		<u>10,695,570</u>	<u>137,347</u>

In addition to the Westpac overdraft facility, during the year the Company arranged a short term loan facility with Westpac Bank. Funds from this facility were used to fund calls from the PIP SE Fund. The loan and overdraft facilities were repaid following capital proceeds received from the PIP Fund from the disposal of the University of Wollongong investment. As a result of these proceeds the Westpac overdraft facility was in funds at the end of the year. These funds were transferred to the ANZ Cash Management account on 7 April 2021.

The weighted average interest rate on call deposits was 0.45% (2020: 1.80%), on the bank overdraft was 6.36% (2020: N/A) and on the short term loan was 6.69% (2020: N/A).

9. Property, Plant and Equipment

	2021	2020
Cost	1,307	1,307
Accumulated depreciation	(1,275)	(1,242)
Carrying value	<u>32</u>	<u>65</u>
Current year depreciation	32	64



Notes to the financial statements

10. Share capital

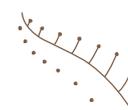
	Number of preference shares 2021	Number of ordinary shares 2021
On issue at 31 March 2020	3,952,509,896	41,000,000
Redeemed during the year	(410,000,000)	-
Issued during the year	-	-
On issue at 31 March 2021	<u>3,542,509,896</u>	<u>41,000,000</u>

	Number of preference shares 2020	Number of ordinary shares 2020
On issue at 31 March 2019	3,985,054,296	41,000,000
Redeemed during the year	(32,544,400)	-
Issued during the year	-	-
On issue at 31 March 2020	<u>3,952,509,896</u>	<u>41,000,000</u>

Each \$1.00 share originally comprised one ordinary voting share with a nil issue price, and 100 non-voting redeemable preference shares in New Zealand Social Infrastructure Fund Limited at 1 cent each (a stapled security). As at 31 March 2021 the ordinary shares are fully paid to \$1.00 per share. During the year one dividend was declared to shareholders totalling \$307,500 or 0.75 cents per share (2020: three dividends totalling \$3,690,000 or 9.0 cents per share).

During the year 410,000,000 (2020: 32,544,400) preference shares were redeemed for 1 cent each resulting in total redemption of \$4,100,000 (2020: \$325,444). The funds were paid on 9 April 2021.

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



Notes to the financial statements

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

	2021	2020
Profit for the year	1,973,984	9,364,015
Depreciation	32	64
Movement in fair value of PIP Fund Investment	(554,935)	(5,892,767)
Movement in fair value of PIP SE Fund Investment	(2,859,672)	-
Realised loss on PIP Fund Investment	2,961,225	-
	1,520,634	3,471,312
Movement in Working Capital		
Change in receivables and prepayments	(1,406)	(28,071)
Change in income tax receivable/payable	131	27,876
Change in trade payables and accruals	3,295	16,875
	2,020	16,680
Net cash flow from operating activities	1,522,654	3,487,992

12. Financial risk management

Introduction and overview

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

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

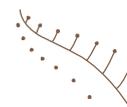
This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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

Equity price risk

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

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



Notes to the financial statements

12. Financial risk management (continued)

Credit risk

Exposure to credit risk arises in the normal course of the Company's business from its loans and receivables and bank balances. In addition to the existing overdraft facility during the year the Company accessed a Westpac short term loan facility to fund the investment in the PIP SE Fund. A total of \$3,500,000 was borrowed and was repaid in full on 29 January 2021 following receipt of distributions from the PIP Fund. At reporting date there were no significant concentrations of credit risk.

The Company invests its surplus funds in call and short-term deposits with ANZ Bank New Zealand Limited via a related party, CIP Cash Management Nominees Limited, and also directly with Westpac Banking Corporation. The Standard & Poor's credit rating of both ANZ Bank New Zealand Limited and Westpac Banking Corporation is AA- (Stable). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position (see Note 8).

Interest rate risk

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

Effective interest rates and repricing

The only interest bearing financial assets in the Company are bank balances (refer Note 8). At the end of the reporting period the effective interest rate for bank balances was 0.45% (2020: 1.8%), for overdrafts 6.36% (2020: N/A) and short term loans 6.69% (2020: N/A). Bank balances reprice daily.

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
2021				
Cash and cash equivalents	8	10,695,570	-	10,695,570
Bank overdraft	8	-	-	-
Total		10,695,570	-	10,695,570
2020				
Cash and cash equivalents	8	137,347	-	137,347
Total		137,347	-	137,347



Notes to the financial statements

12. Financial risk management *(continued)*

Sensitivity analysis

In managing interest rate risk the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Changes in interest rates will have an impact on profit. For the year ended 31 March 2021 it is estimated that a general increase of 1.00% in interest rates on its cash and cash equivalents would have decreased the Company's profit before income tax by approximately \$45 (2020: an increase of \$2,277).

Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis, and maintains sufficient cash to meet all obligations. Investments in unlisted equity securities are, by their nature, less liquid. The Company has an overdraft facility of \$500,000 in place to better manage liquidity risk.

Capital management

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

The Company's policy is to maintain its capital structure as stated in the Prospectus and repay capital as investments are realised.

The Company has the power to borrow, with the prior approval of the Board.

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

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

There have been no material changes in the Company's management of capital during the period other than those detailed in note 10.



Notes to the financial statements

12. Financial risk management (continued)

Classification and fair values

	<i>Note</i>	Designated at fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Fair value
2021						
Assets						
Investment in PIP Fund	6	47,502,490	-	-	47,502,490	47,502,490
Investment in PIP SE Fund	6	6,297,775	-	-	6,297,775	6,297,775
Cash and cash equivalents	8	-	10,695,570	-	10,695,570	10,695,570
Total assets		53,800,265	10,695,570	-	64,495,835	64,495,835
Liabilities						
Bank Overdraft	8	-	-	-	-	-
Redemption payable		-	4,100,000	-	4,100,000	4,100,000
Trade and other payables	7	-	50,096	-	50,096	50,096
Total liabilities		-	4,150,096	-	4,150,096	4,150,096
	<i>Note</i>	Designated at fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Fair value
2020						
Assets						
Investment in PIP Fund	6	62,689,951	-	-	62,689,951	62,689,951
Cash and cash equivalents	8	-	137,347	-	137,347	137,347
Total assets		62,689,951	137,347	-	62,827,298	62,827,297
Liabilities						
Trade and other payables	7	-	48,615	-	48,615	48,615
Total liabilities		-	48,615	-	48,615	48,615



Notes to the financial statements

12. Financial risk management (continued)

Fair value hierarchy

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

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

31 March 2021	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	47,502,490	47,502,490
Investment in PIP SE Fund	-	-	6,297,775	6,297,775
31 March 2020	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	62,689,951	62,689,951

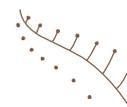
13. Related parties

(a) Identity of related parties

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

During the year the following director of the Company was also a director of QuayStreet Asset Management Limited, a wholly owned subsidiary of Craigs Investment Partners Limited:

- Michael John Caird



Notes to the financial statements

13. Related parties (continued)

(b) Transactions with related parties

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

- Management fees paid to NZSIF Management Limited totalled \$180,517 (2020: \$164,205).
- Craigs Investment Partners Limited paid certain expenses and received certain receipts of New Zealand Social Infrastructure Fund Limited. As at 31 March 2021, no amount remained owing to Craigs Investment Partners Limited (2020: NIL).
- An on-call bank account is held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, which is a 100% subsidiary of Craigs Investment Partners Limited. CIP Cash Management Nominees Limited acts as an agent. The credit rating of ANZ Bank New Zealand Limited is AA- (Stable) according to Standard & Poor's. At 31 March 2021 the balance held was \$8,356,709 (2020: \$137,282) (see Note 8).

(c) Transactions with key management personnel

	2021	2020
Directors' fees (total remuneration)	76,000	76,000

The balance of directors' fees and other amounts owing at 31 March 2021 was \$19,000 (2020: \$19,000).

Director's interests

The following directors or their associated entities held shares in New Zealand Social Infrastructure Fund Limited at 31 March 2021:

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

14. Commitments

The Company has commitments of \$144,856 (2020: \$144,856) to the PIP fund and \$4,061,898 (2020: N/A) to the PIP SE Fund for further investments as at 31 March 2021, which would be met from cash reserves and further calls of capital. The PIP Fund investment period ran to 29 October 2015 and only follow-on investments are now permitted.

15. Subsequent events

On 11 June 2021 the Company made a 1 cent per preference share redemption totalling \$2,050,000 funded from University of Wollongong disposal proceeds. On 8 July 2021 the Company paid a dividend of 1.5 cents per ordinary share, or \$615,000. As the redemption and dividend were approved after balance date the financial effect of these transactions has not been recognised in these financial statements.

On 30 June 2021 the Company received a distribution from the PIP Fund of \$677,526.



Independent Auditor's Report

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

Opinion

In our opinion, the accompanying financial statements of New Zealand Social Infrastructure Fund Limited (the 'Company') on pages 10 to 29:

- i. present fairly in all material respects the Company's financial position as at 31 March 2021 and its financial performance and cash flows for the year month period ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting

Standards. We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2021;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Investment in the PIP Fund and related fair value recognised.	
<p>Refer to Note 5 to the Annual Report.</p> <p>The primary activity of the company is maintaining the investments in the PIP Funds, the carrying value of which is \$53.8 million. The investments are classified as a financial instrument fair valued through profit or loss.</p> <p>This is a key audit matter due to the following:</p> <ul style="list-style-type: none"> • The size of the investments in relation to the total assets of the company, and • The subjectivity of the fair value of the underlying PIP Funds net assets attributable to partners. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessment of classification of investment as fair value through profit or loss. • Roll forward of investment balance, including agreeing material movements such as drawdowns to supporting documentation and recalculating the movement in fair value in investment of the PIP Fund. • Inspected key agreements relating to the investment in the PIP SE Fund as well as sighting cash from bank for calls made. • Recalculation of NZSIF's share of the PIP and PIP SE Fund's net assets attributable to partners based on the reported results in the investee's audited financial statements. This included verification of distributions in the PIP Fund and evaluating the Westpac bank loan and its covenants used for the initial investment in the PIP SE Fund. • Review of PIP and PIP SE Fund's financial statements including the alignment of the adopted accounting policies and fair value methodologies to the company's accounting policies and audit report. <p>As a result of the procedures above, no material matters were noted.</p>

Other Information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's report, Director's report, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholders as a body. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the independent auditor's 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 audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

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

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is 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 audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Trevor Newland.

For and on behalf of

Tauranga
27 July 2021

Corporate governance & structure

Structure

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

NZSIF is a limited partner in the PIP Funds, (PIP Fund and PIP SELP).

Each share held by investors of NZSIF is a stapled security and originally consisted of 1 ordinary voting share (nil issue price) and 100 non-voting redeemable preference shares of one cent each. NZSIF has 41 million shares on issue at an issue price of \$1.00 per share. Ordinary shares held by investors in NZSIF confer normal voting rights. The redeemable preference shares confer no voting rights.

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

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

Governance

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

Directors are provided with regular reporting including detailed reports ahead of each quarterly board meeting. The Investment Manager presents to the Board each quarter.

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

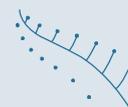
Investment Management

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

Administration

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

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



NZSIF Board

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



Chair and Independent Director

Kimmitt Rowland Ellis

BCA (Hons), BE (Hons)

Kim is a widely experienced Chief Executive best known for his 13 years at the helm of Waste Management NZ Ltd, culminating in the company's sale in 2006. His earlier CEO appointments, dating back to 1978, covered a number of market sectors including health, manufacturing, distribution, transport, property, agriculture and fashion. Kim is currently Chair of New Zealand Social Infrastructure Fund Ltd and Green Cross Health Ltd and a Director of FSF Management Company, Freightways, Port of Tauranga, and Ballance Agri-Nutrients.



Independent Director

Ian Alexander Nicholson Fraser

BE (Hons), Dist FIPENZ.

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



Director
Michael John Caird
BCom, LLB

Mike was a Director of Craigs Investment Partners from 2001 to May 2020. Mike's career in financial markets includes 4 years as Head of Debt Capital Markets for Craigs Investment Partners, 11 years with ABN AMRO, during which he was Head of Acquisition and Leveraged Finance for Australia and New Zealand and Head of Global Markets New Zealand, Brierley Investments Ltd for 10 years and Ernst & Young for four years. Mike has previously been a Director of Hospital Car Parking Ltd, McConnell Property Ltd, Mangawhai Development Holdings Ltd, AsiaPower Ltd and Aetna Health (New Zealand) Ltd. During his time at ABN AMRO, Mike was involved in acquiring the Auckland District Health Board car-parking concession and the Mangawhai township wastewater design, build, finance, and operating concession, two early PPP style projects in New Zealand. Mike is a director of the AMN Ltd private group of companies involved in glass services, Just Plants Ltd, Signal Corporation Ltd, Safety Lab Holdings Limited, Seen Safety Ltd and Quay Street Asset Management Ltd.



Director
David McCallum
MCA (Hons), CFA

David is a Managing Director Investment Banking for Craigs Investment Partners. Prior to this he was for four years a Director, Debt Capital Markets and Hybrids. Previous work experience includes 12 years at ABN AMRO in the investment banking team, and four years at the Bank of New Zealand in their investment management group. During his time at ABN AMRO David was involved in acquiring the Auckland District Health Board car-parking concession (an early PPP), and acted as a director of the acquirer, Hospital Car Parking Limited, subsequent to the purchase. David is also a CFA Charterholder and is past president of the CFA Society New Zealand. David is also a director of Purpose Capital GP Ltd, an impact investing fund.



Committees

NZSIF Committee

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

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

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

PIP Fund and PIP SE Fund Advisory Committees

The Advisory Committees of the PIP Funds comprise limited partner representatives, up to a maximum of five members. New Zealand Social Infrastructure Fund Limited has one representative, currently Kim Ellis (or his alternate Mike Caird). The Advisory Committees meet quarterly with the General Partner and Investment Manager. The Advisory Committees manage conflicts of interest between the Investment Manager and the PIP Funds; approves the independent valuer; considers and approves investment opportunities outside of the PIP Funds' core investment criteria; and is responsible for removal of the Investment Manager.



Directory

BOARD OF DIRECTORS OF NZSIF

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

* 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

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