

NZSIF



New Zealand
Social Infrastructure
Fund Limited

Interim Report

For the six months ended 30 September 2018



Melbourne Exhibition Centre



Bendigo Health Village



Hobsonville Point Secondary School



Auckland Prison

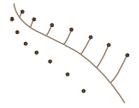


University of Wollongong Student Accommodation



New Zealand Schools 2 – Rolleston College

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Report to Shareholders

29 November 2018

Dear Shareholder

I am pleased to present New Zealand Social Infrastructure Fund Limited's (NZSIF) report for the six months to 30 September 2018. The report includes the financial statements for the period.

Highlights for the period included:

- *Construction Projects*
The last two construction projects reached completion, with Auckland Prison and the Melbourne Convention & Exhibition Centre expansion both finishing in July 2018.
- *Auckland Prison PPP*
Planned works completion was December 2017 but construction ran behind schedule, with construction finally concluding in July 2018.
- *Follow-on investment in the Melbourne Convention & Exhibition Centre*
The building phase commenced in December 2016 with the expansion officially opening on 9 July 2018.
- *Portfolio Revaluation*
NZSIF's valuation of its share in the PIP Fund saw a \$2.7 million uplift due to cash retained within the PIP Fund during the period along with foreign exchange movements.
- *Distributions*
The Board announced the recommencement of distributions in November 2018 with a 2.3 cps gross payment on 16 November 2018.
- *Net Asset Value (NAV)*
The PIP portfolio revaluation saw NZSIF's NAV increase to \$1.34 per share at 30 September 2018. Post the November distribution the NAV is approximately \$1.32.

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.

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 the Ministry of Education for the design, construction, finance and maintenance of four schools throughout New Zealand. The 25 year concession expires in 2043. The Partnership has a 90% interest in the project, with the PIP II Fund holding the balance.

NZ Schools 2 includes Ormiston Junior College in Auckland, Haeata Community Campus and Rolleston Secondary School in Canterbury, and Wakatipu High School in Queenstown. All schools are in operation and performing well.

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

In May 2018, the builder of NZ Schools 2 (and the Hobsonville Schools) a Hawkins Construction related entity was placed in liquidation. While all of the schools were completed prior to this, a bank bond was still held for NZ Schools 2. This bank bond was "called" and the PPP company is currently holding a significant cash deposit. The money will be released when all of the builder's residual obligations such as completion defects have been verified as completed.

Wakatipu Expansion

The preliminary design for an expansion of the Wakatipu High School from the current 1,200 students to 1,800 was completed and submitted to the Ministry of Education. The Manager is working with the Ministry to finalise a change notice for the next design phase to keep the expansion progressing. The Ministry is yet to confirm funding approval for the construction of the expansion.



Wakatipu High School

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. The contract counter party is the Department of Corrections. Expiry of the concession is set for 2042.

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

The NSP consortium comprised the PIP Fund, Fletcher Construction (Building and Interiors), Cushman and Wakefield (formerly DTZ) and Westpac. Fletcher Construction was responsible for the design and construction of the new facility, Cushman and Wakefield is responsible for the Asset Management and Facilities Maintenance, and Westpac are the debt providers.

Planned works completion was December 2017 but construction ran behind schedule, finally reaching completion in July 2018.

Operational completion was achieved on 5 October 2018 following completion of close-out tests. The Department of Corrections have since commenced full operation of the prison.

The PIP Fund Manager has received positive feedback from Corrections on the seamless transition from the construction phase to the operational phase.

The refurbishment of the original prison – the West Facility, commenced in September 2018. This workstream is currently on programme and the refurbishment of one of the five units is scheduled to be completed by February 2019.

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



Auckland Prison

University of Wollongong Student Accommodation Facility

(Wollongong, NSW, Australia)



The PIP Fund took a 50% interest in the University of Wollongong concession to operate 1,900 existing student accommodation beds along with the design and build of an additional 1,000 beds in a two stage development. The contract counter party is the University of Wollongong and the concession is for a term of 39 years expiring 2053.

Stage 1 known as “Bangalay” was completed in February 2017, and is designed for graduate students (and their families in the larger apartments). It comprises 113 single-bed studio apartments, 57 double-bed studio apartments, 30 two-bedroom apartments and 8 three-bedroom apartments (254 beds in total).

Stage 2 known as “Kooloobong” was completed in December 2017. Kooloobong is an 800 bed accommodation facility and opened to students in February 2018.

Student applications for 2019 began during August and by early October were at levels similar to 2018, running at about 75%. The facility manager and Wollongong University continue to look at marketing initiatives to attract students. While the University underwrites occupancy risk to 85%, the base case equity returns assume a 93% occupancy rate.

Wollongong will be fully contributing cash flow to the PIP Fund in the 2019 calendar year.

The PIP Fund is a 50/50 equity investor alongside another Morrison & Co managed fund (which bought its stake from the original investor, Balfour Beatty Investments, in June 2016). Programmed Facility Management is maintaining the facility, Hutchinson Builders provided development and construction services, and ANZ and NAB provided the senior debt. NZSIF has contributed NZ\$7.6 million for its share of the investment.



*University of Wollongong Student Accommodation
- Kooloobong Stage 2*

Bendigo Health Village

(Bendigo, Victoria, Australia)



The Bendigo investment was completed in March 2014. This is a 120 unit doctors and nurses residential facility based in Bendigo, Victoria, Australia.

Investment factors:

- The Bendigo Healthcare Group, the tenant, is a public health provider for the State of Victoria under the Health Services Act 1988
- PIP has entered into a 30 year property lease with inflation linked cash flows
- There is no occupancy risk
- 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 and has a A\$300 million annual budget. The Bendigo Hospital Project is building a new A\$630 million hospital and has completed Stage 1 of a two stage construction project. Stage 2 is nearing completion.

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.



Bendigo Health Village

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. The 25 year concession is with the Ministry of Education and expires in 2039.

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

The Hobsonville Schools PPP continues to operate well with all planned and reactive maintenance tasks being completed within the required timeframes.

The construction sub-contractor, H Construction Hobsonville Limited and its parent companies Orange H Group Limited and H Construction North Island Limited have been placed into receivership. The investment vehicle has reserved its rights with the receivers in respect of the parent company guarantee, which had six years remaining. In accordance with a standing agreement, the AM/FM Services Provider continue to rectify any defects which occur.

The PIP Fund invested equity of \$10 million, of which NZSIF's share was \$2.25 million.



Hobsonville Point Primary School



Hobsonville Point Secondary School

Melbourne Convention and Exhibition Centre

MCEC was the PIP Fund's first investment, with NZ\$40 million invested in 2010 for an ownership interest of 49.9%. NZSIF's net investment was NZ\$9 million. The contract counterparty is the State of Victoria with the concession due to expire in January 2034.

MCEC is a substantial development with property, plant and equipment assets of A\$699 million (*MCE Trust Annual Report June 2017*) and long-term funding in place. MCEC's underlying revenue streams are based on availability of the facility, and is not demand or patronage driven.

The MCEC investment continues to perform to expectations 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.

Exhibition Centre Expansion Project

The State of Victoria entered into a contract with a PIP Fund consortium to develop a 20,000m² expansion, including a 9,000m² extension of the exhibition centre. The expansion opened 9 July 2018.

Completion of construction defects in the recently completed areas is progressing well and this process is not causing any operational issues for the facilities operator. All services to the existing and new facility are being delivered to the required standard.

This was a A\$15 million follow-on investment with NZSIF's share being NZ\$3.7 million.

The expiration of the concession in January 2034 aligns with the original Melbourne Convention Centre PPP contract.



Melbourne Exhibition Centre

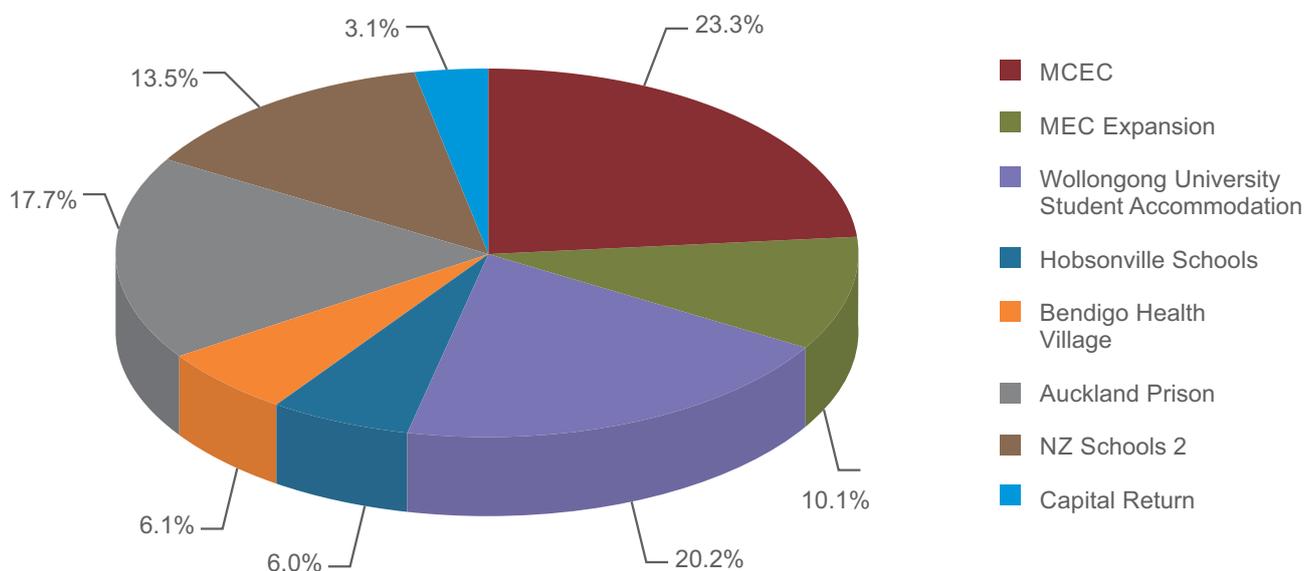
Key information on the MCEC:

- Melbourne Convention Centre is a 5,000 seat hall, meeting and banquet rooms, six-star Green Star rated building
- Melbourne Exhibition Centre is a 40,000m² facility adjacent to the Melbourne Convention Centre
- Largest convention and exhibition space in Australia, with an increased total size of over 70,000 m²
- The concession runs for 25 years from January 2009 to 2034, with the State of Victoria as counter-party.

Investment Portfolio Mix

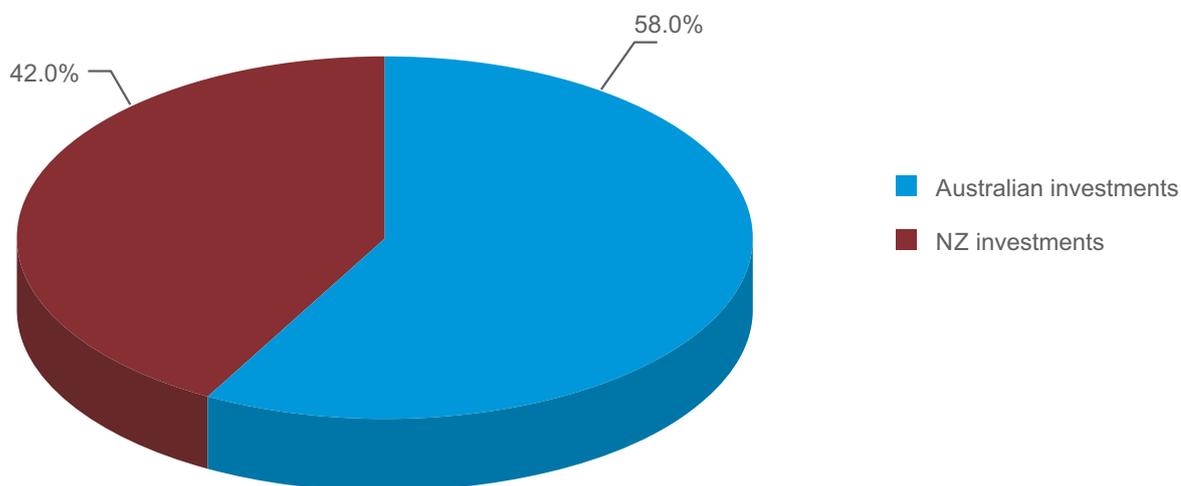
With the investment period complete and all calls now made, the final portfolio composition is shown below.

Chart 1 – NZSIF Investment Mix 30 September 2018.



Investment values based on investment cost

Chart 2 – Investment Concentration by Country



Investment Commitment

As at 30 September 2018 the limited partners had contributed 99.6% of their committed capital to the PIP Fund. If PIP should call the final 0.4%, NZSIF intends to meet that call from working capital.

Distributions

On 16 November NZSIF made a gross distribution of 2.3 cps.

The distribution totalled \$940,444 and comprised a gross dividend of \$615,000 (1.5 cps) and a capital return of \$325,444 (0.79 cps), being the money originally invested in the Skypath development project that did not result in an investment for the PIP Fund. The capital was returned by way of a redemption of preference shares.

NZSIF has to date paid total gross distributions of 18.3 cps (including capital returns of 3.6 cps).

The majority of investments are now contributing to the distributions received by NZSIF. Wollongong is expected to commence distributions to the PIP Fund in the 2019 CY. From Q1 2019 consistent quarterly distributions are expected to be paid.

NZSIF Capital Position and Calls

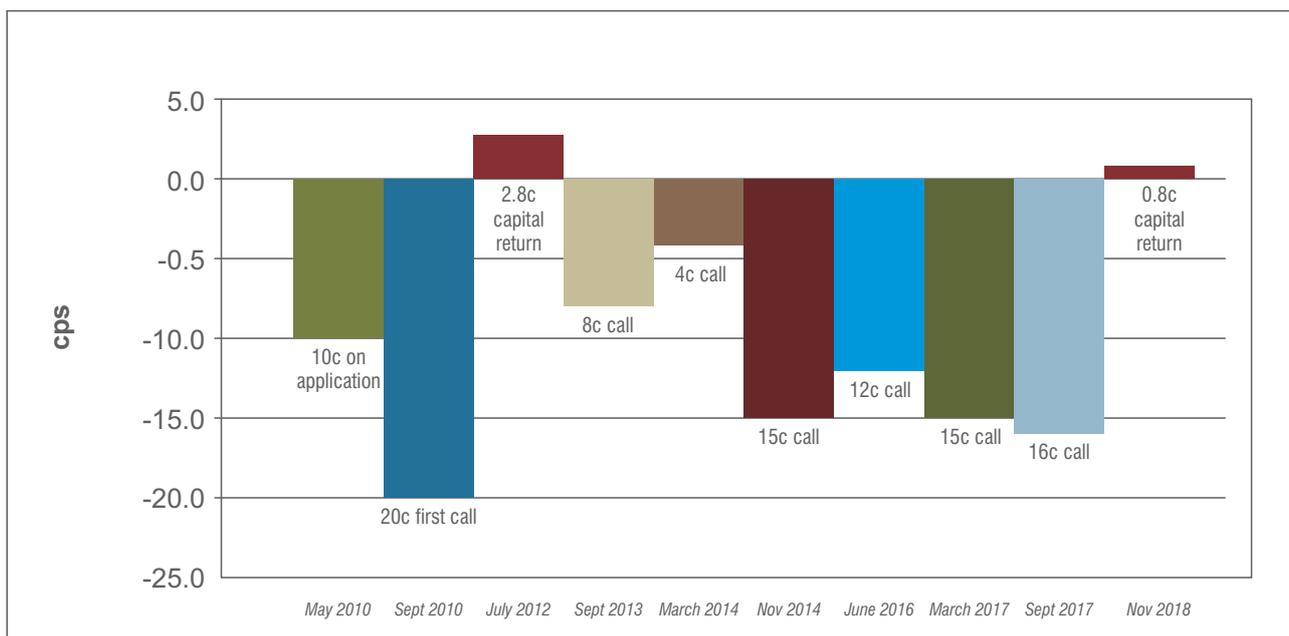
At 30 September Shareholders had contributed \$41m (\$1.00 per share) in capital to NZSIF. Following the November distribution shareholders have received capital returns of \$1.47 million (3.6 cps), which means a net capital contribution of 96.4 cps.

NZSIF's unaudited net asset value as at 30 September 2018 was \$1.34 per share. The adjusted net asset value post the 16 November distribution is \$1.32 per share.

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 engages 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.

Chart 3 – NZSIF Calls & Capital Returns



NZSIF Investment Valuation & Returns

NZSIF's policy is to carry investments at fair value with subsequent movements in fair value recognised through the profit or loss statement. 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 2018 was valued at \$55.2 million (March 2018: \$52.5 million), which included a \$2.7 million net increase in the fair value of its investment in the PIP Fund due to cash generated during the period within the PIP Fund along with foreign exchange movement.

Financial Statements

The unaudited interim financial statements covering the six month period to 30 September 2018 are provided in this report for your information.

NZSIF's reported profit was \$2,598,777 (Sept 2017: \$414,943). This was the result of a positive movement in the net assets of the PIP Fund and a favourable movement in the foreign exchange rate. The movement in fair value of investment in the PIP Fund is shown in the statement of comprehensive income.

No distributions were received from the PIP Fund (Sept 2017: nil). Expenses were \$148,479 (Sept 2017: \$158,075).

The value of the NZSIF investment in the PIP Fund was \$55,229,248 (Sept 2017: \$42,485,676). Liabilities totalled \$43,721.

Capital and Net Asset Value

Issued capital was \$39,429,239. Combined with retained earnings of \$15,797,343 total capital was \$55,226,582, which represents net asset value of \$1.34 per share as at 30 September 2018.

Outlook

Distributions

The PIP Fund has generated strong unrealized revaluation gains through the 2016 to 2018 period. With all projects now complete, and generating cash flow to the PIP Fund, the majority of investments are now contributing income. The PIP Fund has recommenced paying distributions and NZSIF shareholders received a gross distribution of 2.3 cps on 16 November 2018. NZSIF expects to now receive regular quarterly distributions which will be passed through to shareholders. NZSIF distributions of approximately 6-7 cps per annum pre-tax, are anticipated.

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 2018

	Note	Unaudited 6 months Sep 2018	Audited 12 months Mar 2018	Unaudited 6 months Sep 2017
		\$	\$	\$
Dividend income		-	113,192	-
Interest income		435	72,814	52,402
Movement in fair value of Investment in PIP Fund	3	2,746,821	4,657,826	520,616
Total investment income		2,747,256	4,843,832	573,018
Administrative expenses		(148,212)	(305,285)	(157,975)
Interest expense		(267)	(100)	(100)
Profit/(loss) before tax		2,598,777	4,538,447	414,943
Income tax credit/(expense)	4	-	3,603	-
Profit/(loss) for the period		2,598,777	4,542,050	414,943
Other comprehensive income/(loss) for the period		-	-	-
Total comprehensive income/(loss) for the period		2,598,777	4,542,050	414,943

Statement of changes in equity

For the six months ended 30 September 2018

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2018	39,429,239	13,198,566	52,627,805
Total comprehensive income for the period	-	2,598,777	2,598,777
Balance at 30 September 2018	39,429,239	15,797,343	55,226,582

For the year ended 31 March 2018

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2017	32,869,239	8,656,516	41,525,755
Total comprehensive income for the period	-	4,542,050	4,542,050
Capital called	6,560,000	-	6,560,000
Balance at 31 March 2018	39,429,239	13,198,566	52,627,805

For the six months ended 30 September 2017

	Share capital	Retained earnings/ (losses)	Total equity
Balance at 1 April 2017	32,869,239	8,656,516	41,525,755
Total comprehensive income for the period	-	414,943	414,943
Capital called	6,560,000	-	6,560,000
Balance at 30 September 2017	39,429,239	9,071,459	48,500,698

Statement of financial position

As at 30 September 2018

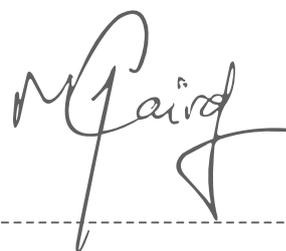
	Note	Unaudited 6 months Sep 2018 \$	Audited 12 months Mar 2018 \$	Unaudited 6 months Sep 2017 \$
Assets				
Property, plant and equipment		194	259	388
Investment in PIP Fund	3	55,229,248	52,482,427	42,485,676
Total non current assets		55,229,442	52,482,686	42,486,064
Cash and cash equivalents	7	299	154,478	5,599,327
Receivables and prepayments	6	12,400	-	427,812
Taxation receivable		28,162	28,043	18,725
Total current assets		40,861	182,521	6,045,864
Total assets		55,270,303	52,665,207	48,531,928
Equity				
Share capital		39,429,239	39,429,239	39,429,239
Retained earnings/(losses)		15,797,343	13,198,566	9,071,459
Total equity attributable to equity holders		55,226,582	52,627,805	48,500,698
Liabilities				
Bank overdraft	7	22,762	-	-
Trade and other payables		20,959	37,402	31,230
Total current liabilities		43,721	37,402	31,230
Total liabilities		43,721	37,402	31,230
Total equity and liabilities		55,270,303	52,665,207	48,531,928

For and on behalf of the Board



Director

15 November 2018



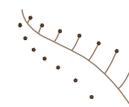
Director

15 November 2018

Statement of cash flows

For the six months ended 30 September 2018

	Note	Unaudited 6 months Sep 2018 \$	Audited 12 months Mar 2018 \$	Unaudited 6 months Sep 2017 \$
Cash flows from operating activities				
Distributions received		-	113,192	-
Interest received		435	72,814	52,402
Interest paid		(267)	(100)	(100)
Income taxes paid		(119)	(20,388)	(14,673)
Cash paid to suppliers		(176,990)	(280,365)	(151,168)
Net cash from operating activities	8	<u>(176,941)</u>	<u>(114,847)</u>	<u>(113,539)</u>
Cash flows from financing activities				
Proceeds from called capital		-	6,812,750	6,396,750
Net cash from financing activities		<u>-</u>	<u>6,812,750</u>	<u>6,396,750</u>
Cash flows from investing activities				
Investment in PIP Fund	3	-	(12,519,343)	(6,659,802)
Net cash from investing activities		<u>-</u>	<u>(12,519,343)</u>	<u>(6,659,802)</u>
Net movement in cash and cash equivalents		(176,941)	(5,821,440)	(376,591)
Cash and cash equivalents at beginning of period		154,478	5,975,918	5,975,918
Cash and cash equivalents at end of period	7	<u>(22,463)</u>	<u>154,478</u>	<u>5,599,327</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 FMC Reporting Entity 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 2018, 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 15 November 2018.

(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 2018.

(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 2018 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 2018. 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.

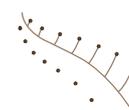
3. Investment in PIP Fund

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

The fair valuation of the investment in the PIP Fund as at 30 September 2018 is \$55,229,248 (31 March 2018: \$52,482,427, 30 September 2017: \$42,485,676) 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 an increase of \$2,746,821 (31 March 2018: increase of \$4,657,826, 30 September 2017: increase of \$520,616).

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 2018	Audited Mar 2018	Unaudited Sep 2017
Opening balance	52,482,427	35,305,258	35,305,258
Investment in PIP Fund	-	12,519,343	6,659,802
Movement in fair value of investment in PIP Fund	2,746,821	4,657,826	520,616
Closing balance	55,229,248	52,482,427	42,485,676
The movement in fair value of PIP Fund investment is made up of:			
Movement in FX rates	792,822	(895,192)	(318,226)
Movement in net assets of PIP Fund Investment	1,953,999	5,553,018	838,842
Movement in fair value of PIP Fund Investment	2,746,821	4,657,826	520,616



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 2018	Audited Mar 2018	Unaudited Sep 2017
Total gains/(losses) included in profit or loss for the period	2,746,821	4,657,826	520,616
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	2,746,821	4,657,826	520,616

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 2018 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 2018 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.

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 2018	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	55,229,248	55,229,248
31 March 2018	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	52,482,427	52,482,427
30 September 2017	Level 1	Level 2	Level 3	Total
Investment in PIP Fund	-	-	42,485,676	42,485,676



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 2018 is \$4,540,283 (31 March 2018: \$4,392,239, 30 September 2017: \$3,022,122).

5. Issued capital

Each \$1.00 share originally comprised 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). The total \$1.00 per share is now called. A capital return of 2.8 cps in 2012 means shareholders have made a net capital contribution of 97.2 cps. This means there are currently 97 non-voting redeemable preference shares.

6. Receivables and prepayments

	Unaudited Sep 2018	Audited Mar 2018	Unaudited Sep 2017
Receivables	-	-	416,000
Prepayments	12,400	-	11,812
	<u>12,400</u>	<u>-</u>	<u>427,812</u>

7. Cash and cash equivalents

	Note	Unaudited Sep 2018	Audited Mar 2018	Unaudited Sep 2017
Call deposits:				
ANZ Bank New Zealand Limited		179	278	178
ANZ Bank New Zealand Limited via CIP Cash Management Nominees Limited	10	120	154,115	5,599,128
Westpac New Zealand Limited (Overdraft)		(22,762)	85	21
Cash and cash equivalents in the statement of cash flows		<u>(22,463)</u>	<u>154,478</u>	<u>5,599,327</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 1.63% (March 2018: 2.20%, September 2017: 2.20%).

The Company has a \$500,000 overdraft facility with Westpac New Zealand Limited. The interest rate payable on any drawn balance is 7.85% at 30 September 2018. The account was drawn by \$22,762 as at 30 September 2018.



Notes to the financial statements

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

	Unaudited Sep 2018	Audited Mar 2018	Unaudited Sep 2017
Profit/(loss) for the period	2,598,777	4,542,050	414,943
Depreciation	65	258	129
Movement in fair value of PIP Fund Investment	(2,746,821)	(4,657,826)	(520,616)
	<u>(147,979)</u>	<u>(115,518)</u>	<u>(105,544)</u>
Movement in Working Capital			
Change in receivables and prepayments	(12,400)	25,073	13,261
Change in income tax receivable	(119)	(23,991)	(14,673)
Change in trade and other payables	(16,443)	(411)	(6,583)
Net cash flow from/(to) operating activities	<u>(176,941)</u>	<u>(114,847)</u>	<u>(113,539)</u>

9. Commitments

As at 30 September 2018, the Company has further commitments of \$144,856 to the PIP Fund. Any future calls will be met from existing working capital.

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



Notes to the financial statements

10. Related parties (continued)

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 \$75,652 (31 March 2018: \$138,246; 30 September 2017: \$69,123).
- Craigs Investment Partners Limited paid certain expenses on behalf 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 2018 the balance held was \$120 (31 March 2018: \$154,115, 30 September 2017: \$5,599,128) (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.

Transactions with key management personnel

	Unaudited 6 months Sep 2018	Audited 12 months Mar 2018	Unaudited 6 months Sep 2017
Directors' fees (total remuneration)	38,000	76,000	38,000

The balance of directors' fees owing to key management personnel at 30 September 2018 was \$19,000 (31 March 2018: \$19,000, 30 September 2017: \$19,000).

Directors' interests

The following directors or their associated entities held shares in the Company at 30 September 2018:

- | | |
|----------------------------------|----------------|
| • 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 Company received a distribution from the PIP Fund of \$1,123,398 on 24 October 2018. The Directors declared a distribution to shareholders of \$940,444 to be paid on 16 November 2018.



Independent Review Report

To the Shareholders of New Zealand Social Infrastructure Fund Limited
Report on the interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 9 to 17 do not:

- i. Present fairly in all material respects the Company's financial position as at 30 September 2018 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. Comply with NZ IAS 34 Interim Financial

Reporting We have completed a review of the accompanying interim financial statements which comprise:

- The statement of financial position as at 30 September 2018;
- The statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.



Use of this Independent Review Report

This report is made solely to the Shareholders as a body. Our review work has been undertaken so that we might state to the 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 Shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the interim financial statements

The Directors, on behalf of the Company, are responsible for:

- The preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- Implementing necessary internal control to enable the preparation of interim financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the interim financial statements

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. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

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 these interim financial statements.

This description forms part of our Independent Review Report.

Tauranga

15 November 2018



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

Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3141

Phone: (07) 927 7927
Email: enquiries@nzsif.co.nz
Website: www.nzsif.co.nz

AUDITORS

KPMG

247 Cameron Road
PO Box 110
Tauranga 3140

Phone: (07) 578 5179

INVESTMENT MANAGER

Morrison & Co PIP Limited

5 Market Lane
PO Box 1395
Wellington 6140

ADMINISTRATION MANAGER

NZSIF Management Limited

Craigs Investment Partners House
158 Cameron Road
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Tauranga 3141

Phone: (07) 927 7927
Email: enquiries@nzsif.co.nz

SHARE REGISTRAR

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