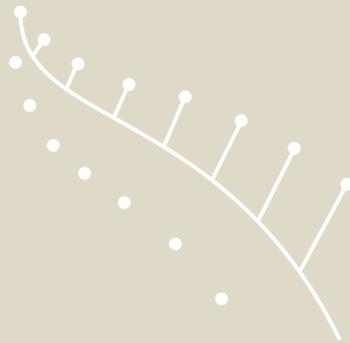


# NZSIF



New Zealand  
Social Infrastructure  
Fund Limited

## Annual Report

For the year ended 31 March 2016



Hobsonville Point Primary School



New Zealand Schools 2 – Ormiston Junior College



University of Wollongong Student Accommodation



Auckland Prison



Melbourne Convention & Exhibition Centre



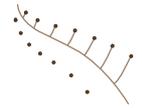
Bendigo Healthcare Group Accommodation Facility



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## Report to shareholders

27 July 2016

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) annual report for the year ended 31 March 2016. The report includes our audited financial statements for that period.

- Highlights for the year included reaching financial close on Auckland Prison and New Zealand Schools 2.

### *Auckland Prison*

Financial close for Auckland Prison was reached in September 2015. Next Step Partners (NSP), a PIP Fund consortium, will design, build, finance and maintain a new maximum security facility at Auckland Prison.

### *New Zealand Schools 2*

Financial close for New Zealand Schools 2 was reached in April 2015. In May 2015 Education Minister Hekia Parata signed a contract with PIP Fund consortium Future Schools Partners (FSP).

- *Distributions*  
On 6 April 2016 the Board declared a dividend relating to the 2016 financial year of 1.0 cent per share (cps). A further dividend of 1.0 cps has been declared for payment in August 2016. Including the August distribution this will take distributions relating to cash flows generated in the 2016 financial period to 3.75cps.

Subsequent to the end of the financial period

- *Melbourne Convention & Exhibition Centre – follow-on investment*  
Subsequent to the end of the financial period the PIP Fund confirmed in early June it had reached financial close on a follow-on investment in the Melbourne Convention & Exhibition Centre, specifically an expansion of the Exhibition Centre.

## 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 2016 the limited partners had contributed 55% of their committed capital to the PIP Fund, excluding the recent 12 cps call (June 2016). The recent investment commitment for the MCEC expansion project and commitments for New Zealand Schools 2 and Auckland Prison takes the PIP Fund's investments and commitments to an estimated 98% across six investments.

## Investment Portfolio

### ***New Zealand Schools 2***

Financial close was reached in April 2015 and in May 2015 the PIP Fund consortium 'Future Schools Partners' signed a 25 year contract with 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.



*Rolleston Secondary School*

There is construction progress on all school sites, and the schools are due to open in 2017 and 2018.

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

### ***Auckland Prison***

The Department of Corrections announced in September 2015 that financial close was reached with Next Step Partners (NSP), a PIP Fund consortium, to design, build, finance and maintain a new Auckland Prison facility, and maintain the existing facility.

Custodial operations are not included in the contract and both facilities will continue to be operated by Corrections.

The NSP consortium comprises the PIP Fund, Fletcher Construction (Building and Interiors), Cushman and



*Auckland Prison (design view)*

Wakefield (formerly DTZ) and Westpac. Fletcher Construction is undertaking the design and construction of the new facility, Cushman and Wakefield will be responsible for the Asset Management and Facilities Maintenance, and Westpac is the debt provider.

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

### ***The Project***

Auckland Prison is located near Albany, northwest of Auckland City and has designated capacity for 681 male prisoners, ranging from minimum to maximum security classification. The existing Auckland East Facility within Auckland Prison is New Zealand's only maximum security facility and has a capacity of 261 male prisoners. It was built nearly 50 years ago and is one of Corrections's older facilities. It requires redevelopment as it has been assessed as having reached the end of its operational life, with structural and operational deficiencies. Corrections is not seeking to simply replace like with like. The 1960s design of the existing facility reflects an operating model focused mainly on the containment of difficult prisoners. This project will see the existing prison facility replaced with a secure, modern facility.

Construction started in December 2015. The development and construction period is 25 months, with completion expected in December 2017. Operational commencement is forecast for mid-2018.

### ***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



*University of Wollongong Student Accommodation*

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.

Construction works for stage one are expected to be completed by February 2017, while stage 2 construction commenced in the first quarter of 2016 and this development is due for completion in December 2017.

Balfour Beatty Investments sold their 50% interest in the project in June 2016 to a Morrison & Co managed fund.

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

The Bendigo investment was 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 annual 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 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 January 2013 Learning Infrastructure Partners (LIP, a PIP Fund consortium) delivered New Zealand's first public private partnership (PPP) for the design, construction, finance and maintenance of Auckland's Hobsonville Point primary and secondary schools, for 25 years.

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



*Hobsonville Point Primary School*



*Hobsonville Point Secondary School*

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%. Hawkins' 2.5% equity interest was acquired by the PIP Fund on 30 June 2016.

The schools were designed as open learning environments. They are operating to expectations.

#### **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 A\$797 million (MCE Trust Annual Report June 2015) 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.

The State of Victoria has entered into a contract with a PIP Fund consortium for a 9,000m<sup>2</sup> expansion of the exhibition centre by early 2018. Financial close was reached in June 2016. This is a A\$15 million follow-on investment with NZSIF's investment being \$3.7 million.

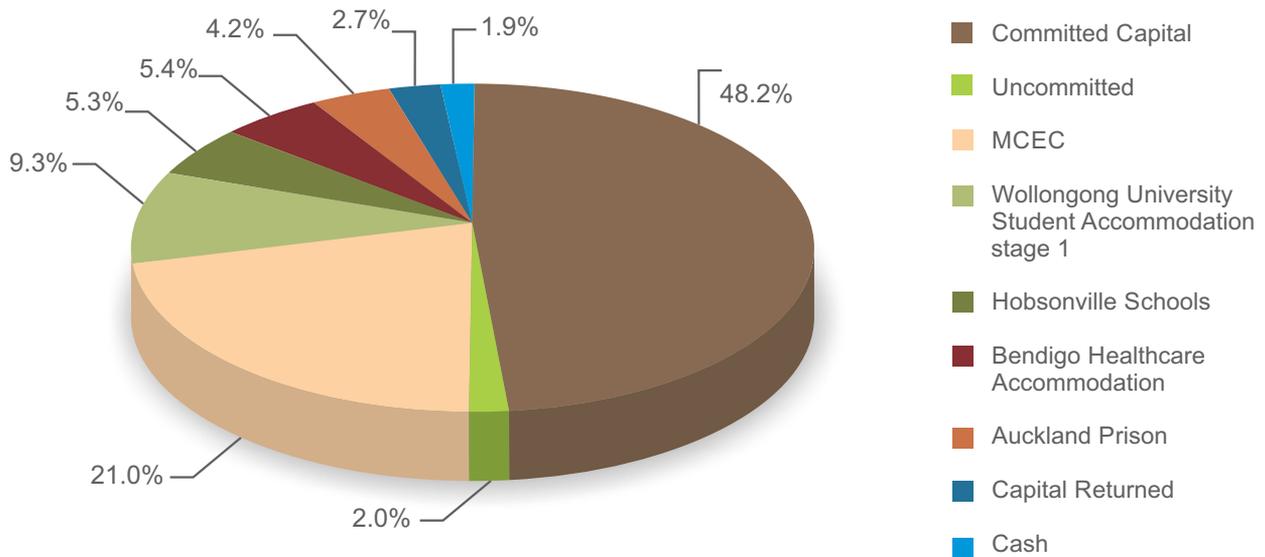
Key information on the MCEC:

- 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 concession runs for 25 years from January 2009 to 2034, with the State of Victoria as counter-party.



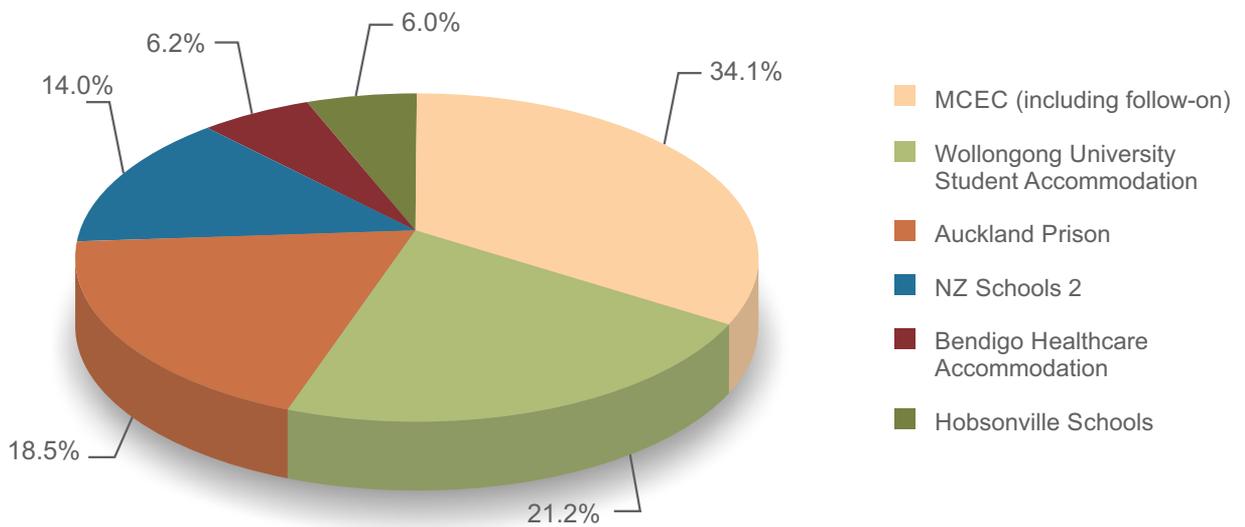
*Melbourne Convention and Exhibition Centre*

**Chart 1 - NZSIF Investment Mix as at 31 March 2016**



Investment values based on investment cost

**Chart 2 - NZSIF Future Investment Mix**



Investment values based on investment cost

**Investment Timeline**

With the follow-on investment in MCEC the PIP Fund will be 98% invested.

There is potential for another follow-on investment in one of the other investments in 2017-2018.

**Dividends**

*Dividend payment approved*

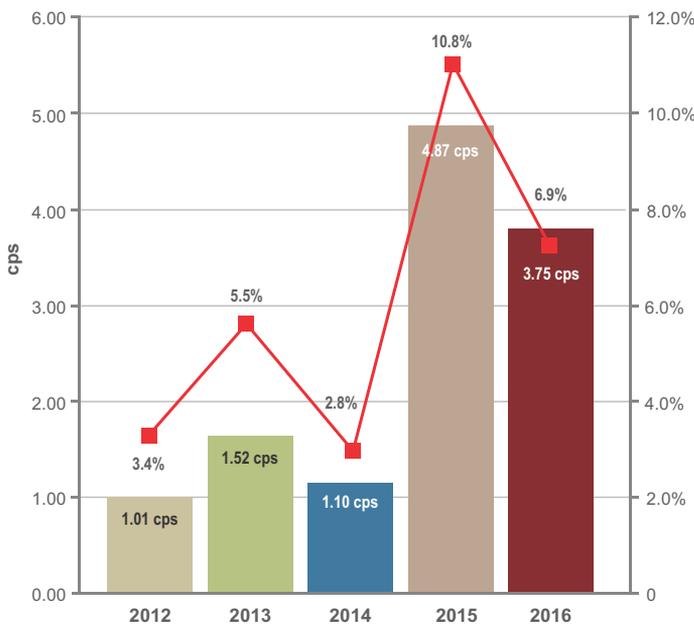
The Board has approved a dividend of 1.0 cps to be paid in August. This will be a cash payment less tax at each shareholder’s prescribed tax rate. Consistent with earlier distributions this dividend has no imputation credits attached.

*Dividends paid and returns*

NZSIF has paid three dividends totalling 2.75 cps relating to the 2016 cash flows. A dividend of 0.75 cps gross was paid on 11 September 2015; a further dividend of 1.0 cps gross was paid on 27 November 2015; and a gross dividend of 1.0 cps was paid on 15 April 2016.

In last year's report we stated an expectation that the 2016 distribution level would be in the 3 to 4 cps range. With the proposed August dividend the actual 2016 cash flow distributions will be 3.75 cps.

**Chart 3 - NZSIF Dividend Payments and Yields 2012-2016**



*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; 2016 gross yield on a 54.2 cps average capital base.*

Including the planned July distribution NZSIF will have paid, from inception, total gross distributions of 15.05 cps (including a capital return of 2.8 cps).

**NZSIF Capital Position and Calls**

NZSIF's net asset backing as at 31 March 2016 was 71.7 cps.

Following the 17 June call payment of 12 cps shareholders have contributed \$28.3 million

(69 cps) in capital to NZSIF and received capital returns of \$1.15 million (2.8 cps), a net contribution of 66.2 cps.

The latest call was primarily for the MCEC follow-on investment, with an amount retained for working capital. We expect to make further calls in 2017 totalling 31 cps as and when we are required to contribute equity for Wollongong (stage two), NZ Schools 2 and Auckland Prison.

**PIP Fund Investment Valuation**

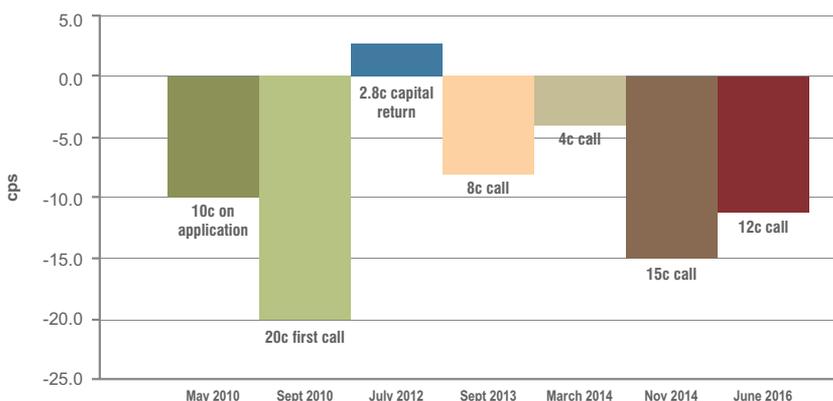
The valuation method used by the PIP Fund to value its project investments is the discounted cash flow method, which is appropriate for valuing PPP projects. The PIP Fund employs a third party expert to value the Fund's assets, at the end of each financial year (31 March). In the case of Bendigo a property valuer determined fair value. 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.

For projects under development, the valuation method used 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.

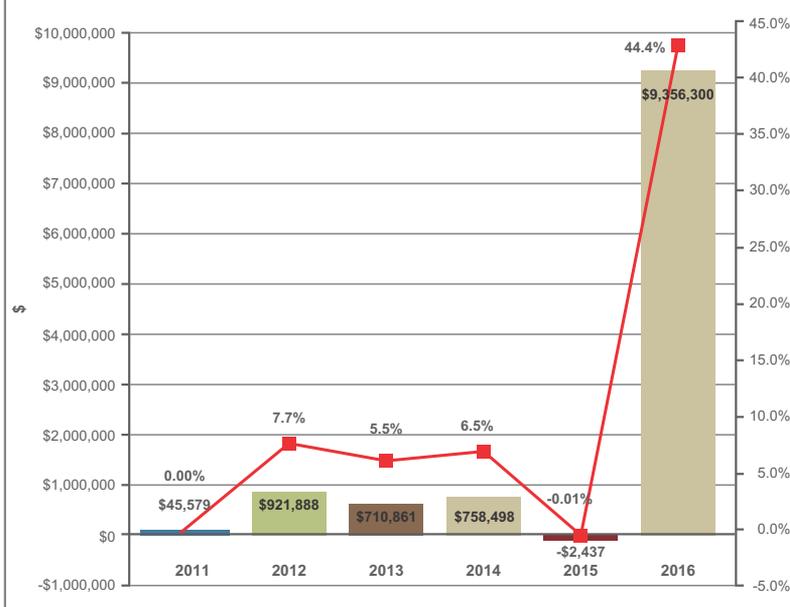
**Chart 4 - NZSIF Calls & Capital Returns**



*Note: NZSIF shares are \$1 shares paid to 69cps (as at 17 June 2016) with 31 cps remaining uncalled*

NZSIF's investment in the PIP Fund at 31 March 2016 was valued at \$28.5 million (2015: \$20.1 million), which included a \$7.0 million increase in the fair value of its investment in the PIP Fund. The contributing factors comprised a fair value adjustment in PIP Fund investments of \$5.7 million and a positive foreign exchange movement of \$1.3 million.

Chart 5 - NZSIF Profit and Return on Equity



### Annual Financial Statements

The audited annual financial statements covering the 12 month period to 31 March 2016 are provided in this annual report for your information.

NZSIF's reported earnings were \$9,356,300 (2015: (\$2,437) ) benefiting from positive currency and fair value movements of \$7,034,614. This is reflected in the movement in fair value of investment in the PIP Fund in the statement of comprehensive income.

NZSIF received distributions from the PIP Fund of \$2,583,885 (2015: \$1,943,880). There was a small amount of interest income, \$15,255. Expenses were \$277,855 (2015: \$270,989).

The value of the NZSIF investment in the PIP Fund was \$28,529,793 (2015: \$20,066,528). Liabilities totalled \$36,827.

### Capital and Net Asset Backing

Issued capital was \$21,799,239. Combined with retained earnings of \$7,589,949 total capital was \$29,389,188 which represents net asset backing of 71.7 cps as at 31 March 2016.

### Outlook

NZSIF is now paying dividends quarterly, in line with the quarterly distributions received from the PIP Fund. Expectations for the 2017 financial year are for dividend payments of 1.0 cps each quarter subject to

our profitability and cash flow position supporting payments at this level.

There will be cash flows from our investments in the MCEC, Hobsonville Schools and Bendigo. There are no distributions from Wollongong stage 1 until stage 2 construction has been completed. There will be no distributions from NZ Schools 2, Auckland Prison or the MCEC expansion until the construction phases have been completed in 2017-2018.

### NZSIF Annual Shareholders Meeting

Details for the Annual Shareholders Meeting are:

**Date:** Friday, 26 August 2016  
**Time:** 11.30 a.m.  
**Place:** Craigs Investment Partners Limited  
 Level 32, Vero Centre  
 48 Shortland Street  
 Auckland  
**RSVP:** Contact Peter Lalor on 07 927 7927  
 or email enquiries@nzsif.co.nz  
 by 19 August 2016.

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 07 927 7927.

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 2016

Directors holding office during the year and their remuneration.

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

\*Including GST

\*\*Craigs Investment Partners 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 2016.*

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

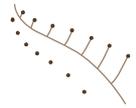
\*acquired at market



Director  
25 July 2016



Director  
25 July 2016



## Statement of comprehensive income

For the year ended 31 March 2016

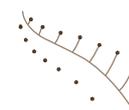
	<i>Note</i>	2016 \$	2015 \$
Distribution income		2,583,885	1,943,880
Interest income		15,255	30,780
Movement in fair value of investment in PIP Fund	5	7,034,614	(1,706,384)
<b>Total investment income</b>		<u>9,633,754</u>	<u>268,276</u>
Administrative expenses	3	(277,855)	(270,989)
<b>Profit/(loss) before tax</b>		<u>9,355,899</u>	<u>(2,713)</u>
Income tax benefit/(expense)	4	401	276
<b>Profit/(loss) for the year</b>		<u>9,356,300</u>	<u>(2,437)</u>
Other comprehensive income/(loss) for the year		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u>9,356,300</u>	<u>(2,437)</u>

## Statement of changes in equity

For the year ended 31 March 2016

	Share capital	Retained earnings	Total equity
Balance at 31 March 2015	21,799,239	(741,351)	21,057,888
Profit/(loss) for the year	-	9,356,300	9,356,300
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>9,356,300</u>	<u>9,356,300</u>
Capital issued	-	-	-
Dividends paid/payable	-	(1,025,000)	(1,025,000)
Balance at 31 March 2016	<u>21,799,239</u>	<u>7,589,949</u>	<u>29,389,188</u>

	Share capital	Retained earnings	Total equity
Balance at 31 March 2014	15,649,239	1,204,933	16,854,172
Profit/(loss) for the year	-	(2,437)	(2,437)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(2,437)</u>	<u>(2,437)</u>
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>



## Statement of financial position

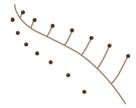
As at 31 March 2016

	<i>Note</i>	2016 \$	2015 \$
<b>Assets</b>			
Property, plant and equipment	10	1,035	-
Investment in PIP fund	5	28,529,793	20,066,528
<b>Total non current assets</b>		<u>28,530,828</u>	<u>20,066,528</u>
Cash and cash equivalents	9	852,940	1,662,328
Receivables and prepayments	7	28,670	26,552
Taxation receivable	4	13,577	8,904
<b>Total current assets</b>		<u>895,187</u>	<u>1,697,784</u>
<b>Total assets</b>		<u>29,426,015</u>	<u>21,764,312</u>
<b>Equity</b>			
Share capital	11	21,799,239	21,799,239
Retained earnings		7,589,949	(741,351)
<b>Total equity attributable to equity holders</b>		<u>29,389,188</u>	<u>21,057,888</u>
<b>Liabilities</b>			
Trade and other payables	8	36,827	36,853
Dividend payable		-	669,571
<b>Total current liabilities</b>		<u>36,827</u>	<u>706,424</u>
<b>Total liabilities</b>		<u>36,827</u>	<u>706,424</u>
<b>Total equity and liabilities</b>		<u>29,426,015</u>	<u>21,764,312</u>

For and on behalf of the Board

Director  
25 July 2016

Director  
25 July 2016



## Statement of cash flows

For the year ended 31 March 2016

	<i>Note</i>	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Distributions received		2,583,885	1,943,880
Interest received		15,255	30,780
Interest paid		-	(2,360)
Income tax refunds		-	6,627
Income taxes paid		(4,271)	(8,628)
Cash paid to suppliers		(279,728)	(297,245)
<b>Net cash from operating activities</b>	12	2,315,141	1,673,054
<b>Cash flows from financing activities</b>			
Call monies received		-	6,202,000
Dividends paid		(1,694,571)	(1,274,276)
<b>Net cash from financing activities</b>		(1,694,571)	4,927,724
<b>Cash flows from investing activities</b>			
Acquisition of Property, Plant & Equipment		(1,307)	-
Investment in PIP fund	5	(1,428,651)	(5,713,332)
<b>Net cash from investing activities</b>		(1,429,958)	(5,713,332)
Net movement in cash and cash equivalents		(809,388)	887,446
Opening cash and cash equivalents		1,662,328	774,882
<b>Closing cash and cash equivalents</b>	9	852,940	1,662,328



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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 became 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). Management expects that this will have no material impact on the preparation and disclosures included in the financial statements.

In addition to the change in legislation, the External Reporting Board of New Zealand (“XRB”) 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 2016.

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 25 July 2016.

#### (b) Statement of compliance

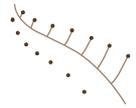
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand Equivalents to International Financial Reporting Standards (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for profit-oriented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



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## 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. Any resultant change in fair value is recognised in profit or loss.

#### **(b) Distribution income**

Distribution 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.



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## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### (e) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation. Subsequent costs are recognised in the carrying amount of the item if it is probable that the future economic benefits will flow to the Company and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. The applied rates for the current period are as follows:

- Computer and office equipment                      50.0% (2015: not applicable)

#### (f) 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 (i)), 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.

#### (g) 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.

#### (h) 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.

#### (i) 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.



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## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### (i) Income tax (continued)

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.

#### (j) Goods and services tax (“GST”)

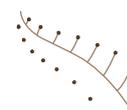
All amounts are shown inclusive of GST, as the Company is not registered for GST.

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

The following new standard has been issued but is not effective for the period ended 31 March 2016, and has not been early adopted. This standard is not expected to have any significant impact on the financial statements for the Company:

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

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

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Management fees	14	111,228	116,652
Directors' fees	14	76,000	76,000
Insurance		26,450	26,450
Auditor's remuneration (see below)		32,703	27,210
Other administrative expenses		31,474	24,677
		<u>277,855</u>	<u>270,989</u>

Auditor's remuneration to KPMG comprises:

Review of interim financial statements	14,283	8,332
Audit of year end financial statements – current year	17,825	17,854
Audit of year end financial statements – previous year	595	-
Total audit costs	<u>32,703</u>	<u>26,186</u>
Tax advice	-	1,024
Total remuneration to KPMG	<u>32,703</u>	<u>27,210</u>

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

	<b>2016</b>	<b>2015</b>
Income tax expense/(benefit) in statement of comprehensive income	<u>(401)</u>	<u>(276)</u>

#### Reconciliation of effective tax rate

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Profit/(loss) before tax		<u>9,355,899</u>	<u>(2,713)</u>
Income tax expense at 28% tax rate		2,619,652	(760)
Tax exempt income		(2,693,180)	(66,499)
Prior period adjustment		-	-
Share of income/(loss) from underlying partnerships		208,722	(102,574)
Share of tax credits from underlying partnerships		(401)	(276)
Tax losses not recognised/(utilised)		-	169,833
Recognition of previously unrecognised tax losses	6	(135,194)	-
Total income tax expense/(benefit)		<u>(401)</u>	<u>(276)</u>

#### Taxation payable/(receivable)

	<i>Note</i>	<b>2016</b>	<b>2015</b>
RWT (receivable)/payable		<u>(13,577)</u>	<u>(8,904)</u>
		<u>(13,577)</u>	<u>(8,904)</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 \$28,529,793 (2015: \$20,066,528) which is recorded in the statement of financial position. The movement against the previous valuation is shown as a fair value movement through profit or loss increase of \$7,034,614 (2015: decrease of \$1,706,384).

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	2016	2015
Opening balance	20,066,528	16,059,580
Total gains/(losses) recognised in profit or loss:		
- Fair value adjustments*	5,767,352	(966,521)
- Foreign exchange movement	1,267,262	(739,863)
	<u>7,034,614</u>	<u>(1,706,384)</u>
Capital distributions received	-	-
Purchase of investments	1,428,651	5,713,332
Closing balance	<u>28,529,793</u>	<u>20,066,528</u>
* The fair value adjustment is made up of		
- Fair value adjustments in PIP Fund investments	8,351,237	977,359
- Distributions received from PIP Fund	(2,583,885)	(1,943,880)
Total fair value adjustment	<u>5,767,352</u>	<u>(966,521)</u>

The ‘purchase of investments’ relates to five capital calls made by the PIP Fund totalling \$1,428,651.

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	2016	2015
Total gains/(losses) included in profit or loss for the year	7,034,614	(1,706,384)
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	7,034,614	(1,706,384)



## 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 2016 together with adjustments to reflect the Company's estimate of fair value of the investments. The PIP Fund itself has made six investments as at 31 March 2016. 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.

As at 31 March 2016 the valuation method used by the PIP Fund to value Melbourne Convention & Exhibition Centre, Hobsonville Schools projects, Wollongong University Accommodation, New Zealand Schools 2 and Auckland Prisons 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. 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 has taken up its share of the carrying value of these other assets.

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 2016 and NZSIF's share of the estimated amount payable is \$1,521,649.

### 6. Unrecognised deferred tax assets and liabilities

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

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Opening balance		502,122	380,715
Utilisation of unrecognised tax losses	4	(135,194)	-
Prior period adjustment for unrecognised tax losses		(61,282)	(48,426)
Tax loss not recognised	4	-	169,833
Closing balance		305,646	502,122

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 2016 is \$1,091,593 (2015: \$1,793,293).



## Notes to the financial statements

### 7. Receivables and prepayments

		<b>2016</b>	<b>2015</b>
Related party receivables	14 (b)	3,597	1,479
Prepayments		25,073	25,073
		<u>28,670</u>	<u>26,552</u>

### 8. Trade and other payables

		<b>2016</b>	<b>2015</b>
Accruals		17,827	17,853
Related party payables	14(c)	19,000	19,000
		<u>36,827</u>	<u>36,853</u>

### 9. Cash and cash equivalents

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Call deposits:			
Westpac Short Term Loan Facility		134	262
ANZ Bank New Zealand Limited		187	284
ANZ Bank New Zealand Limited via CIP Cash Management			
Nominees Limited	14	852,619	1,661,782
Cash and cash equivalents in the statement of cash flows		<u>852,940</u>	<u>1,662,328</u>

The weighted average interest rate on call deposits was 3.18% (2015: 3.11%).

### 10. Property, Plant and Equipment

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Cost		1,307	-
Accumulated depreciation		(272)	-
Carrying value		<u>1,035</u>	<u>-</u>
Current year depreciation		272	-



## Notes to the financial statements

### 11. Share capital

	Number of preference shares 2016	Number of ordinary shares 2016
On issue at 31 March 2015	3,985,054,296	41,000,000
Issued during the year	-	-
On issue at 31 March 2016	<u>3,985,054,296</u>	<u>41,000,000</u>

	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	<u>3,985,054,296</u>	<u>41,000,000</u>

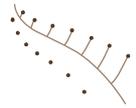
Each \$1.00 share comprises one ordinary voting share with a nil issue price, and 100 non-voting redeemable preference shares in New Zealand Social Infrastructure Fund at \$0.01 each (a stapled security). The ordinary shares are partly paid to \$0.57 per share. The remaining \$0.43 per share is still 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 (2015: \$Nil). No preference shares were redeemed during the year (2015: Nil). During the year three dividends were declared to shareholders totalling \$1,025,000 (2015: \$1,943,847) or 2.5 cents per share.

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

	2016	2015
Profit/(Loss) for the year	9,356,300	(2,437)
Depreciation	272	-
Movement in fair value of PIP Fund Investment	(7,034,614)	1,706,384
	<u>2,321,958</u>	<u>1,703,947</u>
<b>Movement in Working Capital</b>		
Change in receivables and prepayments	(2,117)	(1,479)
Change in income tax receivable/payable	(4,674)	(2,277)
Change in trade payables and accruals	(26)	(27,137)
	<u>(6,817)</u>	<u>(30,893)</u>
Net cash flow from/(to) operating activities	<u>2,315,141</u>	<u>1,673,054</u>



## Notes to the financial statements

### 13. 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, 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.

#### 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 a related party, CIP Cash Management Nominees Limited, and also directly with ANZ Bank New Zealand Limited and Westpac Banking Corporation. The credit rating of both ANZ Bank New Zealand Limited and Westpac Banking Corporation 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.



## Notes to the financial statements

### 13. Financial risk management (continued)

#### 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 2.60% (2015: 3.80%). Bank balances reprice daily.

#### Interest rate risk – repricing analysis

	<i>Note</i>	<b>Total</b>	<b>Non interest bearing</b>	<b>6 months or less</b>
<b>2016</b>				
Cash and cash equivalents	9	852,940	134	852,806
<b>Total</b>		852,940	134	852,806

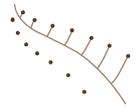
	<i>Note</i>	<b>Total</b>	<b>Non interest bearing</b>	<b>6 months or less</b>
<b>2015</b>				
Cash and cash equivalents	9	1,662,328	262	1,662,066
<b>Total</b>		1,662,328	262	1,662,066

#### 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 2016 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 \$3,650 (2015: \$7,489) 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 11). The Company has an overdraft facility of \$500,000 in place to better manage liquidity risk.



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## Notes to the financial statements

### 13. Financial risk management *(continued)*

#### Capital management

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

The Company's policy is to maintain its capital structure as stated in the Prospectus and repay capital as investments are realised. As disclosed in note 11, \$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

### 13. Financial risk management (continued)

#### Classification and fair values

	Note	Designated at fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
<b>2016</b>						
<b>Assets</b>						
Investment in PIP Fund	5	28,529,793	-	-	28,529,793	28,529,793
Cash and cash equivalents	9	-	852,940	-	852,940	852,940
Receivables	7	-	3,597	-	3,597	3,597
<b>Total assets</b>		<b>28,529,793</b>	<b>856,537</b>	<b>-</b>	<b>29,386,330</b>	<b>29,386,330</b>

#### Liabilities

Trade and other payables	8	-	-	19,000	19,000	19,000
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>19,000</b>	<b>19,000</b>	<b>19,000</b>

	Note	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	9	-	1,662,328	-	1,662,328	1,662,328
Receivables	7	-	1,479	-	1,479	1,479
<b>Total assets</b>		<b>20,066,528</b>	<b>1,663,807</b>	<b>-</b>	<b>21,730,335</b>	<b>21,730,335</b>

#### Liabilities

Dividend payable	11	-	-	669,571	669,571	669,571
Trade and other payables	8	-	-	19,000	19,000	19,000
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>688,571</b>	<b>688,571</b>	<b>688,571</b>



## Notes to the financial statements

### 13. 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 2016	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	28,529,793	28,529,793
31 March 2015	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	20,066,528	20,066,528

### 14. 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:

- Michael John Caird

#### (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 \$111,228 (2015: \$116,652).
- Craigs Investment Partners Limited paid certain expenses and received certain receipts of New Zealand Social Infrastructure Fund Limited. As at 31 March 2016, \$3,597 remained owing from Craigs Investment Partners Limited (2015: \$1,479).
- 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 & Poor's. At 31 March 2016 the balance held was \$852,619 (2015: \$1,661,782) (see Note 9).



## Notes to the financial statements

### 13. Financial risk management (continued)

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

	2016	2015
Directors' fees (total remuneration)	76,000	76,000

The balance of directors' fees and other amounts owing at 31 March 2016 was \$19,000 (2015: \$19,000).

#### Director's interests

The following directors or their associated entities held shares in New Zealand Social Infrastructure Fund Limited at 31 March 2016:

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

### 15. Commitments

The Company has commitments of \$18,124,897 to the PIP fund for further investments as at 31 March 2016, which will be met from cash reserves and further calls of capital. The PIP Fund investment period ran to 29 October 2015 and only follow-on investments are now permitted.

### 16. Subsequent events

On 15 April 2016 the Company paid a dividend of 1 cent per share. As the distribution was approved after balance date the financial effect of the dividend of \$410,000 has not been recognised in the financial statements.

On 20 May 2016 the Company issued a call notice for 12 cents per share, or \$4,920,000, payable on 17 June 2016. At the date of signing \$18,000 remains outstanding.

In June 2016 the PIP Fund reached financial close on a follow-on investment in the Melbourne Convention & Exhibition Centre. The Company's share of this investment was \$3,693,594, and a call of \$3,758,991 has been paid to the PIP Fund subsequent to balance date.

## 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 27. The financial statements comprise the statement of financial position as at 31 March 2016, 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.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

#### Directors' responsibility for the financial statements

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

#### Auditor's responsibility

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

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

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

Subject to certain restrictions, 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 27:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company as at 31 March 2016 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.

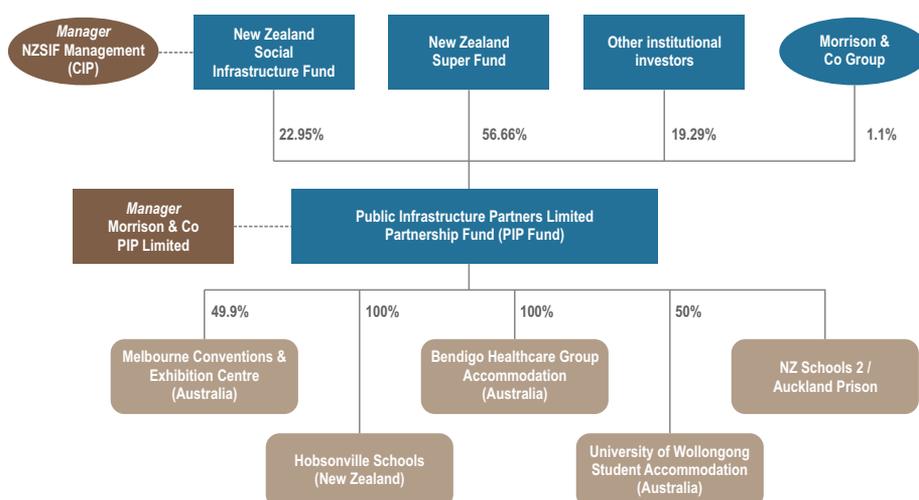
25 July 2016  
Tauranga

## 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.

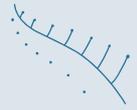
### Investment Management

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.



## NZSIF Board

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



### Chairman and Independent Director

#### Kimmitt Rowland Ellis

*BCA (Hons), BE (Hons)*

Kim is a widely experienced Chief Executive best known for his 13 years at the helm of Waste Management NZ Ltd, culminating in the company's sale in 2006. His earlier CEO appointments, dating back to 1978, covered a number of market sectors including health, manufacturing, distribution, transport, property, agriculture and fashion. Kim is currently 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.

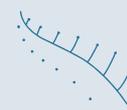


### Independent Director

#### Ian Alexander Nicholson Fraser

*BE (Hons), Dist FIPENZ.*

Ian is a Distinguished Fellow of the Institution of Professional Engineers and 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 also a former Director and Deputy Chair of Transpower NZ 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.



**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 past 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) 927 7927  
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) 927 7927  
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

