NZSIF

New Zealand Social Infrastructure Fund Limited


Melbourne Convention & Exhibition Centre


Hobsonville Point Primary School


Bendigo Healthcare Accommodation

Annual Report

For the year ended 31 March 2013

Contents

Report to shareholders

10 July 2013

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund's (NZSIF) annual report for the year ended 31 March 2013. The report includes our audited financial statements for that period.

Highlights of this report include:

- NZSIF produced a profit for the period of $710,861 (2012 $921,888), a return on shareholder funds of 5.53% (2012: 7.73%).
- The quality of NZSIF's earnings improved with the distributions received from the PIP Fund and generated by the Melbourne Convention & Exhibition Centre.
- Net asset backing at 31 March 2013 was 28.5 cents per share (cps), which is after the capital returns totaling 2.80 cps in May and July 2012.
- *Distributions*
  On 27 July 2012 we paid a cash dividend of 1.01 cps (relating to 2012 cash flows); and we paid an interim cash dividend of 0.73 cps 30 November 2012. The Board has approved a final dividend relating to 2013 of 0.79 cps to be paid to shareholders July 2013.
- *Hobsonville Schools*
  The primary school was completed and opened January 2013. The secondary school is targeted to be completed and open for the first term of 2014. The PIP Fund is investing equity of $10 million, of which NZSIF's share is $2.3 million.
- *Bendigo Healthcare Group Accommodation Facility (Bendigo)*
  We announced this investment April 2013. This accommodation facility is based in Bendigo, Victoria, Australia. The total equity investment of the PIP Fund is A$8.7 million, equivalent to approximately NZ$10.8 million. NZSIF is investing approximately NZ$2.5 million.
- *Melbourne Convention & Exhibition Centre (MCEC)*
  The MCEC investment has continued to perform well producing solid cash flows, and showed a slight increase in valuation at 31 March 2013.
- *Investment prospects*
  The PIP Fund consortium 'Positive Connection' was one of two consortia shortlisted for the bidding phase of the Transmission Gully roading PPP tender.

The NZSIF Board is heartened by both the continuing investment momentum and solid results performance.

Primary School - Hobsonville Point School, West Auckland 2013

Background

Limited Partnership and Capital
NZSIF invests 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 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. This level of capital could support infrastructure investments of more than $1.5 billion. 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 2013 the limited partners have contributed 27.2% of their committed capital to the PIP Fund and this will be close to 40% when both the Bendigo and Hobsonville School investments have been completed and the related capital called over the next six months.

Investment Progress

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

The primary school was completed and opened January 2013. The secondary school is targeted to be completed and open for the first term of 2014, despite the setback caused by a devastating tornado which struck the site last December, resulting in three contractors losing their lives and a number of injuries. Our thoughts are with all affected by this tragedy.

The PIP Fund is investing equity of $10 million, of which NZSIF's share is $2.3 million. We anticipate paying our share of this investment October 2013. The PIP Fund consortium (Learning Infrastructure Partners - LIP) is debt funding the schools project through to completion. Westpac Bank has provided the senior debt. The PIP Fund owns 97.5% of LIP, while Hawkins Construction has a 2.5% equity interest.

Equity distributions to the PIP Fund are expected to begin June 2014.

Bendigo Healthcare Group Accommodation Facility (Bendigo)
We announced this investment 18 April 2013. This is a doctors and nurses residential facility based in Bendigo, Victoria, Australia. The total equity investment is A$8.7 million, equivalent to approximately NZ$10.8 million.

The Bendigo facility comprises:
- 96 one bedroom and 24 two bedroom residential apartment units for nurses and doctors working in the Bendigo Hospital.

Investment factors include:
- 30 year property lease with inflation linked cash flow;
- There is no occupancy risk;
- Project entity owns the land, and retains ownership of the land and buildings at the end of the lease;
- Bendigo Healthcare Group (BHCG) (the tenant) is a public health provider for the State of Victoria under the Health Services Act 1988.

Bendigo location in relation to Melbourne

Artist's Impression - Bendigo Healthcare Group Accommodation Facility

The BHCG employs 3,000 staff, has a A$300 million budget and is currently building a new A$600 million hospital.

For NZSIF the Bendigo investment is approximately NZ$2.5 million spread across two tranches. The initial tranche of NZ$1.46 million (3.55 cents per NZSIF share) was paid from NZSIF's existing cash resources. The second tranche will be payable when construction is complete.

The accommodation facility is being built by H Troon Pty. Limited – a local Ballarat based builder and PIP advises the building program is well ahead of schedule. Completion was originally scheduled for early in the second quarter of 2014 (April-May), however given the current building progress it is possible a call will be made earlier.

We expect to see the Bendigo distributions to the PIP Fund commencing June 2014.

The Melbourne Convention and Exhibition Centre

The Melbourne Convention and Exhibition Centre (MCEC) was the first PIP Fund investment, completed 2010. The MCEC investment represents 22% of the PIP Fund's committed capital. The MCEC investment is significant with property, plant and equipment assets of approximately A$820 million (MCE Trust Annual Report June 2012) and long-term funding in place. The MCEC investment is an established operational PPP asset.

NZSIF invested NZ$9.2 million for the MCEC investment – a NZ$40 million equity investment for the PIP Fund. The MCEC is regarded as an ideal first investment, with the underlying revenue streams paid based on availability of the facility, not demand or patronage driven.

In February 2012 Caisse de dépôt et placement du Québec (Caisse), a leading Canadian fund manager and Plenary Group reached an agreement for Caisse to invest in five public-private partnership (PPP) projects in Australia, including the Melbourne Convention Centre. This resulted in a return of capital by the PIP Fund to the limited partners, including NZSIF. This return of capital, equivalent to 2.80 cps was passed through to NZSIF shareholders in two tranches in May and July 2012.

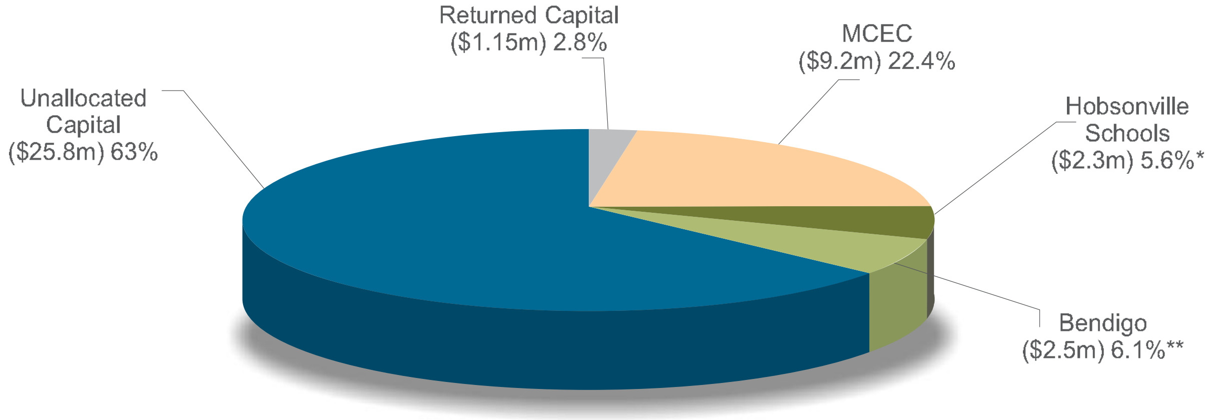
During the financial period to 31 March 2013 the MCEC investment performed to expectations producing strong cash flows, with no revenue deductions for equity investors; an excellent outcome. Generally when faced with revenue deductions (for disruption in any of the facilities' services) these deductions are passed through to the operations management company, Brookfield Multiplex.

Key information on the MCEC:

- Melbourne Convention Centre, a 5,000 seat hall, meeting and banquet rooms, six-star Green Star rated building.
- Melbourne Exhibition Centre, a pre-existing 30,000m^2 facility adjacent to the Melbourne Convention Centre.
- The concession runs for 25 years from January 2009 to 2034, with the State of Victoria as counter-party.

Melbourne Convention & Exhibition Centre

Chart 1 *- NZSIF Investment Mix*



NZSIF investments are via PIP Fund
** Hobsonville Schools not yet called*
*** Bendigo partly called at 31 March 2013*

Investment opportunities

There are a number of investment possibilities over the next 12 months. Our preference remains for suitable New Zealand PPP projects. PIP continues to review smaller Australian PPP opportunities and this could see the PIP Fund invest earlier on favourable terms while the NZ opportunities are progressed.

New Zealand opportunities include:

- Queenstown Convention Centre
  PIP, in a consortium including Ngai Tahu, Naylor Love, Faron Hay and Populus (Architects) and RCP group (Project Manager) was selected as the preferred consortium for the Queenstown Convention Centre.

- Transmission Gully
  PIP is a member of the 'Positive Connection' consortium, which is one of two shortlisted parties for the Transmission Gully Roading PPP. The consortium includes Fletchers, Fulton Hogan, John Laing Investments, PIP and Macquarie Group Holdings NZ. An outcome is expected to be announced early 2014.

The NZ Government National Infrastructure Unit is progressing a number of PPP opportunities. Aside from Transmission Gully the other PPP's include:
- Christchurch Convention Centre
- Auckland East Prison Project (no custodial services element)
- New schools (Christchurch, Auckland, Queenstown/Wakatipu, Hamilton)
- Social housing
- Counties Manukau Health Park
- Other Roads of National Significance (including Puhoi-Warkworth)

There may also be suitable opportunities arising out of the Christchurch re-build although we expect these to take some time to come to market.

Investment timeline
The PIP Fund investment period commenced 30 October 2009 and runs until 29 October 2015, unless extended by approval of the Advisory Committee (see Committees page 31.

When the Bendigo and Hobsonville School investment calls are completed the PIP Fund will be close to 40% invested. Success with the Transmission Gully PPP would certainly help push our invested capital closer towards the investment commitment limit and inside the target investment timeline of 2015.

Distributions

Dividend approved for payment
The Board has approved a dividend of 0.789 cps and the aim is to pay this to shareholders 19 July 2013. This will be a cash payment less RWT/NRWT at shareholder prescribed tax rates. There are no imputation credits available to attach to this distribution as the income is sourced entirely from the PIP Fund investment in the MCEC at this point in time.

Dividends paid
For the 2013 year we paid an interim cash dividend of 0.728 cps 30 November 2012, and a further dividend of 0.789 cps is to be paid 19 July 2013 making a total of 1.517 cps (2012: 1.008 cps).

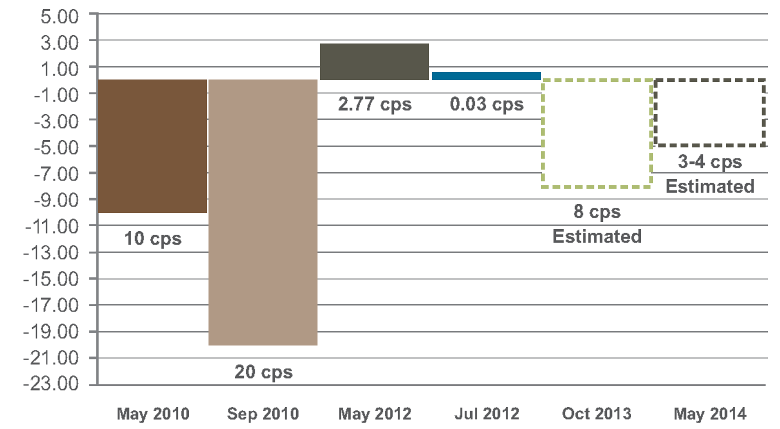
Capital return

In May and July 2012 NZSIF made two returns of capital of 2.804 cps in total, following the repayment of mezzanine debt relating to the Melbourne Convention & Exhibition Centre, to the PIP Fund.

The gross dividend yield on net investor capital for the financial year ended 31 March 2013 will therefore be 5.6% (based on PIP Fund cash flows generated in the 2012-2013 period).

Projected dividend payments for 2014 are estimated in the 1.50 cps to 1.60 cps range based on current investments and known cash flows.

Chart 3 *- NZSIF Calls & Capital Returns*

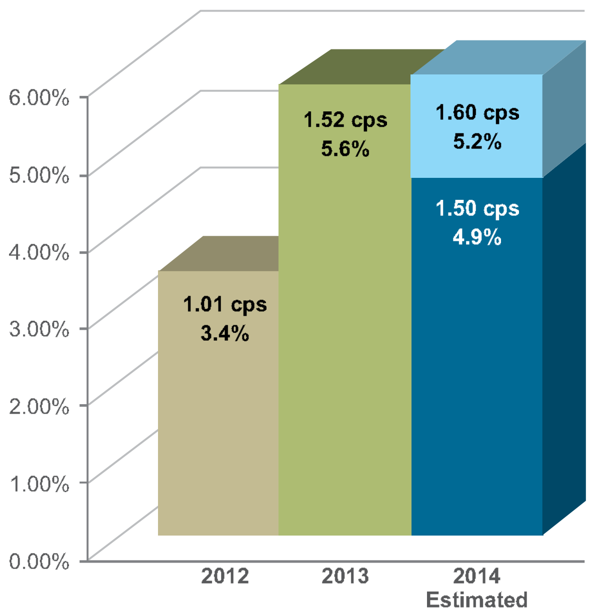


Note: NZSIF shares are $1 shares paid to 30 cps with 70 cps remaining uncalled

Distributions from Hobsonville Schools and Bendigo are both expected to begin from June 2014 and NZSIF distributions should increase from that time as a result of the higher revenue streams.

Chart 2 below provides a snapshot of the dividends paid 2012, 2013 and the projected dividends for 2014 and their respective yields.

Chart 2 *- NZSIF Dividend Yields 2012-2014*



Note: 2012 gross dividend yield on 30 cps capital base; 2013 gross yield on a 27.2 cps average capital base; 2014 gross yield on an estimated 30.5 cps average capital base

NZSIF Capital Position and Calls

Shares are currently paid to 30 cps or 27.2 cps net of the capital returned in 2012. Shareholders have to date contributed $12.3 million (30 cps) in capital to NZSIF.

When we pay for our share of the Hobsonville Schools investment in October 2013 we expect to make a call on shareholders for an estimated 8 cps in August or September 2013.

A further call of approximately 4 cps is likely to be made in the first quarter of 2014 for the Bendigo investment (timing of the call will depend on when construction is complete – it could be earlier).

The combination of these two further calls is expected to see paid up share capital of 41 - 42 cps by April 2014.

PIP Fund Investment Valuation

As there is no quoted market price for the PIP Fund, valuation techniques must be utilised to determine the fair value of the PIP Fund, which may require an aggregation of valuations of the PIP Fund's investments. The valuation techniques utilised can include 'the price of recent acquisitions', 'market based earnings multiples' or 'discounted cash flows'. As at 31 March 2013 the technique used by the PIP Fund for the MCEC valuation was 'discounted cash flows' adjusted for foreign exchange movements. Other net assets were valued at current market value.

The PIP Fund employs a third party expert to value the Fund's investments annually. The valuation is calculated at each 31 March balance date and was completed for the MCEC investment in 2012 and 2013 by Deloitte.

The investment in Hobsonville Schools had no impact on investment valuations at 31 March 2013 as no equity had been contributed at that time. Once the schools are complete then the equity investment will be valued annually. The Bendigo investment was recorded as cash in the PIP Fund accounts at 31 March as the first instalment of this investment was made after the financial year end.

NZSIF Investment Valuation & Returns

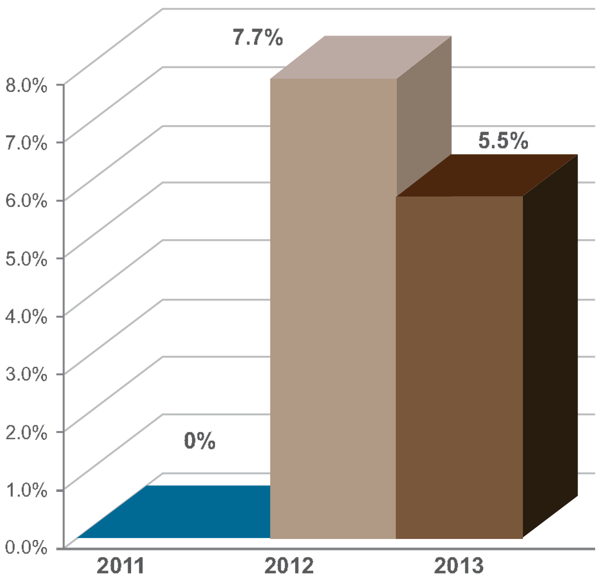
NZSIF policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss.

NZSIF's investment value in the PIP Fund was valued at $11.3 million, which included an increase in fair value of $188,249 on 2012.

The NZSIF shareholder return on the starting capital position for the year was 5.53% compared with 7.73% in 2012. This result needs to be considered alongside the capital repayment of $1.15 million made to shareholders during the 2012-2013 financial period. The capital position was higher at the start of the financial period but this was reduced significantly when NZSIF distributed this capital amount. The previous year's result was also measured against a significant uplift in the 2012 MCEC valuation – a movement in fair value of $1,082,655 compared to this year's uplift of $188,249.

See Chart 4 which graphically shows the return on shareholder funds.

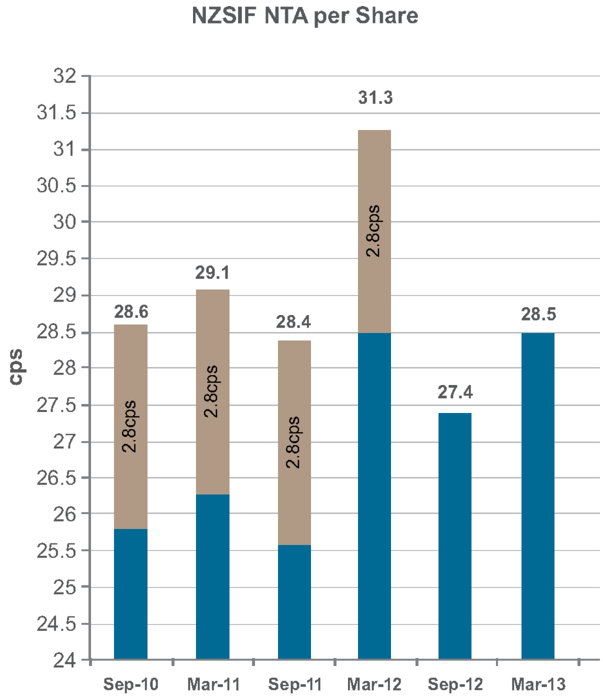
***Chart 4** - NZSIF Return on Shareholder Funds*



We expect NZSIF shareholder returns from the various investments will continue to increase over time, particularly as our costs are spread across a greater investment base.

Chart 5 below shows a six monthly comparison of NZSIF's net tangible asset (NTA) backing on a cents per share and like for like basis by highlighting the effect of adjusting for the 2.8 cps capital returns that occurred in May and July 2012.

***Chart 5** - NZSIF's Net Tangible Asset Position*



NTA's adjusted for the 2.8cps of capital returned FY 2013

Annual Financial Statements

The audited annual financial statements covering the 12-month period to 31 March 2013 are provided in this annual report for your information.

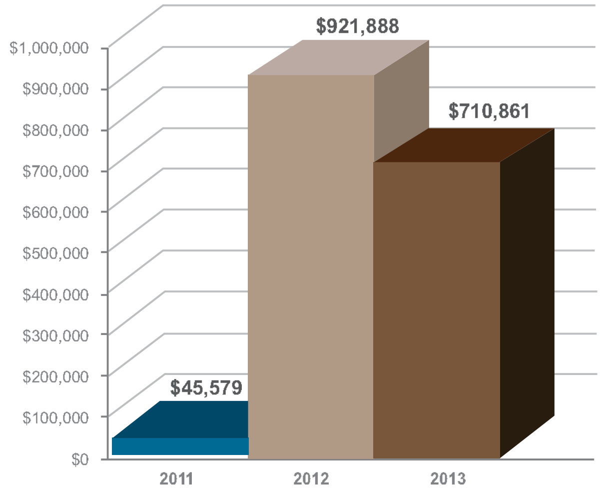
The financial period delivered a sound performance as the PIP Fund commenced paying distributions. NZSIF received dividend income of $711,528 from the PIP Fund. There was a small amount of interest income, $73,898 plus a positive movement in fair value of NZSIF's investment in the PIP Fund of $188,249. After expenses, which were lower than 2012, net income of $710,861 was achieved.

See Chart 6 for the past three period comparisons.

It is interesting to note that the make-up of the 2013 profit is significantly different from the 2012 profit result in that the bulk of the profit was generated by dividend income from the PIP Fund (cash flows from MCEC). NZSIF's 2013 investment income comprised 73% of PIP Fund dividends, while there were no dividends for 2012. In 2012 93% of investment income was the result of an increase in fair value of the investment in the PIP Fund (MCEC).

The current value of the NZSIF investment in the PIP Fund is $11,343,102. Liabilities represent just 0.5% of NZSIF's equity.

Chart 6 *- NZSIF Net Income Comparison for 2011-2013 Periods*



Issued capital is $10,729,239. Combined with retained earnings of $966,802 total capital is $11,696,041 which represents net asset backing of 28.5 cps as at 31 March 2013, an increase from the 30 September 2012 position of 27.4 cps.

Capital of $1,149,457 (2.8 cps) was redeemed and paid to shareholders during the financial period.

NZSIF Annual Shareholders Meeting

The details for our Annual Shareholders Meeting are:

Date: **Monday, 19 August 2013**
Time: **11.30 a.m.**
Place: **Craigs Investment Partners Limited, Level 32, Vero Centre, 48 Shortland Street, Auckland.**
RSVP: **Contact Peter Lalor on 07 577 4727 or enquiries@nzsif.co.nz by 14 August 2013.**

We extend an invitation to you to attend this meeting and look forward to seeing you there.

Outlook

The Manager of the PIP Fund and NZSIF Directors are pleased with the investment progress and performance. The investment for Hobsonville Schools will be completed by October this year and Bendigo in the first quarter of 2014. There is some real investment momentum occurring and this is expected to increase as more local PPP opportunities come to market.

If the PIP Fund is successful in its bid for the Transmission Gully PPP this will be an exciting development, which will see the fund well on the way to being fully invested by 2015. The Transmission Gully PPP will potentially be the largest PPP investment in New Zealand.

The NZ National Infrastructure Unit is progressing a pipeline of PPP opportunities some of which are likely to occur in 2014. Any new investments made by the PIP Fund will entail a call being made on NZSIF to fund the investment. In turn we will make a call on NZSIF shareholders.

Now that the PIP Fund is paying regular six monthly dividends, NZSIF can continue to pass these cash flows through to our shareholders. Distributions are expected to pick-up from mid-2014 onwards as both the Bendigo and Hobsonville Schools cash flows come on stream.

The NZSIF Fund is focused on investing for yield. Yields from the various investments will continue to increase over time.

We will keep you informed as investments are made by the PIP Fund through media releases, via the NZSIF website www.nzsif.co.nz or by writing directly to you. All shareholder reports plus news updates are always available to view on our website www.nzsif.co.nz.

If you have any queries regarding your investment in NZSIF, please discuss with your Investment Adviser or you may call Peter Lalor at NZSIF Management on 07 577 4727.

Thank you for your continuing support of NZSIF.

Yours sincerely
NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LIMITED

Kim Ellis
Chairman

Directors' report

For the 12 month period ended 31 March 2013

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
N Craig**	nil	26-Jan-10
M Caird**	nil	26-Jan-10

*GST exclusive
**Craigs Investment Partners Limited directors waived their NZSIF directors' fees for the entire financial period.

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 2013.

	Original Shares subscribed for	Change in holdings for the period
K Ellis	50,000	nil
N Craig	100,000	nil
M Caird	100,000	nil

Director
17 June 2013

Director
17 June 2013

Statement of comprehensive income

For the year ended 31 March 2013

	Note	2013	2012
		$	$
Dividend income		711,528	-
Interest income		73,898	87,131
Movement in fair value of investment in PIP Fund	*5*	188,249	1,082,655
Total investment income		973,675	1,169,786
Administrative expenses	*3*	(262,840)	(266,945)
Profit before tax		710,835	902,841
Income tax benefit/(expense)	*4*	26	19,047
Profit for the period		710,861	921,888
Other comprehensive income for the period		-	-
Total comprehensive income for the period		710,861	921,888

Statement of changes in equity

For the year ended 31 March 2013

	Share capital	Retained earnings	Total equity
Balance at 31 March 2012	11,878,696	967,467	12,846,163
Profit for the period	-	710,861	710,861
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	710,861	710,861
Redemption of capital	(1,149,457)	-	(1,149,457)
Dividends paid	-	(711,526)	(711,526)
Balance at 31 March 2013	10,729,239	966,802	11,696,041

	Share capital	Retained earnings	Total equity
Balance at 31 March 2011	11,878,696	45,579	11,924,275
Profit for the period	-	921,888	921,888
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	921,888	921,888
Balance at 31 March 2012	11,878,696	967,467	12,846,163

Statement of financial position

As at 31 March 2013

	Note	2013 $	2012 $
Assets			
Investment in PIP fund	5	11,343,102	10,515,286
Total non current assets		11,343,102	10,515,286
Cash and cash equivalents	9	368,062	2,280,318
Receivables and prepayments	7	25,334	29,554
Taxation receivable		21,999	57,025
Total current assets		415,395	2,366,897
Total assets		11,758,497	12,882,183
Equity			
Issued capital	10	10,729,239	11,878,696
Retained earnings		966,802	967,467
Total equity attributable to equity holders		11,696,041	12,846,163
Liabilities			
Trade and other payables	8	62,456	36,020
Total current liabilities		62,456	36,020
Total liabilities		62,456	36,020
Total equity and liabilities		11,758,497	12,882,183

For and on behalf of the Board

Director
17 June 2013

Director
17 June 2013

Statement of cash flows

For the year ended 31 March 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Dividends received		711,528	-
Interest received		78,664	83,041
Income tax refunds		57,051	-
Income taxes paid		(21,999)	(23,251)
Cash paid to suppliers		(236,950)	(287,756)
Net cash from operating activities	*11*	588,294	(227,966)
Cash flows from financing activities			
Redemption of capital		(1,149,457)	-
Dividends paid		(711,526)	-
Net cash from financing activities		(1,860,983)	-
Cash flows from investing activities			
Proceeds from PIP fund	*5*	1,149,457	
Investment in PIP fund	*5*	(1,789,024)	-
Net cash from investing activities		(639,567)	-
Net movement in cash and cash equivalents		(1,912,256)	(227,966)
Cash and cash equivalents at 31 March 2012		2,280,318	2,508,284
Cash and cash equivalents at 31 March 2013	*9*	368,062	2,280,318

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. New Zealand Social Infrastructure Fund Limited is registered under the Companies Act 1993 and is an issuer and a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements of the Company are for the year ended 31 March 2013.

The Company is primarily involved in investing into public-private partnerships as a limited partner of the Public Infrastructure Partners Limited Partnership (the "PIP Fund").

The financial statements were approved by the Directors on 17 June 2013.

(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") and the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

(c) Basis of measurement

The financial statements are prepared on the historical cost basis except that the investment in the PIP Fund is 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 investment in the PIP Fund (see Note 5).

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

The PIP Fund is a limited liability partnership, established under the Limited Partnerships Act 2008. The primary purpose of the PIP Fund is to make investments in social infrastructure assets through Public Private Partnerships (PPP's).

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

The Company's investment in the PIP Fund is classified at fair value through profit or loss and presented as a non-current asset in the statement of financial position. The investment is stated at fair value, with any resultant change in fair value recognised in profit or loss.

(b) 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.

(c) Cash and cash equivalents

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

(d) Impairment

The carrying amounts of the Company's assets, other than investments in the PIP Fund (see accounting policy (a)), and deferred tax assets (see accounting policy (g)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment losses are recognised in profit or loss. An impairment loss is reversed in profit or loss if there has been a change in the estimates used to determine the recoverable amount.

(e) Share capital

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

(f) 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.

Notes to the financial statements

2. Significant accounting policies *(continued)*

(g) 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.

(h) Goods and services tax (GST)

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

(i) New standards and pronouncements relevant to the Company

New standards not yet adopted

The following standards relevant to the Company are not yet effective and have not been applied in preparing the financial statements:

NZ IFRS 9: Financial Instruments is applicable to annual reporting periods beginning on or after 1 January 2015. The Company has not adopted this standard early. The Company plans to adopt it for the financial year ending 31 March 2016. This standard will replace the existing IAS 39: Financial Instruments Recognition and Measurement in three phases. The first phase, which has now been released, deals with financial assets and limits the basis of measurement to two categories, fair value and amortised cost. Guidance is provided on how decisions on classification to these two groupings should be made. Requirements for financial liabilities, which include new measurement guidance, were added to the standard in November 2010. The adoption of this standard may result in additional or amended disclosures and is not expected to have a significant impact on the Company’s reported result or financial position. The second phase deals with impairment methodology while the third phase covers hedge accounting. Neither of these phases have yet been finalised.

Notes to the financial statements

2. Significant accounting policies *(continued)*

(i) New standards and pronouncements relevant to the Company *(continued)*

NZ IFRS 13: Fair Value Measurement is applicable to annual periods beginning on or after 1 January 2013 and establishes a single framework for measuring fair value where that is required by other standards. The standard prescribes how fair value should be measured and introduces consistent disclosure requirements. The standard will be applicable to the Company's financial statements for the year ending 31 March 2014. The adoption of this standard may result in additional or amended disclosures and is not expected to have a significant impact on the Company's reported result or financial position.

New standards adopted
The Company has adopted the following revised standards in preparing the financial statements:

FRS 44: New Zealand Additional Disclosure sets out New Zealand specific disclosure for entities that have adopted NZ IFRSs and supports the objective of harmonising financial reporting standards in Australia and New Zealand. The standard has no impact on the financial statements.

3. Administrative expenses

	Note	2013	2012
Management fees	*13*	118,783	115,699
Directors' fees	*13*	76,000	76,000
Insurance		25,905	28,632
Auditor's remuneration (see below)		25,944	30,124
Legal fees		-	380
Other administrative expenses		16,208	16,110
		262,840	266,945
Auditor's remuneration to KPMG comprises:			
Review of interim financial statements		8,447	8,619
Audit of year end financial statements - current year		16,905	16,905
Audit of year end financial statements - previous year		592	4,600
		25,944	30,124

Notes to the financial statements

4. Income tax (benefit)/expense

	2013	2012
Income tax (benefit)/expense in statement of comprehensive income	(26)	(19,047)

Reconciliation of effective tax rate

	Note	2013	2012
Profit before tax		710,861	902,841
Income tax expense at 28% tax rate		199,041	252,795
Non-deductible expenses		-	-
Tax exempt income		(251,938)	(303,143)
Prior period adjustment		(26)	(19,047)
Tax loss not recognised	*6*	52,897	50,348
Total income tax (benefit)/expense		(26)	(19,047)

5. Investment in PIP Fund

The Company currently has one investment, which is in the Public Infrastructure Partners LP (PIP Fund).

The Company's fair valuation of the PIP fund as at 31 March 2013 is $11,343,102 (2012: $10,515,286) which is recorded in the statement of financial position. The movement against the previous valuation is shown as a fair value movement through profit or loss increase of $188,249 (2012: $1,082,655).

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	2013	2012
Opening balance	10,515,286	9,432,631
Total gains/(losses):		
- Recognised in profit or loss	188,249	1,082,655
Capital distributions received	(1,149,457)	-
Purchase of investments	1,789,024	-
Closing balance	11,343,102	10,515,286

Notes to the financial statements

5. Investment in PIP Fund *(continued)*

The 'purchase of investments' relates to three capital calls made by the PIP Fund of $1,456,304, $229,462, and $103,258 respectively. The first call related to the upcoming 100% acquisition by the PIP Fund of the Bendigo Healthcare Group accommodation facility, based in Bendigo, Victoria. New Zealand Social Infrastructure Fund Limited's investment will be approximately $2,400,000 payable in two tranches, with the first tranche of $1,456,304 paid in March 2013, The second tranche, estimated at $980,000 is expected to be paid in May 2014. As at 31 March 2013 the PIP Fund had not settled the acquisition of the investment in Bendigo Healthcare Group, and the PIP Fund was holding the $1,456,304 in cash and cash equivalents ready to settle. The second and third calls of $229,462 and $103,258 were to fund working capital requirements.

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

Investments	**2013**	**2012**
Total gains/(losses) included in profit or loss for the period	188,249	1,082,655
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	188,249	1,082,655

Key estimates and judgements

Company policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. As there is no quoted market price for the PIP Fund, the Company has used a valuation model to determine the valuation of its investment in the PIP Fund as at 31 March 2013. The PIP Fund itself has made two investments as at 31 March 2013. Valuation techniques have been utilised by the PIP Fund in its audited financial statements to determine the fair value of the PIP Fund operating project investments. The valuation techniques utilised can include 'the price of recent acquisition', 'market based earnings multiples' or 'discounted cash flows'. The General Partner of the PIP Fund arranges valuations of the operating project investments as at the end of the reporting period by an independent valuation expert, using valuation methodologies approved by the Advisory Committee of the PIP Fund.

As at 31 March 2013 the valuation method used by the PIP Fund to value its operating project investment (Melbourne Convention & Exhibition Centre) was the discounted cash flow method, which is appropriate for valuing a series of future cash flows to equity. The PIP Fund's investment in Learning Infrastructure Partners LP (LIP LP) (Hobsonville Schools project) was under construction at balance date and the fair value was determined to be nil by the Directors. The other assets of the PIP Fund are primarily cash and cash equivalents and their carrying value is considered to be fair value and the Company have taken up their share of these other assets in the valuation model.

Notes to the financial statements

6. Unrecognised deferred tax assets and liabilities

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

	Note	2013	2012
Opening balance		88,515	38,167
Tax losses from underlying Partnerships not yet recognised		66,635	-
Tax loss not recognised	4	52,897	50,348
Closing balance 31 March 2013		208,047	88,515

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 that 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 2013 is $743,025.

7. Receivables and prepayments

	2013	2012
Receivables	261	5,026
Prepayments	25,073	24,528
	25,334	29,554

8. Trade and other payables

	2013	2012
Trade payables	101	102
Accruals	43,355	16,905
Related party payables	19,000	19,013
	62,456	36,020

9. Cash and cash equivalents

	Note	2013	2012
Call deposits:			
ANZ Bank New Zealand Limited		272	17,865
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	13	74,452	5,397
Short-term deposits - ANZ Bank New Zealand Limited		293,338	2,257,056
Cash and cash equivalents in the statement of cash flows		368,062	2,280,318

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 15), and also directly with ANZ Bank New Zealand Limited. The weighted average interest rate on call deposits is 2.58% (2012: 2.71%). Short-term deposits are held directly with ANZ Bank New Zealand Limited. The weighted average interest rate on short-term deposits is 3.79% (2012: 3.76%).

Notes to the financial statements

10. Share capital

	Number of preference shares 2013	Number of ordinary shares 2013
On issue at 31 March 2012	4,100,000,000	41,000,000
Redeemed during the year	(114,945,704)	-
On issue at 31 March 2013	3,985,054,296	41,000,000

	Number of preference shares 2013	Number of ordinary shares 2013
On issue at 31 March 2011	4,100,000,000	41,000,000
On issue at 31 March 2012	4,100,000,000	41,000,000

Each $1.00 share comprises one ordinary voting share with a nil issue price, and 100 non-voting redeemable preference shares in New Zealand Social Infrastructure Fund at $0.01 each (a stapled security). The ordinary shares are partly paid to $0.30 per share.

In all, $0.30 per share is now paid-up with $0.70 per share still to be called. This represents $12,300,000 in paid up capital, of which $1,149,457 (0.028 cents per share) was redeemed during the year. There remains $28,700,000 of uncalled capital.

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.

During the year there were two capital returns paid to shareholders amounting to $1,149,457 (2012: Nil) or 2.8 cents per share following a capital redemption from the PIP Fund as a result of the refinancing of the Melbourne Convention and Exhibition Centre investment. 114,945,704 preference shares were redeemed. During the same period two dividends were paid to shareholders totalling $711,526 (2012: Nil) or 1.73 cents per share. This amount was made up of 1.00 cents per share in relation to PIP Fund profits for the year ended 31 March 2012 and 0.73 cents per share for the year ended 31 March 2013.

Notes to the financial statements

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

	2013	2012
Profit for the period	710,861	921,888
Movement in fair value of PIP Fund Investment	(188,249)	(1,082,655)
	522,612	(160,767)
Movement in Working Capital		
Change in receivables and prepayments	4,220	730
Change in income tax receivable	35,026	(42,298)
Change in trade payables and accruals	26,436	(25,631)
	65,682	(67,199)
Net cash flow from/(to) operating activities	588,294	(227,966)

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 investment in the PIP Fund and not on a look through basis for investments held by the PIP Fund. 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 Agreement (LPA), the Company has policies in place to mitigate equity price risk, particularly in the investments made by the PIP Fund. This includes detailed analysis by the PIP Fund 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 PIP Funds exposure to foreign exchange and valuation of its 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. The Company does not require collateral in respect of financial assets. 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 CIP Cash Management Nominees Limited and also directly with ANZ Bank New Zealand Limited. The credit rating of ANZ Bank New Zealand Limited is AA-. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position (see Note 9).

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 and short-term deposits (refer Note 9). At the end of the reporting period the effective interest rate for bank balances is 2.30% (2012: 2.88%) and short-term deposits is 3.25% (2012: 4.33%).

Bank balances reprice daily and short-term deposits reprice within 3 months.

Interest rate risk – repricing analysis

	Note	Total	Non interest bearing	6 months or less
2013				
Cash and cash equivalents	*9*	368,062	-	368,062
Total		368,062	-	368,062

	Note	Total	Non interest bearing	6 months or less
2012				
Cash and cash equivalents	*9*	2,280,318	-	2,280,318
Total		2,280,318	-	2,280,318

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. At 31 March 2013 it is estimated that a general increase of 1.00% in interest rates on its cash and cash equivalents would increase the Company's profit before income tax by approximately $5,455 (2012: $18,523) over a one-year period.

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 liquidity risk associated with future calls made by the PIP Fund will be mitigated by the ability of the entity to call the remaining $0.70 per share still to be called (See note 10). During the year the company put in place an overdraft facility of $500,000 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 in terms of the prospectus and repay capital as investments are realised. As disclosed in note 10, $0.30 per share has been paid on the $1.00 share capital. The remaining $0.70 will be called as required in accordance with the terms of the original prospectus.

The Company has the power to borrow, if a call has been approved by the Board, to the extent of the aggregate amount of that call and for a term not exceeding 90 days after the date on which the call is due.

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.

Except in respect of the new $500,000 overdraft facility, there have been no material changes in the Company's management of capital during the period.

Notes to the financial statements

12. Financial risk management *(continued)*

Classification and fair values

	Note	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2013						
Assets						
Investment in PIP Fund	*5*	11,343,102	-	-	11,343,102	11,343,102
Cash and cash equivalents		-	368,062	-	368,062	368,062
Receivables		-	261	-	261	261
Total assets		11,343,102	368,323	-	11,711,425	11,711,425
Liabilities						
Trade and other payables		-	-	19,101	19,101	19,101
Total liabilities		-	-	19,101	19,101	19,101

	Note	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2012						
Assets						
Investment in PIP Fund	*5*	10,515,286	-	-	10,515,286	10,515,286
Cash and cash equivalents		-	2,280,318	-	2,280,318	2,280,318
Receivables		-	5,026	-	5,026	5,026
Total assets		10,515,286	2,285,344	-	12,800,6301	2,800,630
Liabilities						
Trade and other payables		-	-	19,115	19,115	19,115
Total liabilities		-	-	19,115	19,115	19,115

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 2013	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	11,343,102	11,343,102

31 March 2012	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	10,515,286	10,515,286

13. Related parties

Identity of related parties

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

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

- Neil John Craig
- Michael John Caird

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

- Neil John Craig

Notes to the financial statements

13. Related parties *(continued)*

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 $118,783 (2012: $115,699).
- Craigs Investment Partners Limited paid certain expenses of New Zealand Social Infrastructure Fund Limited. As at 31 March 2013, no balance remained owing to Craigs Investment Partners Limited (2012: Nil).
- An on-call bank account is held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, which is a 100% subsidiary of Craigs Investment Partners Limited. At 31 March 2013 the balance held was $74,452 (2012: $5,397) (see Note 9).

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Transactions with key management personnel

	2013	**2012**
Directors fees (total remuneration)	76,000	76,000

The balance of directors' fees owing at 31 March 2013 was $19,000 (2012: $19,013).

Director's interests

The following directors or their associated entities held shares in New Zealand Social Infrastructure Fund Limited at 31 March 2013:

- Kimmitt Rowland Ellis 50,000 shares
- Neil John Craig 100,000 shares
- Michael John Caird 100,000 shares

14. Commitments

The Company has further commitments of $29,488,977 to the PIP fund for further investments as at 31 March 2013 (2012: $31,278,001), which will be met from cash reserves and further calls of capital. This amount includes the second tranche of the funding for Bendigo Healthcare Group accommodation facility estimated at $980,000 and expected to be paid in May 2014.

15. Subsequent events

In May 2013 the company paid a PIP Fund call of $229,461 to fund working capital requirements.

During April 2013 the company formalised a $500,000 overdraft facility with Westpac bank for working capital purposes. When in use the interest rate on the debit balance is 7.20% at current interest rates.

Independent auditor's report

To the shareholders of New Zealand Social Infrastructure Fund Limited

Report on the financial statements

We have audited the accompanying financial statements of New Zealand Social Infrastructure Fund Limited ("the company") on pages 10 to 26. The financial statements comprise the statement of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Subject to certain restrictions, employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion the financial statements on pages 10 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company as at 31 March 2013 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by New Zealand Social Infrastructure Fund Limited as far as appears from our examination of those records.

KPMG.

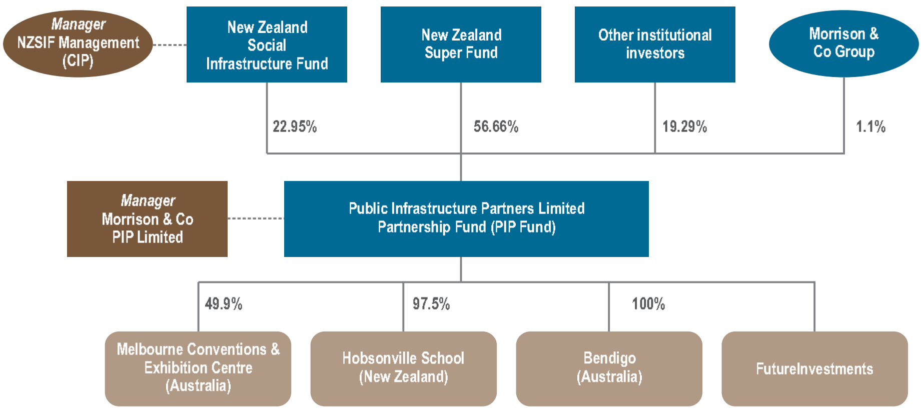
17 June 2013
KPMG Tauranga

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 Fund, as shown below:



Each share held by investors of NZSIF is a stapled security and consists 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. As a Limited Partner, NZSIF is required to make capital contributions to the PIP Fund, as called by the General Partner. When such capital calls are made on NZSIF, we then make capital calls on NZSIF shareholders up to the fully paid value of the shares.

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

- Where Investments by the PIP Fund 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 Fund 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. Directors receive 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 the PIP Fund 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 Fund.

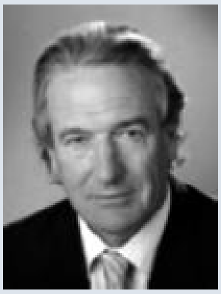
Administration

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.

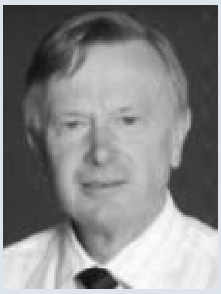
NZSIF Board

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



Chairman 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 a Director of FSF Management Company, Freightways, Port of Tauranga, Moa Group, Ballance Agri-Nutrients, Envirowaste Services, Tasman Tanning, Jucy Group and Macaulay Metals. He also a member of the Wanganui Collegiate School Board of Trustees.



Independent Director
Ian Alexander Nicholson Fraser
BE (Hons), Dist FIPENZ.

Ian is a Distinguished Fellow of the Institution of Professional Engineers. 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 currently a Director and Deputy Chair of Transpower NZ Ltd, a Director of Stevenson Group Ltd and a former Director and Deputy Chair of Mighty River Power Ltd. He is currently Chair of the University of Canterbury Earthquake Engineering Centre, 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
Neil John Craig
BAgCom

Neil is the founding principal and Chair of Craigs Investment Partners, a company he has been instrumental in building from a small regionally-based share broking business in Whakatane to its current position as a leading full service NZX Participant Firm. Neil has a broad experience in stock exchange listings, capital raisings and corporate activity for a wide range of companies.

Neil is a Director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited, the New Zealand Social Infrastructure Fund Limited, as well as being Chair of NZX Listed Comvita Limited, Chair of Enterprise Angels Inc. and a Director of a number of privately held companies.

Director
Michael John Caird
BCom, LLB

Mike joined Craigs Investment Partners in March 2009 as Head of Debt Capital Markets, and had been a Director of Craigs Investment Partners since 2001. Mike's career in financial markets includes 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, McConnell Property 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.

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 Committee

The Advisory Committee of the PIP Fund comprises limited partner representatives, up to a maximum of five members. New Zealand Social Infrastructure Fund Limited has one representative, currently Kim Ellis. The Advisory Committee meets quarterly with the General Partner and Investment Manager. The Advisory Committee manages conflicts of interest between the Investment Manager and the PIP Fund; the appointment of an independent valuer; considers and approves investment opportunities outside of the PIP Fund's 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
Neil John Craig
Michael John Caird

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

OFFICES OF NZSIF
New Zealand Social Infrastructure Fund Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3141

Phone: (07) 577 4727
Email: enquiries@nzsif.co.nz
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
97 The Terrace
PO Box 1395
Wellington 6140

ADMINISTRATION MANAGER
NZSIF Management Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3141

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

SHARE REGISTRAR
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna
North Shore City 0622

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

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

Phone: (09) 357 9000