

# NZSIF



New Zealand  
Social Infrastructure  
Fund Limited



University of Wollongong Student Accommodation



New Zealand Schools 2 – Wakatipu High School



Melbourne Convention & Exhibition Centre



Hobsonville Secondary School



Bendigo Healthcare Accommodation

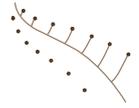
Annual Report  
For the year ended 31 March 2015



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## Report to shareholders

17 July 2015

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) annual report for the year ended 31 March 2015. The report includes our audited financial statements for that period.

- Highlights for the year included our fourth (University of Wollongong Student Accommodation) and fifth (New Zealand Schools 2) investments, and potentially a sixth investment moving towards a final investment decision (Auckland Prisons).
- *University of Wollongong Student Accommodation*  
In December 2014 the PIP Fund made an investment in the University of Wollongong Student Accommodation (Wollongong). The investment comprises two parts. The first was the acquisition of the existing accommodation facility. Subject to receiving planning consent a further investment of approximately the same size will be made in developing new accommodation units.
- *New Zealand Schools 2*  
In February 2015 the PIP Fund consortium 'Future Schools Partners' (FSP) was announced as the preferred bidder for New Zealand Schools 2 PPP (NZ Schools 2). In May 2015 Education Minister Hekia Parata signed a contract with FSP. The contract includes the design and construction in the first two years and the finance and maintenance of four schools throughout New Zealand over 25 years.
- *Auckland Prisons*  
In April 2014 the Corrections Department announced that Next Step Partners (NSP), a PIP Fund consortium, was shortlisted to develop a proposal for designing, building, financing and maintaining a new maximum security facility at Auckland Prison. The scope of work does not include the provision of custodial services. NSP achieved preferred bidder status in April 2015 and has completed the early stage earthworks for this project. The Corrections Department is still to confirm if the project will proceed as a PPP. If the project does not proceed as a PPP then NSP will receive its costs back plus interest.

- *Distributions*

On 2 July 2015 the Board declared a final dividend relating to the 2015 financial year of 0.75 cents per share (cps). NZSIF declared three dividends relating to cash flows generated in the financial period totalling 4.87 cps.

Other key points in the report:

- NZSIF produced a small loss for the period of \$2,437 (2014: Profit \$758,498), a negative return on equity of 0.01% (2014: +6.5%).
- NZSIF's earnings were impacted by the negative movement in fair value of investments in the PIP Fund of (\$1,706,384). There were two key contributing factors - the high level of dividends paid by the PIP Fund (\$1,943,880), which were passed through to NZSIF shareholders; and the negative Australian dollar impact on the Australian investments (\$739,863) – the Melbourne Convention & Exhibition Centre (MCEC), Bendigo Healthcare Group Accommodation Facility (Bendigo) and Wollongong. The Australian investments have since the end of the financial period recovered this loss in value because of a fall in the New Zealand dollar. There was a fair value gain in the value of the New Zealand investments of \$977,359.
- Net asset backing at 31 March 2015 after the declaration of a 1.63 cps dividend on 31 March 2015 was 51.4 cps.

### 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, accommodation facilities, and local government facilities to the community.

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

As at 31 March 2015 the limited partners have contributed 52% of their committed capital to the PIP Fund.

## Investment Portfolio

### **University of Wollongong Student Accommodation Facility**

(Wollongong, NSW, Australia)



The Wollongong investment was announced in December 2014. The PIP Fund made an initial stage one investment of A\$14.6 million for a 39 year concession to operate and maintain the existing student accommodation facilities (1,900 beds across nine sites, with 273 existing beds being decommissioned over three years). Stage two involves the design and build, management and maintenance of two new facilities (totalling 1,060 beds) to be built over the next three years. The PIP Fund is a 50/50 equity investor alongside Balfour Beatty Investments. Programmed Facility Management will maintain the facility, Hutchinson Builders will provide development and construction services, and ANZ and NAB are providing the senior debt. NZSIF has contributed NZ\$4 million for its initial stage one equity investment with a similar sized investment expected for stage two once planning consent is received.



University of Wollongong Student Accommodation

### **Bendigo Healthcare Group Accommodation Facility** (Bendigo, Victoria, Australia)



The Bendigo investment was announced in April 2013 and fully completed in March 2014. This is a doctors and nurses residential facility based in Bendigo, Victoria, Australia. Bendigo comprises 96 one bedroom and 24 two bedroom residential apartment units for doctors and nurses working in the Bendigo Hospital.

Investment factors include:

- The Bendigo Healthcare Group, the tenant, is a public health provider for the State of Victoria under the Health Services Act 1988;
- 30 year property lease with inflation linked cash flows;
- No occupancy risk; and
- A PIP Fund entity owns the land, and retains ownership of the land and buildings at the end of the lease.

The Bendigo Healthcare Group employs 3,000 staff, has a A\$300 million budget and is currently building a new A\$630 million hospital. Construction of the new hospital began in 2013 and is due for completion by the end of 2016.

The total equity investment in the accommodation facility was A\$8.7 million, equivalent to approximately NZ\$10.8 million. NZSIF's share of this investment was NZ\$2.3 million.

The project required some remedial building work following completion of the facility which the building contractor is completing to the manager's satisfaction.



Bendigo Healthcare Group Accommodation Facility

**Hobsonville Schools**

In April 2012 Learning Infrastructure Partners (LIP, 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 25 years.

The primary school opened in January 2013 and the secondary school in mid-February 2014.

The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.25 million. The initial equity interest in LIP was PIP Fund 97.5% and Hawkins Construction 2.5%.



*Hobsonville Point Primary School*



*Hobsonville Point Secondary School*

**Melbourne Convention and Exhibition Centre**

MCEC was the PIP Fund's first investment, with \$40 million invested in 2010. NZSIF's net investment cost was \$9 million. The MCEC investment represents 22% of the PIP Fund's committed capital.

MCEC is a substantial development with property, plant and equipment assets of approximately

A\$809 million (MCE Trust Annual Report June 2014) and long-term funding in place. MCEC is an established operational PPP asset and is regarded as an ideal investment, with the underlying revenue streams being based on availability of the facility, and not demand or patronage driven.

The MCEC investment performed to expectations during the financial period producing strong cash flows, with no revenue deductions for equity investors. Generally when faced with revenue deductions (for disruption in any of the facilities' services) these deductions would be passed through to the operations management company, Brookfield Multiplex.

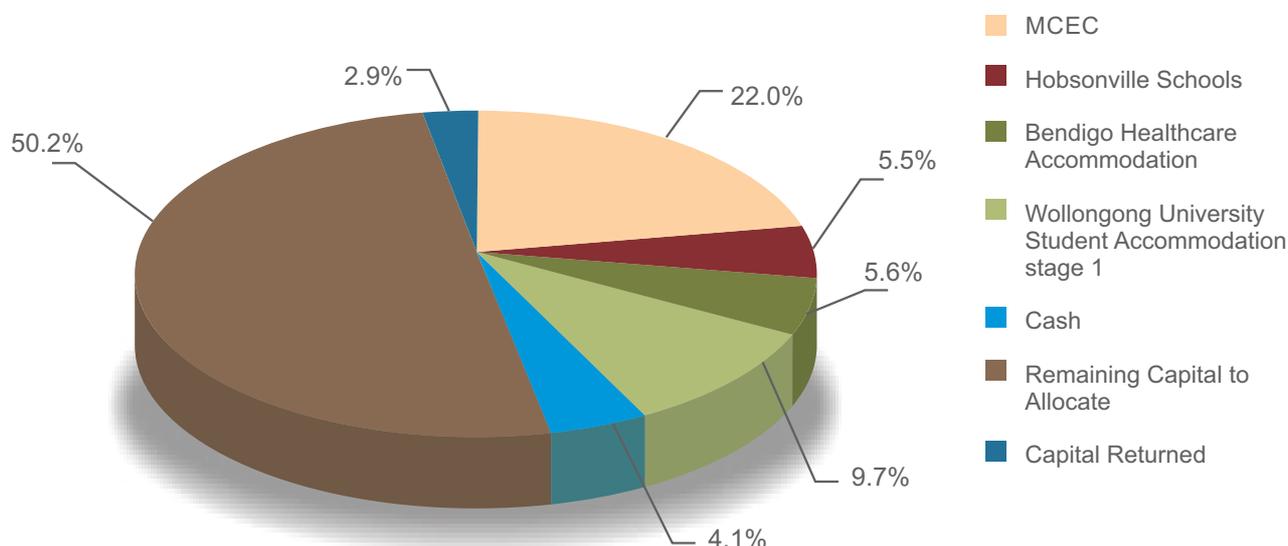


*Melbourne Convention and Exhibition Centre*

**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<sup>2</sup> facility adjacent to the Melbourne Convention Centre. The older exhibition centre assets are due to be upgraded at the expense of the State of Victoria rather than as a PPP variation.
- The concession runs for 25 years from January 2009 to 2034, with the State of Victoria as counter-party.

**Chart 1 - NZSIF Investment Mix as at 31 March 2015**



**Subsequent investment – New Zealand Schools 2**

In May 2015 the PIP Fund consortium 'Future Schools Partners' signed a 25 year contract with Education Minister Hekia Parata for the design, construction, finance and maintenance of four schools throughout New Zealand. The schools are Ormiston Junior College in Auckland, Aranui Community Campus and Rolleston Secondary School in Canterbury and Wakatipu High School in Queenstown. The schools are due to open in 2017 and 2018.

**Other Opportunities**

The following are also investment opportunities for the PIP Fund. These investments would be sufficient for the PIP Fund to reach full investment commitment by 29 October 2015, the end of the PIP Fund's five year investment period.

- **Auckland Prisons**

In April 2014 the Corrections Department announced that Next Step Partners (NSP), a PIP Fund consortium, was shortlisted to develop a proposal for designing, building, financing and maintaining a new maximum security facility at Auckland Prison. The scope of work does not include the provision of custodial services. NSP achieved preferred bidder status in April 2015 and has completed the early stage earthworks for this project. The Corrections Department is still to confirm if the project will proceed as a PPP. If the project does not proceed as a PPP then NSP will receive its costs back plus interest.

- **Secondary Investment**

The PIP Fund has exclusivity on a final investment, an existing facility, anticipated to be a c\$20 million equity investment, which for NZSIF equates to c\$4.6 million. No further details are available at this stage.

- **Auckland SkyPath Project**

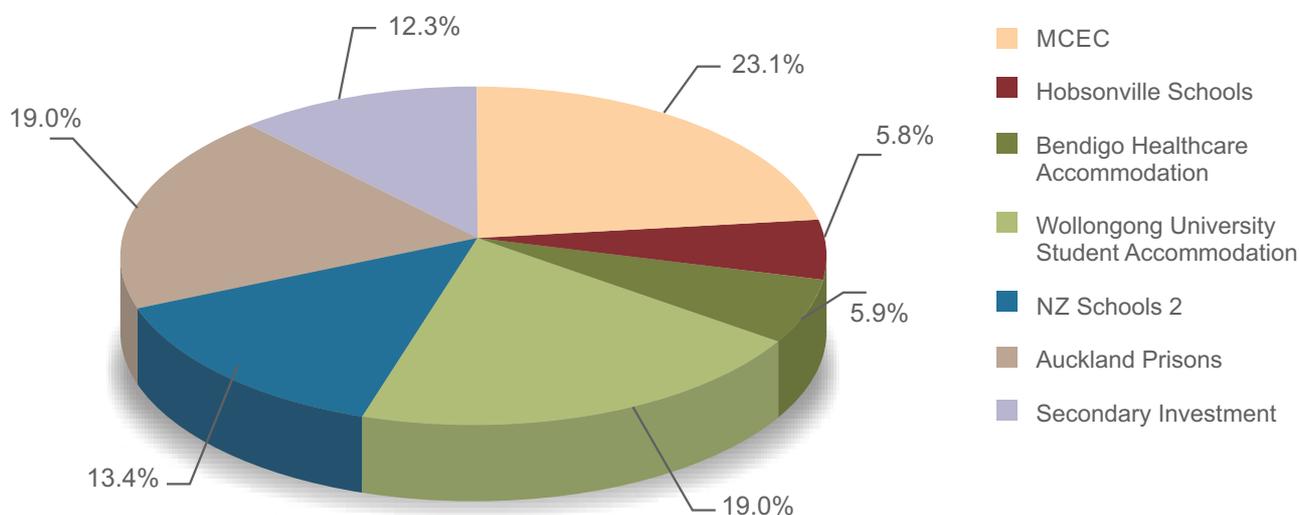
A harbour bridge cycle and pedestrian lane. The resource consent application has been approved but is still awaiting a decision from Council on whether this will proceed as a PPP project. The PIP Fund funded the development work but no longer expects the investment to fall into PIP Fund's investment period given the time taken for the project to reach this stage. The PIP Fund will receive a return on its development costs that will be repaid at financial close.

**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).

With NZ Schools 2 now committed, and assuming Auckland Prisons achieves financial close, the Secondary Investment is completed, Wollongong stage two receives planning consent and proceeds, the PIP Fund will be close to reaching its full investment commitment inside the target investment timeline of October 2015.

**Chart 2 - NZSIF Expected Investment Mix**



**Distributions**

*Dividend payment approved*

The Board has approved a dividend of 0.75 cps to be paid at the end of July. This will be a cash payment less tax at each shareholder's prescribed tax rate. Consistent with earlier distributions this dividend has no imputation credits attached.

*Distributions paid and returns*

NZSIF declared three dividends totaling 4.87 cps relating to the 2015 cash flows. A dividend of 2.49 cps gross was paid on 5 December 2014; a further dividend of 1.63 cps gross was paid on 7 April 2015; while the latest declared gross dividend of 0.75 cps is to be paid on 27 July 2015.

The distributions for 2015 were higher than anticipated (due to some carry-over from 2014 project distributions) and we would expect the 2016 distribution level to reduce to be approximately in the 3 to 4 cps range.

Including the planned July distribution NZSIF will have paid, from inception, total gross distributions of 11.30 cps (including a capital return of 2.8 cps).

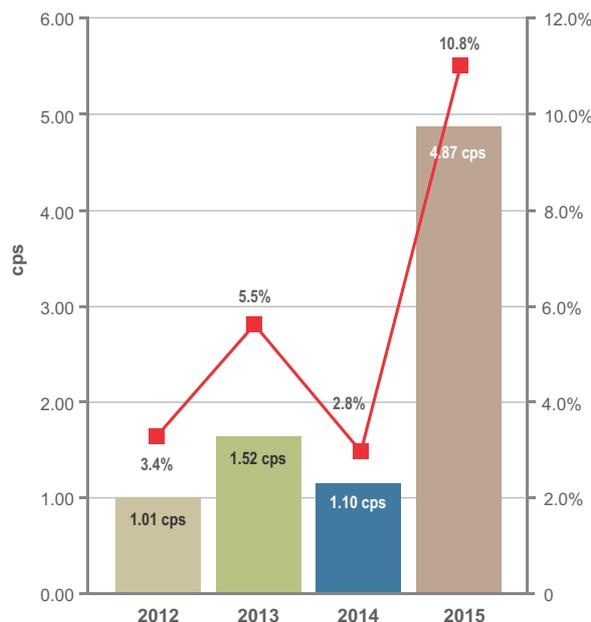
**NZSIF Capital Position and Calls**

Shareholders have to date contributed \$23.37 million (57 cps) in capital to NZSIF and received capital returns of \$1.15 million (2.8 cps), resulting in a net contribution of 54.2 cps.

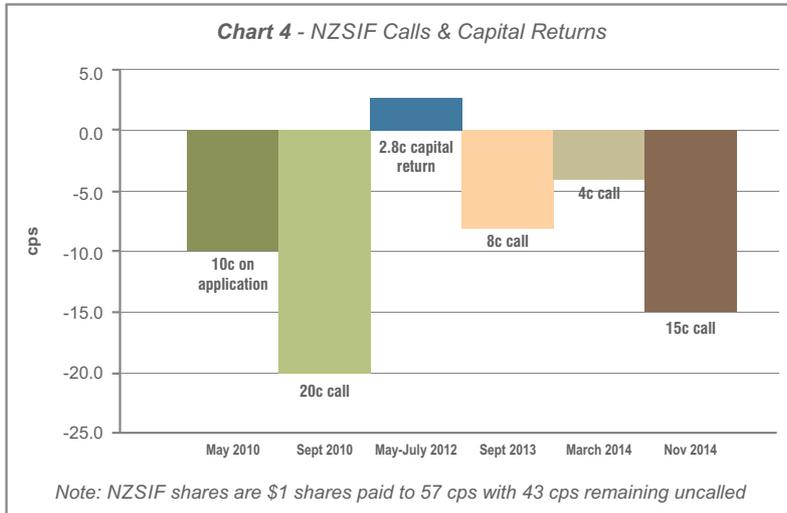
The net asset backing of the Fund as at 31 March 2015 was 51.4 cps.

The most recent call was for 15 cps paid in November 2014.

**Chart 3 - NZSIF Dividend Yields 2012-2015**



*Note: 2012 gross dividend yield on a 30 cps capital base; 2013 gross yield on a 27.2 cps average capital base; 2014 gross yield on a 39.2 cps average capital base; 2015 gross yield on a 44.9 cps average capital base*



If the Secondary Investment proceeds this year a call may be required later in 2015 depending on investment timing. We will advise shareholders in writing on the quantum and timing of the call once the investment details have been confirmed.

Beyond that, we expect to make further calls in 2016 – 2017 when we will be required to contribute the Fund's equity share for Wollongong (stage two), NZ Schools 2 and Auckland Prisons (should that project proceed as a PPP).

**PIP Fund Investment Valuation**

The valuation method used by the PIP Fund to value its operating project investments (MCEC, Bendigo and Hobsonville Schools) is the discounted cash flow method, which is appropriate for valuing PPP projects. 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 31 March financial year end, with adjustments for any income earned less any distributions received in the period, and any exchange rate movement on Australian investment assets.

Investment assets since the last annual report include the PIP Fund's early stage works investment into the Auckland Prison project and stage one of the Wollongong investment - the valuation method used for these is investment cost to date.

**NZSIF Investment Valuation & Returns**

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

NZSIF's investment in the PIP Fund at 31 March 2015 was valued at \$20.1 million (2014: \$16.1 million), which included a decrease in the fair value of \$1.7 million. There were two key contributing factors - the high level of dividends paid by PIP (\$1.9 million) and the negative Australian dollar impact on the Australian investments (\$0.74 million), offset by a fair value gain in the value of the New Zealand investments of \$0.98 million. NZSIF paid \$5.7 million in PIP

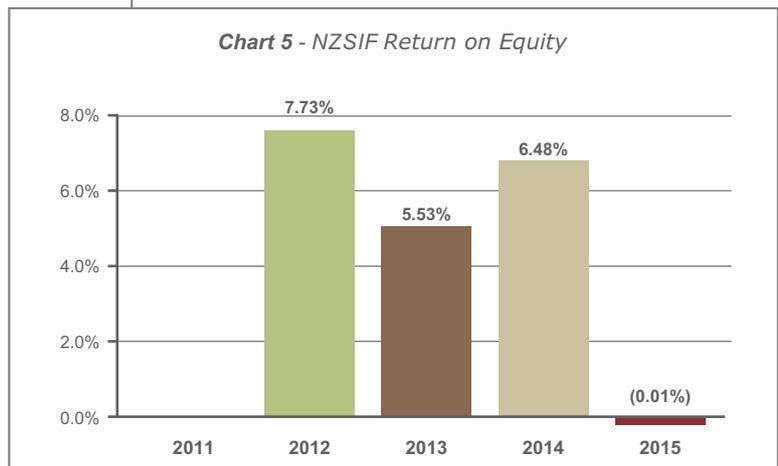
Fund calls during the financial period of which \$5.0 million was invested in Wollongong and Auckland Prisons.

NZSIF produced a negative return on the starting equity position for the year of 0.01%, compared with a positive 6.48% return in 2014.

**Annual Financial Statements**

The audited annual financial statements covering the 12-month period to 31 March 2015 are provided in this annual report for your information.

NZSIF's earnings result was negative \$2,437 (2014: \$758,498) affected by currency and fair value movements of negative \$1,706,834 which includes the high level of PIP Fund dividends paid. This is reflected in the movement in fair value of investment in the PIP Fund in the statement of comprehensive income.



NZSIF received dividend income from the PIP Fund of \$1,943,880 (2014: \$520,370) which was passed through to NZSIF shareholders in July 2014; December 2014; and April 2015. There was a small amount of interest income, \$30,780. Expenses were \$270,989 (2013: \$277,708).

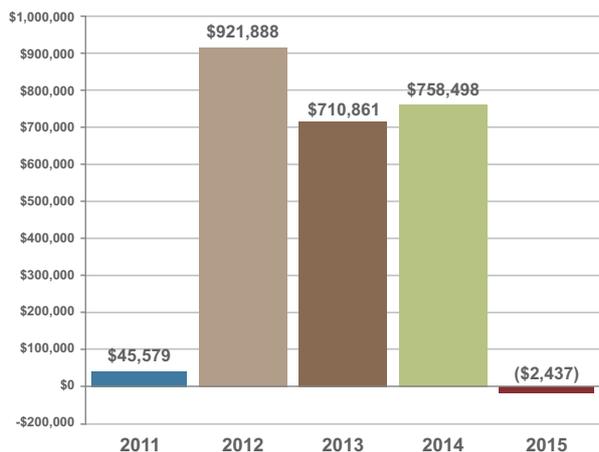
The current value of the NZSIF investment in the PIP Fund is \$20,669,528 (2013: \$16,059,580). Liabilities totalled \$706,424 of which \$669,571 was a dividend payable (1.6331 cps paid on 7 April 2015).

#### *Capital and Net Asset Backing*

Issued capital was \$21,799,239. Combined with retained earnings of (\$741,351) total capital was \$21,057,888 which represents net asset backing of 51.4 cps as at 31 March 2015.

Dividends of \$1,274,276 were paid during the financial period with a further \$669,571 recorded as a dividend payable.

**Chart 6 - NZSIF Net Income Comparison for 2011-2015 Periods**



#### **Outlook**

NZSIF Directors anticipate that dividends will be paid out on a more regular basis, up to four times per year, as quarterly distributions are received from the PIP Fund. Expectations for the 2016 financial year are for dividend payments of approximately 0.75 cps each quarter providing our cash flow position supports a payment at this level.

There will be cash flows from four investments – MCEC, Hobsonville Schools, Bendigo and Wollongong. There will be no distributions from the investments in Wollongong stage two (if consented),

NZ Schools 2 or Auckland Prisons (if that project proceeds as a PPP) until the construction phases have been completed in 2017-2018.

The fall in the New Zealand dollar against the Australian dollar since the end of the 2015 financial period to now has lifted the NZSIF fair value by an estimated 3 cps.

#### **NZSIF Annual Shareholders Meeting**

Details for the Annual Shareholders Meeting are:

**Date:** Tuesday, 18 August 2015

**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 email enquiries@nzsif.co.nz by 11 August 2015.

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

We will keep you up to date through media releases, via the NZSIF website [www.nzsif.co.nz](http://www.nzsif.co.nz) or by writing directly to you. All shareholder reports plus news updates are available to view on the website.

If you have any queries regarding your investment in NZSIF, please discuss with your Investment Adviser or you may call Peter Lalor at NZSIF Management on 07 577 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 2015

Directors holding office during the year and their remuneration.

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

\*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 2015.*

	NZSIF shares held	Change in holdings for the period
K Ellis	150,000	nil
I Fraser	50,000	50,000*
M Caird	100,000	nil
D McCallum	35,000	35,000*

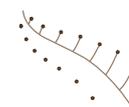
\*acquired at market



Director  
29 June 2015



Director  
29 June 2015



## Statement of comprehensive income

For the year ended 31 March 2015

	<i>Note</i>	2015	2014
		\$	\$
Dividend income		1,943,880	520,370
Interest income		30,780	20,520
Movement in fair value of investment in PIP Fund	5	(1,706,384)	494,382
<b>Total investment income</b>		<u>268,276</u>	<u>1,035,272</u>
Administrative expenses	3	(270,989)	(277,708)
<b>Profit/(Loss) before tax</b>		<u>(2,713)</u>	<u>757,564</u>
Income tax benefit/(expense)	4	276	934
<b>Profit for the year</b>		<u>(2,437)</u>	<u>758,498</u>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>(2,437)</u>	<u>758,498</u>

## Statement of changes in equity

For the year ended 31 March 2015

	Share capital	Retained earnings	Total equity
Balance at 31 March 2014	15,649,239	1,204,933	16,854,172
Profit for the year	-	(2,437)	(2,437)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	(2,437)	(2,437)
Capital issued	6,150,000	-	6,150,000
Dividends paid/payable	-	(1,943,847)	(1,943,847)
Balance at 31 March 2015	<u>21,799,239</u>	<u>(741,351)</u>	<u>21,057,888</u>

	Share capital	Retained earnings	Total equity
Balance at 31 March 2013	10,729,239	966,802	11,696,041
Profit for the year	-	758,498	758,498
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	758,498	758,498
Capital issued	4,920,000	-	4,920,000
Dividends paid	-	(520,367)	(520,367)
Balance at 31 March 2014	<u>15,649,239</u>	<u>1,204,933</u>	<u>16,854,172</u>



## Statement of financial position

As at 31 March 2015

	<i>Note</i>	2015 \$	2014 \$
<b>Assets</b>			
Investment in PIP fund	5	20,066,528	16,059,580
<b>Total non current assets</b>		<u>20,066,528</u>	<u>16,059,580</u>
Cash and cash equivalents	9	1,662,328	774,882
Receivables and prepayments	7	26,552	77,073
Taxation receivable	4	8,904	6,627
<b>Total current assets</b>		<u>1,697,784</u>	<u>858,582</u>
<b>Total assets</b>		<u>21,764,312</u>	<u>16,918,162</u>
<b>Equity</b>			
Share capital	10	21,799,239	15,649,239
Retained earnings		(741,351)	1,204,933
<b>Total equity attributable to equity holders</b>		<u>21,057,888</u>	<u>16,854,172</u>
<b>Liabilities</b>			
Trade and other payables	8	36,853	63,990
Dividend payable	10	669,571	-
<b>Total current liabilities</b>		<u>706,424</u>	<u>63,990</u>
<b>Total liabilities</b>		<u>706,424</u>	<u>63,990</u>
<b>Total equity and liabilities</b>		<u>21,764,312</u>	<u>16,918,162</u>

For and on behalf of the Board

Director  
29 June 2015

Director  
29 June 2015



## Statement of cash flows

For the year ended 31 March 2015

	<i>Note</i>	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Dividends received		1,943,880	520,370
Interest received		30,780	20,781
Interest paid		(2,360)	(3,729)
Income tax refunds		6,627	22,115
Income taxes paid		(8,628)	(5,809)
Cash paid to suppliers		(297,245)	(272,445)
<b>Net cash from operating activities</b>	<b>11</b>	<b>1,673,054</b>	<b>281,283</b>
<b>Cash flows from financing activities</b>			
Call monies received		6,202,000	4,868,000
Dividends paid		(1,274,276)	(520,367)
<b>Net cash from financing activities</b>		<b>4,927,724</b>	<b>4,347,633</b>
<b>Cash flows from investing activities</b>			
Investment in PIP fund	5	(5,713,332)	(4,222,096)
<b>Net cash from investing activities</b>		<b>(5,713,332)</b>	<b>(4,222,096)</b>
Net movement in cash and cash equivalents		887,446	406,820
Opening cash and cash equivalents		774,882	368,062
<b>Closing cash and cash equivalents</b>	<b>9</b>	<b>1,662,328</b>	<b>774,882</b>



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## 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 Markets Conduct Act 2013 (“FMC Act”) came in to effect on 1 April 2014, where most existing issuers will become FMC reporting entities. The Financial Reporting Act 1993 will continue to apply to unlisted issuers during the transitional period (which ends on 1 December 2016), unless an opt-in or trigger event occurs before 1 December 2016, at which time the Financial Reporting Act 2013 and FMC Act will apply. Management have not yet determined the impact of these changes.

In addition to the change in legislation, the External Reporting Board of New Zealand (“XRB”) has released a new accounting standards framework which establishes the financial reporting standards to be applied to entities with statutory reporting obligations. The Company is currently reporting under NZ IFRS. Under the new XRB framework management expects that the Company will continue to apply NZ IFRS as applicable for tier 1 for-profit entities. Management expects that this will have no material impact on the preparation and disclosures included in the financial statements. The financial statements of the Company are for the year ended 31 March 2015.

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 29 June 2015.

#### **(b) Statement of compliance**

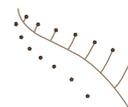
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for profit-oriented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



## Notes to the financial statements

### 1. General Information *(continued)*

#### **(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.

### 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 (“PPPs”).

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) Dividend income**

Dividend income is recognised in profit or loss on the date the company’s right to receive payments is established.

#### **(c) 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.

#### **(d) Cash and cash equivalents**

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

#### **(e) 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 (h)), 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.



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## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### (f) 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.

#### (g) 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.

#### (h) 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.

#### (i) Goods and services tax ("GST")

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

#### (j) New standards and pronouncements relevant to the Company

A number of new or revised standards are not effective for the period ended 31 March 2015, and have not been applied in preparing these financial statements. Those that are applicable to the Company are:

- NZ IFRS 9 – 'Financial Instruments: Classification and Measurement' – effective 1 January 2018. This standard simplifies how an entity should classify and measure financial assets.

The Company does not plan to early adopt this standard and management does not believe there will be any material changes as a result of adopting this standard.

There are a number of other standards and interpretations which are not yet effective and management consider they will have no impact on the Company.



## Notes to the financial statements

### 3. Administrative expenses

	<b>Note</b>	<b>2015</b>	<b>2014</b>
Management fees	13	116,652	116,965
Directors' fees	13	76,000	76,000
Insurance		26,450	26,450
Auditor's remuneration (see below)		27,210	30,653
Other administrative expenses		24,677	27,640
		<u>270,989</u>	<u>277,708</u>

Auditor's remuneration to KPMG comprises:

Review of interim financial statements		8,332	8,332
Audit of year end financial statements – current year		17,854	17,854
Audit of year end financial statements – previous year		-	591
Total audit costs		<u>26,186</u>	<u>26,777</u>
Tax advice		1,024	3,876
Total remuneration to KPMG		<u>27,210</u>	<u>30,653</u>

### 4. Income tax expense/(benefit)

	<b>2015</b>	<b>2014</b>
Income tax expense/(benefit) in statement of comprehensive income	(276)	(934)

#### Reconciliation of effective tax rate

	<b>Note</b>	<b>2015</b>	<b>2014</b>
(Loss)/Profit before tax		(2,713)	757,564
Income tax expense at 28% tax rate		(760)	212,118
Tax exempt income		(66,499)	(284,131)
Prior period adjustment		-	(116)
Share of (loss)/income from underlying partnerships		(102,574)	503,279
Share of tax credits from underlying partnerships		(276)	(49,243)
Tax losses not recognised		169,833	-
Recognition of previously unrecognised tax losses	6	-	(382,841)
Total income tax (benefit)/expense		<u>(276)</u>	<u>(934)</u>

#### Taxation payable/(receivable)

	<b>Note</b>	<b>2015</b>	<b>2014</b>
RWT (receivable)/payable		(8,904)	(6,627)
		<u>(8,904)</u>	<u>(6,627)</u>



## Notes to the financial statements

### 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 its share of the PIP Fund as at 31 March 2015 is \$20,066,528 (2014: \$16,059,580) 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 decrease of \$1,706,384 (2014: increase of \$494,382).

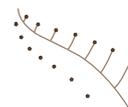
The following table is a reconciliation of the opening balance to the closing balance for fair value measurement of the Investment in the PIP Fund:

Investments	2015	2014
Opening balance	16,059,580	11,343,102
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments*	(966,521)	2,063,812
- Foreign exchange movement	(739,863)	(1,569,430)
	<u>(1,706,384)</u>	<u>494,382</u>
Capital distributions received	-	-
Purchase of investments	5,713,332	4,222,096
Closing balance	<u>20,066,528</u>	<u>16,059,580</u>
* The fair value adjustment is made up of		
- Fair value adjustments in PIP Fund investments	977,359	2,584,182
- Dividends received from PIP Fund	(1,943,880)	(520,370)
Total fair value adjustment	<u>(966,521)</u>	<u>2,063,812</u>

The ‘purchase of investments’ relates to five capital calls made by the PIP Fund totalling \$5,713,332, of which \$1,373,953 was an investment in the Auckland Prisons project, \$3,989,506 related to the investment by the PIP Fund into the Wollongong University Accommodation, with the balance of \$349,873 for PIP Fund working capital.

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

Investments	2015	2014
Total (losses)/gains included in profit or loss for the year	(1,706,384)	494,382
Total (losses)/gains for the year included in profit or loss for assets held at the end of the reporting period	(1,706,384)	494,382



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## Notes to the financial statements

### 5. 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 adopted as fair value its proportional share of the net assets attributable to partners of the PIP Fund from the PIP Fund audited financial statements as at 31 March 2015. The PIP Fund itself has made four investments as at 31 March 2015. Valuation techniques have been utilised by the PIP Fund in its audited financial statements to determine the fair value of the PIP Fund project investments. The valuation techniques utilised can include 'the price of recent acquisition', 'market based earnings multiples' or 'discounted cash flows'. The General Partner of the PIP Fund arranges valuations of the project investments as at the end of the reporting period by an independent valuation expert.

The PIP Fund is subject to a performance fee which is payable to the manager if certain conditions are met. The PIP Fund has accrued for the amount payable for performance up to 31 March 2014 and NZSIF's share of the estimated amount payable is \$440,537. The amount payable for the performance during the year ended 31 March 2015 has not been provided for or disclosed in the PIP Fund's 31 March 2015 financial statements. This amount at a PIP Fund level has the potential to reduce the Company's investment in the PIP Fund if/when recognised, however based on early estimates the Directors do not consider it material to the 31 March 2015 financial statements.

As at 31 March 2015 the valuation method used by the PIP Fund to value Melbourne Convention & Exhibition Centre and Hobsonville Schools projects was the discounted cash flow method, which is appropriate for valuing a series of future cash flows to equity. Bendigo Accommodation Facility was valued using both the discounted cash flow method and a capitalisation approach. Auckland Prisons and Wollongong University Accommodation are both held at cost given they are both recent investments. The other assets of the PIP Fund are primarily cash and cash equivalents. Their carrying value is considered to be fair value and the Company have taken up their share of the carrying value of these other assets.



## 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:

	<b>Note</b>	<b>2015</b>	<b>2014</b>
Opening balance		380,715	763,556
Utilisation of unrecognised tax losses	4	-	(382,841)
Prior period adjustment for unrecognised tax losses		(48,426)	
Tax loss not recognised	4	169,833	-
Closing balance		<u>502,122</u>	<u>380,715</u>

Tax losses in New Zealand do not expire, subject to shareholder continuity rules being met. Deferred tax assets have not been recognised in respect of these items because it is uncertain when and to what extent future taxable profit will be available against which the Company can utilise the benefit. The gross amount of tax losses not recognised at 31 March 2015 is \$1,793,293 (2014: \$1,359,696).

### 7. Receivables and prepayments

	<b>2015</b>	<b>2014</b>
Receivables	-	52,000
Related party receivables	1,479	-
Prepayments	25,073	25,073
	<u>26,552</u>	<u>77,073</u>

### 8. Trade and other payables

	<b>2015</b>	<b>2014</b>
Trade payables	-	125
Accruals	17,853	44,303
Related party payables	13(c)	19,562
	<u>36,853</u>	<u>63,990</u>

### 9. Cash and cash equivalents

	<b>Note</b>	<b>2015</b>	<b>2014</b>
Call deposits:			
Westpac Short Term Loan Facility		262	237
ANZ Bank New Zealand Limited		284	278
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	13	1,661,782	774,367
Cash and cash equivalents in the statement of cash flows		<u>1,662,328</u>	<u>774,882</u>

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 13). The weighted average interest rate on call deposits was 3.11% (2014: 2.82%).



## Notes to the financial statements

### 10. Share capital

	Number of preference shares 2015	Number of ordinary shares 2015
On issue at 31 March 2014	3,985,054,296	41,000,000
Issued during the year	-	-
On issue at 31 March 2015	3,985,054,296	41,000,000

	Number of preference shares 2014	Number of ordinary shares 2014
On issue at 31 March 2013	3,985,054,296	41,000,000
Issued during the year	-	-
On issue at 31 March 2014	3,985,054,296	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 \$0.57 per share.

During the year \$0.15 per share was called, resulting in \$0.57 per share being paid-up (2014: \$0.42). The remaining \$0.43 per share is still to be called. This represents \$23,370,000 in paid up capital with \$17,630,000 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 no capital returns paid to shareholders (2014: \$Nil). No preference shares were redeemed during the year (2014: Nil). During the year three dividends were declared to shareholders totalling \$1,943,847 (2014: \$520,367) or 4.74 cents per share including an amount of \$669,571 outstanding at 31 March 2015 (1.63 cents per share).



## Notes to the financial statements

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

	2015	2014
Profit/(Loss) for the year	(2,437)	758,498
Movement in fair value of PIP Fund Investment	1,706,384	(494,382)
	<u>1,703,947</u>	<u>264,116</u>
<b>Movement in Working Capital</b>		
Change in receivables and prepayments	(1,479)	260
Change in income tax receivable/payable	(2,277)	15,372
Change in trade payables and accruals	(27,137)	1,535
	<u>(30,893)</u>	<u>17,167</u>
Net cash flow from/(to) operating activities	<u>1,673,054</u>	<u>281,283</u>

### 12. Financial risk management

#### Introduction and overview

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

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

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

The risk disclosures have been prepared on the basis of the Company's direct 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 Fund's 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 (refer Note 9). At the end of the reporting period the effective interest rate for bank balances is 3.8% (2014: 3.20%). Bank balances reprice daily.

Interest rate risk – repricing analysis

	<b>Note</b>	<b>Total</b>	<b>Non interest bearing</b>	<b>6 months or less</b>
<b>2015</b>				
Cash and cash equivalents	9	1,662,328	262	1,662,066
Total		1,662,328	262	1,662,066
<b>2014</b>				
Cash and cash equivalents	9	774,882	237	774,645
Total		774,882	237	774,645



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## 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 2015 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 \$7,489 (2014: \$5,372) 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 \$0.43 per share still to be called (See note 10). The Company has an overdraft facility of \$500,000 in place to better manage liquidity risk.

#### Capital management

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

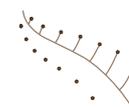
The Company's policy is to maintain its capital structure in terms of the prospectus and repay capital as investments are realised. As disclosed in note 10, \$0.57 per share has been paid on the \$1.00 share capital. The remaining \$0.43 will be called as required in accordance with the terms of the 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, or otherwise with the prior approval of the Board.

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

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

There have been no material changes in the Company's management of capital during the period.



## Notes to the financial statements

### 12. Financial risk management (continued)

#### Classification and fair values

	<i>Note</i>	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
<b>2015</b>						
<b>Assets</b>						
Investment in PIP Fund	5	20,066,528	-	-	20,066,528	20,066,528
Cash and cash equivalents		-	1,662,328	-	1,662,328	1,662,328
Receivables		-	1,479	-	1,479	1,479
Total assets		20,066,528	1,663,807	-	21,730,335	21,730,335

#### Liabilities

Dividend payable	10	-	-	669,571	669,571	669,571
Trade and other payables		-	-	19,000	19,000	19,000
Total liabilities		-	-	688,571	688,571	688,571

	<i>Note</i>	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
<b>2014</b>						
<b>Assets</b>						
Investment in PIP Fund	5	16,059,580	-	-	16,059,580	16,059,580
Cash and cash equivalents		-	774,882	-	774,882	774,882
Receivables		-	52,000	-	52,000	52,000
Total assets		16,059,580	826,882	-	16,886,462	16,886,462
<b>Liabilities</b>						
Trade and other payables		-	-	19,687	19,687	19,687
Total liabilities		-	-	19,687	19,687	19,687



## 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 2015	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	20,066,528	20,066,528
31 March 2014	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	16,059,580	16,059,580

### 13. Related parties

#### (a) Identity of related parties

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

During the year the following directors of the Company were also directors of Craigs Investment Partners Limited:

- Neil John Craig \*
- Michael John Caird

During the year the following director of the Company was also a director of CIP Cash Management Nominees Limited:

- Neil John Craig \*

\*Neil John Craig resigned as a director of New Zealand Social Infrastructure Fund Limited on 16 May 2014. David Ross McCallum was appointed as his replacement on the same date and is an employee of Craigs Investment Partners Limited.



## Notes to the financial statements

### 13. Related parties (continued)

#### (b) Transactions with related parties

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

- Management fees paid to NZSIF Management Limited totalled \$116,652 (2014: \$116,965).
- Craigs Investment Partners Limited paid certain expenses and received certain receipts of New Zealand Social Infrastructure Fund Limited. As at 31 March 2015, \$1,479 remained owing from Craigs Investment Partners Limited (2014: Nil).
- An on-call bank account is held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, which is a 100% subsidiary of Craigs Investment Partners Limited. CIP Cash Management Nominees Limited acts as an agent. The credit rating of ANZ Bank New Zealand Limited is AA- according to Standard & Poors. At 31 March 2015 the balance held was \$1,661,782 (2014: \$774,367) (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.

#### (c) Transactions with key management personnel

	2015	2014
Directors' fees (total remuneration)	76,000	76,000

The balance of directors' fees and other amounts owing at 31 March 2015 was \$19,000 (2014: \$19,562).

#### Director's interests

The following directors or their associated entities held shares in New Zealand Social Infrastructure Fund Limited at 31 March 2015:

- Kimmitt Rowland Ellis 150,000 shares
- Ian Fraser 50,000 shares
- Michael John Caird 100,000 shares
- David Ross McCallum 35,000 shares

### 14. Commitments

The Company has commitments of \$19,553,548 to the PIP fund for further investments as at 31 March 2015, which will be met from cash reserves and further calls of capital. The PIP Fund investment period runs to 29 October 2015 unless extended by the Advisory Committee. The Directors of the New Zealand Social Infrastructure Fund Limited are of the opinion that it is likely that the PIP Fund will be fully committed by that date.

### 15. Subsequent events

On 20th April 2015 the Company paid a call of \$296,905 to the PIP Fund, followed by a further PIP Fund call payment of \$444,443 on the 21st of May 2015.

There were no other material subsequent events for the Company.

## 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 2015, 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.

Our firm has also provided other services to the company in relation to taxation advice. Subject to certain restrictions, partners and 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;
- give a true and fair view of the financial position of the company as at 31 March 2015 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.

A handwritten signature of the KPMG firm, written in blue ink.

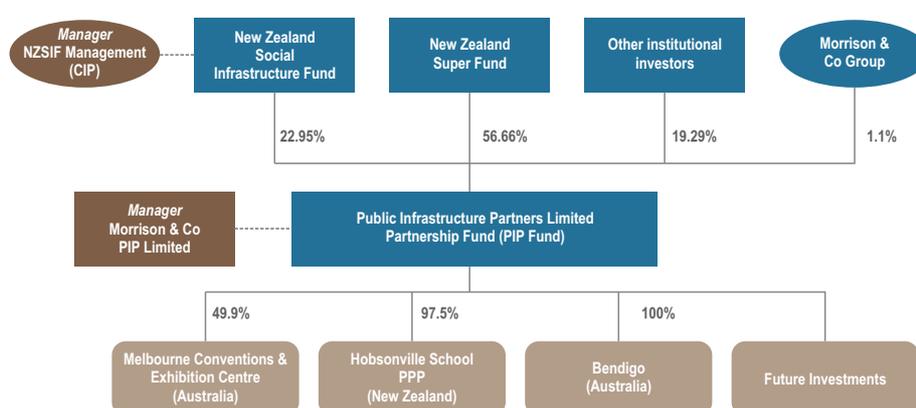
29 June 2015  
Tauranga

## 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, we then make 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.



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## 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.

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### 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 Chairman of New Zealand Social Infrastructure Fund Ltd and Metlifecare Ltd, and a Director of FSF Management Company, Freightways, Port of Tauranga, Ballance Agri-Nutrients, and Envirowaste Services. He also a member of the Wanganui Collegiate School Board of Trustees.

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### 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 was previously a Director and Deputy Chair of Transpower NZ Ltd, is a current Director of New Zealand Social Infrastructure Fund Ltd. Ian was a former Director of Stevenson Group Ltd and a former Director and Deputy Chair of Mighty River Power Ltd, a former Trustee Board member of Wellington and Wellesley Colleges and a former Board member and President of the Association of Consulting Engineers of New Zealand.

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**Director****Michael John Caird***BCom, LLB*

Mike has been a Director of Craigs Investment Partners since 2001. Mike's career in financial markets includes 4 years as Head of Debt Capital Markets for Craigs Investment Partners, 11 years with ABN AMRO, during which he was Head of Acquisition and Leveraged Finance for Australia and New Zealand and Head of Global Markets New Zealand, Brierley Investments Limited for 10 years and Ernst & Young for four years. Mike has previously been a Director of Hospital Car Parking Limited, 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, Just Plants Ltd, Signal Corporation Ltd, the two Pohutukawa Private Equity funds, QuayStreet Asset Management Ltd and Wilson HTM Holdings Pty Ltd.

**Director****David McCallum***MCA (Hons), CFA*

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



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## 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; approves the 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.



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## Directory

### BOARD OF DIRECTORS OF NZSIF

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

\* *Mike Caird is a director of Craigs Investment Partners Ltd (CIP).*

\*\* *Both Mike Caird and David McCallum are shareholders in CIP (via CIP Holdings Ltd). CIP wholly owns the manager of the New Zealand Social Infrastructure Fund Ltd, NZSIF Management Ltd.*

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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](mailto:enquiries@nzsif.co.nz)  
Website: [www.nzsif.co.nz](http://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](mailto: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](mailto:enquiry@computershare.co.nz)

### SOLICITORS

#### Chapman Tripp

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

Phone: (09) 357 9000



