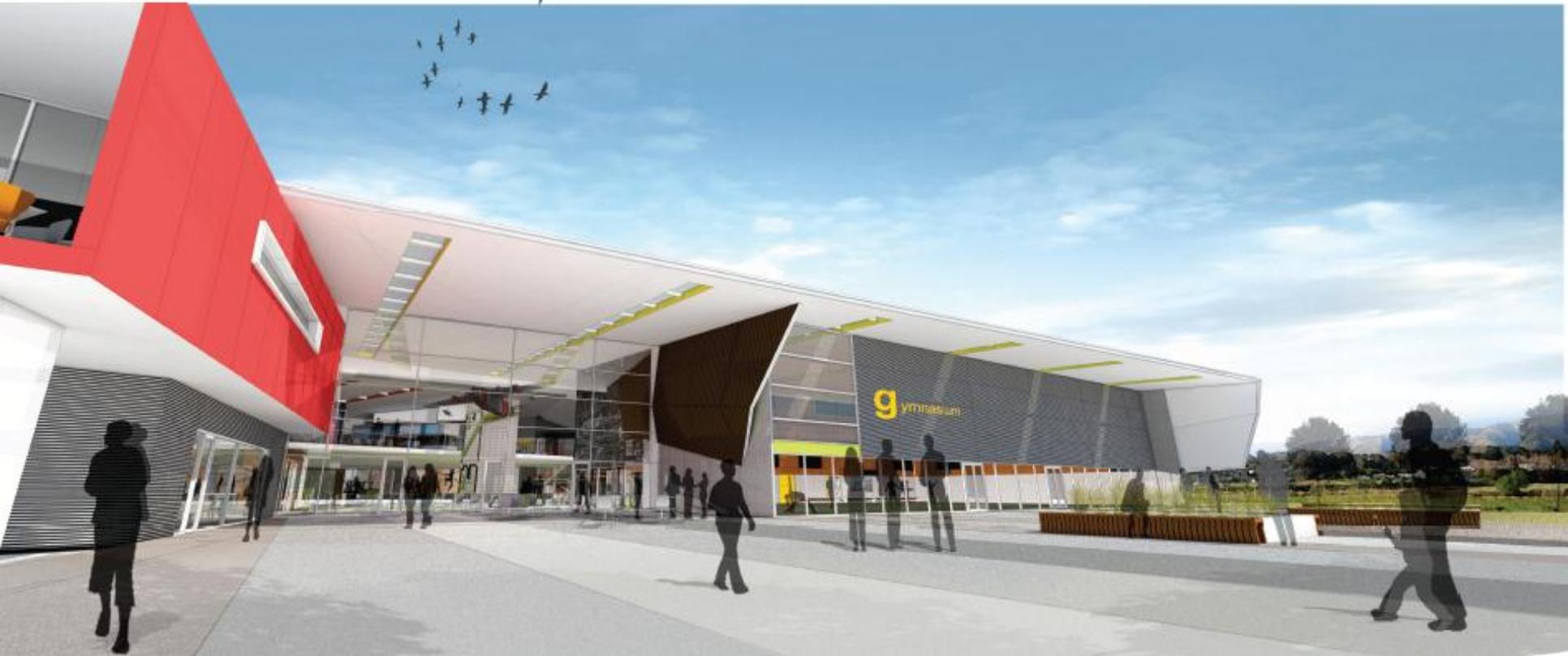


# New Zealand Social Infrastructure Fund



## Investor Presentation - 2014 Full Year

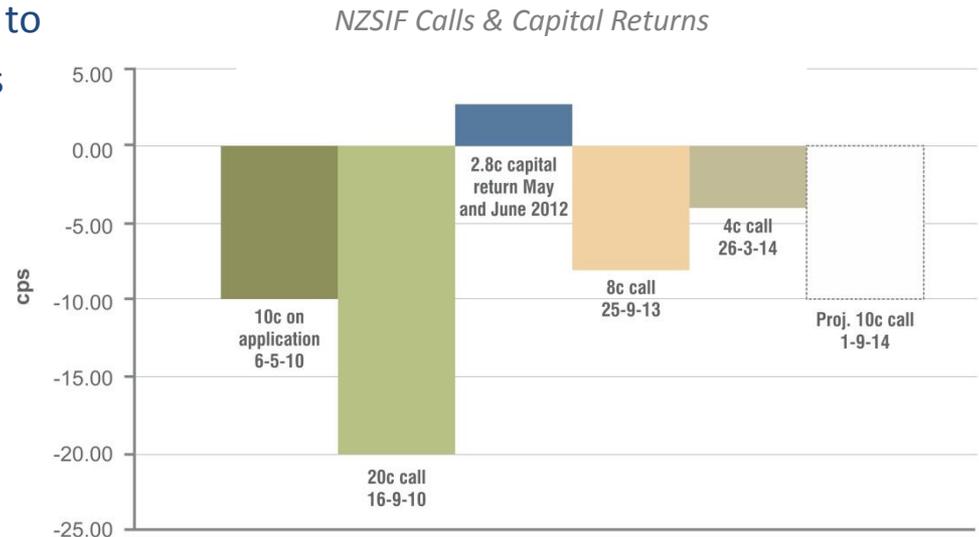
18 July 2014

# PIP Fund Investment Performance

- Positive revaluations for all investments at 31 March 2014
- Melbourne Convention and Exhibition Centre continued to perform well during period
- Hobsonville Schools secondary school opened in February 2014
- Bendigo Hospital Accommodation construction completed ahead of time
- Next Step Partners (including PIP) shortlisted to develop Auckland Prison. Final decision expected late 2014 / early 2015
- PIP consortium “Positive Connections” was unsuccessful for Transmission Gully
- Queenstown Convention Centre unlikely to proceed as a PPP
- Christchurch rebuild unlikely to generate PPP opportunities

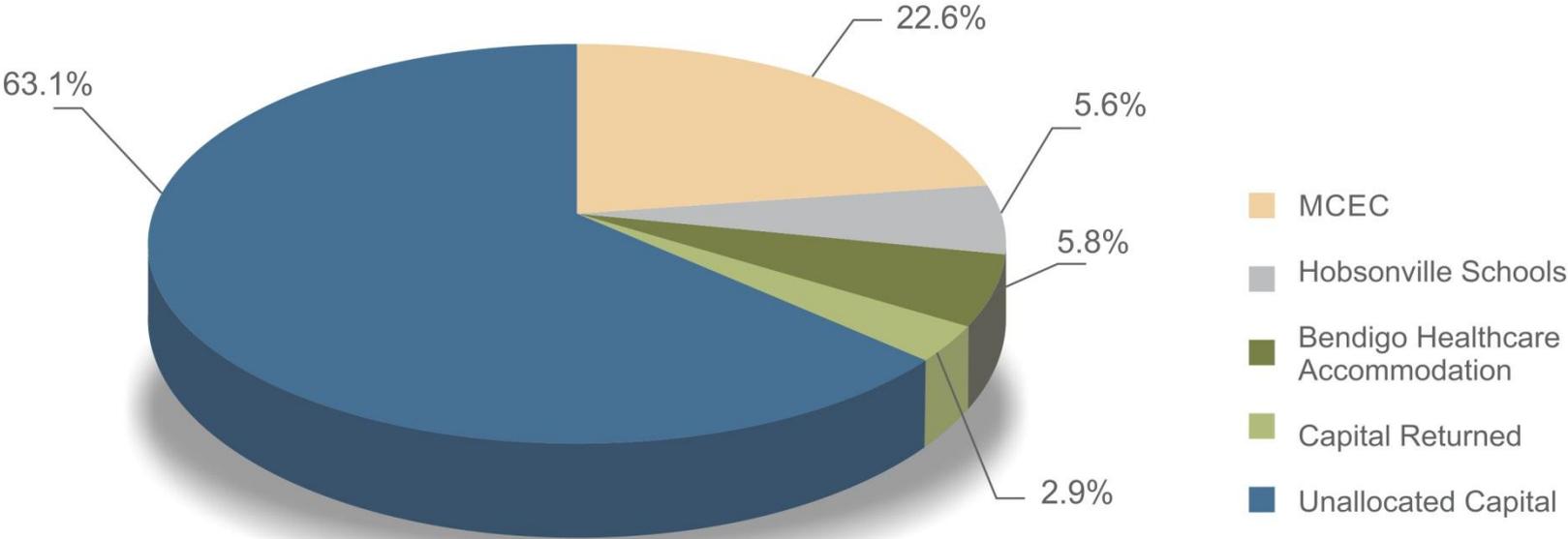
# NZSIF 2014 Highlights

- Profit for period \$758,498 (2013 \$710,681)
- 2014 profit driven by:
  - Positive revaluation of all 3 investments (despite significant negative AU\$ impact)
  - Stable costs
  - Offset by lower distributions from MCEC
- 2014 Final Distribution for the six months to 31 March 2014 of 0.62cps, making 1.1cps for the full year. Distributions based on cash not profit
- 42cps called to date, less 2.8cps returned for net capital invested of 39.2cps
- NTA of 41.1cps



Note: NZSIF shares are \$1 shares paid to 42 cps with 58 cps remaining uncalled

# NZSIF Investment Mix as at 31 March 2014



PIP Fund now approximately 40% invested, and is expected to be close to fully committed by the end of the 2015 financial year.

# Melbourne Convention & Exhibition Centre

- 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<sup>2</sup> facility adjacent to the Melbourne Convention Centre. During the year a condition assessment was completed and some minor refurbishment is to be undertaken by the Victorian Government
- PIP owns 49.9% of MCEC equity
- No property management or performance issues affecting MCEC equity or PIP returns during the period
- Expansion opportunities remain under consideration



# Hobsonville Schools PPP

- Primary school (years 1-8) for up to 690 pupils opened for initial pupils Term 1, 2013
- Secondary school (years 9-13) for 1,500 pupils opened Term 1, 2014
- Learning Infrastructure Partners Consortium
  - PIP Fund – 97.5% of the equity
  - Hawkins (lead construction) – 2.5% equity
  - ASC Architects (lead designer)
  - Programmed Facility Management (facilities management)
- Minor issues being worked through by builder and MoE
- First equity distributions expected in 3Q2014

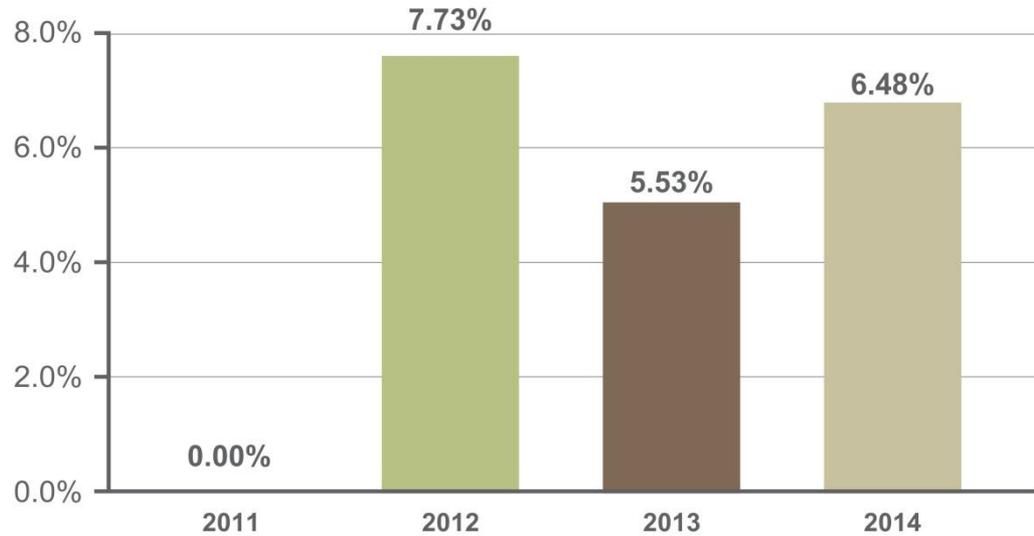


# Bendigo Healthcare Accommodation

- 96 one bedroom and 24 two bedroom residential apartment units for nurses and doctors working in the Bendigo Hospital, Victoria, Australia
- 30 year property lease with inflation linked cash flows
- No occupancy risk
- Project entity owns the land, and retains ownership at end of lease
- Bendigo Healthcare Group (BHCG) is the tenant
- BHCG is the public health provider for the State of Victoria
- BHCG employs 3,000 staff, has a A\$300m budget and is currently building a new A\$600m hospital
- Completed ahead of time, and on cost
- First equity distributions expected in 3Q2014

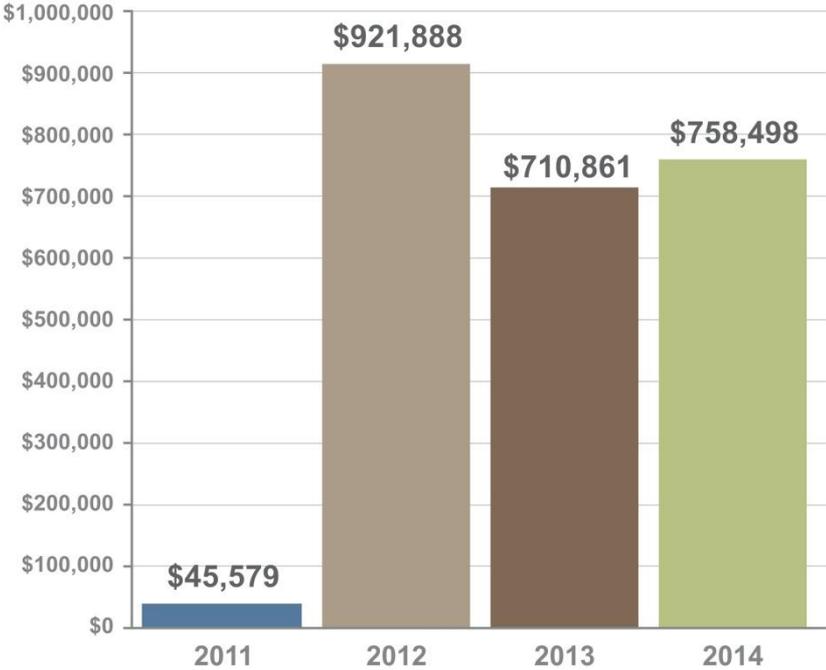


# NZSIF Return on Shareholder Funds



*Based on opening SHF*

# NZSIF Net Income Comparison



# NZSIF Financial Performance

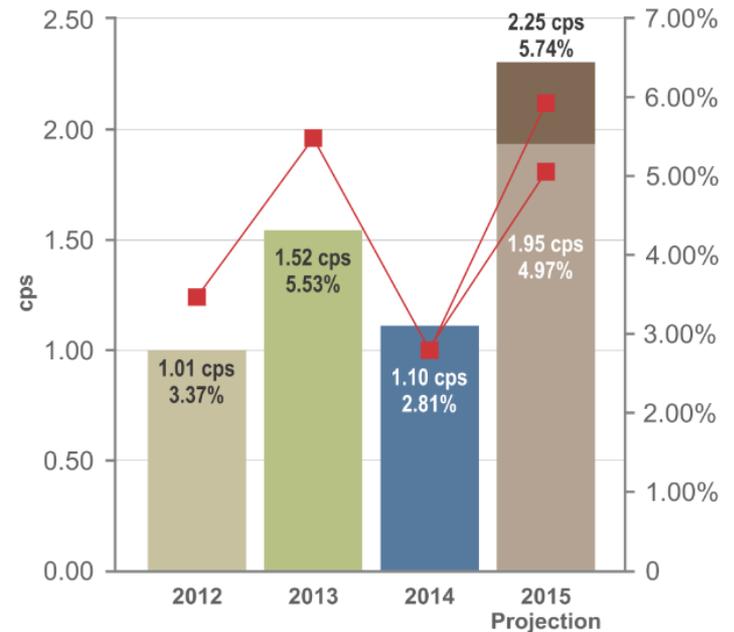
|                                     | 12 months to<br>31 March 2014<br>NZ\$000s | 12 months to<br>31 March 2013<br>NZ\$000s | Change<br>Mar 13 to<br>Mar 14 |
|-------------------------------------|---|---|-------------------------------|
| Dividend income                     | \$520                                     | \$712                                     | 27% ↓                         |
| Interest income                     | \$21                                      | \$74                                      | 72% ↓                         |
| Movement in fair value of PIP Fund  | <u>\$494</u><br>\$1,035                   | <u>\$188</u><br>\$974                     | 163% ↑<br>6% ↑                |
| Administrative Expenses             | (\$278)                                   | (\$263)                                   | 6% ↑                          |
| Interest Expense                    | -   | -   |                               |
| Profit before Tax                   | <u>\$757</u>                              | <u>\$711</u>                              | 7% ↑                          |
| Income Tax/(credit)                 | (\$1)                                     | -   | nm                            |
| <b>Profit/(loss) for the Period</b> | <u><b>\$758</b></u>                       | <u><b>\$711</b></u>                       | <b>7% ↑</b>                   |

# NZSIF Balance Sheet

|  | 31 March 2014<br>NZ\$000s | 31 March 2013<br>NZ\$000s | Change<br>Mar 13 to<br>Mar 14 |
|--|---------------------------|---------------------------|-------------------------------|
| Investment in PIP Fund                   | \$16,060                  | \$11,343                  | 42% ↑                         |
| Cash and Cash Equivalents                | \$775                     | \$368                     | 111% ↑                        |
| Other Current Assets                     | \$84                      | \$47                      | 79% ↑                         |
| Total Assets                             | \$16,918                  | \$11,758                  | 44% ↑                         |
| Creditors                                | \$64                      | \$62                      | 3% ↑                          |
| Total Equity                             | \$16,854                  | \$11,696                  | 44% ↑                         |
| Total Equity and Liabilities             | \$16,918                  | \$11,758                  | 44% ↑                         |
| <i>NTA per share (41,000,000)</i>        | <i>41.1cps</i>            | <i>28.5cps</i>            | <i>44% ↑</i>                  |
| <i>NZD/AUD</i>                           | <i>0.9364</i>             | <i>0.8014</i>             | <i>17% ↑</i>                  |
| <i>Called Capital per Share</i>          | <i>42cps</i>              | <i>30cps</i>              | <i>-</i>                      |
| <i>Uncalled Capital per Share</i>        | <i>58cps</i>              | <i>70cps</i>              | <i>-</i>                      |
| <i>Returned Capital per Share</i>        | <i>2.8cps</i>             | <i>2.8cps</i>             | <i>nm</i>                     |
| <i>NTA adjusted for returned Capital</i> | <i>43.9cps</i>            | <i>31.3cps</i>            | <i>-</i>                      |

# Operating Distributions

- 2014 distribution of 1.1cps (2.8% yield) less than forecast of 1.5cps – 1.6cps due to the strong NZ\$/AU\$ and Australian withholding tax
- 1H14 distribution of 0.48cps paid 6 December 2013
- 2H14 distribution of 0.62cps to be paid on 25 July 2014
- 2015 - first distributions from Bendigo and Hobsonville expected in 1H15 distribution due Nov / Dec 2014
- 2015 forecast distribution of 1.95cps – 2.25cps



# NZSIF Valuation and NTA

- Current NTA (31 Mar 14)

|                     |              |
|---------------------|--------------|
| PIP Fund Investment | 16.1m        |
| NZSIF Cash          | 0.8m         |
| Net working capital | -            |
|                     | <u>16.9m</u> |

Per Share (41m) 41.1cps

- NZSIF returns less than PIP's returns due to NZSIF annual costs, set-up costs and cash drag from NZSIF cash held (returns on cash less than PIP Fund investments). The impact of all of these will reduce as the invested base increases.
- Positive revaluation impact from all 3 investments at 31 March 2014

# PIP PPP Outlook

- If bid is successful, Auckland Prison expected to be the fourth investment by PIP
- Other investments being pursued by PIP expected to result in full commitments of fund by end of 2015
- Investment possibilities include:
  - New Zealand Grouped Schools - Expression of Interest was lodged by a PIP Fund consortium in April 2014
  - Auckland Pathway Project – a harbour bridge cycle lane – a decision from Council is likely this quarter
  - Roads of National Significance - Puhoi-Warkworth – currently looking at consortium partners
  - Wollongong University Student Accommodation. Request for Proposal has been submitted

# NZSIF Outlook

- NZSIF continues to operate “true to brand”
- Yields expected to grow on existing investments; and on new investments made over the next 15 months
- Expecting to deliver relatively stable returns over the long term, in excess of fixed interest
- Approximately 40% of original capital committed (including 2.8% returned)
- If the Auckland Prisons PPP proceeds, a call is expected in September 2014 of 10cps
- Further investments will significantly reduce the cost and cash ‘drag’ from not being fully invested
- Initial returns remain consistent with the original NZSIF prospectus
- All existing investments independently valued in excess of cost
- Pipeline is sufficiently active that further investments are likely in 2014 and 2015
- 2015 Full Year Operating Distribution Forecast of 1.95cps – 2.25cps 5.0% - 5.7% on investment base of 39.2cps
- Hobsonville and Bendigo underpin the earnings and distribution uplift for 2015 financial year

# Questions & Answers



# For Further Information

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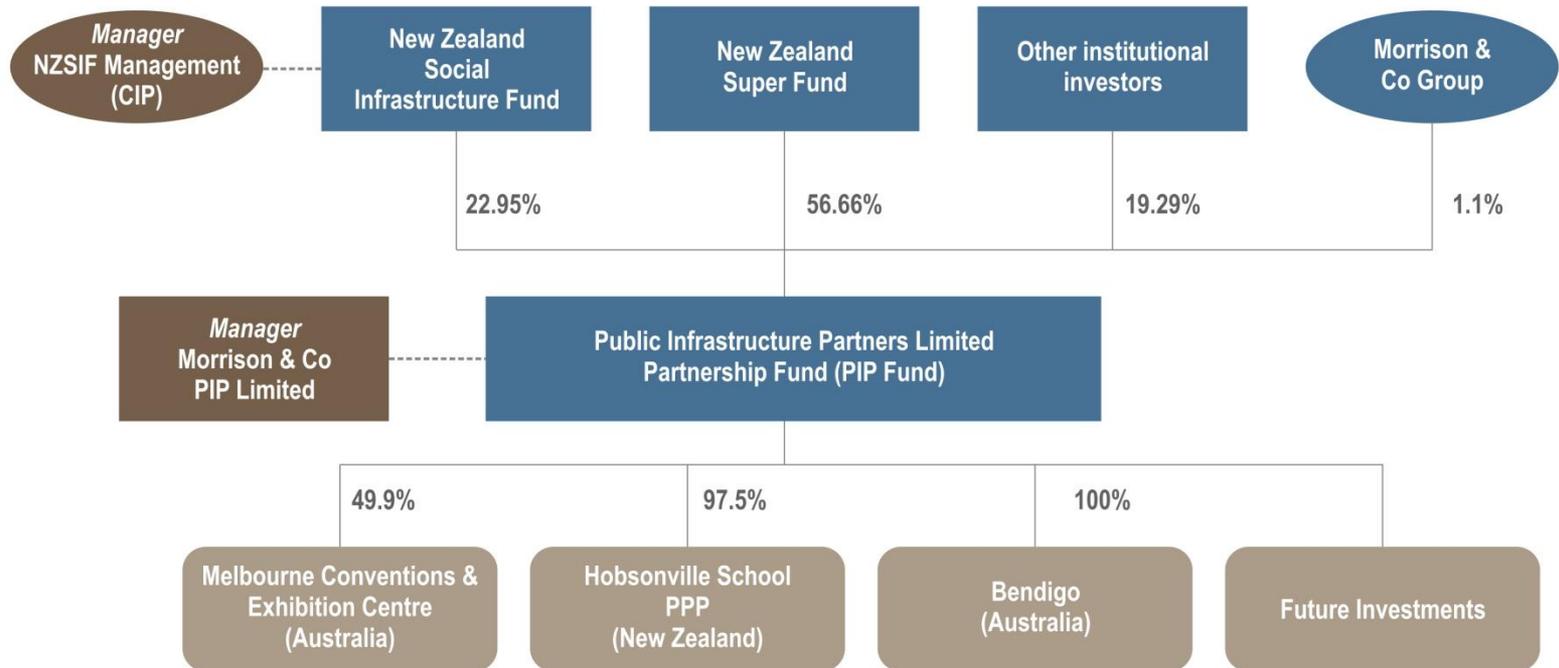
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# Appendix

# NZSIF Investment Structure



# PIP Fund

- Committed capital \$176.5m
- Investment capacity \$1.5 billion +
- PIP Fund term of 18 years to 29 October 2027 unless terminated earlier or extended by an ordinary resolution
- Investment period of six years (30 October 2009 to 29 October 2015) unless varied
- Investment Parameters (can be waived by PIP Advisory Committee)
- Maximum 25% in a single asset
- Maximum 40% single counterparty risk
- Maximum 25% sector with demand risk

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