



New Zealand Social Infrastructure Fund Limited

Annual Report

For the year ended 31 March 2023



Melbourne Convention & Exhibition Centre



Hobsonville Primary School



Rolleston College



Auckland Prison



Bendigo Key Worker Village

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Report to shareholders

July 2023

Dear Shareholder

Your Directors are pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) annual report for the year ended 31 March 2023. The report includes our audited financial statements for that period.

Summary

The main highlight of the year was the announcement of the sale of PIP Fund's New Zealand assets.

- Agreement for sale and purchase of the NZ Assets**

On 12 December 2022 NZSIF announced the sale of the PIP Fund's New Zealand assets which included Hobsonville Primary and Secondary Schools (NZ Schools 1); Ormiston Junior College, Haeata Community Campus, Rolleston College and Wakatipu High School (NZ Schools 2); and Auckland Prison. The sale required OIO approval which was received on 27 April 2023 and the sale was completed in June 2023.
- Portfolio investments**

All portfolio investments performed to expectations during the financial period. The three school expansion projects at Hobsonville Primary, Wakatipu High School and Rolleston College progressed with the Wakatipu expansion completing in January 2023.
- Distributions**

For the year to 31 March 2023 NZSIF paid gross dividends of 4 cps to shareholders. Subsequent to the end of the financial year a further 2 cps dividend was paid in April 2023 and, following settlement of the New Zealand asset sale a capital distribution of 81.4 cps was paid to NZSIF shareholders on 7 July 2023.
- Net Asset Value**

NZSIF's Net Asset Value (NAV) was \$1.48 per share at 31 March 2023 (2022: \$1.54). Post the capital distribution the NAV was \$0.64 per share.

Background

Limited Partnership and Capital

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

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

As at 31 March 2023 the limited partners had contributed 99.6% of their committed capital to PIP Fund and no further capital contributions will be required.

PIP SE Fund

In 2020 the PIP Fund Manager established the PIP SE Fund (PIP SE), a dedicated vehicle to fund the expansion of certain PPP schools. All of PIP Fund's LPs were offered a pro-rata share of the PIP SE Fund. Entitlements to invest that were not taken up by existing PIP Fund partners were taken-up by PIP Fund III. NZSIF committed \$7.5 million to PIP SE for a 60.2% interest. The last PIP SE call was paid 21 March 2023. NZSIF contributed \$6.49 million in total.

PIP SE ceased capital calls following confirmation of the sale of the school assets. In June 2023 all proceeds from PIP SE were paid out to the partners.

Investment Portfolio

Melbourne Convention and Exhibition Centre

MCEC was 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\$886 million (*MCE Trust Annual Report June 2022*). PIP Fund's revenue streams are based on availability of the facility and are not demand driven.

The MCEC investment continues to perform to expectations producing strong cash flows, with no revenue deductions for equity investors.

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.

Covid-19 Recovery

The MCEC 2021/22 financial year was one of recovery after the Covid shutdowns of the previous period. It is estimated that the MCEC contributed A\$383 million to the Victorian economy. For the 12-month period to 30 June 2022 MCEC hosted 349 events, up from 154 events the previous year, representing a 126% increase, attributable to a strong recovery post-Covid.



Melbourne Exhibition Centre

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 entered into a 30-year property lease, with inflation linked cash flows.
- There is no occupancy risk carried by PIP.
- A PIP Fund 1 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



Bendigo Key Worker Village

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. Notwithstanding this there is some remedial work required from the initial construction with an estimated rectification cost of A\$3 million. Go Project Management has been engaged to manage the works with October 2023 targeted for work commencement. At this stage PIP Fund expects that most, if not all of the costs of remediation will be claimable against the builder.

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.

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

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

Sale

Hobsonville Schools (NZ Schools 1) was part of the PIP Fund NZ asset sale which settled in June 2023.



Hobsonville Schools

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. PIP Fund 1 had a 90% interest in the project, and PIP Fund 2 held the balance.

Collectively known as NZ Schools 2, the schools include Ormiston Junior College in Auckland, Haeata Community Campus and Rolleston College in Canterbury, and Wakatipu High School in Queenstown, and all are operational.

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



NZ Schools 2 - Ormiston Junior College, Haeata Community Campus, Rolleston College

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

Sale

NZ Schools 2 was part of the PIP Fund NZ asset sale which settled in June 2023.

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 was the Department of Corrections with the concession expiring in 2042.

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

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

The Facility

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.

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

The provision of asset and facilities management services continues to run smoothly.

Sale

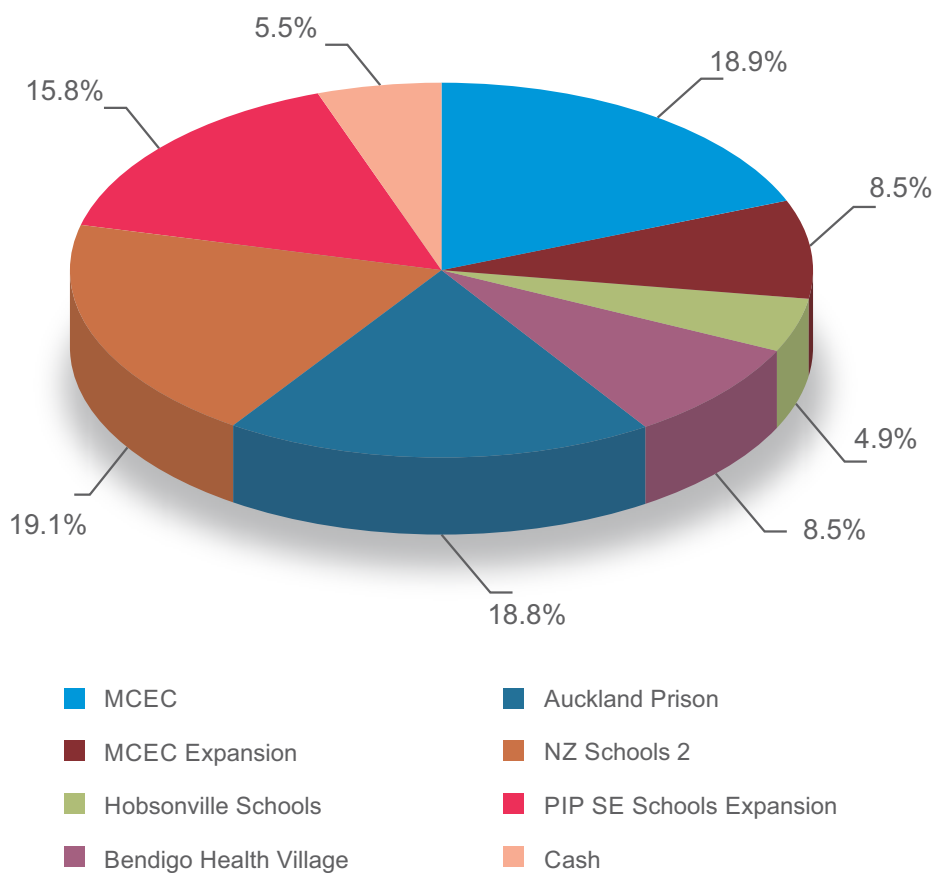
Auckland Prison was part of the PIP Fund NZ asset sale which settled in June 2023.



Auckland Prison

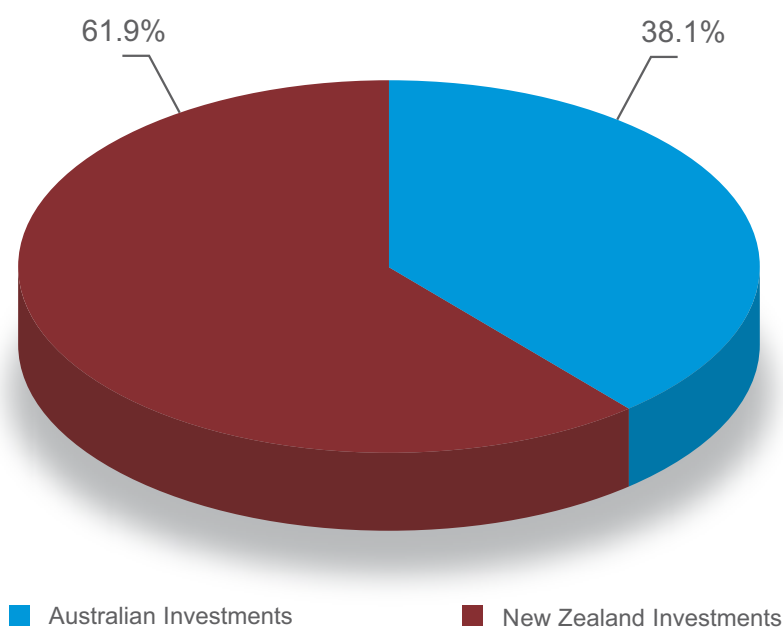
The portfolio composition and investment concentration by country is shown below.

Chart 1 – NZSIF Investment Mix as at 31 March 2023

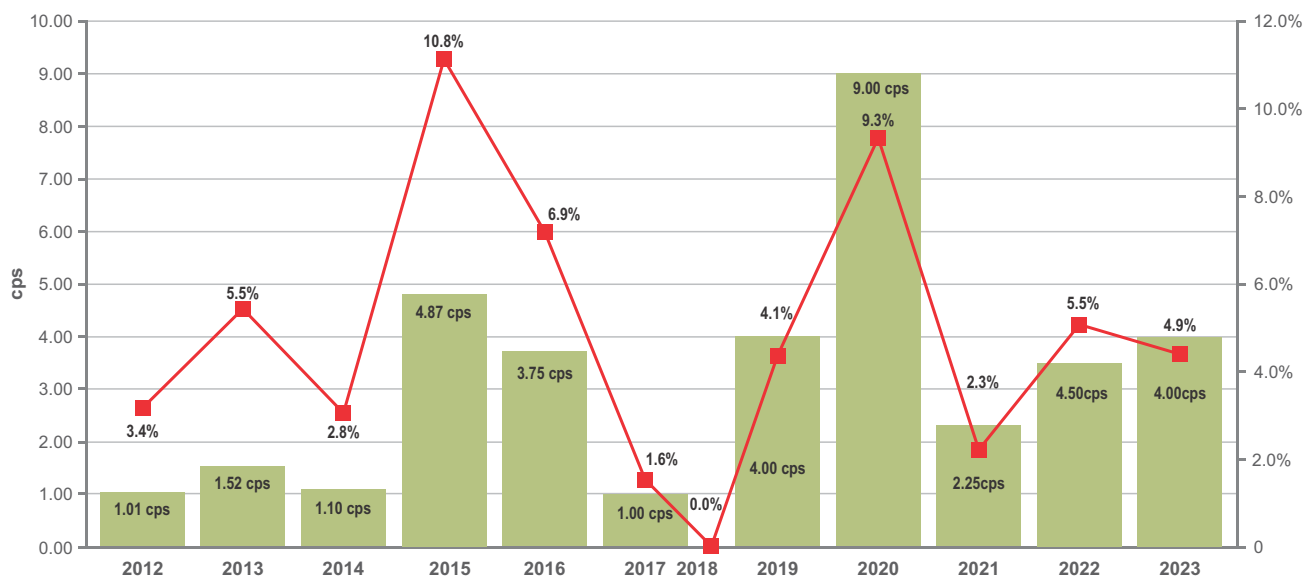


Investment values based on 31 March 2023 PIP Fund valuations.

Chart 2 – Investment Concentration by Country as at 31 March 2023



Following the sale of the NZ assets, which settled in June 2023, only the Australian assets remain.

Chart 3 – NZSIF Dividend Payments and Yields to 31 March 2023

Note: Gross dividend yield based on average capital

Distributions

For the financial period to 31 March 2023 NZSIF paid total distributions of 4 cps.

Subsequent to the end of the financial year further distributions were paid:

- 28 April 2023 gross dividend of 2 cps;
- 7 July 2023 a capital return of 81.4 cps from the New Zealand asset sale proceeds.

Future PIP Fund cash flows will now only be from MCEC (including the expansion) and Bendigo.

NZSIF Capital Position and Net Asset Value

Shareholders contributed capital of \$41 million (\$1.00 per share) and to 31 March 2023 received capital returns of \$7.62 million (18.6 cps), for a net contribution of 81.4 cps.

NZSIF's net asset value (NAV) based on the audited financial statements at 31 March 2023 was \$1.48 per share (2022: \$1.54).

Following the 7 July 2023 capital return of 81.4cps, investors have now received the full return of their original \$1.00 of invested capital, plus gross dividends of 39 cps.

The estimated NAV as at 7 July 2023 was 64 cps.

The total value (including distributions received) is 2.03 times the paid in capital.

PIP Fund Investment Valuation

The valuation method used by PIP Fund to value its project investments is the discounted cash flow method*, which is appropriate for valuing PPP projects. PIP Fund engages 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 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.

** This applies to the MCEC and MCEC Expansion. For the end of this accounting period the New Zealand assets were valued at their agreed sales price plus adjustments to 31 March 2023.*

NZSIF Investment Valuation

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 2023 was valued at \$57.5 million (March 2022: \$60.2 million) a \$2.8 million decrease in the fair value of its investments across the PIP Fund and PIP SE Fund.

Annual Financial Statements

The audited annual financial statements covering the 12-month period to 31 March 2023 are provided in this annual report for your information.

NZSIF reported a loss for the year of \$1,157,077 (2022: Profit \$7,521,986). There were revaluation losses for the PIP Fund of \$3,212,781 and for PIP SE Fund of \$923,866. This reflects the negative movement in fair value of the investments in the PIP Fund and PIP SE Fund reported in the statement of comprehensive income as a result of aligning the valuations to the agreed sale price of the New Zealand assets.

NZSIF received distribution income from PIP Fund of \$3,223,054. There was interest income of \$107,209. Total expenses were \$350,693 (2022: \$345,310).

NZSIF paid out gross distributions of \$1.64 million.

The value of NZSIF investments in the two PIP Funds was \$57.5 million at 31 March 2023 and NZSIF held \$3.1 million in cash. Liabilities totalled \$77,334 (2022: \$41,943).

Capital and Net Asset Value

As at 31 March 2023 share capital was \$32.9 million and combined with retained earnings of \$27.6 million total shareholders' equity stood at \$60.5 million, a 4.4% decrease from 2022, and representing NAV of \$1.48 per share.

NZSIF Annual Shareholders Meeting

Details for the Annual Shareholders Meeting are:

Date: Tuesday, 22 August 2023

Time: 2.00pm

Place: A virtual meeting via Microsoft Teams

Details for Microsoft Teams will be provided in the ASM Notice issued by the Registry.

We extend an invitation to attend this meeting online and we look forward to presenting our annual results.

We will keep you up to date on the remaining portfolio assets through PIP Fund media releases, and via the NZSIF website www.nzsif.co.nz. 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 2023

Directors holding office during the year and their remuneration.

	Director Fees \$	Date of appointment
K Ellis*	46,000	26-Jan-10
I Fraser	30,000	26-Jan-10
M Caird**	nil	26-Jan-10
D McCallum**	nil	16-May-14

*Including Gst

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

Mike Caird resigned from Craigs Investment Partners 7 May 2020 and does not receive remuneration from NZSIF

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 2023.

	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
21 July 2023



Director
21 July 2023



Statement of comprehensive income

For the year ended 31 March 2023

	<i>Note</i>	2023	2022
		\$	\$
Distribution income		3,223,054	3,080,869
Interest income		107,209	38,420
Movement in fair value of investment in PIP Fund	6	(3,212,781)	3,569,042
Movement in fair value of investment in PIP SE Fund	6	(923,866)	1,178,965
Total investment income		(806,384)	7,867,296
Administrative expenses		(350,692)	(345,301)
Interest expense		(1)	(9)
Profit/(Loss) before tax		(1,157,077)	7,521,986
Income tax benefit	4	-	-
Profit/(Loss) for the year		(1,157,077)	7,521,986
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		(1,157,077)	7,521,986

Statement of changes in equity

For the year ended 31 March 2023

	Share capital	Retained earnings	Total equity
Balance at 1 April 2022	32,953,795	30,413,352	63,367,147
Loss for the year	-	(1,157,077)	(1,157,077)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,157,077)	(1,157,077)
Redemption of capital	-	-	-
Dividends paid/payable	-	(1,640,000)	(1,640,000)
Balance at 31 March 2023	32,953,795	27,616,275	60,570,070

	Share capital	Retained earnings	Total equity
Balance at 1 April 2021	35,003,795	25,351,366	60,355,161
Profit for the year	-	7,521,986	7,521,986
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	7,521,986	7,521,986
Redemption of capital	(2,050,000)	-	(2,050,000)
Dividends paid/payable	-	(2,460,000)	(2,460,000)
Balance at 31 March 2022	32,953,795	30,413,352	63,367,147



Statement of financial position

As at 31 March 2023

	Note	2023 \$	2022 \$
Assets			
Property, plant and equipment	9	8	16
Investment in PIP Fund	6	47,858,751	51,071,532
Investment in PIP SE Fund	6	9,605,620	9,174,716
Total non-current assets		57,464,379	60,246,264
Cash and cash equivalents	8	3,109,970	3,121,320
Prepayments		32,278	30,748
Related Party receivable	13(b)	10,758	-
Taxation receivable	4	30,019	10,758
Total current assets		3,183,025	3,162,826
Total assets		60,647,404	63,409,090
Equity			
Share capital		32,953,795	32,953,795
Retained earnings		27,616,275	30,413,352
Total equity attributable to equity holders		60,570,070	63,367,147
Liabilities			
Trade and other payables	7	77,334	41,943
Redemption payable	10	-	-
Total current liabilities		77,334	41,943
Total liabilities		77,334	41,943
Total equity and liabilities		60,647,404	63,409,090

For and on behalf of the Board

Director
21 July 2023

Director
21 July 2023



Statement of cash flows

For the year ended 31 March 2023

	<i>Note</i>	2023	2022
		\$	\$
Cash flows from operating activities			
Distributions received		3,223,054	3,080,869
Interest received		107,209	38,420
Interest paid		(1)	(9)
Income taxes refunded		10,758	1,649
Income taxes paid		(30,019)	(10,758)
Cash paid to suppliers		(327,581)	(376,445)
Net cash from operating activities	11	<u>2,983,420</u>	<u>2,733,726</u>
Cash flows from financing activities			
Distributions paid		(1,640,000)	(8,610,000)
Net cash from financing activities		<u>(1,640,000)</u>	<u>(8,610,000)</u>
Cash flows from investing activities			
Investment in PIP SE Fund	6(b)	(1,354,770)	(1,697,976)
Net cash from investing activities		<u>(1,354,770)</u>	<u>(1,697,976)</u>
Net movement in cash and cash equivalents		(11,350)	(7,574,250)
Opening cash and cash equivalents		<u>3,121,320</u>	<u>10,695,570</u>
Closing cash and cash equivalents	8	<u>3,109,970</u>	<u>3,121,320</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 2023.

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 Limited SE Partnership (the “PIP SE Fund”) (together “the Funds”).

The financial statements were approved by the Directors on 21 July 2023.

(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, prepayments, related party receivable and taxation receivable 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 fall 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) 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)*

(i) Share capital

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

(j) 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.

(k) 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.

(l) 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

	2023	2022
Auditor's remuneration to KPMG comprises:		
Review of interim financial statements	10,661	9,660
Audit of year end financial statements	24,282	22,943
Total audit costs	34,943	32,603

4. Income tax expense/(benefit)

	2023	2022
Income tax expense/(benefit) in statement of comprehensive income	-	-

Reconciliation of effective tax rate

	Note	2023	2022
Profit/(loss) before tax		(1,157,077)	7,521,986
Income tax expense at 28% tax rate		(323,982)	2,106,156
Adjusted for tax effect on the following:			
Tax exempt income		255,806	(2,192,085)
Share of income/(loss) from underlying partnerships		799,196	(286,869)
Share of tax credits from underlying partnerships		-	-
Tax losses not recognised		-	372,798
Utilisation of unrecognised tax losses	5	(731,020)	-
Total income tax expense/(benefit)		-	-

Taxation receivable

	2023	2022
Resident withholding tax receivable	30,019	10,758
	30,019	10,758



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:

	Note	2023	2022
Opening balance		3,068,113	2,698,742
Utilisation of unrecognised tax losses	4	(731,020)	-
Amount under provided in previous year		-	(3,427)
Prior period adjustment for unrecognised tax losses		-	-
Tax loss not recognised		-	372,798
Closing balance		<u>2,337,093</u>	<u>3,068,113</u>

Tax losses in New Zealand do not expire, subject to shareholder continuity rules, or business 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 2023 is \$8,346,759 (2022: \$10,957,546).

6. Investment in PIP Funds

The Company currently has two investments, which are in the Public Infrastructure Partners LP ("PIP Fund") and the Public Infrastructure Partners SE LP ("PIP SE Fund").

The Company's fair valuation of its share of the PIP Fund is \$47,858,751 (2022: \$51,071,532) and the PIP SE Fund is \$9,605,620 (2022: \$9,174,716) as at 31 March 2023. 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 a decrease of \$3,212,781 (2022: increase of \$3,569,042) and for the PIP SE Fund a decrease of \$923,866 (2022: increase of \$1,178,965).



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	2023	2022
Opening balance	51,071,532	47,502,490
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments	(3,086,692)	4,317,287
- Foreign exchange movement	(126,089)	(748,245)
- Realised loss	-	-
	(3,212,781)	3,569,042
Capital distributions received	-	-
Purchase of investments	-	-
Closing balance	47,858,751	51,071,532

There were no investment purchases during the year (2022: \$Nil). There were six distributions received from the PIP Fund totalling \$3,223,054 during the year (2022: \$3,080,869).

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	2023	2022
Total gains/(losses) included in profit or loss for the year	(3,212,781)	3,569,042
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	(3,212,781)	3,569,042



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	2023	2022
Opening balance	9,174,716	6,297,775
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments	(923,866)	1,178,965
	8,250,850	7,476,740
Capital distributions received	-	-
Purchase of investments	1,354,770	1,697,976
Closing balance	9,605,620	9,174,716

There were two capital calls made by the PIP SE Fund totalling \$1,354,770 during the year (2022: \$1,697,976).

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	2023	2022
Total gains/(losses) included in profit or loss for the year	(923,866)	1,178,965
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	(923,866)	1,178,965



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 2023 together with adjustments to reflect the Company's estimate of fair value of the investments.

The PIP Fund has six investments as at 31 March 2023 (2022: six investments). No investments were made during the year. 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. On 9 December 2022, the PIP Fund entered an Agreement for Sale and Purchase of Securities (SPA) to sell its investments of New Zealand Schools I, New Zealand Schools II and Auckland Prison, which was completed in June 2023. As at 31 March 2023 the investments held for sale were recognised at the agreed purchase price in accordance with the pricing mechanics included in the executed SPA. The valuation of the investments held for sale were independently verified by Deloitte. In prior years the valuation method used by the PIP Fund to value New Zealand Schools I, New Zealand Schools II and Auckland Prison was the discounted cash flow method. As at 31 March 2023 the valuation method used by the PIP Fund to value Melbourne Convention & Exhibition Centre (including the expansion), 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 has two investments as at 31 March 2023 (2022: two investments). No new investments were made during the year. 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. On 9 December 2022, the PIP SE Fund entered an Agreement for Sale and Purchase of Securities (SPA) to sell its investments of New Zealand Schools I and New Zealand Schools II, which was completed in June 2023. As at 31 March 2023 the investments held for sale were recognised at the agreed purchase price in accordance with the pricing mechanics included in the executed SPA. The valuation of the investments held for sale were independently verified by Deloitte. In prior years 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.

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 and PIP SE Fund are 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 2023 (2022: \$Nil). A performance fee of \$287,628 is payable by the PIP SE Fund as at 31 March 2023 (2022: \$855,414).



Notes to the financial statements

7. Trade and other payables

	Note	2023	2022
Accruals		58,334	22,943
Directors fees payable	13(c)	19,000	19,000
Trade payables		-	-
		<u>77,334</u>	<u>41,943</u>

8. Cash and cash equivalents

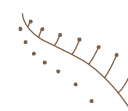
	Note	2023	2022
Call deposits:			
Westpac Short Term Overdraft Facility		183	227,343
ANZ Bank New Zealand Limited via			
CIP Cash Management Nominees Limited	13(b)	3,109,787	2,893,977
Cash and cash equivalents in current assets		<u>3,109,970</u>	<u>3,121,320</u>

The weighted average interest rate on call deposits at ANZ Bank during the period was 3.48% (2022: 0.67%).
No interest is receivable when the Westpac account is in credit.

The Westpac account had a short term overdraft facility available of \$500,000, which was closed during the year ended 31 March 2023. The weighted average interest rate on the bank overdraft during the period was 0% (2022: 5.77%).

9. Property, Plant and Equipment

	2023	2022
Cost	1,307	1,307
Accumulated depreciation	(1,299)	(1,291)
Carrying value	<u>8</u>	<u>16</u>
Current year depreciation	8	16



Notes to the financial statements

10. Share capital

	Number of preference shares 2023	Number of ordinary shares 2023
On issue at 31 March 2022	3,337,509,896	41,000,000
Redeemed during the year	-	-
Issued during the year	-	-
On issue at 31 March 2023	<u>3,337,509,896</u>	<u>41,000,000</u>

	Number of preference shares 2022	Number of ordinary shares 2022
On issue at 31 March 2021	3,542,509,896	41,000,000
Redeemed during the year	(205,000,000)	-
Issued during the year	-	-
On issue at 31 March 2022	<u>3,337,509,896</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 2023 the ordinary shares are fully paid to \$1.00 per share. During the year two dividends were declared to shareholders totalling \$1,640,000 or 4.00 cents per share (2022: four dividends totalling \$2,460,000 or 6.00 cents per share).

During the year no preference shares were redeemed (2022: 205,000,000 for 1 cent each) resulting in no redemptions (2022: \$2,050,000).

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/(loss) after taxation to the net cash flow from operating activities

	2023	2022
Profit/(Loss) for the year	(1,157,077)	7,521,986
Depreciation	8	16
Movement in fair value of PIP Fund Investment	3,212,781	(3,569,042)
Movement in fair value of PIP SE Fund Investment	923,866	(1,178,965)
Realised loss on PIP Fund Investment	-	-
	<u>2,979,578</u>	<u>2,773,995</u>
Movement in Working Capital		
Change in prepayments	(1,530)	(1,271)
Change in related party receivables	(10,758)	-
Change in income tax receivable/payable	(19,261)	(9,109)
Change in trade payables and accruals	35,391	(29,889)
	<u>3,842</u>	<u>(40,269)</u>
Net cash flow from operating activities	<u>2,983,420</u>	<u>2,733,726</u>

12. Financial risk management

Introduction and overview

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

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

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

The risk disclosures have been prepared on the basis of the Company's direct 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 receivables and bank balances. 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 invests 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 weighted average interest rate, using month-end cash balances, was 3.48% (2022: 0.67%). The prior year overdraft facility had an effective weighted average interest rate of 5.77%. Bank balances reprice daily.

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
2023				
Cash and cash equivalents	8	3,109,970	-	3,109,970
Total		3,109,970	-	3,109,970
	Note	Total	Non interest bearing	6 months or less
2022				
Cash and cash equivalents	8	3,121,320	-	3,121,320
Total		3,121,320	-	3,121,320



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 2023 it is estimated that a general increase of 1.00% in interest rates on its cash and cash equivalents would have increased the Company's profit before income tax by approximately \$23,910 (2022: increase of \$19,747).

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.

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 of Directors.

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
2023						
Assets						
Investment in PIP Fund	6	47,858,751	-	-	47,858,751	47,858,751
Investment in PIP SE Fund	6	9,605,620	-	-	9,605,620	9,605,620
Cash and cash equivalents	8	-	3,109,970	-	3,109,970	3,109,970
Total assets		57,464,371	3,109,970	-	60,574,341	60,574,341

Liabilities

Redemption payable	10	-	-	-	-	-
Trade and other payables	7	-	19,000	-	19,000	19,000
Total liabilities		-	19,000	-	19,000	19,000

	<i>Note</i>	Designated at fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Fair value
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2022

Assets

Investment in PIP Fund	6	51,071,532	-	-	51,071,532	51,071,532
Investment in PIP SE Fund	6	9,174,716	-	-	9,174,716	9,174,716
Cash and cash equivalents	8	-	3,121,320	-	3,121,320	3,121,320
Total assets		60,246,248	3,121,320	-	63,367,568	63,367,568

Liabilities

Redemption payable	10	-	-	-	-	-
Trade and other payables	7	-	19,000	-	19,000	19,000
Total liabilities		-	19,000	-	19,000	19,000



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 2023	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	47,858,751	47,858,751
Investment in PIP SE Fund	-	-	9,605,620	9,605,620
31 March 2022	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	51,071,532	51,071,532
Investment in PIP SE Fund	-	-	9,174,716	9,174,716

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 CIP Investment Management Limited (previously known as 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 \$182,181 (2022: \$170,850).
- Craigs Investment Partners Limited paid certain expenses and received certain receipts of New Zealand Social Infrastructure Fund Limited. As at 31 March 2023, \$10,758 remained owing to New Zealand Social Infrastructure Fund Limited (2022: \$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 2023 the balance held was \$3,109,787 (2022: \$2,893,977) (see Note 8).

(c) Transactions with key management personnel

	2023	2022
Directors' fees (total remuneration)	76,000	76,000

The balance of directors' fees and other amounts owing at 31 March 2023 was \$19,000 (2022: \$19,000).

Director's interests

The following directors or their associated entities held shares in New Zealand Social Infrastructure Fund Limited at 31 March 2023:

- | | |
|-------------------------|----------------|
| • 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 no commitments (2022: \$Nil) to the PIP Fund as at 31 March 2023. The PIP Fund investment period ran to 29 October 2015 and only follow-on investments are now permitted.

The Company has no further commitments (2022: \$2,363,921) to the PIP SE Fund as the investments in the fund are held for sale as at 31 March 2023.

15. Subsequent events

On 26 April 2023, the company paid a dividend of 2 cents per ordinary share, or \$820,000.

During the year, the PIP Fund agreed to sell its ownership in the Schools I, Schools II and Auckland Prison PPP projects. The sale completed on 9 June 2023, with the Company's share of the asset proceeds of \$25,906,232 received 16 June 2023.

During the year, the PIP SE Fund agreed to sell its ownership in the Schools I and Schools II PPP projects. The sale completed on 9 June 2023, with the Company's share of the asset proceeds of \$9,670,038 received 23 June 2023.

On 7 July 2023 the Company redeemed all preference shares by way of a distribution to the Company's shareholders of \$33,375,099.



Independent Auditor's Report

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

Opinion

In our opinion, the financial statements of New Zealand Social Infrastructure Fund Limited (the 'company') on pages 10 to 29 present fairly, in all material respects:

- i. the company's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards

issued by the New Zealand Accounting Standards Board. We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2023;
- 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.



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
Valuation of Investments	
<p>Refer to Note 6 to the Financial Statements.</p> <p>The primary activity of the company is maintaining the investments in the PIP and PIP SE Funds, the carrying value of which is \$57.5 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 size of the investments in relation to the total assets of the company</p>	<p>Our audit procedures:</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 and PIP SE Funds; • 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; and • 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 may include *Report to Shareholders*, *Director's report*, *Corporate governance & statutory information*, *NZSIF Board and Committees*. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

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 issued by the New Zealand Accounting Standards Board;
- Implementing necessary internal control to enable the preparation of a set of financial statements that is 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
21 July 2023

Corporate governance & structure

Structure

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

NZSIF is a limited partner in PIP Fund, (PIP Fund and PIP SE LP).

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 PIP Funds.

- Where Investments by 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 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 set annual shareholder meetings for NZSIF.

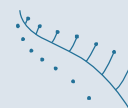
Investment Management

The investment management services for 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 PIP Funds.

Administration

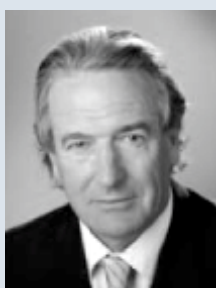
NZSIF has engaged NZSIF Management Limited as the Administration Manager, to provide day-to-day administrative and management services, such as investment of unallocated or surplus cash, investor relations, the preparation of interim and annual reports and other shareholder services that may be required 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 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 Chairman of New Zealand Social Infrastructure Fund Ltd and Green Cross Health Ltd.



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.



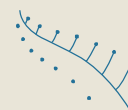
Director
Michael John Caird
BCom, LLB

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 Limited for 10 years and Ernst & Young for four years. Mike has previously been a Director of Hospital Car Parking Limited, Mangawhai Development Holdings Limited, AsiaPower Limited and Aetna Health (New Zealand) Limited. During his time at ABN AMRO, Mike was involved in acquiring the Auckland District Health Board car-parking concession and the Mangawhai township wastewater design, build, finance, and operating concession, two early PPP style projects in New Zealand. Mike is a director of the AMN Limited private group of companies involved in glass services, Just Plants Ltd, Signal Corporation Ltd, Safety Lab Holdings Limited, Seen Safety Limited and Priceteach Limited.



Director
David McCallum
MCA (Hons), CFA

David is a Director of Craigs Investment Partners. At Craigs his role is Director, Specialised Wealth and Alternatives. Prior to this he was a Director of Investment Banking and 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 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

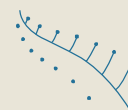
The Board has one committee, an Audit Committee, comprising all board members. The Audit Committee meets as required. The Audit Committee has full powers to require the Manager to provide any information or documents relating to the Fund, which it requires to enable it to meet the obligations of an Audit 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 Advisory Committees

The Advisory Committees of 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 PIP Funds; approves the independent valuer; considers and approves investment opportunities outside of 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
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Tauranga 3141

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Website: www.nzsif.co.nz

AUDITORS

KPMG

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Tauranga 3140

Phone: (07) 578 5179

INVESTMENT MANAGER

Morrison & Co PIP Limited

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PO Box 1395
Wellington 6140

ADMINISTRATION MANAGER

NZSIF Management Limited

Craigs Investment Partners House
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Tauranga 3141

Phone: (07) 927 7927
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