

NZSIF



New Zealand
Social Infrastructure
Fund Limited

Interim Report

For the half year ended 30 September 2016



Hobsonville Point Primary School



New Zealand Schools 2 – Ormiston Junior College



University of Wollongong Student Accommodation



Auckland Prison

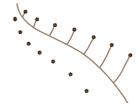


Melbourne Convention & Exhibition Centre



Bendigo Healthcare Group Accommodation Facility

Contents



Report to shareholders	2
Statement of comprehensive income	8
Statement of changes in equity	8
Statement of financial position	9
Statement of cash flows	10
Notes to the financial statements	11
Auditor's review report	17
Directory	18

Report to shareholders

2 December 2016

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) interim report for the half year to 30 September 2016. The report includes the financial statements for the period.

Highlights for the period included:

- A follow-on investment in the Melbourne Convention & Exhibition Centre.* 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. NZSIF's share of the investment of \$3.8 million was paid between June and October 2016. The building phase is due to commence in December 2016.
- Progress with Auckland Prison PPP*
Financial close for Auckland Prison was reached in September 2015. Next Step Partners (NSP), a PIP Fund consortium, has designed and will build, finance and maintain a new maximum security facility at Auckland Prison. Planned works completion is 8 December 2017.
- Progress with New Zealand Schools 2*
Financial close for New Zealand Schools 2 was reached in April 2015. A PIP Fund consortium, Future Schools Partners (FSP), is involved in the construction of four schools - Aranui and Rolleston in Christchurch, Ormiston in Auckland, and Wakatipu in Queenstown. Ormiston and Aranui will be open in term one 2017, although at this stage only Aranui will be ready for hand-over in December 2016. Wakatipu will be open in term one 2018.
- Progress with Wollongong stage 2*
Construction works for part one of stage two is nearing completion, with Hutchinson Builders planning to hand over this stage of the project in December 2016. Construction works for part two of stage two are progressing well.

- Distributions*
A dividend relating to the 2016 financial year of 1.0 cent per share (cps) was paid on 5 August 2016. A further dividend of 0.5 cps (the first of the FY2017 cash flows) was paid on 3 November 2016.
- Calls*
A call of 12 cps was made on 17 June 2016. Proceeds were used to fund the follow-on investment in the MCEC expansion project, and for working capital. 31 cps remains to be called.

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 30 September 2016 the limited partners had contributed 67% of their committed capital to the PIP Fund. The investment in the MCEC expansion project and commitments for New Zealand Schools 2 and Auckland Prison takes the PIP Fund's investments and commitments to approximately 99% across six investments.



Aranui Campus Christchurch

Investment Portfolio

New Zealand Schools 2

This project involves the construction of four schools: Aranui and Rolleston in Christchurch, Ormiston in Auckland, and Wakatipu in Queenstown. 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 approximately \$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 Wakefield 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 are the debt providers.

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



Auckland Prison (design view)

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 Correction'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. 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. To date all milestones for the new construction have been achieved by their scheduled date.

University of Wollongong Student Accommodation Facility

(Wollongong, NSW, Australia)



The Wollongong investment was announced in December 2014. The PIP Fund made an initial stage 1 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 2 involves the design and build, management and maintenance of two new facilities (totalling 1,060 beds) to be built over the next three years. Construction works on part one of stage 2 (Northfields) is nearing completion, with Hutchinson Builders planning to hand over the project in December 2016.

The PIP Fund is a 50/50 equity investor alongside a Morrison & Co managed fund. NZSIF has contributed NZ\$4 million for its initial stage 1 equity investment with a similar sized investment expected for stage 2.

Stage 2 construction commenced in the first quarter of 2016 and this development is due for completion in December 2017. Construction works on stage 2 (Koloobong) are progressing well. This project is due for



University of Wollongong Student Accommodation- Stage 2

completion in December 2017, and the work programme is 5 to 6 weeks ahead of schedule.

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. It 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



Bendigo Healthcare Group Accommodation Facility

- APIP 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.

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.

The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.3 million. The initial equity in LIP was PIP 97.5% and Hawkins Construction 2.5%. Hawkins 2.5% equity interest was acquired by the PIP Fund on 30 June 2016. The schools are designed as open learning environments and they are operating to expectations.



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.



Melbourne Convention and Exhibition Centre

MCEC is a substantial development with property, plant and equipment assets of A\$714 million (MCE Trust Annual Report June 2016) 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 are passed through to the operations management company, Brookfield Multiplex.

Expansion of the Exhibition Centre

The State of Victoria has entered into a contract with a PIP Fund consortium for a 9,000m² 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 30,000m² facility adjacent to the Melbourne Convention Centre.
- *Melbourne Exhibition Centre expansion project 2016-17, a 9,000m² expansion of the exhibition centre.
- The concession runs for 25 years from January 2009 to 2034, with the State of Victoria as counter-party.

Follow-on investment

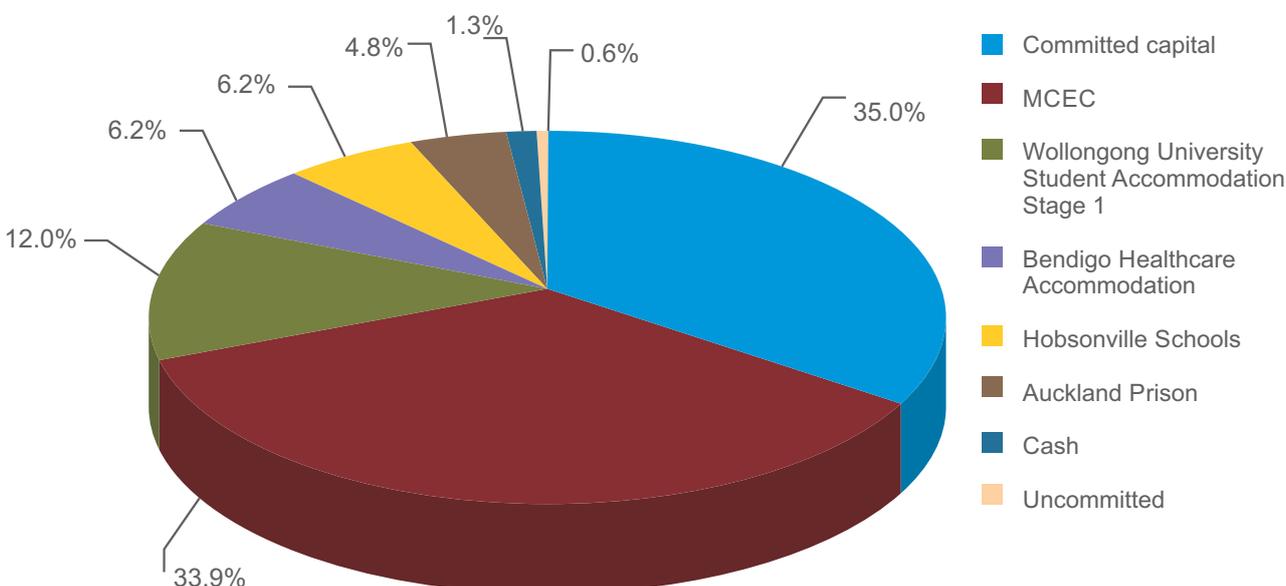
With the follow-on investment in MCEC the PIP Fund will be approximately 99% invested.

There is potential for another small follow-on investment in 2017-2018.

Dividends

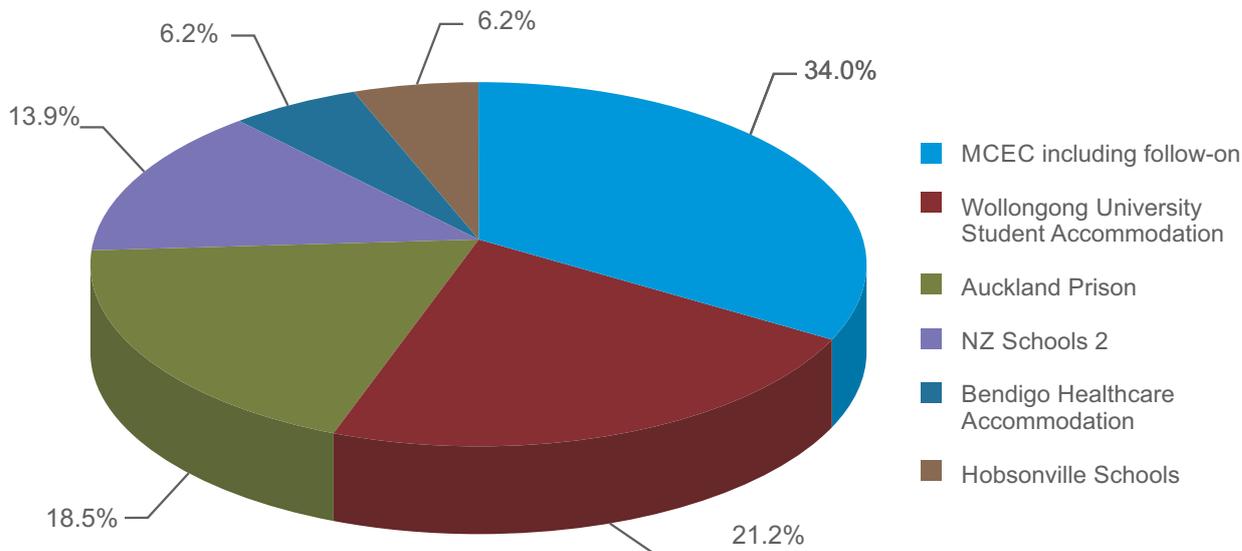
A dividend relating to the 2016 financial year of 1.0 cps was paid on 5 August 2016. A further dividend of 0.5 cps, the first of the 2017 cash flows, was paid on 3 November 2016. Consistent with earlier distributions there were no imputation credits. Total distributions to date total 15.5 cps.

Chart 1 – NZSIF Current Investment Mix



Investment values based on investment cost

Chart2 – NZSIF 2018 Future Investment Mix



Investment values based on investment cost, or estimated future investment cost

Future distribution

SkyPath Development Loan

The PIP Fund earlier made a preliminary investment in the Auckland Skypath PPP project by way of a development loan. This project’s financial close will come too late for the PIP Fund to commit to the investment. The PIP Fund II will purchase the SkyPath Development Loan from PIP Fund. This agreement has been approved by the PIP Fund Advisory Committee.

NZSIF expects to receive its pro-rata share of the sale proceeds in late December. This is unlikely to be material enough to be separately distributed to NZSIF shareholders.

NZSIF Capital Position and Calls

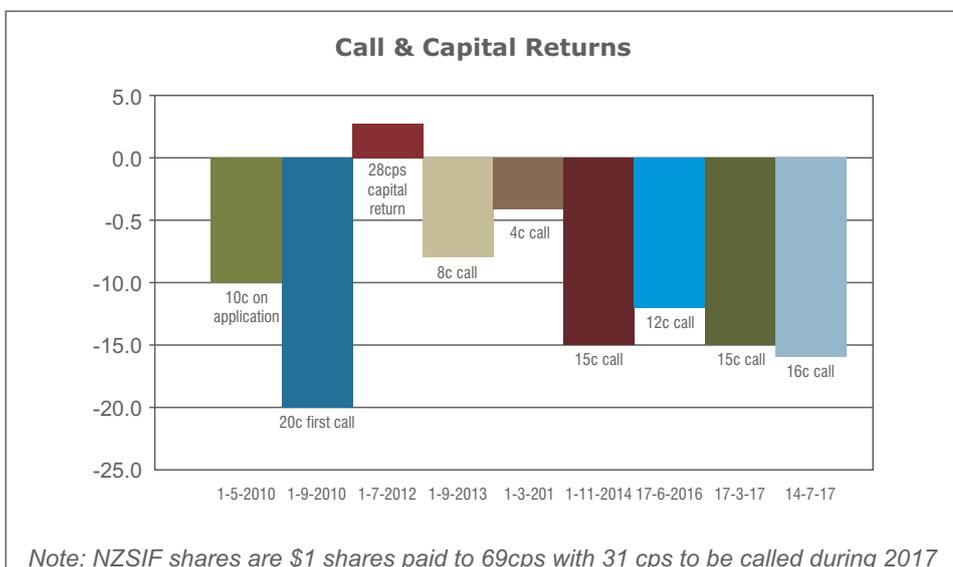
NZSIF’s net asset backing as at 30 September 2016 was 79.2 cps.

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 12 cps call in June 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 we are required to contribute NZSIF’s equity for Wollongong (stage 2), NZ Schools 2 and Auckland Prison.

Chart 3 – NZSIF Calls & Capital Returns



Note: NZSIF shares are \$1 shares paid to 69cps with 31 cps to be called during 2017

Remaining call programme

We anticipate the next call will be for 15 cps which will be payable in March 2017, and a final call of 16 cps payable in July 2017. We will issue formal call notices providing you with the usual 20 business day notice period.

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). 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. This includes investments in the PIP Fund and special purpose vehicle bid loans within the PIP Fund.

NZSIF's investment in the PIP Fund at 30 September 2016 was valued at \$31.9 million (March 2016: \$28.5 million), which included a \$1.3 million net decrease in the fair value of its investment in the PIP Fund. The key contributing factor to the decline in fair value was a stronger NZ dollar, producing a negative impact of \$1.5 million.

Financial Statements

The unaudited interim financial statements covering the half year period to 30 September 2016 are provided in this annual report for your information.

NZSIF's reported loss was \$1,027,421 (March 2016: profit \$9,356,300). This was the result of a strong NZ dollar, meaning a negative FX movement of \$1,552,578 was recorded. This is reflected in the negative movement in fair value of investment in the PIP Fund in the statement of comprehensive income.

NZSIF received distributions from the PIP Fund of \$498,016 (September 2015: \$921,859). There was a small amount of interest income, \$9,647. Expenses were \$171,621 (September 2015: \$135,312).

The value of the NZSIF investment in the PIP Fund was \$31,965,763 (March 2016: \$28,529,793). Liabilities totalled \$27,928.

Capital and Net Asset Backing

Issued capital was \$26,719,239. Combined with lower retained earnings of \$5,742,528 total capital was \$32,461,767, which represents net asset backing of 79.2 cps as at 30 September 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 0.5 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 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 the 2017-2018 period.

We will keep you up to date through media releases, via the NZSIF website 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

Interim Financial Statements

Statement of comprehensive income

For the six months ended 30 September 2016

	Unaudited 6 months Sep 2016	Audited 12 months Mar 2016	Unaudited 6 months Sep 2015
Note	\$	\$	\$
Dividend income	498,016	2,583,885	921,859
Interest income	9,647	15,255	9,005
Movement in fair value of PIP Fund	3 (1,363,463)	7,034,614	1,718,833
Total investment income	(855,800)	9,633,754	2,649,697
Administrative expenses	(171,621)	(277,855)	(135,312)
Profit/(loss) before tax	(1,027,421)	9,355,899	2,514,385
Income tax credit/(expense)	4 -	401	-
Profit/(loss) for the period	(1,027,421)	9,356,300	2,514,385
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive income/(loss) for the period	(1,027,421)	9,356,300	2,514,385

Statement of changes in equity

For the six months ended 30 September 2016

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2016	21,799,239	7,589,949	29,389,188
Total comprehensive income for the period	-	(1,027,421)	(1,027,421)
Capital Issued	4,920,000	-	4,920,000
Dividends paid	-	(820,000)	(820,000)
Balance at 30 September 2016	26,719,239	5,742,528	32,461,767

For the year ended 31 March 2016

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2015	21,799,239	(741,351)	21,057,888
Total comprehensive income for the period	-	9,356,300	9,356,300
Dividends paid/payable	-	(1,025,000)	(1,025,000)
Balance at 31 March 2016	21,799,239	7,589,949	29,389,188

For the six months ended 30 September 2015

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2015	21,799,239	(741,351)	21,057,888
Total comprehensive income for the period	-	2,514,385	2,514,385
Dividends paid	-	(615,000)	(615,000)
Balance at 30 September 2015	21,799,239	1,158,034	22,957,273

Statement of financial position

As at 30 September 2016

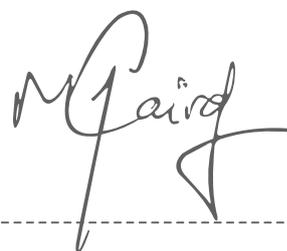
	<i>Note</i>	Unaudited 6 months Sep 2016 \$	Audited 12 months Mar 2016 \$	Unaudited 6 months Sep 2015 \$
Assets				
Property, plant and equipment		776	1,035	-
Investment in PIP Fund	3	31,965,763	28,529,793	22,620,582
Total non current assets		<u>31,966,539</u>	<u>28,530,828</u>	<u>22,620,582</u>
Cash and cash equivalents	7	503,970	852,940	348,264
Receivables and prepayments	6	11,812	28,670	11,812
Taxation receivable		7,374	13,577	11,426
Total current assets		<u>523,156</u>	<u>895,187</u>	<u>371,502</u>
Total assets		<u>32,489,695</u>	<u>29,426,015</u>	<u>22,992,084</u>
Equity				
Share capital		26,719,239	21,799,239	21,799,239
Retained earnings/(losses)		5,742,528	7,589,949	1,158,034
Total equity attributable to equity holders		<u>32,461,767</u>	<u>29,389,188</u>	<u>22,957,273</u>
Liabilities				
Trade and other payables		27,928	36,827	34,811
Total current liabilities		<u>27,928</u>	<u>36,827</u>	<u>34,811</u>
Total liabilities		<u>27,928</u>	<u>36,827</u>	<u>34,811</u>
Total equity and liabilities		<u>32,489,695</u>	<u>29,426,015</u>	<u>22,992,084</u>

For and on behalf of the Board



Director

23 November 2016



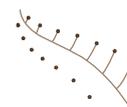
Director

23 November 2016

Statement of cash flows

For the six months ended 30 September 2016

	Note	Unaudited 6 months Sep 2016 \$	Audited 12 months Mar 2016 \$	Unaudited 6 months Sep 2015 \$
Cash flows from operating activities				
Distributions received		498,016	2,583,885	921,859
Interest received		9,647	15,255	9,005
Income taxes refunded		8,904	-	-
Income taxes paid		(2,701)	(4,271)	(2,521)
Cash paid to suppliers		(163,403)	(279,728)	(122,615)
Net cash from operating activities	8	<u>350,463</u>	<u>2,315,141</u>	<u>805,728</u>
Cash flows from financing activities				
Issue of share capital		4,920,000	-	-
Dividends paid		(820,000)	(1,694,571)	(1,284,571)
Net cash from financing activities		<u>4,100,000</u>	<u>(1,694,571)</u>	<u>(1,284,571)</u>
Cash flows from investing activities				
Acquisition of Property, Plant & Equipment		-	(1,307)	-
Investment in PIP Fund	3	(4,799,433)	(1,428,651)	(835,221)
Net cash from investing activities		<u>(4,799,433)</u>	<u>(1,429,958)</u>	<u>(835,221)</u>
Net movement in cash and cash equivalents		(348,970)	(809,388)	(1,314,064)
Cash and cash equivalents at beginning of period		852,940	1,662,328	1,662,328
Cash and cash equivalents at end of period	7	<u>503,970</u>	<u>852,940</u>	<u>348,264</u>



Notes to the financial statements

1. General information

(a) Reporting entity

New Zealand Social Infrastructure Fund Limited (the “Company”, or “NZSIF”) is a company incorporated and domiciled in New Zealand. NZSIF is registered under the Companies Act 1993 and is an issuer in terms of the Financial Markets Conduct Act 2013.

The interim financial statements of the Company have been prepared for the six months ended 30 September 2016, in accordance with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

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

The interim financial statements were approved by the Directors on 23 November 2016.

(b) Statement of compliance

The interim financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), specifically NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 March 2016.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. At 30 September 2016 the only estimates are in relation to the valuation of the investment in PIP Fund (see note 3).



Notes to the financial statements

2. Significant accounting policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its annual financial statements as at and for the year ended 31 March 2016, except in relation to the valuation of individual investments made by the PIP Fund. No valuations by an independent valuation expert are used for interim reporting periods (See Note 3: Key estimates and judgements).

(a) Investment in the PIP Fund

NZSIF invests in the PIP Fund as a limited partner.

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

3. Investment in PIP Fund

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

The Company's fair valuation of the PIP Fund as at 30 September 2016 is \$31,965,763 (March 2016: \$28,529,793, September 2015: \$22,620,582) 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, being a decrease of \$1,363,463 (March 2016: increase of \$7,034,614, September 2015 increase of \$1,718,833).

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

	Unaudited Sep 2016	Audited Mar 2016	Unaudited Sep 2015
Opening balance	28,529,793	20,066,528	20,066,528
Calls made by the PIP Fund	4,799,433	1,428,651	835,221
Movement in fair value of PIP Fund	(1,363,463)	7,034,614	1,718,833
Closing balance	31,965,763	28,529,793	22,620,582
The movement in fair value of the PIP Fund is made up of:			
Movement in FX rates	(1,552,578)	1,267,262	1,134,649
Movement in net assets of PIP Fund	189,115	5,767,352	584,184
Movement in fair value of PIP Fund	(1,363,463)	7,034,614	1,718,833
FX Rates used to value investments within the PIP Fund	0.9490	0.9027	0.9094

'Calls made by the PIP Fund' relates to three capital calls in the current period. These calls were to fund working capital requirements and investments in Melbourne Convention and Exhibition Centre, University of Wollongong Student Accommodation Facility and New Zealand Schools 2.



Notes to the financial statements

3. Investment in PIP Fund (continued)

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

Investments	Unaudited Sep 2016	Audited Mar 2016	Unaudited Sep 2015
Total gains/(losses) included in profit or loss for the period	(1,363,463)	7,034,614	1,718,833
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	(1,363,463)	7,034,614	1,718,833

Key estimates and judgements

Company policy is to carry investments at fair value with subsequent movements in fair value recognised through profit or loss. The General Partner of the PIP Fund arranges annual valuations of the operating project investments at each 31 March balance date, by an independent valuation expert, using valuation methodologies approved by the Advisory Committee of the PIP Fund. As there is no quoted market price for the PIP Fund, the Company, for the purposes of its 30 September half year financial statements, estimated the fair value of its investments in the PIP Fund after considering its proportional share of the net assets attributable to partners of the PIP Fund from the PIP Fund unaudited financial statements as at 30 September 2016 and whether there have been any significant changes to forecast future cash flows and any foreign exchange movements that would impact on the valuations of operating project investments. The PIP Fund itself has made six investments as at 30 September 2016.

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).

30 September 2016	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	31,965,763	31,965,763
31 March 2016	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	28,529,793	28,529,793
30 September 2015	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	22,620,582	22,620,582



Notes to the financial statements

4. Income tax

No income tax expense has been included in the interim financial statements due to the Company having surplus unrecognised tax losses. The estimated gross amount of tax losses not recognised at 30 September 2016 is \$1,253,567 (31 March 2016: \$1,091,593, 30 September 2015: \$1,919,603).

5. Issued capital

Each \$1.00 share comprises one ordinary voting share with a nil issue price, and 100 non-voting redeemable preference shares in NZSIF at \$0.01 each (a stapled security). There has been one call of \$0.12 during the period. In all \$0.69 per share is now called with \$0.31 per share still to be called.

6. Receivables and prepayments

	Unaudited Sep 2016	Audited Mar 2016	Unaudited Sep 2015
Receivables	-	3,597	-
Prepayments	11,812	25,073	11,812
	<u>11,812</u>	<u>28,670</u>	<u>11,812</u>

7. Cash and cash equivalents

	<i>Note</i>	Unaudited Sep 2016	Audited Mar 2016	Unaudited Sep 2015
Call deposits:				
ANZ Bank New Zealand Limited		87	187	185
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	10	503,835	852,619	347,903
Westpac New Zealand Limited		48	134	176
Cash and cash equivalents in the statement of cash flows		<u>503,970</u>	<u>852,940</u>	<u>348,264</u>

Call deposits are held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited (see Note 10), and also directly with ANZ Bank New Zealand Limited and Westpac New Zealand Limited. The average interest rate on call deposits is 2.56% (March 2016: 3.18%, September 2015: 3.03%).

The Company has a \$500,000 overdraft facility with Westpac New Zealand Limited. The interest rate payable on any overdrawn balance is 7.60%. The facility was not used during the period. The account was undrawn as at 30 September 2016.



Notes to the financial statements

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

	Unaudited Sep 2016	Audited Mar 2016	Unaudited Sep 2015
Profit/(loss) for the period	(1,027,421)	9,356,300	2,514,385
Depreciation	259	272	-
Movement in fair value of PIP Fund	1,363,463	(7,034,614)	(1,718,833)
	<u>336,301</u>	<u>2,321,958</u>	<u>795,552</u>
Movement in Working Capital			
Change in receivables and prepayments	16,858	(2,117)	14,786
Change in income tax receivable	6,203	(4,674)	(2,521)
Change in trade and other payables	(8,899)	(26)	(2,089)
Net cash flow from/(to) operating activities	<u>350,463</u>	<u>2,315,141</u>	<u>805,728</u>

9. Commitments

The PIP fund has full investment commitments with some of these investments falling outside the original investment period which ran to October 2015. As at 30 September 2016, the Company has further commitments of \$13,325,464 to the PIP Fund. Shareholders will pay their final capital commitments during 2017.

10. Related parties

Identity of related parties

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

The following director of the Company is also a director of Craigs Investment Partners Limited:

- Michael John Caird

The following director of the Company is also an employee of Craigs Investment Partners Limited:

- David Ross McCallum

Transactions with related parties

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

- Management fees paid to NZSIF Management Limited totalled \$67,590 (31 March 2016: \$111,228; 30 September 2015: \$55,614).
- Craigs Investment Partners Limited paid certain expenses of the Company.
- An on-call bank account is held with ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited, which is a 100% subsidiary of Craigs Investment Partners Limited. At 30 September 2016 the balance held was \$503,835 (31 March 2016: \$852,619, 30 September 2015: \$347,903) (see Note 7). For deposits placed via CIP Cash Management Nominees Limited, the Company receives interest rates higher than it would otherwise obtain by going direct to banks. CIP Cash Management Nominees Limited receives a commission of up to 30 basis points on such deposits.



Notes to the financial statements

10. Related parties (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.

Transactions with key management personnel

	Unaudited 6 months Sep 2016	Audited 12 months Mar 2016	Unaudited 6 months Sep 2015
Directors' fees (total remuneration)	38,000	76,000	38,000

The balance of directors' fees owing to key management personnel at 30 September 2016 was \$19,000 (31 March 2016: \$19,000, 30 September 2015: \$19,000).

Directors' interests

The following directors or their associated entities held shares in the Company at 30 September 2016:

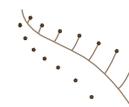
- Kimmitt Rowland Ellis 150,000 shares
- Ian Alexander Nicholson Fraser 100,000 shares
- David Ross McCallum 35,000 shares
- Michael John Caird 100,000 shares

11. Subsequent events

The PIP Fund has made the following calls all due after balance date:

- Call made 22 September 2016, subsequently paid on 27 October 2016 for \$203,745.
- Call made 23 September 2016, subsequently paid on 28 October 2016 for \$96,321.
- Call made 21 October 2016 for \$179,427 is due for payment on 25 November 2016.
- Call made 16 November 2016 for \$181,772 is due for payment on 21 December 2016.

On 17 October 2016 NZSIF directors approved a dividend of \$205,000 equivalent to 0.5 cents per share. The dividend was paid on 3 November 2016.



Auditor's review report

To the shareholders of New Zealand Social Infrastructure Fund Limited

We have completed a review of the interim financial statements of New Zealand Social Infrastructure Fund Limited on pages 8 to 16 which comprise the statement of financial position as at 30 September 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our review 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 independent review 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' responsibilities

The directors of New Zealand Social Infrastructure Fund Limited are responsible for the preparation and fair presentation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting. As the auditor of New Zealand Social Infrastructure Fund Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditors we have no relationship with or interests in New Zealand Social Infrastructure Fund Limited.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of New Zealand Social Infrastructure Fund Limited do not present fairly, in all material respects, the financial position as at 30 September 2016, and of its financial performance and its cash flows for the six months ended on that date, in accordance with NZ IAS 34 Interim Financial Reporting.

23 November 2016

Tauranga



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.*

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

OFFICES OF NZSIF

New Zealand Social Infrastructure Fund Limited

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KPMG

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ADMINISTRATION MANAGER

NZSIF Management Limited

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