



New Zealand
Social Infrastructure
Fund Limited



Melbourne Convention & Exhibition Centre



Hobsonville Primary School



Bendigo Healthcare Accommodation

Interim Report

For the half year ended 30 September 2013

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Report to shareholders

25 November 2013

Dear Shareholder

I am pleased to present the New Zealand Social Infrastructure Fund's (NZSIF) interim report for the half year to 30 September 2013. This report includes the interim financial statements for the six-month period.

Background

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

The PIP Fund is designed for long-term infrastructure investing.

PIP Fund Limited Partnership and Capital

The final close for the PIP Fund was 31 December 2010. The PIP Fund has nine limited partners with capital commitments of \$176.5 million. NZSIF has a 23% interest in the PIP Fund and is the second largest investor, behind the New Zealand Superannuation Fund. NZSIF has a capital commitment to the PIP Fund of \$40.5 million and has met calls of \$11.9 million to 30 September 2013.

NZSIF Capital and Calls

NZSIF shares are paid to 38 cents per share following an 8 cents per share (cps) call in September 2013.

The NZSIF has to date returned capital of 2.8 cps.

The bulk of the 8 cps call is for the Hobsonville Schools investment with \$2.25 million payable in December 2013, and the balance used to repay the Westpac credit line and for ongoing working capital needs.

A further call of 4 cps is expected to be made in early 2014, with the greater part of this call applied to the second and final tranche of the Bendigo Healthcare Group Accommodation Facility investment, with the balance remaining in cash reserves.

This will mean that in the first quarter of 2014 NZSIF shares will be paid to 42 cps, with 58 cps still to be paid.

Investment Progress

Bendigo Healthcare Group Accommodation Facility

We announced the Bendigo investment in April 2013. This facility is a doctors and nurses residential accommodation based in Bendigo, Victoria, Australia. The total equity investment is A\$8.7 million, equivalent to approximately NZ\$10.8 million.



Bendigo Healthcare Group Accommodation Facility Stage One

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.

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 was paid from NZSIF's existing cash resources. The second tranche will be payable when construction is complete.

Stage one of the development has now been accepted by the hospital. Stage two is likely to be completed in February next year, ahead of the programmed April target completion date. We expect the first distributions to be paid to the PIP Fund towards the end of the second quarter 2014 and this should flow through to the limited partners from the September quarter.

Hobsonville Point Schools



Hobsonville Point - Primary School

In March 2012 it was announced that a PIP Fund consortium, Learning Infrastructure Partners (LIP), had been appointed as the preferred bidder to build and maintain New Zealand's first public private partnership schools at Hobsonville Point, West Auckland (Hobsonville Schools).

LIP was responsible for the design, build and financing of the schools and for maintaining them throughout the 25 year contract (the concession term). The board of trustees and staff focus on providing education in the schools.

The LIP consortium is made up of firms with significant experience in designing, building and maintaining New Zealand schools including Hawkins – lead construction (equity interest 2.5%); ASC Architects – lead designer; and Programmed Facility Management – facilities management. The PIP Fund has provided 97.5% of project equity funding (\$9.8 million) and the financial management. Westpac Bank has

provided the senior debt. NZSIF's share of the equity investment is \$2.25 million, payable in December 2013.

The Hobsonville Schools PPP (public private partnership) comprises two new schools – a primary school (years 1-8) which opened in 2013, and a secondary school (years 9-13) which is due to open in the first term of 2014. Secondary education will start on time in term one using part of the primary school facility, until the secondary school is fully completed.

We expect to see our first distributions from the Hobsonville Schools investment from the September 2014 quarter.

Melbourne Convention and Exhibition Centre

The Melbourne Convention and Exhibition Centre (MCEC) was the first PIP Fund investment, completed in 2010. The MCEC investment represents approximately 22% of our committed capital. The MCEC investment is significant with property, plant and equipment assets of approximately A\$826 million (Melbourne Convention and Exhibition Trust Annual Report June 2013) and

long-term funding in place. The MCEC investment is an established operational PPP asset.

NZSIF invested NZ\$9.2 million into the PIP Fund 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.



Melbourne Convention and Exhibition Centre

An investment by Caisse de dépôt et placement du Québec (a leading Canadian fund manager) in February 2012 resulted in a return of capital by the PIP Fund to the limited partners, including NZSIF. This return of capital, equivalent to 2.8 cps was passed through to NZSIF shareholders in two tranches in May and July 2012.

During the financial period to 30 September 2013 the MCEC investment performed soundly producing strong cash flows. There were no revenue deductions for equity investors.

In the period there was a payment of non-resident withholding tax that related to distributions received by the PIP Fund since 2010. This payment was linked to a private ruling that had the effect of decreasing the original purchase price but increasing withholding tax payments. The overall impact is considered neutral for NZSIF.

New Zealand & Australian Social Infrastructure Investment Opportunities

Current New Zealand opportunities include:

Transmission Gully

PIP is a member of the 'Positive Connection' consortium, which is one of two shortlisted parties for the Transmission Gully Road PPP. The Positive Connection consortium includes Fletchers and Fulton Hogan (construction and maintenance contractors), John Laing Investments and the PIP Fund (as investors) and Macquarie Group Holdings NZ (financial adviser). The Positive Connection consortium submitted a bid to the NZTA for Transmission Gully on 7 October. The successful bidder will be announced by NZTA in February 2014.

If Positive Connection is successful, documentation should be completed by the second quarter of 2014.

This is a significant investment and the PIP Fund Advisory Committee has given approval to exceed investment concentration limits for this investment project.

Aside from the Transmission Gully the National Infrastructure Unit (NIU) is progressing a number of PPP opportunities, including:

- **Auckland East Prison Project - Paremoremo.**
An expression of interest for this new prison project is expected to come to market in November 2013. A PIP Fund consortium will bid to deliver this project to the Department of Corrections. The project does not involve the provision of custodial services.

- **Nationwide Grouped Schools (Christchurch, Queenstown/Wakatipu, Hamilton).**
The Manager will form a consortium to bid for this project when it comes to market. The project timetable suggests a process starting in February 2014. The project is likely to comprise five schools.
- **Counties Manukau Health Park.**
The Manager understands the Counties Manukau DHB is currently working on an indicative business case with the support of Treasury's National Infrastructure Unit.
- **Other Roads of National Significance (including Puhoi to Warkworth).**

Other opportunities include:

- **Queenstown Convention Centre.**
A PIP Fund consortium is the preferred bidder for this project, however no approval has been given for this project to proceed at this stage.
- **Christchurch Convention Centre.**
CERA has announced that a request for proposal will be released later this year.

There may be other opportunities arising out of the Christchurch re-build but these are expected to take some time to come to market.

Current Australian opportunities include:

New Royal Adelaide Hospital (nRAH)

nRAH is a A\$1.7b new hospital PPP which reached financial close in 2011 and is currently under construction. As part of the Australia Social Infrastructure Partners ("ASIP") initiative, Morrison & Co initially secured a first right to acquire an equity stake in the project from the construction contractor. There may be an opportunity for the PIP Fund to co-invest alongside Morrison & Co.'s Australia Social Infrastructure Partners Fund.

East West Link (Melbourne)

The Manager submitted a bid to design, build, finance and maintain the East West Link in August 2013 with Leighton Contractors and others. The consortium is shortlisted. The request for proposal stage is expected to commence before the end of the year. Revenue streams will be based on road availability and will not be reliant on traffic volumes and tolls.

University of Wollongong Student Accommodation

An expression of interest for this project is likely to be submitted to the University in December 2013. The project involves the existing Wollongong University Student Accommodation facility comprising 1900 existing student accommodation units. The successful bidder will also have the right to provide new accommodation to the university.

Investment Valuation Methodology - PIP Fund

The PIP Fund employs a third party expert to value the Fund's assets, at the end of each financial year (31 March). At interim accounting periods the PIP Fund assets are valued at fair value based on the valuation at the end of the previous financial year, 31 March, with adjustments for any income earned less any distributions received in the period, and any exchange rate movement on Australian investment assets. The Bendigo investment and Hobsonville Schools are effectively valued at investment cost to date. Both will be valued by the third party expert once construction is complete.

NZSIF Investment Valuation

NZSIF's 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, valuation techniques must be utilised to determine the fair value of the PIP Fund itself, which may require an aggregation of valuations of the PIP Fund's investments. As at 30 September 2013 the PIP Fund investment is valued at fair value based on NZSIF's share of its equity in the PIP Fund.

This has resulted in a fair valuation for NZSIF's current investment in the PIP Fund as at 30 September 2013 of \$10,848,047 (March 2013: \$11,343,102, September 2012: \$9,193,710), a decrease of (\$495,055) since March. This was the difference between the negative fair value movement of (\$1,367,009) and PIP calls of \$871,954.

The negative fair value movement of (\$1,367,009) comprised (\$923,790) in FX rate movements (a strengthening NZ\$) and negative movement in the net asset value of the PIP Fund (\$443,219).

Table 1 below compares NZSIF's net tangible assets, at 30 September 2013, against the 31 March 2013 and 30 September 2012 positions.

The strengthening New Zealand dollar against the Australian dollar has the effect of reducing the MCEC valuation.

This NTA potentially understates NZSIF's current value as Bendigo and Hobsonville Schools are nearing construction completion in the next period, and will be valued at financial year end.

Distributions

MCEC investment returns began to flow to the PIP Fund in the first quarter of 2011. MCEC is making quarterly distributions to the PIP Fund, and the PIP Fund is passing distributions through to the limited partners (including NZSIF) six monthly. NZSIF aims to pass distributions through to shareholders as they are received.

A NZSIF distribution of 0.789 cps gross was made on 19 July 2013 comprising distributions received from the PIP Fund.

NZSIF is making a further distribution of 0.480 cps on 6 December 2013. This distribution is lower than expected due to the PIP Fund deducting non-resident withholding tax on behalf of NZSIF. As part of the purchase of MCEC a lower purchase price was negotiated if Australian non-resident withholding tax applied. During the period a private tax ruling was declined, resulting in the PIP Fund confirming the lower price for MCEC, but withholding tax being deducted. The deduction for this quarter represents all non-resident withholding tax due from the 2010 purchase date.

Table 1

NZSIF Asset Position		30-Sep-13	31-Mar-13	30-Sep-12
		\$	\$	\$
PIP Fund Investment		10,848,047	11,343,102	9,193,710
NZSIF Cash		2,501,399	368,062	2,117,019
NZSIF Net Working Capital		123,045	(15,123)	(64,335)
Total Net Assets		13,472,491	11,696,041	11,246,394
		cps	cps	cps
NZSIF NTA		32.9	28.5	27.4
Capital returned	2012	2.8	2.8	2.8
FX rate		0.8883	0.8012	0.7953

2014 distributions are now expected to be slightly less than our initial guidance range of 1.5 cps to 1.6 cps for the full year, and are now expected to be between 1.2 cps to 1.4 cps. On an annualized basis a distribution of 1.3 cps (the mid point) represents a gross yield of 3.8% per annum on the average capital in 2014 of 34.3 cps.

This dividend has no imputation credits attached, consistent with the July distribution. Distributions received by the PIP Fund from MCEC are from an Australian entity and there are no NZ imputation credits available. NZ income tax paid by PIP and NZSIF is expected to be minimal in the initial years.

The NZSIF board anticipates that the dividend will grow by approximately 50% in 2015, as the Hobsonville Schools and Bendigo concession payments commence from June 2014 to the PIP Fund, with a positive contribution to NZSIF distributions after that date, on the capital already contributed and committed.

Interim Financial Statements

The interim financial statements covering the 6-month period to 30 September 2013 are provided for your information.

The interim statement of comprehensive income shows NZSIF received dividend income (from PIP Fund) of \$323,519 plus a small amount of interest income, \$2,422. There was a negative movement in fair value of (\$1,367,009) and operating costs of \$139,080 including the manager's fee and independent directors' remuneration.

The loss for the period was (\$1,180,032). The main contributing factor to the negative movement was a decline in the value of our MCEC investment caused by a 10.9% strengthening of the NZ dollar against the Australian dollar in the 6 month period to 30 September 2013. A negative movement in the net asset value of the PIP Fund of (\$443,219) due to operating expenses of the PIP Fund also contributed.

NZSIF has 41 million \$1 shares* on issue paid to 38 cps (*each share comprises one ordinary voting share and 100 non-voting redeemable preference shares).

- 10 cps was paid at the time of initial subscription;
- 20 cps was paid in September 2010;
- NZSIF returned capital of 2.8 cps during 2012;
- 8 cps was paid in September 2013.

This means investors have contributed net capital of 35.2 cps.

The 30 September 2013 value of the NZSIF investment in the PIP Fund is \$10,848,047.

We have cash of \$2,501,399. Liabilities represent just 0.22% of the total NZSIF assets.

NZSIF's net asset backing per share as at 30 September 2013 is 32.9 cps.

The last sale price for NZSIF shares on the secondary market facilitated by Craigs Investment Partners was 34.5 cps.

We will keep you informed if the PIP Fund has further investment success through media releases, via the NZSIF website www.nzsif.co.nz, or by writing to you directly.

We expect to make a call on shareholders for 4 cps in January or February 2014 to fund the final tranche of the Bendigo investment and provide an amount for ongoing working capital.

Beyond this point any new investments made by the PIP Fund will entail further calls being made to fund those investments. Our other funding option is to use bank debt to bridge PIP Fund investment calls for up to 90 days, before making a call on NZSIF shareholders.

We will continue to provide formal interim and annual shareholder reports, by way of electronic delivery via our website. These reports plus other updates for investors are available to view on our website www.nzsif.co.nz.

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 ongoing support of NZSIF.

Yours sincerely

**NEW ZEALAND SOCIAL INFRASTRUCTURE
FUND LIMITED**



Kim Ellis
Chairman

Statement of comprehensive income

For the six months ended 30 September 2013

		Unaudited 6 months Sep 2013 \$	Audited 12 months Mar 2013 \$	Unaudited 6 months Sep 2012 \$
Dividend income		323,519	711,528	413,228
Interest income		2,422	73,898	40,079
Movement in fair value of PIP Fund	3	(1,367,009)	188,249	(275,377)
Total investment income		(1,041,068)	973,675	177,930
Administrative expenses		(135,351)	(262,840)	(122,346)
Interest expense		(3,729)	-	-
Profit/(loss) before tax		(1,180,148)	710,835	55,584
Income tax credit/(expense)		116	26	(92,669)
Profit/(loss) for the period		(1,180,032)	710,861	(37,085)
Other comprehensive income/(loss) for the period		-	-	-
Total comprehensive income/(loss) for the period		(1,180,032)	710,861	(37,085)

Statement of changes in equity

For the six months ended 30 September 2013

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2013	10,729,239	966,802	11,696,041
Total comprehensive income for the period	-	(1,180,032)	(1,180,032)
Issue of share capital	3,280,000	-	3,280,000
Dividends paid	-	(323,518)	(323,518)
Balance at 30 September 2013	14,009,239	(536,748)	13,472,491

For the year ended 31 March 2013

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2012	11,878,696	967,467	12,846,163
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

For the six months ended 30 September 2012

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2012	11,878,696	967,467	12,846,163
Total comprehensive income for the period	-	(37,085)	(37,085)
Redemption of capital	(1,149,457)	-	(1,149,457)
Dividends paid	-	(413,227)	(413,227)
Balance at 30 September 2012	10,729,239	517,155	11,246,394

Statement of financial position

As at 30 September 2013

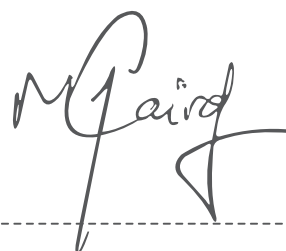
	Note	Unaudited 6 months Sep 2013 \$	Audited 12 months Mar 2013 \$	Unaudited 6 months Sep 2012 \$
Assets				
Investment in PIP Fund	3	10,848,047	11,343,102	9,193,710
Total non current assets		10,848,047	11,343,102	9,193,710
Cash and cash equivalents	6	2,501,399	368,062	2,117,019
Receivables and prepayments	5	129,313	25,334	11,555
Taxation receivable		22,867	21,999	-
Total current assets		2,653,579	415,395	2,128,574
Total assets		13,501,626	11,758,497	11,322,284
Equity				
Issued capital		14,009,239	10,729,239	10,729,239
Retained earnings/(losses)		(536,748)	966,802	517,155
Total equity attributable to equity holders		13,472,491	11,696,041	11,246,394
Liabilities				
Trade and other payables		29,135	62,456	19,076
Taxation payable		-	-	56,814
Total current liabilities		29,135	62,456	75,890
Total liabilities		29,135	62,456	75,890
Total equity and liabilities		13,501,626	11,758,497	11,322,284

For and on behalf of the Board



Director

18 November 2013



Director

18 November 2013

Statement of cash flows

For the six months ended 30 September 2013

		Unaudited 6 months Sep 2013 \$	Audited 12 months Mar 2013 \$	Unaudited 6 months Sep 2012 \$
Cash flows from operating activities				
Dividends received		323,519	711,528	413,228
Interest received		2,683	78,664	45,106
Income taxes refunded/(paid)		(751)	35,052	21,171
Interest paid		(3,729)	-	-
Cash paid to suppliers		(155,410)	(236,950)	(126,319)
Net cash from operating activities	7	166,312	588,294	353,186
Cash flows from financing activities				
Issue of share capital		3,162,497	-	-
Redemption of capital		-	(1,149,457)	(1,149,457)
Dividends paid		(323,518)	(711,526)	(413,227)
Net cash from financing activities		2,838,979	(1,860,983)	(1,562,684)
Cash flows from investing activities				
Proceeds from PIP Fund		-	1,149,457	1,149,457
Investment in PIP Fund	3	(871,954)	(1,789,024)	(103,258)
Net cash from investing activities		(871,954)	(639,567)	1,046,199
Net movement in cash and cash equivalents		2,133,337	(1,912,256)	(163,299)
Cash and cash equivalents at beginning of period		368,062	2,280,318	2,280,318
Cash and cash equivalents at end of period	6	2,501,399	368,062	2,117,019



Notes to the financial statements

1. General information

(a) Reporting entity

New Zealand Social Infrastructure Fund Limited (the “Company”, or “NZSIF”) is a company incorporated and domiciled in New Zealand. NZSIF is registered under the Companies Act 1993 and is an issuer and a reporting entity for the purposes of the Financial Reporting Act 1993.

The Company is primarily involved in investing into public-private partnerships as a limited partner of the Public Infrastructure Partners Limited Partnership (the “PIP Fund”). The PIP Fund is a limited liability partnership, established under the Limited Partnerships Act 2008. The primary purpose of the PIP Fund is to make investments in social infrastructure assets through public private partnerships (PPP’s).

The interim financial statements were approved by the Directors on 18 November 2013.

(b) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), specifically NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 March 2013.

(c) Basis of measurement

The interim financial statements are prepared on the historical cost basis except that certain financial instruments are stated at their fair value (see note 2(a)).

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. At 30 September 2013 the only estimates are in relation to the valuation of the PIP Fund (see note 3).



Notes to the financial statements

2. Significant accounting policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its annual financial statements as at and for the year ended 31 March 2013, except in relation to the valuation of individual investments made by the PIP Fund. No valuations by an independent valuation expert are used for interim reporting periods. (See Note 3: Key estimates and judgements)

(a) Investment in the PIP Fund

NZSIF invests in the PIP Fund as a limited partner.

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

3. Investment in PIP Fund

The Company currently has one investment, which is in the PIP Fund.

The Company's fair valuation of the PIP Fund as at 30 September 2013 is \$10,848,047 (March 2013: \$11,343,102, September 2012: \$9,193,710) which is recorded in the statement of financial position. The movement against the previous valuation is shown as a fair value movement through profit or loss of a decrease of \$1,367,009 (March 2013: increase of \$188,249, September 2012 decrease of \$275,377).



Notes to the financial statements

3. Investment in PIP Fund (continued)

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:

	Note	Unaudited Sep 2013	Audited Mar 2013	Unaudited Sep 2012
Opening balance		11,343,102	10,515,286	10,515,286
Capital distributions from PIP Fund		-	(1,149,457)	(1,149,457)
Calls made by the PIP Fund		871,954	1,789,024	103,258
Movement in fair value of PIP Fund		(1,367,009)	188,249	(275,377)
Closing balance		10,848,047	11,343,102	9,193,710
The movement in fair value of the PIP Fund is made up of:				
Movement in FX rates		(923,790)	(158,945)	(82,328)
Movement in net assets of PIP Fund		(443,219)	347,194	(193,049)
Movement in fair value of PIP Fund		(1,367,009)	188,249	(275,377)
FX Rates used to value investment in PIP Fund		0.8883	0.8012	0.7953

Calls made by the PIP Fund relates to three capital calls of \$229,461, \$229,462, and \$413,031 respectively, in the current period. All of these calls were to fund working capital requirements and expenses of the PIP Fund during the period.

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	Note	Unaudited Sep 2013	Audited Mar 2013	Unaudited Sep 2012
Total gains/(losses) included in profit or loss for the period		(1,367,009)	188,249	(275,377)
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period		(1,367,009)	188,249	(275,377)



Notes to the financial statements

3. 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 PIP Fund, the Company has used a valuation model to determine the valuation of its investment in the PIP Fund as at 30 September 2013. The PIP Fund itself has made three investments as at 30 September 2013. Valuation techniques have been utilised by the PIP Fund in its 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 annual valuations of the operating project investments at each 31 March balance date, by an independent valuation expert, using valuation methodologies approved by the Advisory Committee of the PIP Fund. At the half year these valuations of operating project investments are modified for any significant changes to forecast future cash flows and any foreign exchange movement.

The valuation method used by the PIP Fund to value its operating project investment (Melbourne Convention & Exhibition Centre) is 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 and the Company's fair value was determined to be nil by the Directors of NZSIF. The Bendigo Healthcare Group Accommodation Facility was under construction and the Company's fair value was determined to be the cost of construction by the Directors of NZSIF. 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.

4. Share capital

Each \$1.00 share comprises one ordinary voting share with a nil issue price, and 100 non-voting redeemable preference shares in NZSIF at \$0.01 each (a stapled security). On 28 August 2013 a call of \$0.08 was made which was due on 25 September 2013. In all \$0.38 per share is now called with \$0.62 per share still to be called.



Notes to the financial statements

5. Receivables and prepayments

	<i>Note</i>	Unaudited Sep 2013	Audited Mar 2013	Unaudited Sep 2012
Receivables		117,503	261	-
Prepayments		11,810	25,073	11,555
		129,313	25,334	11,555

Receivables include call monies owing at 30 September but not yet received of \$117,503. These funds have been subsequently received.

6. Cash and cash equivalents

	<i>Note</i>	Unaudited Sep 2013	Audited Mar 2013	Unaudited Sep 2012
Call deposits:				
ANZ Bank New Zealand Limited		275	272	270
ANZ Bank New Zealand Limited via				
CIP Cash Management Nominees Limited	9	2,500,851	74,452	33,843
Westpac New Zealand Limited		273	-	-
Short term deposits		-	293,338	2,082,906
Cash and cash equivalents in the statement of cash flows		2,501,399	368,062	2,117,019

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 9), and also directly with ANZ Bank New Zealand Limited and Westpac New Zealand Limited. The average interest rate on call deposits is 2.82% (March 2013: 2.58%) (September 2012: 2.91%).

There are currently no short-term deposits held directly with ANZ Bank New Zealand Limited. The average interest rate on short-term deposits is Nil% (March 2013: 3.79%) (September 2012: 3.87%).

The Company has a \$500,000 overdraft facility with Westpac New Zealand Limited. The interest rate payable on any overdrawn balance is 7.20%. The facility was used from time to time during the period. The account was in credit as at 30 September 2013.



Notes to the financial statements

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

	Note	Unaudited Sep 2013	Audited Mar 2013	Unaudited Sep 2012
Profit/(loss) for the period		(1,180,032)	710,861	(37,085)
Movement in fair value of PIP Fund		1,367,009	(188,249)	275,377
		186,977	522,612	238,292
Movement in Working Capital				
Change in receivables and prepayments		13,522	4,220	17,999
Change in income tax receivable		(867)	35,026	113,840
Change in trade and other payables		(33,320)	26,436	(16,945)
Net cash flow from/(to) operating activities		166,312	588,294	353,186

8. Commitments

The Company has further commitments of \$28,617,022 to the PIP Fund as at 30 September 2013, which will be met from cash reserves and further calls of capital.

On 5 April 2012 the Hobsonville Schools PPP project reached financial close. The PIP Fund, which the Company invests in, will invest \$9.8 million in the project at the end of the construction period, expected to be December 2013 for a 97.5% share of the investment vehicle, Learning Infrastructure Partners. The project is to design, build, manage, maintain facilities of, and finance a new primary school for 690 students and a new secondary school for 1,500 students at Hobsonville Point, Auckland. On 5 November the PIP Fund issued a call notice for \$2.25 million payable on or before 10 December 2013. The Company intends to pay the call for its share of the Hobsonville Schools PPP by use of its cash raised from a recent call on its shareholders.

NZSIF paid the first tranche of its investment in the Bendigo Healthcare Group Accommodation Facility, for an amount of NZ\$1,456,304 in March 2013. The second tranche of this investment is for an approximate amount of NZ\$980,000 which is expected to be paid in the first quarter of 2014. A call of 4 cents per share is expected to be made for this and for future working capital requirements.



Notes to the financial statements

9. Related parties

Identity of related parties

The Company has a related party relationship with Craigs Investment Partners Limited, which owns 100% of NZSIF Management Limited, the Manager of NZSIF, 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

Transactions with related parties

During the period, the Company entered into the following transactions with related parties:

- Management fees paid to NZSIF Management Limited totalled \$58,896 (31 March 2013: \$118,783) (30 September 2012: \$59,060).
- Craigs Investment Partners Limited paid certain expenses of the Company. As at 30 September 2013, Nil (31 March 2013: Nil) (30 September 2012: \$45) remained owing to Craigs Investment Partners Limited.
- An on-call bank account is held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, which is a 100% subsidiary of Craigs Investment Partners Limited. At 30 September 2013 the balance held was \$2,500,851 (31 March 2013: \$74,452) (30 September 2012: \$33,843) (see Note 6). For deposits placed via CIP Cash Management Nominees Limited, the Company receives interest rates higher than it would otherwise obtain by going direct to banks. CIP Cash Management Nominees Limited receives a commission of up to 30 basis points on such deposits.

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



Notes to the financial statements

9. Related parties *(continued)*

Transactions with related parties

	Unaudited 6 months Sep 2013	Audited 6 months Mar 2013	Unaudited 6 months Sep 2012
Directors' fees (total remuneration)	38,000	76,000	38,000

The balance of directors' fees owing to key management personnel at 30 September 2013 was \$19,000 (31 March 2013: \$19,000) (30 September 2012: \$19,030).

Directors' interests

The following directors or their associated entities held shares in the Company at 30 September 2013:

• Kimmitt Rowland Ellis	150,000 shares
• Neil John Craig	100,000 shares
• Michael John Caird	100,000 shares

During the period Kimmitt Ellis purchased a further 100,000 shares giving a closing balance of 150,000 shares.

10. Subsequent events

In October 2013 Stage one of the Bendigo Healthcare Group Accommodation Facility was completed. Stage two is expected to be completed in the first quarter of 2014.



Auditor's review report

To the shareholders of New Zealand Social Infrastructure Fund Limited

We have completed a review of the financial statements on pages 7 to 17 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of New Zealand Social Infrastructure Fund Limited and its financial position as at 30 September 2013.

Directors' responsibilities

The Directors of New Zealand Social Infrastructure Fund Limited are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company as at 30 September 2013 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

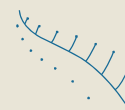
Other than in our capacity as auditors we have no relationship with or interest in the company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements on pages 7 to 17 do not give a true and fair view of the financial position of Company as at 30 September 2013 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 18 November 2013 and our opinion is expressed as at that date.

18 November 2013
Tauranga



Directory

BOARD OF DIRECTORS OF NZSIF

Kimmit 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.

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