

# INFORMATION MEMORANDUM

## Newpin Social Benefit Bond

APRIL 2013



## IMPORTANT NOTICES

### Purpose of Information Memorandum

This document has been prepared solely in connection with the offer of a limited recourse loan note (**the Newpin SBB**) by Newpin SBB Pty Limited (ACN 163 343 539) in its capacity as trustee for the Newpin SBB Trust (the **Trustee**). It has been prepared on a confidential basis for distribution only to persons to whom a disclosure document such as a prospectus or product disclosure statement is not required to be given under either Chapter 6D or Chapter 7.9 of the Corporations Act 2001 (Cth) (**Corporations Act**). The offer of the Newpin SBB is set out entirely in this Information Memorandum (**Information Memorandum**) and applications will only be offered to persons receiving this Information Memorandum in Australia.

This Information Memorandum is not a product disclosure statement or prospectus and is not required to, and does not, include all the information that would be required in a prospectus or product disclosure statement, and an investor is not provided with the protections afforded to an investor in a managed investment scheme that has been registered under the Corporations Act. Investors in the Newpin SBB do not have “cooling off” rights under the Corporations Act.

### Responsibility for Information

This Information Memorandum has not been, and will not be, lodged with the Australian Securities and Investment Commission (ASIC). This Information Memorandum dated 24th April 2013 has been issued by the Trustee. The Trustee is a corporate authorised representative of Social Ventures Australia Limited (ACN 100487572, AFSL 428865) (**SVA**).

The Newpin SBB Trust is a trust which is not registered with or regulated by the ASIC. The manager of the Newpin SBB Trust is SVA.

To the fullest extent permitted by law neither the Trustee nor SVA nor any of their respective related entities, associates, officers, employees, agents or advisers, provides or accepts any representations or warranties, express or implied, as to or assumes any responsibility or liability for the authenticity, origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this document or in any accompanying, previous or subsequent material or presentation in relation to this Information Memorandum or the Newpin SBB. To the maximum extent permitted by law, the Trustee and SVA and any of their respective related entities, associates, officers, employees, agents or advisers disclaims all and any responsibility or liability for any loss or damage which may be suffered by any person relying upon any information contained in, or any omissions from, this document.

If information in this Information Memorandum changes, we may update the information by posting the updated information on the SVA website [www.socialventures.com.au](http://www.socialventures.com.au) or an investor can also obtain this information by calling SVA on +612 8004 6700.

### Reliance on Information Memorandum

The information contained in this Information Memorandum has been furnished by the Trustee and SVA but no assurance is given by the Trustee or SVA or anyone else named in or associated with the issue of this Information Memorandum as to the accuracy or completeness of this information. The information contained in this Information Memorandum is general information only and does not take into account your objectives, financial situation or needs. Prospective investors should read this Information Memorandum in its entirety and before acting on the information contained in this Information Memorandum should consider the appropriateness of the information in this Information Memorandum having regard to their objectives, financial situation and needs. Where appropriate, prospective investors should seek independent professional advice.

Neither the Trustee nor SVA nor any of their respective related entities, associates, officers, employees, agents or advisers guarantees the performance of the Newpin SBB, the coupon rate, the return of capital to the investors, any particular rate of return or any taxation consequences of any investment in the Newpin SBB. None of the Trustee, SVA and their respective related parties, officers, directors or associates will provide any liquidity or secondary market support for dealing in the Newpin SBB.

The New South Wales Government and the State of NSW (including all departments, agencies and other State bodies and personnel) are not responsible for the issue of this Information Memorandum and take no responsibility for and do not guarantee the performance of the Newpin SBB, the coupon rate, the return of capital to Investors, any particular rate of return or any taxation consequences of any investment made in the Newpin SBB.

The Uniting Church (NSW), The Uniting Church in Australia Property Trust (NSW), its Boards and agencies and UnitingCare NSW.ACT, including UnitingCare Burnside and UnitingCare Children, Young People and Families are not responsible for the issue of this Information Memorandum and take no responsibility for and do not guarantee the performance of the Newpin SBB, the coupon rate, the return of capital to the investors, any particular rate of return or any taxation consequences of any investment made in the Newpin SBB.

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This document does not constitute an offer or invitation in any place where, or to any person whom, it would be unlawful to make such an offer of invitation. A failure to comply with these restrictions may constitute a violation of the laws in those jurisdictions. The Trustee and SVA reserve the right to change or supplement the terms and conditions in this document. The entity receiving this document represents and warrants that it is a wholesale client and that it will not distribute this document to any person who is not a wholesale client or who is outside of Australia. In no circumstances is this document to be used by a retail client for the purpose of making an investment decision about a financial product.

### Confidential

This Information Memorandum and all of the information contained in it must not be disclosed to any person or replicated in any form without the prior written consent of the Trustee.

### Interpretation

All references to dollars are in Australian dollars. Capitalised terms in this Information Memorandum are defined terms and they are listed in the "Glossary" section on page 39 or defined elsewhere in the Information Memorandum. Days are calendar days unless otherwise specified as Business Days.

References to the "our", "us" or "we" throughout this Information Memorandum are references to the Trustee.



MICHAEL TRAILL

Dear Investor,

I invite you to consider an investment in Australia's first social benefit bond.

The Newpin Social Benefit Bond (Newpin SBB) offers a unique opportunity to generate a competitive financial return, as well as create lasting positive change for children and families. As an investor you will be funding the maintenance and expansion of Newpin, a vitally important children and family program run by UnitingCare, one of Australia's most respected non-profit agencies. Over the past four years the Newpin program has worked with more than 270 families and successfully restored over 120 children who were previously in out-of-home care to their families.

The expansion of the Newpin program will see more children live safely with their parents. Over the expected seven year term of the Newpin SBB, it is estimated that more than 700 families will participate. Based on historical performance this means more than 400 children will be safely returned to their parents. Newpin centres will expand from the current four to a planned 10 locations across New South Wales.

The savings to the NSW Government generated by successfully restoring children to their families will be shared with UnitingCare to fund the delivery of the Newpin program. The investment returns offered by the Newpin SBB reflect a sharing of these savings.

The Newpin SBB will pay a minimum coupon of 5% p.a. over the first three years. The Newpin SBB also provides the benefit of a degree of capital protection; during the first four years any loss of principal will be limited to 25% and after the fourth year principal loss will be limited to 50%. Any potential loss of principal would require restoration rates to fall to below 55%, a level well below the 2012 performance of the Newpin program.

The Newpin SBB reflects a social investment funding partnership between UnitingCare, a highly experienced non-profit agency with a track record of delivery, the NSW Government and private sector investors. This investment opportunity is a significant milestone in the rapidly developing Australian impact investing market, and I am pleased to recommend it for your consideration.

I encourage you to read this Information Memorandum in its entirety in order to understand all the potential benefits and risks of the Newpin SBB.



**Michael Traill AM**

Chief Executive, Social Ventures Australia

# 1. KEY TERMS AND DATES

**Important Note:** The table below provides a summary only of the key terms of the Newpin SBB and related contractual arrangements. You should read this Information Memorandum in full prior to making a decision to invest in the Newpin SBB.

## 1.1 Key Terms

Key Term	Description
<b>Newpin SBB</b>	A loan note offered by the Trustee to an Investor which is limited in recourse to the proceeds of the UC Loan Deed. The Newpin SBB will be issued under the terms and conditions of the SBB Loan Note Deed Poll.
<b>Newpin SBB objective</b>	The purpose of the offer of the Newpin SBB is to generate a competitive financial return, as well as create lasting positive change for children and families. Social outcomes will be achieved through funding the maintenance and expansion of the Newpin program.
<b>Eligible Investors</b>	Wholesale clients as defined in section 761G of the Corporations Act may subscribe for the Newpin SBB.
<b>Newpin SBB Trust</b>	A trust established for the sole purpose of offering the Newpin SBB and on-lending to UnitingCare the funds raised to enable UnitingCare to maintain and expand the Newpin program. The residual beneficiary of the Newpin SBB Trust is SVA.
<b>Trustee</b>	Newpin SBB Pty Ltd (ACN 163 343 539), a special purpose vehicle incorporated in Victoria that is wholly owned by SVA, in its capacity as trustee of the Newpin SBB Trust. The Trustee is a corporate authorised representative of SVA.
<b>Manager</b>	Social Ventures Australia Limited (ACN 100 487 572, AFSL 428865) ( <b>SVA</b> ) is the manager of the Newpin SBB Trust.
<b>SBB Loan Note Deed Poll</b>	The SBB Loan Note Deed Poll sets out the terms and conditions of the Newpin SBB, the rights of Investors and the obligations of the Trustee and the Agent.
<b>Agent</b>	SVA will act as agent on behalf of the Investors to enforce their rights under the SBB Loan Note Deed Poll. The Agent will be required to act in accordance with the instruction of Investors representing 66.67% of the Aggregate Subscriptions.
<b>Security Trust Deed</b>	Security over the assets of the Newpin SBB Trust is held by SVA as Security Trustee. Each Investor must accede to the Security Trust Deed.
<b>UnitingCare</b>	The Uniting Church in Australia Property Trust (NSW) (ABN 77 005 284 605) in its capacity as: <ul style="list-style-type: none"> <li>trustee of the assets held on trust for The Uniting Church in Australia that are managed by and under the control of UnitingCare NSW.ACT (ABN 78 722 539 923); and</li> <li>nominee and agent for and on behalf of UnitingCare NSW.ACT.</li> </ul>
<b>UC Loan Deed</b>	A loan agreement to be entered into by the Trustee and UnitingCare under which the Trustee will advance the proceeds it receives from the issuance of the Newpin SBB to UnitingCare for the purpose of maintaining and expanding the Newpin program.
<b>Implementation Deed</b>	A contract between the NSW Government (the <b>Government</b> ), acting through the Department of Family and Community Services ( <b>FACS</b> ), and UnitingCare. The purpose of this agreement is to improve social outcomes in the area of out-of-home care, thereby producing benefits for the community, the Government, UnitingCare and Investors. Government payments to UnitingCare are based upon the expected long term Government savings generated by the results of the Newpin program.
<b>Newpin program</b>	An intensive therapeutic program for families with children aged less than five years who are either in statutory out-of-home care or are at risk of harm. The program aims to safely restore children to the care of their families or prevent children entering out-of-home care.



Key Term	Description
<b>Interest Payments (under the UC Loan Deed)</b>	<p>Annual Interest Payments will be made by UnitingCare under the terms of the UC Loan Deed. Interest Payments are dependent upon the Restoration Rate, and are subject to the following general terms:</p> <ul style="list-style-type: none"> <li>• The minimum Interest Rate is 5% p.a. over the first three years.</li> <li>• The maximum Interest Rate is 15% p.a. over the full term.</li> <li>• Interest Payments are based on cumulative results, with adjustments to reflect prior year under or overpayments. In the event of prior year underpayments, the total interest paid in any one year could exceed 15%. In the event of prior year overpayments, the Trustee is not required to return the amount overpaid (minimum Interest Payment is nil).</li> </ul> <p>See Section 7.2 for Interest Payment calculation details.</p>
<b>Coupon Payments to Investors</b>	<p>Coupon Payments to Investors will be made annually and in the same amount as Interest Payments received by the Trustee from UnitingCare. Investors will receive a Coupon Payment representing their pro-rata share (being equal to the ratio of their Subscription Amount to Aggregate Subscriptions) of the Interest Payment received.</p>
<b>Principal Repayment</b>	<p>Principal repaid on the Maturity Date by UnitingCare under the terms of the UC Loan Deed (the <b>Principal Repayment</b>) will be used by the Trustee to repay Subscription Amounts to Investors. Investors should be aware that repayment of the entire Principal by UnitingCare is not guaranteed. If the Principal Repayment is less than 100%, the Subscription Amount that is repaid to Investors will be reduced by the same proportion.</p> <p>Key features of the Principal Repayment:</p> <ul style="list-style-type: none"> <li>• Repaid on the Maturity Date (unless the UC Loan Deed is terminated prior to this date) in a proportion determined by the Restoration Rate.</li> <li>• 100% of Principal will be repaid if the Restoration Rate over the full term is greater than 55%.</li> <li>• A minimum of 50% of Principal will be repaid at the maturity date.</li> </ul> <p>See Section 7.3 for Principal Repayment calculation details.</p>
<b>Early Termination Payments</b>	<p>An Early Termination Payment under the UC Loan Deed (and consequently early repayment of the Newpin SBB) will be triggered by the termination of the UC Loan Deed due to the occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>• termination by the Trustee on the grounds of low Restoration Rate;</li> <li>• termination by the Trustee on the grounds of breach of the UC Loan Deed by UnitingCare; or</li> <li>• termination of the Implementation Deed for any reason.</li> </ul> <p>Early Termination Payments are dependent upon the nature of the termination trigger. In most scenarios 100% of Principal will be repayable, while in others the proportion repaid is determined by the Restoration Rate.</p> <p>The maximum potential loss of Principal is 25% during the first four years and 50% thereafter.</p> <p>Any Early Termination Payment received by the Trustee will be paid to Investors pro-rata, reflecting their share of Aggregate Subscriptions.</p> <p>For details of termination triggers and the calculation of Early Termination Payments see Section 6.2 and Section 7.4.</p>
<b>Restoration Rate</b>	<p>The measure of Newpin program success that is used to determine Interest Payments, Principal Repayment and Early Termination Payments.</p> <p>For details of the calculation and certification of the Restoration Rate see Section 7.1. The Restoration Rate is essentially the proportion of children in out-of-home care attending a Newpin Mothers' Centre who are restored to the care of their families.</p>

Key Term	Description
<b>Minimum Subscription Amount</b>	\$50,000.
<b>Aggregate Subscriptions</b>	The total of all Newpin SBB Subscription Amounts received. Aggregate Subscriptions cannot exceed \$7,000,000.
<b>Transfers</b>	Investors may transfer and assign their rights and obligations under the Newpin SBB provided that the transferee accedes to the Security Trust Deed.
<b>Fees and expenses</b>	No fees are payable by Investors.  Management Fees payable to SVA by the Newpin SBB Trust will be paid by UnitingCare. All trust expenses will be paid by SVA out of its Management Fee.
<b>Investor Reporting</b>	Annual performance and social impact report covering Newpin program outcomes, the Restoration Rate and the calculation of Interest Payments.
<b>Key Risks</b>	Details concerning the key risks of investing in the Newpin SBB are set out in Section 8.

## 1.2 Key Dates

Milestone	Date	Description
<b>Newpin SBB applications open</b>	From 24th April 2013 to such date as the Trustee may determine	Applications will close once Aggregate Subscriptions for the Newpin SBB reach \$7,000,000 or earlier if determined by the Trustee.
<b>Subscription monies payable to Newpin SBB Trust</b>	On the date of application	Subscription money will be held on trust until the Newpin SBB is issued. Any interest earned on subscription monies will be returned to investors. Monies will become payable once all conditions precedent to the Implementation Deed have been fulfilled. Subscription monies received will be held on trust until Financial Close.
<b>Referral Date</b>	Target 30 June 2013	The Referral Date is the date from which the Implementation Deed comes into force. It is conditional upon funds being raised under the Newpin SBB. The Referral Date targeted is 30 June 2013 but could be as late as 21 September 2013.
<b>Financial Close</b>	Target within two days of the Referral Date	The date upon which the Agent notifies the Trustee that all the relevant conditions precedent have been satisfied.
<b>Interest Payment Dates</b>	30 September each year from 2014 to 2020 inclusive	The UC Loan Deed Interest Payment in 2014 will reflect the time elapsed between Financial Close and 30 September 2014. Newpin SBB Coupon Payments will be made shortly after the receipt of the Interest Payment each year.
<b>Maturity Date</b>	30 September 2020	Repayment of the Newpin SBB Subscription Amounts will take place shortly after the receipt of the UC Loan Deed Principal Repayment.

## 2. INVESTMENT OVERVIEW

### 2.1 Introduction

The Newpin Social Benefit Bond (the **Newpin SBB**) provides investors with a unique opportunity to be part of Australia's first social benefit bond. This innovative social finance model will raise private capital to fund the maintenance and expansion of a successful program which works intensively to either safely return children in care to their families or prevent children from entering care in the first place. There are currently more than 18,000 children in out-of-home care<sup>1</sup> in NSW.



The program to be funded is managed by UnitingCare Burnside and is known as *Newpin*. Newpin is a therapeutic, centre-based program that supports and empowers families to break the cycle of child abuse and neglect by providing safe, nurturing environments for their children.

There are currently four Newpin centres operating in western Sydney. The cost of the Newpin program today is met by UnitingCare with only minimal support from the NSW government. The current four centres cost approximately \$2.5m p.a. to run and the proceeds of the Newpin SBB will be used to meet these initial running costs and the additional costs of the expanding program.

Details of the Newpin program are provided in Section 4.

An investment in the Newpin SBB is expected to deliver competitive financial returns to Investors over its term. Coupon Payments and repayment of Principal are linked to the Newpin program's success in restoring children from out-of-home care in NSW to safe, functioning homes. These outcomes are measured by the Restoration Rate (see Section 7.1 for details of how the Restoration Rate is calculated).

A range of Restoration Rate outcomes is possible under the Newpin SBB. UnitingCare is targeting a Restoration Rate of 65% over the seven year term of the Newpin SBB<sup>2</sup>.

The table below illustrates the social and financial results that would be delivered if the outcomes targeted by UnitingCare over the expected seven year term of the Newpin SBB are achieved.

Newpin SBB – financial and social outcomes targeted	
<b>Number of Newpin centres</b>	Currently four, growing to 10 <sup>3</sup> .
<b>Families supported by Newpin</b>	Over 700 families, of which approximately 55% will have at least one child under the age of five in out-of-home care.
<b>Children restored to parents</b>	Over 400 children (across all centres).
<b>Government savings generated</b>	Approximately \$95 million over the long term, with around 50% to be retained by the Government and the balance directed to UnitingCare to fund the Newpin program and provide a return to Investors.
<b>Cashflow under Implementation Deed from NSW Government to Uniting Care</b>	UnitingCare will receive approximately \$50m under the Implementation Deed in the targeted scenario over the potential seven year life of the Newpin SBB. This will pay for the expected cost of the expanded program (approximately \$41m over seven years) as well as the interest and ancillary costs of the Newpin SBB. See Section 6.7 for more detail.
<b>Interest Payments</b>	A variable Interest Rate is determined by the Restoration Rate outcome achieved. A Restoration Rate outcome of 65% over the full term would result in 12% p.a. interest.
<b>Principal Repayment</b>	The proportion of Principal repaid on maturity is determined by the Restoration Rate outcome achieved. A Restoration Rate outcome of 65% over the full term would result in 100% of Principal being repaid. There is no amortisation of Principal over the term as it is repaid upon maturity.

<sup>1</sup> Out-of-home care includes foster care, kinship care and various types of residential care for children who cannot live with their families.

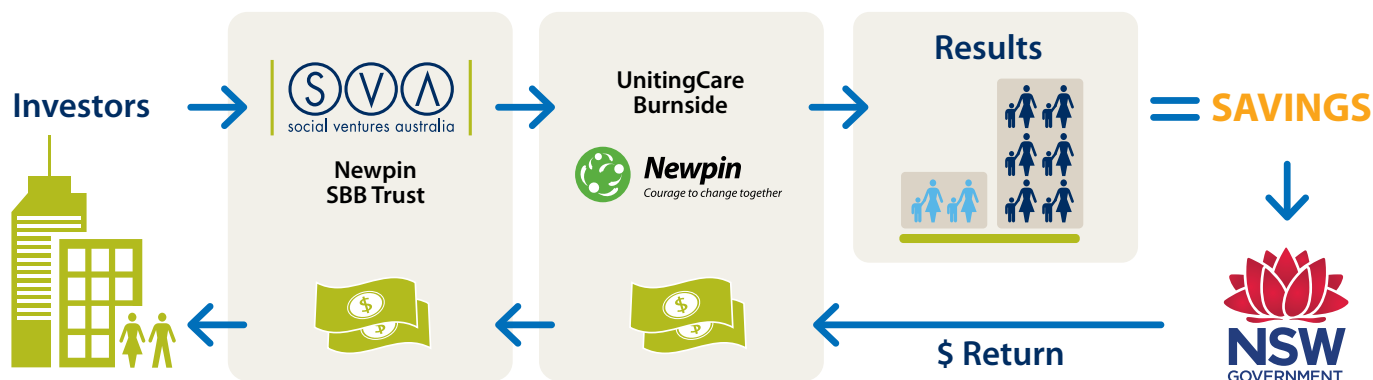
<sup>2</sup> This is an objective only. Neither the Trustee nor SVA guarantees that this objective will be achieved. In 2012 the Restoration Rate achieved was 74% however potential Investors should note that past performance of the Newpin program should not be treated as an indication of future performance.

<sup>3</sup> One of the existing centres is a Fathers' Centre. All other centres are Mothers' Centres.



## 2.2 Structure overview

### Illustrative Structure of the Newpin SBB



The Government, acting through the Department of Family and Community Services (**FACS**), has entered into a seven year contract with UnitingCare that will, if successful, reduce future costs to the Government through improved social outcomes, in particular by the restoration of children to their families in out-of-home care. This contract is known as the **Implementation Deed** and is described in more detail in Section 6.3.

Payments from the Government to UnitingCare under the Implementation Deed are based upon the expected long-term Government savings generated by the restoration of children to their families, net of Counterfactual Restorations (being those that would have been expected to occur in the absence of the Newpin program). Performance payments are made to UnitingCare as restoration results are certified, rather than in advance as would generally be the case under a traditional grant.

In order to fund the Newpin program prior to the receipt of Government performance payments, UnitingCare will borrow \$7 million from the Newpin SBB Trust, which has been created solely for the purpose of this funding arrangement. The terms of the loan are set out in a contract known as the **UC Loan Deed**. Interest Payments and Principal Repayment under the UC Loan Deed are based upon the performance of the Newpin program, as measured by the Restoration Rate. Details of how these payments are calculated can be found in Section 7.

The Trustee will raise the \$7 million to be lent to UnitingCare by issuing the Newpin SBB to Investors. The Newpin SBB will be issued pursuant to the terms and conditions of the **SBB Loan Note Deed Poll**. The Newpin SBB is limited in recourse to the single material asset of the Newpin SBB Trust, being the UC Loan Deed.

Payments to Investors under the Newpin SBB are derived from the performance of the UC Loan Deed. The financial terms of the Newpin SBB and the UC Loan Deed are aligned.

The UC Loan Deed and the Newpin SBB operate largely independently of the Implementation Deed. However, many of the definitions and key performance measures are consistent across the agreements, so that the financial outcomes for the Government, UnitingCare and Investors are linked. In addition, the early termination of the Implementation Deed would trigger the termination of the UC Loan Deed and in turn the termination of the Newpin SBB.

The roles of the various parties involved in these arrangements have been summarised in the following table (over).

Party	Summary of role
<b>NSW Government</b>	The Government has been the initiator of the development of the Newpin social benefit bond. It has entered into an Implementation Deed with UnitingCare under which payments are made for outcomes delivered by the Newpin program. Payments are linked to the expected long-term savings generated for the Government by Newpin.
<b>UnitingCare</b>	UnitingCare was selected by the Government as a preferred proponent to develop a social benefit bond in the area of out-of-home care. UnitingCare's Newpin program is operated by UnitingCare Burnside (a part of the UnitingCare Children, Young People and Families service group), and is expected to generate savings for the Government which will be shared with UnitingCare and Investors. See Section 5.3 for further details about the UnitingCare entities involved in these arrangements.
<b>Trustee</b>	Newpin SBB Pty Ltd, in its capacity as trustee for the Newpin SBB Trust.
<b>Newpin SBB Trust</b>	The trust which has been established to collect Investor funds via the issuance of the Newpin SBB and which will on-lend those funds to UnitingCare under materially the same terms.
<b>SVA</b>	A non-profit organisation involved in the structuring and fundraising of the Newpin SBB. SVA is the manager of the Newpin SBB Trust.
<b>Investors</b>	Investors will subscribe for the Newpin SBB, which will entitle them to share in the risks and rewards of the Trustee's sole material asset, being the loan to UnitingCare.

See Section 6 for further details about the legal structure of the Newpin SBB.

## 3. INTRODUCING SOCIAL BENEFIT BONDS

### 3.1 Overview

Social benefit bonds (**SBBs**) are an innovative approach to financing social service programs. The bonds are designed to raise private capital for intensive support and preventative programs which address areas of pressing social need.

SBBs pay a return to private investors based on the achievement of agreed social outcomes. They are often not bonds in the conventional sense: they do not offer a fixed rate of return, are not actively traded and repayment to investors is contingent upon social outcomes being achieved.

Under an SBB, an investor provides upfront funds to a partner (non-government organisation (**NGO**) or intermediary) to provide services that will, if successful, reduce future costs to government through improved social outcomes in the relevant area. Part of the savings to government is used to repay this investment and provide a reward payment to the NGO or intermediary, commensurate with the outcomes achieved. The payment from the government is in recognition of the fact that addressing areas of social need reduces the financial burden on the government.

SBBs have several benefits:

- paying only when performance targets are met ensures efficient allocation of scarce public resources;
- service providers are given latitude to determine how services are delivered in order to optimise outcomes for clients;
- they enable expansion of services that might not otherwise obtain funding; and
- private individuals and organisations with the financial capacity to invest help create better social outcomes for people in need.

SBBs have gained attention globally as a way to sustainably finance social development. Internationally, they are also known as social impact bonds (**SIBs**) or pay-for-success bonds. By focusing on intensive support and preventative care, appealing to private enterprise, and reducing risk for the public sector, SBBs are considered a leading model of social finance.

By bringing governments, non-profit organisations and "impact investors" together with vulnerable individuals and communities, SBBs align the interests of all parties to design, implement and fund programs that produce measurable, positive social outcomes.

*“Social impact bonds are opening up serious resources to tackle social problems in new and innovative ways. This is about communities, businesses and charities all working together to change people’s lives, whilst at the same time making savings for the taxpayer.”*

– Nick Hurd, the Minister for Civil Society, UK<sup>4</sup>



*“New York City is continually seeking innovative new ways to tackle the most entrenched problems. Helping young people who land in jail to stay out of trouble when they return home is one of the most difficult and important challenges we face. As the first city in the nation to launch a social impact bond, we are taking our efforts to new levels and we are eager to see the outcome of this ground breaking initiative”*

– Michael Bloomberg, the Mayor of New York City<sup>5</sup>



### 3.2 Social benefit bond case studies

#### The One\*Service SIB (HMP Peterborough) – UK

The world’s first social impact bond, One\*Service SIB, was launched by the UK firm Social Finance in September 2010. It aims to reduce re-offending by short-sentence male prisoners leaving HM Prison Peterborough over a six year period. The program funds St. Giles Trust and Ormiston Children and Families Trust to provide intensive support to prisoners and their families, both inside prison and after release, to help them resettlement into the community

The One\* Service SIB raised £5 million from 17 investors, primarily from the UK. The bond term is eight years and investors receive a return if re-offending falls by 7.5% or more. The expected return is in the range of 7.5% to 13%, capped at 13%.

Building on the successful One\*Service capital raising, a further 13 bonds have now been launched in the UK, addressing issues such as homelessness and teenagers in out-of-home care. The One\*Service SIB has generated interest and development activity in the United States, Canada, Israel, Ireland and Australia.

#### Rikers Island Social Benefit Bond - United States

In August 2012, New York City launched a pay-for-success bond to reduce recidivism among adolescent men coming out of incarceration in Rikers Island Correctional Facility. Preventative education and counselling services financed by the pilot will be overseen by a program intermediary, MDRC, and will be delivered by two non-profit organisations, Osborne Association and Friends of Island Academy. The primary service to be delivered through the bond uses behavioural therapy to reinforce the long-term cognitive and decision-making skills of program participants.

Goldman Sachs is investing in the pilot through a US\$9.6 million loan, supported by a US\$7.2 million partial guarantee from New York City Mayor Michael Bloomberg’s philanthropic Foundation. If the program does not meet its targets for reducing re-incarceration, New York City pays nothing but capital losses will be limited to 25% of the initial investment. For Goldman Sachs to break even on their original investment, the program will need to reduce recidivism by 10%. Larger reductions will result in greater savings to New York City and consequently greater payments to investors.

<sup>4</sup> The Guardian, 23 November 2012

<sup>5</sup> New York City press release, August 2, 2012

### 3.2 Global SBB momentum

Country	Current Development Status of the SBB Market <sup>6</sup>
<b>Canada</b>	In November 2012, Canada's Minister of Human Resources and Skills Development issued a consultation paper entitled "National Call for Concepts on Social Finance". It is anticipated that a review of concepts, including opportunities for SBBs, will be released shortly.
<b>Ireland</b>	With support from the Government Program for National Recovery 2011-2016, Clann Credo, a social investment organisation, assisted by Social Finance UK, is undertaking research to identify the high potential areas for application of SBBs in Ireland.
<b>Israel</b>	SBBs focused on unemployment within the ultra-Orthodox (Haredi) and Arab-Israeli communities are being developed by Social Finance Israel.
<b>United Kingdom</b>	<p>There are currently 14 SIBs on issue or in development including:</p> <ul style="list-style-type: none"> <li>• HMP Peterborough SIB (One*Service)</li> <li>• Six SIBs commissioned by the Department of Work and Pensions aimed at improving employment outcomes for young people</li> <li>• Manchester City Council SIB aimed at reducing the number of children entering into foster care</li> <li>• Essex County Council SIB aimed at reducing the number of young people aged 11-16 years entering care or custody</li> <li>• The Greater London Authority and Department of Communities SIBs to pay for interventions addressing the needs of 800 entrenched rough sleepers in London</li> <li>• Consortium of Voluntary Adoption Agencies proposal to launch a SIB to facilitate 300 extra adoptions a year.</li> </ul> <p>Government support is further evidenced through the launch of a £20 million Social Outcomes Fund and the establishment of The Centre for Social Impact Bonds.</p>
<b>United States</b>	<ul style="list-style-type: none"> <li>• In the 2012 federal budget, President Obama set aside \$100 million for pilot programs for pay-for-success bonds</li> <li>• Goldman Sachs launch of Rikers Island Correctional Facility SIB in August 2012</li> <li>• SBBs currently in development in California, Massachusetts, Minnesota, New York and Ohio.</li> </ul>

<sup>6</sup> Source: Kylie Charlton, University of Western Australia. 2013 "Understanding Social Impact Partnerships"

### Global spread of SBBs



#### 3.4 New South Wales social benefit bonds

The NSW Government is actively supporting the development of social benefit bonds in Australia. The Government believes that SBBs offer several benefits:

- A focus on outcomes rather than outputs:** Government payments typically attach to units of service rather than the outcome the Government is seeking to achieve. In contrast, SBBs provide a direct financial incentive to focus on and improve the relevant outcome.
- Additional resources towards early intervention:** Resources are normally reserved for acute and crisis services. SBBs allow an expansion of investment in early intervention and prevention which reduces later demand for (expensive) acute services.
- Innovation:** Payment for results, rather than delivery of a prescribed service, frees service providers and investors to explore different ways of achieving better results.
- Improving the evidence base:** The link between payments and results necessitates the robust measurement of outcomes. This increases locally relevant evidence and data and may benefit other social policy areas as well.

- Accountability and transparency:** The focus on clear outcomes measurement in SBBs ensures that there is clarity about what NSW Government funding is achieving, and when.

See [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au) for more information.

In February 2011 the Centre for Social Impact completed a report for the NSW Government on the potential for a SBB trial. This report examined a number of potential policy and program areas and developed selection criteria for assessing the capacity and programs of potential SBBs.

Further work by the NSW Government confirmed two priority areas of social need to be targeted by SBBs; out-of-home care for at-risk children and recidivism amongst released prisoners. In September 2011 a Request for Proposal was issued inviting proponents to make submissions to work with the NSW Government to develop pilot SBBs, particularly in relation to these target areas.

The NSW Government announced that UnitingCare was one of three preferred SBB proponents in March 2012, the two others being consortia that include Mission Australia and The Benevolent Society.



The NSW Government, UnitingCare and SVA have worked collaboratively to develop a sustainable model for delivery of a successful SBB, including:

- research on evidence-based interventions, particularly measurement of program results;
- structure and governance required in program delivery;
- economic valuation of the social outcomes including the construction of appropriate comparison groups;
- financially sound arrangements to attract potential investors; and
- the development of legally robust contracts to codify agreements.

*“By engaging private investors to work collaboratively with the public and community sectors we believe we can improve the likelihood of delivering real and sustainable solutions to some of the important social challenges facing our State. We have the potential to create better social results, while providing cost savings for taxpayers and delivering for investors.”*

– The Hon. Mike Baird MP, Treasurer and Minister for Industrial Relations  
NSW Government



*“The Newpin Social Benefit Bond demonstrates the NSW Government’s commitment to improving services and lives for vulnerable children and young people in care, through innovative partnerships with the non-government sector. Children in out-of-home care too often have poorer outcomes than their peers. UnitingCare Burnside’s Newpin program is an evidence-based intensive family support service which works to safely restore children with their families and to prevent children from entering care.”*

– The Hon. Pru Goward MP, Minister for Family and Community Services, and Minister for Women  
NSW Government



## 4. Newpin program overview

### 4.1 Social context

There are currently more than 18,000 children in out-of-home care in NSW. The separation of children from their parents creates a number of stresses for the children concerned, including loss of contact with friends and community, disrupted schooling, and the trauma of the separation process. Despite best efforts, it can be difficult for foster families to respond to what are often difficult and complex behaviours and to provide the equivalent of a stable, loving home. Many children in out-of-home care feel stigmatised and isolated and experience placement instability.

These stresses contribute to poor outcomes for children in out-of-home care across a wide range of measures including:

- Higher prevalence of mental health issues<sup>7</sup>
- High incidence of illness and disability<sup>8</sup>
- High rates of teenage pregnancy, risk-taking behaviour and self-harm<sup>9</sup>
- Poor access to dental, optical and aural health services<sup>10</sup>
- Less likely to stay in school and more likely to attend many schools<sup>11</sup>
- Very few go on to tertiary education<sup>12</sup>
- Higher rates of unemployment as adults<sup>13</sup>
- Extended periods of homelessness and housing instability upon leaving care<sup>14</sup>
- Higher rates of juvenile crime and prostitution<sup>15</sup>

The economic cost to society of providing out-of-home care has grown rapidly in recent years. In the Financial Year ended 30 June 2012, NSW Government spending on out-of-home care totalled \$700 million.

A better alternative for children, parents and communities is to direct resources towards supporting family restoration and remedying abusive and neglectful family environments and so prevent the need for children to enter out-of-home care. The Newpin program's track record of delivering these results offers a unique opportunity to create a lasting positive change for families in need.

### 4.2 Newpin background

The Newpin program has been established and operating in Australia for 15 years and is based on a successful model developed in the United Kingdom.

Newpin was developed in response to the needs of new mothers experiencing issues such as isolation, mental illness, family violence, social disadvantage, drug and alcohol misuse, low self-esteem and for those who were at risk of physically or emotionally harming their children.

The first centre opened in Australia in April 1998 in Bidwill, an outer western suburb of Sydney. UnitingCare Burnside holds the national licence to train and support other community sector organisations who wish to deliver the Newpin program and have expanded it to nine centres across Australia as well as developing an outreach program and Newpin Prison Program (called "Newpin Inside") in Tasmania. Investors will not be exposed to the performance of the Newpin centres located outside NSW.

In NSW, UnitingCare Burnside currently operates four centres:

- Doonside Mothers' Centre (25 family capacity)
- St Mary's Mothers' Centre (15 family capacity)
- Bidwill Mothers' Centre (25 family capacity)
- Bidwill Fathers' Centre (42 family capacity)

<sup>7</sup> Research by the Royal Children's Hospital Mental Health Service (Milburn, 2005)

<sup>8,9,10</sup> CREATE Health Report Card, 2006

<sup>11,12</sup> CREATE Foundation, 2006

<sup>13</sup> Cashmore and Paxman, 2007

<sup>14</sup> Australian Housing and Urban Research Institute (2010) Research and Policy Bulletin No. 131

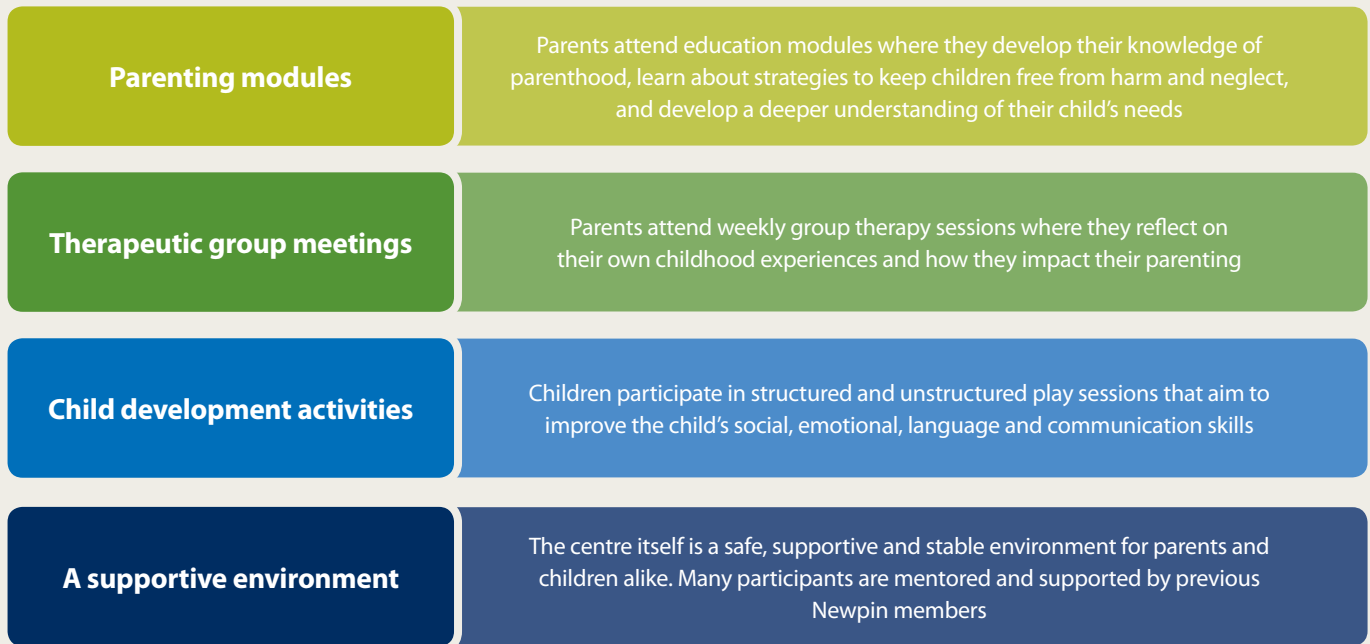
<sup>15</sup> Young People Transitioning from State Out of Home Care, Family Matters, No. 83. Australian Institute for Family Studies - Mendes, P (2009)

### 4.3 The Newpin model

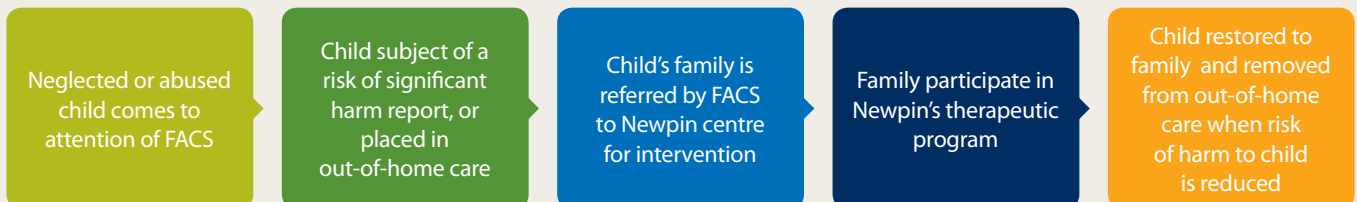
Newpin is an evidence-based, intensive, therapeutic program aimed at breaking the cycle of intergenerational child neglect and abuse. Key program outcomes are the safe restoration of children in care to their families and preventing the entry of children to the out-of-home care system. The

Newpin program is underpinned by the belief that a parent's emotional well-being and development is essential if behavioural change in family relationships and healthy attachment between parent and infant are to occur.

The Newpin program is delivered by working with parents and children less than five years of age.



### 4.4 The Newpin service delivery process



### 4.5 Eligibility for Newpin

The Newpin program works with three broad family cohorts:

- **Cohort 1:** the first cohort comprises families that have at least one child aged less than five years who has been in out-of-home care for at least three months. Approximately half of all Newpin places are allocated to "Cohort 1" families.
- **Cohort 2:** the second cohort comprises families that have at least one child aged less than five years that has been assessed as being at risk of serious harm. These children will either be the subject of a Supervision Order or a safety and risk assessment by FACS. Approximately one quarter of Newpin places are allocated to "Cohort 2" families.
- **Cohort 3:** the balance of Newpin places are allocated to families with children under five years who do not meet the definitions above but have been identified as needing support to prevent deterioration in the family environment. These families are referred to as "Cohort 3".

### 4.6 Referral process and program duration

FACS Community Services Centres refer their families to Newpin centres in their local catchment area. Other referrals come from local community agencies, health services and self-referrals. UnitingCare Burnside will coordinate with FACS to assess and approve suitable candidates for the Newpin program.

The average length of time a family participates in the Newpin program is approximately 18 months.

For children in Cohort 1, Newpin contacts FACS when they consider it safe to restore the child to their family. All family restorations are independently approved by the NSW Children's Court. Cohort 1 families generally stay on the Newpin program for a period of six months after the restoration of a child to ensure the parents are supported during the transition and to maximise sustained restoration outcomes.

For more information see [www.newpin.org.au](http://www.newpin.org.au)

### 4.7 Program management and results

In 2012, the NSW Newpin program was instrumental in the restoration of 42 children to the care of their families (35 of which were attending a Mothers' Centre). This represented a Restoration Rate of 74%<sup>16</sup>.

The focus of the Newpin program has evolved significantly over the last two years in preparation for the offer of the Newpin SBB. In particular, there has been an increase in the proportion of centre places filled by families with children already in care (and hence a focus on restoration), and tighter operational management of program efficiency measures such as the utilisation of available places. Details of some of the changes made include:

- Increasing the proportion of Cohort 1 families in Mothers' Centres from less than one third to 50%
- Increasing the number of families in each centre, with a target of 90% of capacity
- Improved case management discipline and performance reporting underpinned by implementation of a new Client Data Information System
- Improved staff supervision and training coupled with restructured roles and responsibilities (where appropriate) and development of succession plans
- Responsibility for other UnitingCare Burnside programs removed from Newpin Co-ordinators to ensure focus

Due to these substantive changes in program management and the small size of the dataset relating to prior years, restoration performance before 2012 is not viewed as being directly comparable with current and likely future performance. In aggregate over the last five years, around 270 families have participated in the Newpin program (in both Mothers' and Fathers' Centres), of which approximately 200 children were classified in Cohort 1. During that time over 120 children have been restored to their parents from out-of-home care.

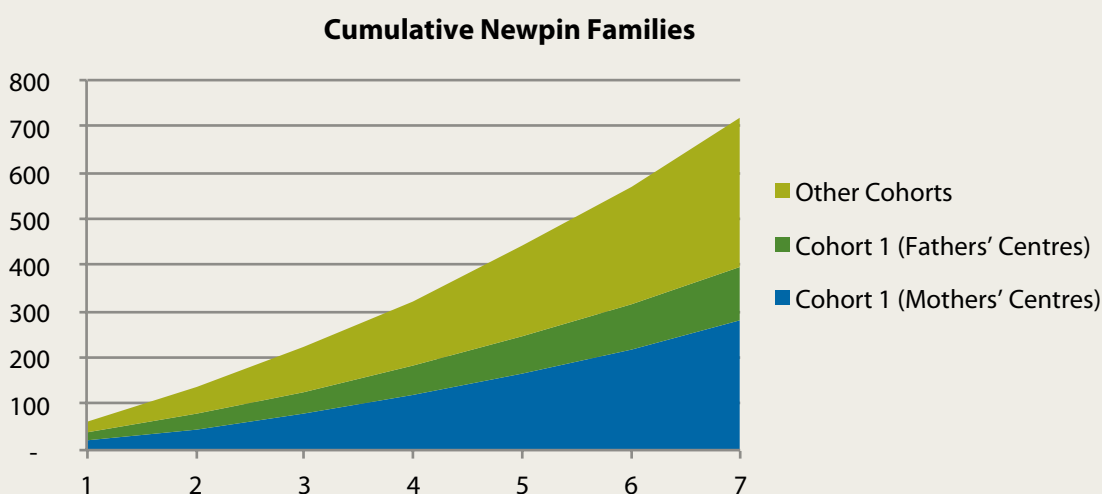
### 4.8 Program management and results

The funds raised by the Newpin SBB will facilitate a planned expansion to 10 centres. Each of the new centres will be focussed on supporting mothers and their children. Targeted new locations have been identified based on need (utilising FACS child protection data) and proximity to existing UnitingCare Burnside services and management infrastructure. All sites will be agreed with FACS.

It is expected that over the seven years of the Newpin SBB, more than 700 families will participate in the Newpin program, around 55% of whom will have at least one child under five in out-of-home

<sup>16</sup> Calculated based on the results for the Newpin Mothers Centres, consistent with the definition of Restoration Rate that will be used to determine payments under the UC Loan Deed.

Chart 1



care (Cohort 1). The cumulative number of families expected to enter the Newpin program is illustrated in Chart 1 above.

The primary measure of the future success of the program will be the proportion of children attending a Newpin Mothers' Centre<sup>17</sup> who are successfully restored to the care of their family, as verified by an Independent Certifier<sup>18</sup> (the Restoration Rate). This measure underpins a significant proportion of the savings that will accrue to the NSW Government over the term of the Implementation Deed. The Restoration Rate determines the Interest Payments

and Principal Repayment that will be payable by UnitingCare under the UC Loan Deed, and hence the Coupon Payments and repayment of Subscription Amounts made to Investors.

UnitingCare is targeting at least 65% of children from Cohort 1 families attending a Mothers' Centre to be restored to the care of their parents. This equates to more than 400 children (across both Mothers' and Fathers' Centres) over the term of the Newpin SBB.

The potential range of the Restoration Rate is described in the table below:

Restoration Rate	Description
75%	Outperformance
70%	Above target
65%	<b>SBB Target performance</b>
60%	Below target
55%	Underperformance
50%	Extreme underperformance
45%	<b>SBB termination trigger<sup>19</sup></b>
35%	"Worst case" underperformance

In 2012, the Restoration Rate was 74%

It is also expected that the program will prevent approximately 60 children entering out-of-home care over the seven year term of the Implementation Deed.

<sup>17</sup> Only children attending one of the Newpin Mothers' Centres are counted as the Fathers' Centre generally experiences a lower rate of restorations.

<sup>18</sup> The Independent Certifier will be an independent body such as a "Big Four" accounting practice or actuarial firm appointed under the Implementation Deed that is suitably qualified and experienced to undertake the certification of restoration performance.

<sup>19</sup> See section 6.2 for details of the poor performance termination trigger.





## Newpin case studies

### Introducing Shane

Shane is a softly spoken man who proudly cuddles his son Jacob, aged 22 months. Once the Newpin day is over, Shane will head to work at a bus company. He wants to share his story in the hope that it could help other fathers achieve what he has just achieved: a Final Order from the Children's Court stating that Jacob will return home to Shane's care in April 2013.

Shane grew up in Western Australia and worked in the mines in Kalgoorlie until four years ago when he moved to Western Sydney to be with Jacob's mother Jane. They had a difficult relationship characterised by family violence and Jane's struggle with alcoholism.

Jane had two sons from a previous relationship and her drinking had led to FACS being involved with the family. Jane managed to stay off alcohol while pregnant with Jacob but resumed drinking after his birth. When Jacob was only a few months old, Jane fell pregnant again. Jane and Shane's little boy Cameron was born prematurely and spent the first few weeks of his life in the hospital's neonatal care unit. Unexpectedly, Cameron died just a few months later.

Shane is still undergoing bereavement counselling and described the agony of losing his baby: "It was like time was standing still. I was watching other people go about their normal business but my world was falling apart".

On the evening of Cameron's funeral, Shane got drunk and Jane alleged that he had been violent towards her. Two days later Shane was arrested and Jacob was taken into care. Shane was accused of being a "violent alcoholic".

The charges against Shane were soon dropped as they were determined to be unfounded but now Jacob was in care and FACS did not think it was likely that he would be able to return to the care of his mother. Shane was given an ultimatum. Either he needed to step up and prove himself to be a suitable father or his son could be in care until his 18th birthday. Shane's FACS caseworker referred him to the Newpin Fathers' program in June 2012 and Shane has attended the program regularly ever since.

Shane believes the Newpin program has been critical in "teaching me how to be a better parent...giving me parenting skills - the practical things and the emotional things too". Through the Newpin program, Shane has built a good understanding of Jacob's evolving physical, emotional, educational and social needs and has developed his own self-awareness and self-esteem.

Shane puts his learning down to both the compassion and expertise of Newpin staff and the experience and support of other fathers who are at different stages of a shared journey. In Shane's words: "People respect each other because everyone is at Newpin because they love their children".

After attending the Newpin program for a couple of months, Shane began to have his contact with Jacob at the Newpin Centre rather than at the local FACS office. This gave him more time with his son and provided a nurturing and supportive environment in which he could learn new skills and develop his bond with Jacob. Impressed with Shane's progress and commitment, FACS has been increasing the amount of supervised and unsupervised contact that he has with Jacob.

When Jacob returns home to Shane it will be a day of high emotion just one year on from Cameron passing away. However, the Newpin program will provide Shane with the support he needs to cope and to complete the transition to sharing his home with his son.

This story was told by a Newpin participant to Newpin Practice Manager, Liz Sanders. All names have been changed to protect the identity of participants and their children. Stock photo used.



## Introducing Michelle

Michelle and her daughter Charlie - a bright and bubbly three year old – are about to graduate from the Newpin program and Michelle is keen to share the changes she has been able to make in the year that she has attended the Newpin program.

Michelle had a difficult childhood. Her mother was a distant figure and her father an alcoholic. Her parents were strict disciplinarians who believed that “children should be seen and not heard”. They regularly used a belt to administer physical punishment. Michelle spent much of her childhood trying to care for and protect her little sister.

Michelle’s father invited “all sorts of people” into the family home and Michelle was introduced to drugs at an early age. When she was 16 years old, Michelle met Charlie’s father Ryan and moved out of home to be with him. Ryan was only 17. He had grown up in care and had experienced multiple care placements before his fifth birthday.

Shortly after they moved in together, Michelle was pregnant. She proudly describes how she “got off drugs” and has been “clean ever since”. At the time of Charlie’s birth the couple were homeless but Ryan’s former foster carers welcomed the young family into their home for the first year of Charlie’s life. Michelle describes this as a positive period during which the carers introduced her to a different experience of family life and parenting.

Things went downhill when the couple moved into a place of their own. Looking back, Michelle recalls her horror when she realised that she had begun to “turn into” her parents. Michelle didn’t know how to provide a safe and nurturing space for Charlie and a number of child protection notifications were made to FACS. Eventually issues around neglect and poor hygiene saw Charlie removed to care. Michelle understood the decision and acknowledges “we weren’t good role models for our daughter”.

As part of the Care Plan, Michelle was ordered to participate in parenting programs. She knew she needed to become a different type of mother and said to herself: “I gave birth to this child and she deserves a lot better than I am giving her”. Michelle was attracted to the Newpin program as it offered long term involvement with significant levels of support. Michelle said that when the Newpin Family Worker came and visited her she “knew Newpin was for me”. She was able to quickly relate to the staff and felt that they were working in the best interests of “me and of Charlie... they knew what we needed”.

Soon after she started at Newpin, Michelle’s contact visits with Charlie were moved from the FACS office to the Newpin Centre. For Michelle, these contact visits were vital as she and Charlie had more time together and were given the therapeutic and practical support and play time that helped them overcome the trauma of separation and loss.

Michelle proved to be a fast learner and much to everyone’s delight she was only in the Newpin program for three months before Charlie was restored to her care. Nine months on, Michelle and Charlie continue to attend the Newpin program but are in the process of transitioning out. Michelle says: “I learn something new about my daughter and myself every day that I go to Newpin”.

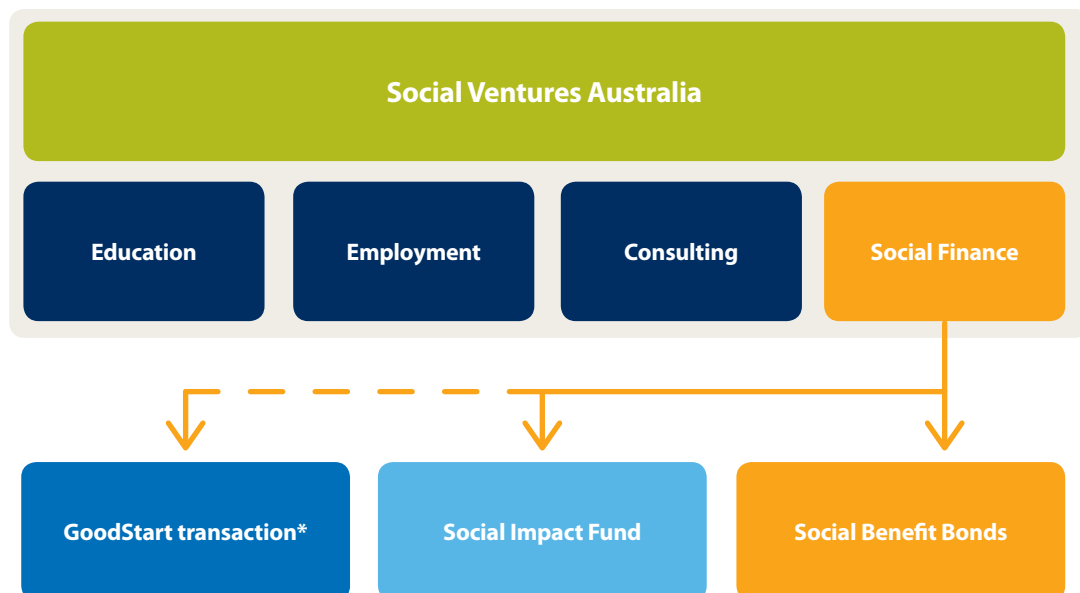
Michelle’s own childhood meant that when she became a mother she did not have any positive parenting experiences to draw on or a sense of self-worth that would enable her to nurture her baby. After 12 months in the Newpin program, a bright and capable young woman is able to reflect on a difficult childhood and speak confidently about the importance of routines, consistency and cuddles.

This story was told by a Newpin participant to Newpin Practice Manager, Liz Sanders. All names have been changed to protect the identity of participants and their children. Stock photo used.

## 5. Key parties

### 5.1 Social Ventures Australia (SVA)

SVA is the Manager of the Newpin SBB Trust. A subsidiary of SVA, Newpin SBB Pty Limited, has been established to act as trustee of the Newpin SBB Trust.



\* Refer to following page for SVA's role in the GoodStart transaction.

SVA was established by The Benevolent Society, The Smith Family, WorkVentures and the AMP Foundation in 2002 as an independent non-profit organisation.

SVA works with innovative partners to invest in social change. It helps to create better education and employment outcomes for disadvantaged Australians by bringing the best of business to the social sector, and by working with partners to strategically invest capital and expertise.

SVA has 10 years' experience supporting, investing in, and providing consulting services to some of Australia's most promising and innovative social ventures.

SVA also forms investment partnerships with high potential organisations that are fostering solutions to some of the most pressing challenges facing disadvantaged Australian communities.

Over the last decade, SVA has helped to reshape the Australian non-profit landscape by generating over \$45 million in investments within the social sector and by providing funding to more than 88 ventures and social enterprises.

SVA established a Social Impact Fund in 2012 which has over \$8.6m to invest in social enterprise across Australia.

SVA was selected as financial advisor on the development of the Newpin SBB by UnitingCare due to its experience in the development of the social finance sector in Australia, and in particular its pivotal role in orchestrating the GoodStart syndicate.

SVA will draw upon its successful track record of creating innovative financial products for investors seeking a financial and social return, and working with social service providers in its role as Manager of the Newpin SBB Trust.

For more information see [www.socialventures.com.au](http://www.socialventures.com.au)



### Case study – SVA's role in GoodStart<sup>21</sup>

GoodStart was born out of the collapse of the ABC Learning Centres. SVA's role in that transaction was two-fold. SVA:

- (a) developed and delivered the GoodStart capital structure and aligned capital providers; and
- (b) was convener, facilitator, and driver of the syndicate and the acquisition, and the key capital raiser. SVA negotiated for and on behalf of the syndicate, acted as an intermediary, sourced capital and expertise from SVA's philanthropic network and sourced advisory input.

The capital structure of the acquisition resembled that of a private equity transaction. The mix and sources of capital was pioneering for the non-profit sector in Australia. The funding package included senior debt financing from the National Australia Bank as well as \$45 million of subordinated funding (including a \$15 million medium-term loan from the Australian Government Department of Education, Employment and Workplace Relations).

Of the \$45 million of subordinated debt \$30 million represented social investment funds raised from private investors and philanthropists in the form of 12% coupon yielding subordinated notes. This demonstrated SVA's strong links to investors prepared to accept reasonable commercial returns below conventional market returns, provided there is clear evidence of social impact. The innovative financial structure and size of the transaction solidified SVA's position as a market leader.



<sup>21</sup> This case study has been included in this Information Memorandum as evidence of SVA's experience and capabilities. The GoodStart transaction is not directly related to the Newpin SBB.

## 5.2 Key SVA personnel

**Ian Learmonth** – Executive Director, Social Finance  
Ian joined SVA in 2011 to lead the Social Finance team.

Ian was an Executive Director of Macquarie Bank for 12 years and has over 20 years of investment banking experience in Sydney, Hong Kong and London. He has been involved in establishing and leading a number of businesses including asset finance, direct investment (most recently in carbon and renewable energy including wind and solar projects) as well as corporate advice in the infrastructure sector.

Ian has a Bachelor of Laws and a Bachelor of Commerce from the University of Queensland and a Diploma from the Securities Institute of Australia.

**Elyse Sainty** – Senior Advisor

Elyse first worked with SVA in 2011 to assist with a recidivism SBB proposal.

Prior to embarking upon this career change, Elyse had two decades of experience within the financial services industry, principally with MLC and National Australia Bank (NAB), where she held senior positions in strategy, distribution, and marketing. Her most recent role was General Manager Strategy & Marketing, NAB Growth Portfolio.

Elyse qualified as a Fellow of the Institute of Actuaries of Australia, and holds a Bachelor of Economics from Macquarie University and Graduate Management Qualification from the Australian Graduate School of Management.

**Michael Traill AM** – Chief Executive,  
Social Ventures Australia

Michael joined SVA as founding Chief Executive in 2002 after 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. Michael is Vice Chair of GoodStart Childcare Ltd, and a Director of the Opera Australia Capital Fund and MH Carnegie and Co. He holds a BA (Hons) from Melbourne University and an MBA from Harvard University.

**Emily Martin** – Investment Manager

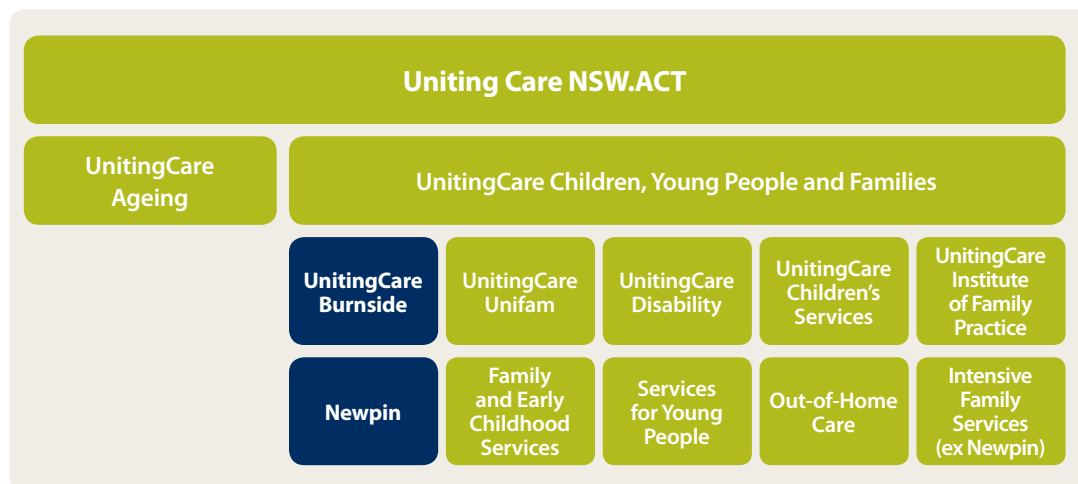
Emily brings with her experience in the social finance market gained through her work on social benefit bond proposals within the non-profit sector. Prior to her work in social finance, Emily was a Director and Portfolio Manager at Westpac Bank. She has over 10 years capital markets banking experience gained in Sydney and London. During her time in banking she has been involved in both investing and structuring of debt and equity investments, with a specific focus on structured credit products.

Emily has a Bachelor of Laws and a Bachelor of Business from the University of Technology Sydney and is a CFA Charter holder.





### 5.3 UnitingCare



The Newpin program is managed by UnitingCare Burnside, which is a leading child and family organisation in NSW and part of the UnitingCare Children, Young People and Families (UCCYPF) service group of UnitingCare NSW.ACT.

UnitingCare Burnside works directly with disadvantaged children, young people, and families through high quality early intervention, child wellbeing, child protection and out-of-home care programs. UnitingCare Burnside has a history of providing out-of-home care in NSW for more than 100 years.

UnitingCare Burnside operates more than 70 programs across 27 locations in NSW. In 2011-2012, the organisation provided individual and group work services to 14,800 children, young people and families.

UnitingCare NSW.ACT is an unincorporated body of The Uniting Church in Australia, responsible for its social responsibility and community service programs.

All of the real estate assets of UnitingCare NSW.ACT are held by The Uniting Church in Australia Property Trust (NSW) (the **Property Trust**) on trust for The Uniting Church in Australia, and it is the Property Trust that has entered into a contractual relationship with the NSW Government (the Implementation Deed) and will borrow funds from the Trustee under the UC Loan Deed. The Property Trust is a statutory corporation constituted under Section 12 of the Uniting Church in Australia Act 1977 (NSW). The Property Trust is entering into the Implementation Deed and the UC Loan Deed in its capacity as:

- trustee of the assets held on trust for The Uniting Church in Australia that are managed by and under the control of UnitingCare NSW.ACT; and
- nominee and agent for and on behalf of UnitingCare NSW.ACT.

A summary of the financial position of UnitingCare NSW.ACT as at 30 June 2012 can be found in Appendix 1.

### 5.4 Key UnitingCare personnel

The following people are members of the Executive or senior management team of UnitingCare Burnside who have been instrumental in the development of the Newpin SBB and will manage and monitor its implementation.

**Claerwen Little** – Director, UCCYPF

Claerwen has worked in the community sector for over 30 years and has been in Senior Executive roles with UCCYPF since 2002. In 1993, Claerwen established the Social Justice and Research arm for UnitingCare Burnside. Claerwen is currently a member of the Ministerial Advisory Group on Transition of Out-Of-Home Care Service Provision in NSW to the Non-Government Sector, member of the UnitingCare Australia National Committee, Chairperson of the UnitingCare Australia Children, Young People and Families Network, Deputy Chairperson of the Association of Children's Welfare Agencies (ACWA) and a member of the Australian Institute of Company Directors. Claerwen holds a Master of Policy (with Honours) in Social Policy and commenced her career working with young people at risk and in a range of residential care facilities for people with intellectual disabilities. Claerwen chairs the Steering Committee for the Newpin SBB.

**Graham Neal FCPA** – Director Business Development & Infrastructure, UCCYPF

Prior to joining UCCYPF in 2010, Graham had long term commercial experience in the UK and Australia with Phillips in the electronic sector and in the food sector including as Finance Director for George Weston Foods and CEO of the Tip Top Bread Division. For the past 15 years Graham has held Executive roles in the non-profit sector. As Chief Finance Officer for the Royal Agricultural Society he worked closely with government on financials and logistics associated with optimising the move to Sydney Olympic Park prior to the 2000 Olympics. Graham developed the financial model for the Newpin SBB proposal and has led UnitingCare Burnside's SBB negotiations with NSW Treasury.

**Linda Mondy** – Director Burnside North, UCCYPF

Linda Mondy is a social welfare innovator with over 35 years' experience in practice and leadership in Australia and the United Kingdom. Recipient of a Winston Churchill Fellowship in 1997, she has been in Senior Executive roles at UCCYPF for the past 19 years and is the Director with responsibility for the Newpin program.

Linda brought the Newpin program (developed in the United Kingdom) to UnitingCare Burnside and has led the successful adaptation of the UK model to the Australian child protection context. Linda continues to innovate and lead best practice programs in her field (Out-of-Home Care and Child Protection) creating a lasting impact in social welfare service delivery in Australia.

Linda holds a CQSW (UK) and a Masters in Social Work (by research) from the University of Newcastle and is a Foundation Fellow of the Australian Association of Social Workers' College of Social Work.

**Liz Sanders** – Practice Manager Newpin, UnitingCare Burnside

Liz has 30 years' clinical experience working with families in a variety of government and non-government settings. Liz holds a Diploma in Family Therapy and Masters in Social Work from the University of London and first worked with the

Newpin program in the UK. In 2005, Liz moved to Australia to manage UnitingCare Burnside's Newpin operations and is now responsible for the development and support of the UnitingCare Burnside programs in NSW and oversees the development and quality of practice in Newpin programs now operating interstate.

**Maryanne Jacobs** – UnitingCare Burnside Operations Manager, Western Sydney

Maryanne has worked in the welfare field for over 25 years and has held management positions overseeing clinical work for the last 16 years. Maryanne has overseen a number of significant change programs at both a team and organisational level. She has extensive experience working with FACS and is currently the Co-Chair of the Regional Implementation Group for Western Sydney looking at the transition of Out-of-Home care services from FACS to the non-government sector. Maryanne is a registered Psychologist and holds a Masters of Clinical Psychology from the University of Newcastle, a Masters of Science (Psychology of Coaching) from the University of Sydney and a Graduate Certificate in Change Management from the Australian Graduate School of Management.

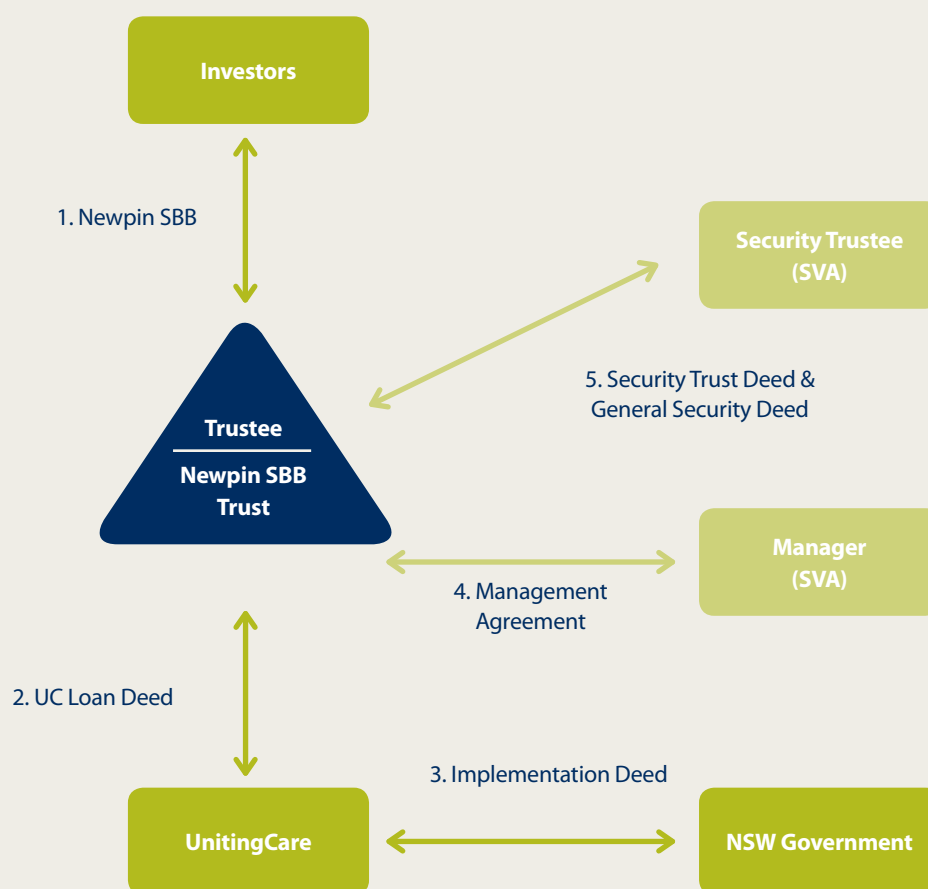
**Sally Cowling** – Manager Research and Program Development, UCCYPF

Prior to joining UCCYPF in 2007, Sally held Research Fellow positions at the Melbourne Institute of Applied Economic and Social Research, University of Melbourne and the University of Newcastle and has been employed as a senior political adviser. Sally is currently a member of the Expert Advisory Committee to the NSW Commission for Children and Young People and the Australian Social Inclusion Board Working Group on Outcomes Measurement and Reporting. Sally holds a Bachelor of Economics (Honours I with University Medal), University of Newcastle and a Master of Commerce (Economics), University of Melbourne. She has a unique skill set for researchers in the community sector as an economist specialising in social policy, program evaluation and cost-benefit analysis and has led UnitingCare's SBB negotiations with FACS.

For more information see  
[www.childrenyoungpeopleandfamilies.org.au/UnitingCare\\_Burnside](http://www.childrenyoungpeopleandfamilies.org.au/UnitingCare_Burnside)

## 6. Legal Structure

The Newpin SBB involves a number of contractual arrangements, as set out below:



NB. Terms of the UC Loan Deed and the Implementation Deed are aligned. The key terms of each of the agreements are summarised below.

### 6.1 Newpin SBB

#### Overview

The Newpin SBB is a loan agreement between the Investors and the Trustee with recourse limited to the single material asset of the Trust, namely the UC Loan Deed (see Section 6.2). The Newpin SBB will be issued pursuant to the SBB Loan Note Deed Poll.

Aggregate Subscriptions for the Newpin SBB will be a maximum of \$7,000,000.

Newpin SBB subscription monies are payable to the Trustee at least seven Business Days prior to Financial Close, and will be held on trust for Investors until Financial Close.

The Newpin SBB has an expected term of seven years and three months (i.e. from the targeted Financial Close date of 30 June 2013 to maturity on 30 September 2020).

#### Annual Coupon Payments

Newpin SBB Coupon Payments will be made to Investors following the receipt by the Trustee of the Interest Payment made under the UC Loan Deed each year.

Investors will receive a Coupon Payment representing their pro-rata share (being equal to the ratio of their Subscription Amount to Aggregate Subscriptions) of the Interest Payment received. As such, the amount received by Investors depends entirely upon the performance of the UC Loan Deed. Over the first three years, the Coupon Payments will be a minimum of 5% p.a.

Any interest earned on subscription funds held on deposit by the Trustee during the period between the receipt of subscription monies and Financial Close will similarly be refunded to Investors on a pro-rata basis.

### Principal Repayment

The repayment of Investors' Subscription Amounts at maturity depends entirely upon the Principal Repayment made under the UC Loan Deed.

Following the receipt by the Trustee on the Maturity Date of the Principal Repayment from UnitingCare, Investors will be paid their pro-rata proportion of the Principal Repayment received.



### Early Termination Payments

Termination of the Newpin SBB would occur in the event that the UC Loan Deed is terminated. Any Early Termination Payment made by UnitingCare to the Trustee under the terms of the UC Loan Deed (see Section 6.2) will be distributed to Investors in their pro-rata proportion. Any Early Termination Payment so distributed will be in full satisfaction of all obligations to Investors in respect of the Newpin SBB.

### Representations, warranties and undertakings

In the SBB Loan Note Deed Poll and the UC Loan Deed, the Trustee will make the usual representations and warranties to Investors for a special purpose vehicle of this nature<sup>22</sup>. In addition, the Trustee undertakes:

- not to hold any material assets other than rights under the UC Loan Deed and the Management Agreement;
- not to incur any liabilities other than liabilities under the Newpin SBB and the Management Agreement; and
- not to amend, terminate or exercise reserved discretions under the UC Loan Deed without the consent of the Agent<sup>23</sup>.

## 6.2 UC Loan Deed

### Overview

The UC Loan Deed is between the Trustee and UnitingCare. This agreement is for an amount equivalent to the Aggregate Subscriptions received under the offer and issue of the Newpin SBB (the **Principal**). The Principal will be used by UnitingCare to maintain and expand the Newpin program.

The date upon which funds will be drawn under the UC Loan Deed (**Financial Close**) is subject to the occurrence of the Referral Date, being the date upon which the Implementation Deed (refer to Section 6.3) comes into force. The full subscription of the Newpin SBB is a condition precedent to the Referral Date. The target Referral Date is 30 June 2013, but it could occur as late as 21 September 2013.

The Maturity Date under the UC Loan Deed is 30 September 2020.

### Conditions precedent

The Agent must be satisfied that all conditions precedent under the UC Loan Deed have been satisfied before Subscription Amounts held on trust for the Investors are advanced to UnitingCare. Conditions precedent include the occurrence of the Referral Date, and receipt of proof of the relevant UnitingCare approvals for the execution of the UC Loan Deed<sup>24</sup>.

### Limited recourse

UnitingCare's obligations under the UC Loan Deed will be limited to the assets of UnitingCare NSW, ACT including those held by The Uniting Church in Australia Property Trust (NSW) for and on behalf of The Uniting Church in Australia that are under the control and management of UnitingCare NSW, ACT. UnitingCare will warrant that it is entitled to be indemnified out of these assets.

Refer to Appendix 1 for UnitingCare NSW, ACT summary financial statements.

### Interest Payments

Interest Payments are required to be made annually and are dependent upon the Restoration Rate achieved by the Newpin program.

Please see Section 7.2 for details of how Interest Payments under the UC Loan Deed are calculated. Key features of the Interest Payments include:

- a variable Interest Rate that is determined by the Restoration Rate

<sup>22</sup> Full details of all representations, warranties and undertakings made to Investors can be obtained by contacting SVA.

<sup>23</sup> The Agent will be required to act in accordance with the instructions of the Investors representing 66.67% or more of Aggregate Subscriptions under the Newpin SBB. Any entities related to the Trustee, SVA or UnitingCare will not be entitled to vote.

<sup>24</sup> Details of all conditions precedent can be obtained by contacting SVA.

- A minimum Interest Rate of 5% p.a. for the first three payments
- A maximum Interest Rate of 15% p.a. over the full term of the UC Loan Deed and
- Payments are based on cumulative results, with adjustments to reflect prior year under or overpayments. In the event of prior year underpayments, the total interest paid in any one year could exceed 15%. In the event of prior year overpayments, the Trustee is not required to return overpayments (ie the minimum Interest Payment is nil).

#### Principal Repayment

The Principal Repayment on the Maturity Date is dependent upon the Restoration Rate achieved by the Newpin program.

Please see Section 7.3 for details of how the Principal Repayment is calculated under the UC Loan Deed. Key features of the Principal Repayment:

- 100% of Principal will be repaid on maturity if the Restoration Rate is 55% or greater; and
- A minimum of 50% of Principal will be repaid in all cases.

#### Early Termination Payments

The termination of the UC Loan Deed can be triggered in the following situations:

- (1) Termination by the Trustee on grounds of poor Restoration Rate: from 30 September 2016, the Trustee has the right to terminate the UC Loan Deed in the event that the Restoration Rate falls below 45% and no acceptable amendments to the UC Loan Deed terms can be agreed between UnitingCare and the Trustee within six weeks of the relevant Restoration Rate Calculation Date.
- (2) Termination by the Trustee on grounds of a breach of the UC Loan Deed by UnitingCare: includes breach of obligations, payment default, misrepresentation, abandonment of the Newpin program, insolvency events of UnitingCare and invalidity of any of the UC Loan Deed, Implementation Deed or the other documents relating to the Newpin SBB or the Newpin program.
- (3) Termination of the UC Loan Deed due to termination of the Implementation Deed. The UC Loan Deed is automatically terminated if the Implementation Deed is terminated. Termination of the Implementation Deed could occur for any of the following reasons;
  - a. Terminated by Government due to breach of the

Implementation Deed by UnitingCare (including insolvency, abandonment and change of control).

- b. Terminated due to a Force Majeure event (including natural disasters, industrial action, war and power shortages).
- c. Terminated by the NSW Government for convenience.
- d. Terminated by UnitingCare due to breach of the Implementation Deed by the Government.
- e. Terminated by the NSW Government, or UnitingCare and the NSW Government mutually, following the Counterfactual Review Date (see Section 6.3 for details of the Counterfactual Review Date, which will occur on the third anniversary of the Review Date).
- f. Terminated by UnitingCare alone following the Counterfactual Review Date.
- g. Terminated by UnitingCare on the grounds of poor performance: UnitingCare has a right to terminate the Implementation Deed if it has failed over a significant period to deliver an adequate financial return to UnitingCare.
- h. Termination for any other reason not expressly given above.

Please see Section 7.4 for details of how the Early Termination Payment is calculated under each of the above scenarios. Key features of the Early Termination Payment:

- Under all termination triggers excepting (1) and (3)f above, 100% of the Principal will be repaid. For those exceptions, the proportion of Principal to be repaid is determined by the Restoration Rate.
- The Termination Interest Payment will be determined by the Restoration Rate. In some circumstances interest foregone from termination to maturity is payable, and in some other circumstances a minimum Interest Rate of 12% applies.

Any Early Termination Payment by UnitingCare will be in full satisfaction of its obligations under the UC Loan Deed.

### 6.3 Implementation Deed

This deed is between the Minister for Family and Community Services for and on behalf of the Crown in right of the State of New South Wales and UnitingCare. Neither the SBB Trust nor the Investors are party to this agreement.



The purpose of the Implementation Deed is to improve social outcomes in the area of out-of-home care, thereby producing benefits for the community, the NSW Government, UnitingCare and Investors.

The Implementation Deed sets out the obligations of each party, including terms covering:

- Conditions precedent. The full subscription of the Newpin SBB is a key condition precedent
- Performance measures to be adopted, with the number of restorations achieved net of Counterfactual Restorations the key driver of performance payments
- Location, opening and closure of Newpin centres
- Family referral eligibility, numbers and processes
- Calculation of Counterfactual Restorations and a Counterfactual review process
- Payment calculations and verification by the Independent Certifier
- Breach and termination provisions, with triggers consistent with those set out in Section 6.2
- Insurance requirements
- Oversight of the program. SVA will be a standing invitee to regular oversight committee meetings
- Duration of the agreement, which takes effect on the Referral Date and ends no later than 30 June 2020<sup>25</sup>
- General provisions such as dispute resolution, warranties, indemnities, administration, and confidentiality.

It should be noted that the payments to UnitingCare under the Implementation Deed have a different basis to those made under the UC Loan Deed. In summary, UnitingCare receives agreed payments under the Implementation Deed that are largely based on the number of restorations of children from all Newpin centres after deducting Counterfactual Restorations<sup>26</sup>. The Restoration Rate influences the proportion of Government savings that are paid to UnitingCare Burnside.

#### Determination and review of the Counterfactual

The Counterfactual Rate of Restoration is fixed at 25% for three years whilst a suitable control group (the Live Matched Control Group) is constructed and studied. From the end of the three year period (the Counterfactual Review Date) the rate of restoration of the Live Matched Control Group is calculated and used as the Counterfactual Rate of Restoration.

If on the Counterfactual Review Date the rate of restoration of the Live Matched Control Group is less than 20% or greater than 30%, and is considered by either party, acting in good faith, to be commercially unacceptable then either party may terminate the Implementation Deed.

### 6.4 Management Agreement

SVA will manage the Newpin SBB Trust under a Management Agreement.

For this role SVA will be paid a Management Fee of \$50,000 p.a. plus GST, indexed at 3% p.a. This fee is intended to cover the following;

- Convening board meetings for the Newpin SBB Trust
- Annual investor reporting
- Preparing tax returns and financial accounts for the Newpin SBB Trust (including external professional fees)
- Managing Newpin SBB payments and monitoring the performance of the UC Loan Deed and
- Attending relevant meetings including the regular oversight committee meetings convened under the Implementation Deed.

UnitingCare will reimburse the Trustee for all amounts payable by it to SVA under the Management Agreement.

### 6.5 General Security Deed and Security Trust Deed

The Trustee will grant security over all of the assets and undertakings of the Newpin SBB Trust (including its rights under the UC Loan Deed) in favour of the Security Trustee for the benefit of each of the Investors, under a general security deed (the General Security Deed). The Security Trust Deed will be entered into between the Security Trustee and the Trustee and each Investor must accede to this Security Trust Deed.

### 6.6 Newpin SBB Trust Deed

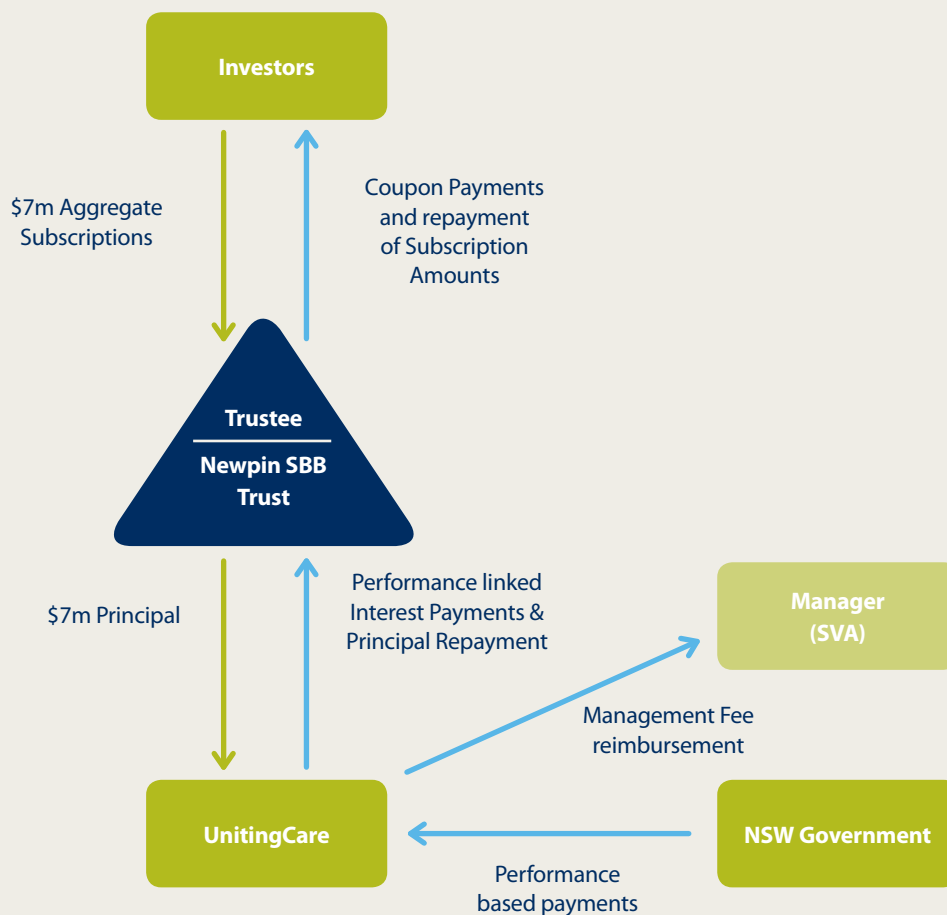
A trust deed establishing the Newpin SBB Trust will regulate the limited activities of the trust. Newpin SBB Pty Limited will be the trustee company. The residual beneficiary of the trust will be SVA.

<sup>25</sup> Whilst this is technically prior to the SBB maturity date the Implementation Deed is not required to be on foot for the final payment.

<sup>26</sup> Counterfactual Restorations are calculated as the Counterfactual Rate of Restoration multiplied by the number of children in the Newpin program who were eligible for restoration over the relevant period.

## 6.7 Cashflows

The cashflows governed by the agreements described above are as follows:



An illustration of the targeted use of funds by UnitingCare is shown in the following table.

Newpin SBB cashflow - UnitingCare	
1. UnitingCare loan (Newpin SBB)	\$7m
2. Cashflow from NSW Government under the Implementation Deed (7 yr term)	\$50m est.
<b>Inflow</b>	<b>\$57m</b>
3. Newpin program costs over 7yr term	\$41m est.
4. Expected interest and costs of SBB and UnitingCare surplus*	\$9m
5. Principal repayment of UnitingCare loan (Newpin SBB)	\$7m
<b>Outflow</b>	<b>\$57m</b>

\* Performance based.

## 7. Calculation of Principal Repayment and Interest Payments

### 7.1 Restoration Rate calculation

Interest Payments and Principal Repayment under the UC Loan Deed are based upon the performance of the Newpin program, as measured by the Restoration Rate.

The Restoration Rate is calculated annually at the end of each Financial Year (the **Restoration Rate Calculation Date**), based on the Newpin program's cumulative restoration results of Cohort 1 children over the period from the Referral Date to the Restoration Rate Calculation Date<sup>27</sup>. The Restoration Rate is verified by an Independent Certifier.

The Restoration Rate is calculated as follows:

$$\text{Restoration Rate} = A / (A + B)$$

Where:

- A is the number of children and young people whose family attended a Newpin Mothers' Centre who were Restored to the care of their parent(s) during the period
- B is the number of children and young people whose family attended a Newpin Mothers' Centre and who were Unrestored Exits during the period

For the purpose of this calculation any families attending a Newpin Mothers' Centre that have not been referred to the Newpin program by FACS, or otherwise approved by FACS, are excluded from the data. Children may also be excluded from the data due to the death, serious injury or illness or incarceration of a parent, or relocation to an area away from the Newpin Centre.

### 7.2 Interest Payment calculation

Interest Payments are:

- Paid annually in arrears on 30 September (first payment in 2014).
- Variable based on the Restoration Rate.
- Paid on a cumulative basis, with adjustment for prior year under/overpayments. Prior year overpayments are not required to be returned.
- Subject to a minimum Interest Rate of 5% over the first three Interest Payments dates.

The interest rate used to determine each Interest Payment (the Interest Rate) will be calculated as follows:

$$\text{Interest Rate} = 3\% + [0.9 \times (\text{Restoration Rate} - 55\%)]$$

subject to the following:

- if the Restoration Rate is below 55%, the Interest Rate is nil (except in the first three years);
- a minimum of 5% is applied over the first three interest payments; and
- a maximum of 15%.

For this purpose, the Restoration Rate used is that determined on the Restoration Rate Calculation Date immediately prior to the Interest Payment Date. The Interest Rate percentage is calculated to one decimal place.

Interest Payments will be calculated as follows:

$$\text{Interest Payment} = (\text{Principal} \times \text{Interest Rate} \times n / 365) - \text{Previous Payments}$$

subject to a minimum of zero<sup>28</sup>.

For this purpose, "n" is the total number of days between Financial Close and the Interest Payment Date.

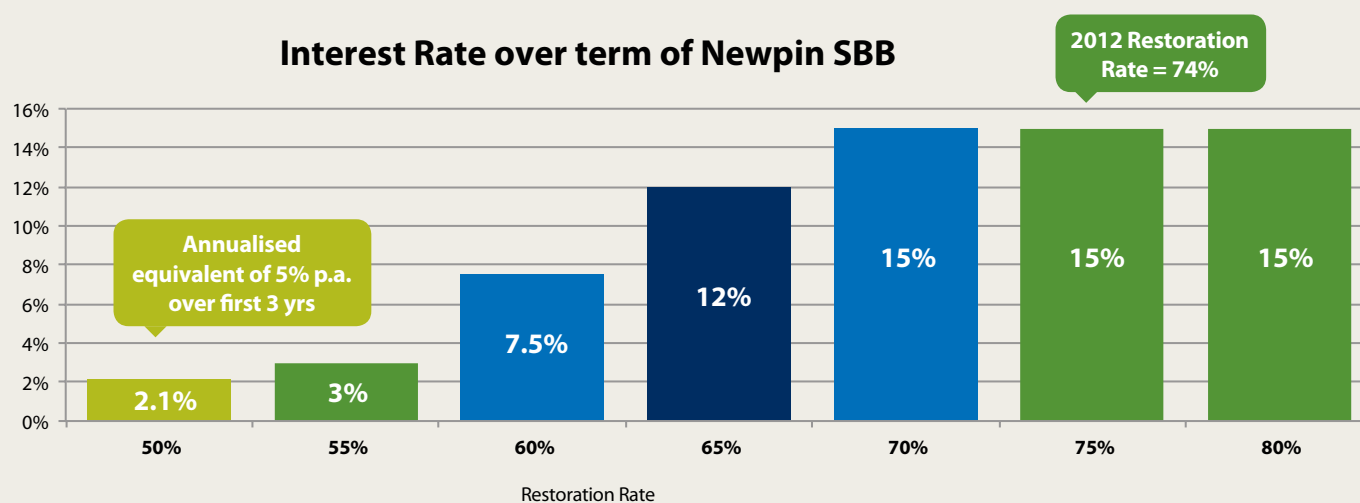
Interest Payments are made on a cumulative basis, so that under or overpayments in previous years are "caught up" as restoration results are confirmed. This means that in the event of prior year underpayments, the Interest Payment in any one year could exceed 15% of the Principal. In the event of prior year overpayments, the Trustee is not required to return overpayments (i.e. the minimum Interest Payment is nil).

The Interest Payment formulae have been determined to produce an appropriate return to Investors, and cost to UnitingCare, across a range of Restoration Rate scenarios. The Interest Rate outcome for a range of Restoration Rates is illustrated in Chart 2 (over).

<sup>27</sup> Cumulative results are used as they are more statistically stable than individual year results, and less impacted by sampling error due to small cohort sizes.

<sup>28</sup> This condition ensures that prior year overpayments are not required to be returned.

Chart 2



An illustration of how the Interest Payment calculation works in practice is set out in Table 1 below. The Principal is assumed to be \$7 million and Financial Close is assumed to occur on 30 June 2013. This example demonstrates how the Interest Payment as a percentage of Principal in a particular year will likely differ from the calculated Interest Rate, and could be greater than 15%.

**Table 1: Illustration of Interest Payment Calculations**

Illustration	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Cumulative Restorations (Mothers' Centres)</b>	24	41	80	132	187	250	330
<b>Cumulative Unrestored Exits (Mothers' Centres)</b>	21	29	47	68	101	140	178
<b>Restoration Rate</b>	53%	58%	63%	66%	65%	64%	65%
<b>Cumulative Interest Rate</b>	5.0%*	5.7%	10.2%	12.9%	12.0%	11.1%	12.0%
<b>Years elapsed (n/365)</b>	1.25	2.25	3.25	4.25	5.25	6.25	7.25
<b>Interest Payment</b>	437,500	460,250	1,422,750	1,517,250	572,250	446,250	1,233,750
<b>Cumulative Interest Payments</b>	437,500	897,750	2,320,500	3,837,750	4,410,000	4,856,250	6,090,000
<b>Interest Payment as % Principal</b>	6.3%**	6.6%	20.3%	21.7%	8.2%	6.4%	17.6%

\* Minimum Interest Rate applies

\*\* 5% paid over 15 months for first payment

Investors should note that the example in the table above is provided for illustrative purposes only and is not intended to be indicative of the future performance of the Newpin SBB. There are risks associated with achieving any of the Restoration Rates (and consequently the Interest Payments) included in the example above. Neither the Trustee nor SVA makes any representations or warranties, express or implied, that the outcomes in the illustration will be achieved.

### 7.3 Calculation of Principal Repayment on Maturity Date

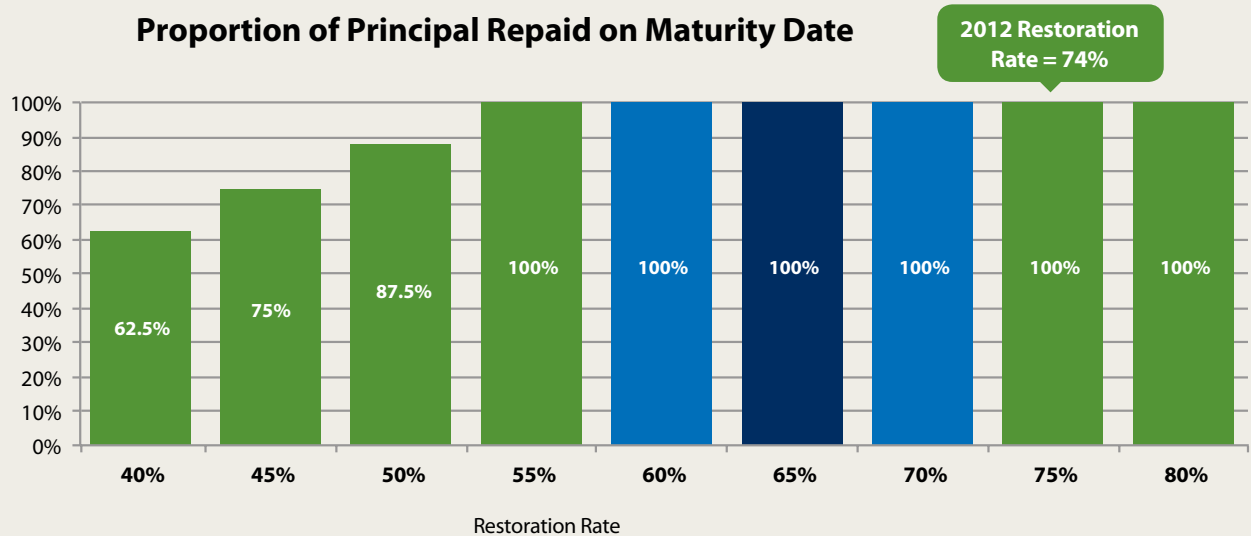
The proportion of Principal that will be repaid on the Maturity Date will be calculated as follows:

$$\text{Proportion repaid} = 50\% + [2.5 \times (\text{Restoration Rate} - 35\%)]$$

subject to a minimum of 50% and a maximum of 100%.

The proportion repaid only falls below 100% when the Restoration Rate is below 55%, as illustrated in Chart 3 below. The Restoration Rate used is that calculated as at 30 June 2020.

Chart 3



## 7.4 Calculation of Early Termination Payment

There are a number of circumstances under which the UC Loan Deed could be terminated prior to the Maturity Date, as described in Section 6.2. The Early Termination Payment in these scenarios will be a combination of a Termination Interest Payment and a

repayment of Principal. The amount payable for each of these components is dependent upon the reason for termination.

The amounts payable under the different termination scenarios are summarised in Table 2.

Note the Early Termination Scenarios are outlined in more detail in Section 6.2.

**Table 2: Early Termination Payment Summary**

Early termination scenario		Termination Interest Payment	Principal Repaid
<b>UC Loan Deed terminated</b>	Termination by Trustee on grounds of poor Restoration Rate (RR) (below 45%)	Based on RR at Termination Date (see 7.4.1)	Based on RR at Termination Date (see 7.4.2)
	Termination by Trustee due to breach of UC Loan Deed by UnitingCare	Based on RR at Termination Date, subject to a minimum Interest Rate of 12%	100%
<b>Implementation Deed terminated</b>	Terminated by Government due to breach of Implementation Deed by UnitingCare	Based on RR at Termination Date, subject to a minimum Interest Rate of 12%	100%
	Terminated due to Force Majeure	Based on RR at Termination Date, extrapolated to maturity <sup>29</sup>	100%
	Terminated by Government for convenience		
	Terminated by UnitingCare due to breach of Implementation Deed by Government		
	Terminated by Government alone, or UnitingCare and Government mutually, following Counterfactual Review Date		
	Terminated by UnitingCare alone following Counterfactual Review Date	Based on RR at Termination Date, extrapolated to maturity	Based on RR at Termination Date
	Terminated by UnitingCare on grounds of uneconomic performance	Based on RR at Termination Date	100%
	Terminated for any other reason		

<sup>29</sup> For this purpose when applying the Interest Payment formula "n" is deemed to be the number of days between Financial Close and 30 September 2020



#### 7.4.1 Termination Interest Payment

The Restoration Rate to be used for the calculation of the Termination Interest Payment is that verified by the Independent Certifier as at the end of the most recently completed Financial Year.

The same formula is used for this payment as for the annual Interest Payments, as set out in Section 7.2. If the date of termination is prior to 30 June 2014<sup>30</sup> then the Interest Rate is deemed to be 5% unless otherwise stated in Table 2.

As noted in Table 2, the application of the interest formula is subject to a minimum Interest Rate of 12% under some termination circumstances, and extrapolated to maturity (ie by deeming “n” to be the number of days between Financial Close and 30 September 2020) under some other termination circumstances.

#### 7.4.2 Principal repaid upon early termination

While in most termination scenarios the full amount of Principal is repaid, in some the proportion repaid is dependent upon the Restoration Rate. In these cases:

- The Restoration Rate to be used is that verified by the Independent Certifier as at the end of the most recently completed Financial Year
- If termination occurs after the fourth Interest Payment Date<sup>31</sup>, the same formula is used to determine the proportion of Principal repaid on termination as is used for the maturity payment, as set out in Section 7.3
- If termination occurs prior to the fourth Interest Payment Date, the formula used to determine the proportion of Principal repaid on termination is as follows:

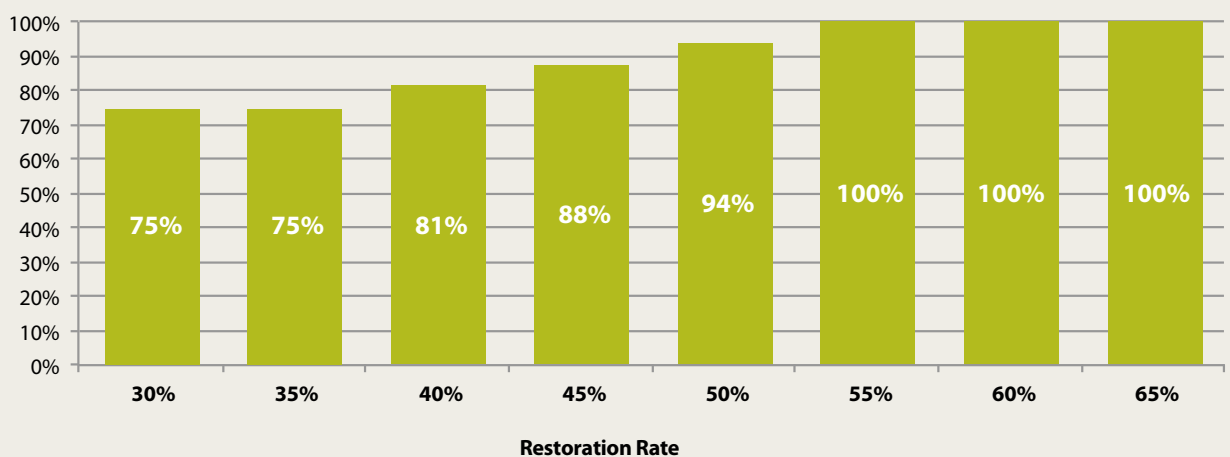
$$\text{Proportion repaid} = 75\% + [1.25 \times (\text{Restoration Rate} - 35\%)]$$

subject to a minimum of 75% and a maximum of 100%.

If the Implementation Deed is terminated by UnitingCare in the fourth year following the Counterfactual Review date, 75% capital protection applies. The amount of Principal to be repaid in this scenario is illustrated in Chart 4 (below).

**Chart 4**

#### Proportion of Principal repaid on termination by UnitingCare following counterfactual review date



<sup>30</sup> No Restoration Rate will have been calculated prior to this date, so no outcome-linked Interest Rate can be determined.

<sup>31</sup> Interest is paid under the UC Loan Deed and the SBB Loan Note Deed Poll three months after the end of the prior relevant financial year.

## 8. Risks of investing in the Newpin SBB

All investments involve some degree of risk. An investment in the Newpin SBB will involve a number of risks that may impact on the income generated by, and value of, the investment. The risks that the Trustee believes are material and could affect the performance of the Newpin SBB are set out below. Please note that this may not be an exhaustive list. There may be other risks involved in investing in the Newpin SBB and certain risks may be due to your individual circumstances.

The Newpin SBB is not suitable for investors who require regular, steady income from their investment or investors who need ready access to their capital.

### 8.1 Key Risks

#### **UnitingCare performance risk (Restoration Rate)**

The calculation of all Interest Payments and the Principal to be repaid under the UC Loan Deed (and in turn the Newpin SBB) are determined by the Restoration Rate that UnitingCare Burnside is able to achieve across the current and proposed new Newpin Mothers' Centres. Neither the Trustee, UnitingCare, nor any other person guarantees that the target Restoration Rate will be achieved. Prospective investors are advised to review the description of the Newpin program's efficacy and goals in this document to determine their own view on the future performance of the Newpin program.

After Year Three if the Restoration Rate falls below 45% the Trustee and UnitingCare may agree revised terms under the UC Loan Deed. If amended terms cannot be agreed the Trustee has the right to terminate the UC Loan Deed and an Early Termination Payment would be payable according to the provisions set out in Section 7.4. Any such amendment of terms or termination would be subject to the approval of the Agent.

#### **UnitingCare credit risk**

The Newpin SBB is secured over the only material asset of the Newpin SBB Trust, namely the UC Loan Deed. The Newpin SBB is limited in recourse to the UC Loan Deed and therefore entirely dependent upon its performance to receive Principal and Interest Payments. There are no guarantees regarding such payments provided by the Trustee or any other third parties.

All Interest Payment and Principal Repayment obligations under the UC Loan Deed (both at maturity and in the case of early termination) are unsecured obligations of the borrower who is legally the Uniting Church in Australia Property Trust (NSW) in its capacity as the trustee of the assets held on trust for The Uniting Church in Australia that are managed by and under the control of UnitingCare NSW.ACT (ABN 78 722 539 923), and in its capacity as

nominee and agent for and on behalf of UnitingCare NSW.ACT. The assets that support the obligations of the borrower and therefore the credit risk of the obligations are those beneficially owned and controlled by UnitingCare NSW.ACT. This entity had a net asset value of \$617.4m as at 30 June 2012.

There is a risk that the borrower under the UC Loan Deed defaults on its obligations due to insolvency or financial distress, resulting in an adverse effect on the value of the Newpin SBB.

For a summary of the audited financial statements of UnitingCare NSW.ACT see Appendix 1.

#### **Trustee credit risk**

A subsidiary of SVA, Newpin SBB Pty Limited will act as Trustee for the Newpin SBB Trust. This trustee company will be the owner of all trust property free of other interests or encumbrances and is considered "bankruptcy remote". The Investors will have security over the assets of the Newpin SBB Trust in order that they have preference as creditors should the trust become insolvent. The Trustee has no business or activities other than those required to perform its obligations under the UC Loan Deed, the Newpin SBB and Management Agreement and to maintain its corporate existence. The Trustee has no material assets.

#### **Early termination of the Implementation Deed arising from Counterfactual risk**

Payments from the Government to UnitingCare under the Implementation Deed are based on calculated savings flowing from Newpin restorations net of Counterfactual Restorations, i.e. those that would have been expected in the absence of the Newpin program. During the first three years that the Implementation Deed is in force, the Counterfactual Rate of Restoration has been fixed at 25%; thereafter it will reflect the outcomes of a Live Matched Control Group. This arrangement is not the same as the calculation mechanism under the UC Loan Deed and Investors are not directly exposed to the risk that the Counterfactual Rate of Restoration is higher than expected after year three. Payments to Investors are solely linked to the Newpin Restoration Rate.

There is a risk that if the Counterfactual Rate of Restoration at the Counterfactual Review Date is significantly different than expected, then the Government and/or UnitingCare may elect to terminate the Implementation Deed, and hence the Newpin SBB. Early Termination Payment calculations are set out in Section 7.4 however in all cases Investors would receive at least 75% of their Subscription Amount in the event of termination following the Counterfactual Review Date.

### Early termination arising from other causes

Section 6.2 sets out the scenarios under which the UC Loan Deed, and hence the Newpin SBB, may be terminated. These termination scenarios include breach of either the Newpin SBB or the Implementation Deed by UnitingCare; breach of the Implementation Deed by the Government; termination by the Government for convenience; and force majeure events under the Implementation Deed. Details of how the Early Termination Payment is calculated in these circumstances are set out in Section 7.4.

### Cohort size risk

The size of the cohort of families participating in the Newpin program influences the number of restorations achieved by the program but not the Restoration Rate. The Restoration Rate is however impacted by the potential for statistical error associated with small sample sizes. The smaller the intervention group the larger the potential error band. Investors are shielded from cohort size risks, including variability in the number of Newpin centres operating, the average time a family spends in the Newpin program, and the proportion of centre places occupied by Cohort 1 families. In addition, the use of a cumulative Restoration Rate will reduce the statistical error associated with small sample sizes over time.

### Change of Government Policy

Investors are shielded from the risk of adverse Government policy changes or changing economic conditions affecting the cost to Government of out-of-home care. The NSW Government can however decide to terminate the Implementation Deed for convenience as it may see the program as no longer consistent with their policy strategy or that it lacks sufficient economic justification. In such a scenario Investors would be paid out in full and receive a performance based Termination Interest Payment including interest foregone from termination to the Maturity Date.

For an analysis of all termination scenarios refer to Section 7.4.

### Reliability of data provided and calculation of Restoration Rate

Restoration data will be sourced from the FACS client management system and provided to both UnitingCare and SVA as manager of the Newpin SBB Trust. The data on Unrestored Exits from the Newpin program will be provided by UnitingCare to both the Government and SVA. All data and Restoration Rate calculations will be reviewed by an Independent Certifier (such as a recognised accounting practice or an actuarial firm) appointed to ensure it is precisely calculated and therefore reliable.

### Tax Risk

The tax treatment and tax risk of an investment in the Newpin SBB is discussed in "Taxation issues" in Section 9.5. Tax laws are subject to continuous change, which can operate retroactively and may or may not have an adverse impact on Investors. We recommend that Investors seek independent tax advice on the tax treatment of their investment.

### Liquidity Risks

An investment in the Newpin SBB will be illiquid and there is no established secondary market in which to sell SBBs. Investors will be reliant on Principal repayments upon maturity (or in any early termination scenario) to recover their investment.

### Dependence on Key Personnel

The performance of the Newpin SBB is reliant on a number of key personnel employed by UnitingCare and its ability to attract and retain quality staff. The loss of staff members could potentially have an adverse impact on the SBB's performance. UnitingCare will attempt to manage this risk by involving a number of senior and experienced people in the management of the Newpin program.

### Regulatory Risks

There is a risk that the value or tax treatment of an investment in the Newpin SBB may be adversely affected by changes in government policies, regulations and laws, or changes in generally accepted accounting policies or valuation methods. The regulatory environment for trusts is evolving and subject to change, which may adversely affect the value of the Newpin SBB.

## 9. Investing in the Newpin SBB

### 9.1 Investor eligibility

An offer to invest in the Newpin SBB is made only to wholesale clients (as defined in section 761G of the Corporations Act).

### 9.2 Subscriptions and applications

The minimum Subscription Amount is \$50,000. An application must be made on an original Application Form attached to this Information Memorandum. New applications must also provide supporting identification documents as part of the requirements of Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) identification/verification. Applications for the Newpin SBB should be accompanied by subscription monies in cleared funds. Payment options for subscription monies are set out below.

The Trustee will not accept applications received by facsimile without prior agreement. The Trustee may in its discretion accept or reject an application. You will be informed of the success of your application. Any excess subscription monies will be returned to you with interest.

### 9.3 Payment options

There are two options for payment;

#### 1. Cheque payments

Cheques should be crossed "Not negotiable" and made payable to:

Newpin SBB Pty Ltd

and mailed to:

Ian Learmonth  
Social Ventures Australia  
Level 6, 6 O'Connell Street  
Sydney NSW 2000

#### 2. Direct Deposit

Deposit subscription money directly into the following account:

**Bank:** Commonwealth Bank  
**Name:** NEWPIN SBB PTY LIMITED ATF NEWPIN SBB TRUST  
**BSB:** 062 000  
**SWIFT:** CTBAU2S  
**Account number:** 1495 5621

Where funds are electronically transferred or deposited directly to the bank account, details of the deposit should accompany the Application Form. The Trustee will accept notice of electronic transfer of funds as if deposited and cleared.

Physical cash will not be accepted at any time.

### 9.4 Anti-Money laundering and counter terrorism financing

Prospective Investors must provide certain information as required by the Trustee as part of the Newpin SBB's client identification documents under AML/CTF law. A prospective Investor's interest cannot be registered without having provided this information.

The Trustee and SVA may provide to the Australian Taxation Office, or any other government department or agency, information regarding prospective Investors, investments, income, or any other information requested by those organisations.

### 9.5 Taxation Issues

The following is a general tax summary of the key Australian income tax, stamp duty, and goods and services tax (GST) implications of investing in the Newpin SBB for individuals who are Australian resident taxpayers. These individuals are assumed to hold their notes issued by the Trustee on capital account and to be dealing at arm's length.

The information in this summary is general in nature. This information does not constitute legal or tax advice and does not seek to address all of the tax issues that may be relevant to a prospective Investor. Taxation issues are complex and taxation laws, their interpretation and associated administrative practices may change over the term of an investment.

All references in this tax summary to legislative provisions are to provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 (together, the "Tax Act"), unless otherwise stated.

The tax treatment will vary according to individual circumstances and prospective Investors are advised to seek their own independent tax advice in respect of their proposed investment in the Trust. All tax liabilities are, and will remain, the responsibility of each Investor. The Trustee is not responsible for any taxation or penalties incurred by Investors in any circumstance.

The taxation summary is based on the Australian taxation laws in force and the administrative practices of the Australian Taxation Office (the ATO) generally accepted as at the date of this Information Memorandum. Any of these may change in the future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated and may have retroactive effect.

### **Tax treatment of the Newpin SBB Coupon Payments**

The Coupon Payments would be considered assessable income in the hands of Investors. Investors (and each other Investor) will be required to include their Coupon Payments in their own assessable income in the financial year to which the distribution relates.

### **Tax file number**

If an Investor does not provide a tax file number or claim a valid exemption (or in certain circumstances provide an Australian Business Number), the Trustee will be required to deduct tax from the Investor's distributions at the highest marginal tax rate plus Medicare levy (currently 46.5%). Any tax file number an Investor provides will be reported to the ATO by the Trustee in connection with their investment.

### **Stamp duty**

On the basis that the assets of the Newpin SBB Trust will not comprise land or an interest in land (such as a lease), the Investor should not have to pay stamp duty in any State or Territory other than New South Wales upon the transfer, issue or repayment of the Newpin SBB.

On the basis that the register on which the Newpin SBB is located in Victoria and the central management and control of the Newpin SBB is in either NSW or VIC, a transfer or an agreement to transfer an Investor's Newpin SBB should not give rise to a liability for stamp duty.

### **GST**

GST will not apply to the issue or redemption of the Newpin SBB. GST may apply to the fees charged to the Newpin SBB Trust and some other expenses of the Newpin SBB Trust. GST may also apply to fees and commissions charged to Investors by their financial adviser. Investors should obtain independent advice as to whether any input tax credits are available for any such GST, as it will depend on personal circumstances.

## **9.6 Other information**

### **Fees and Other Costs**

This document details fees and other costs of the Newpin SBB Trust. Such fees and expenses will not affect the Coupon Payments and repayment of principal to Investors.

### **Management Fee**

This is a fee paid to SVA by the Trustee for its services as Manager in overseeing the UC Loan Deed and for managing the Trust and providing on-going reporting to Investors. The Management Fee is reimbursed by UnitingCare under the UC Loan Deed and does not affect returns to Investors.

### **Liability of Newpin SBB Pty Limited as the Trustee**

Subject to the Corporations Act, except in the case of its own fraud, gross negligence, or wilful default, the Trustee is not liable to any greater extent to which it is entitled to be and is in fact indemnified out of the Newpin SBB Trust.

### **Dealing with complaints**

The Newpin SBB Trust has procedures in place for dealing with complaints. The Complaints Officer for the Newpin SBB Trust will seek to acknowledge receipt of any complaint in writing as soon as reasonably practicable and in any event within 30 days from receipt, and address the complaint within 60 days. Investors with enquiries should contact the Complaints Officer. Notification of any complaint should be made in writing addressed to:

Attn: Complaints Officer  
Social Ventures Australia Limited  
Level 6, 6 O'Connell Street  
Sydney NSW 2000



### AML/CTF Acknowledgement

By applying to invest in the Newpin SBB an Investor warrants that:

- The Investor complies and will continue to comply with applicable anti-money laundering (AML) and counter-terrorism financing (CTF) laws and regulations, including but not limited to the law and regulations of Australia in force from time to time (AML/CTF law).
- The Investor is not aware and has no reason to suspect that:
  - The monies used to fund the investment in the Newpin SBB Trust have been or will be derived from or related to any money laundering, terrorism financing or similar activities illegal under applicable laws or regulations or otherwise prohibited under any international convention or agreement ("illegal activity"); or
  - The proceeds of an investment in the Newpin SBB Trust will be used to finance any illegal activities.
- The Investor will provide the Trustee with all additional information and assistance that the Trustee may request in order for them to comply with any AML/CTF Law. The Investor is not a "politically exposed" person or organisation for the purposes of any AML/CTF Law.
- The Investor acknowledges that the Trustee may, in its sole and absolute discretion but otherwise in accordance with the law, vary the terms of this Information Memorandum or alter the arrangements in respect of any Trust, where the Trustee is required to do so due to changes in AML/CTF Law.

By applying to invest in the Newpin SBB, the Investor also acknowledges that the Trustee may decide to delay or refuse any request or transaction, including by suspending the issue or withdrawal of notes, if the Trustee is concerned that the request or transaction may breach any obligation of, or cause the Trustee to commit or participate in an offence under any AML/CTF Law. The Trustee will incur no liability to the Investor if required to do so. The Investor further acknowledges that the Trustee is under no obligation to inform the Investor of its intention to do any of the above, or the fact that it has done any of the above, nor is the Trustee obliged to provide the Investor with its reasons for any such actions.

# Glossary

**AML/CTF Law** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) as amended from time to time.

**Application Form** means an application form attached to this Information Memorandum.

**Business Day** means any day excluding a Saturday or Sunday on which banks are open for business in Sydney, Australia.

**Cohort 1** means families with one or more child less than five years of age, who have been in out-of-home care for at least three months.

**Counterfactual** means the alternative scenario under which no Newpin program services are provided by UnitingCare.

**Counterfactual Rate of Restoration** means the proportion of children who are returned to the care of their families from out-of-home care under the Counterfactual scenario. During the first three years after the Referral Date, the Counterfactual Rate of Restoration is fixed at 25%; thereafter it shall reflect the experience of the Live Matched Control Group.

**Counterfactual Restorations** means the Counterfactual Rate of Restoration multiplied by the number of children in the Newpin program who were eligible for restoration over the relevant period.

**Counterfactual Review Date** means the third anniversary of the Referral Date.

**Coupon Payment** means the annual coupon payments to be made by the Trustee to Investors under the Newpin SBB.

**Early Termination Payment** - On any Termination Date, UnitingCare will be required to repay an Early Termination Payment to the Newpin SBB Trust. This payment will comprise a Termination Interest Payment and the repayment of a proportion of Principal, calculated in accordance with Section 7.4. Any Early Termination Payment will be immediately passed on to Investors.

**FACS** means the New South Wales Department of Family and Community Services.

**Fathers' Centre** means a Newpin centre that is focussed on working with the fathers of children in out-of-home care or at risk of entering out-of-home care.

**Financial Close** means the date upon which funds are drawn down by UnitingCare under the terms of the UC Loan Deed. Financial Close is targeted to take place on 1 July 2013, but subject to the occurrence of the Referral Date. UnitingCare will be entitled to request a single funding portion on Financial Close in an amount equal to the Aggregate Subscriptions.

**Financial Year** means the 12 month period ending on 30 June of any year.

**Government** means the New South Wales Government.

**GST** means Goods and Services Tax.

**Independent Certifier** means an independent body appointed under the Implementation Deed that is suitably qualified and experienced to undertake the certification of restoration performance.

**Information Memorandum** means this Information Memorandum dated 22 April 2013 as amended or replaced from time to time.

**Interest Payment** means the amount payable by UnitingCare to the Trustee on each of the Interest Payment Dates under the UC Loan Deed, calculated in accordance with Section 7.2.

**Interest Payment Dates** - UnitingCare is required to pay Interest Payments in accordance with the following payment schedule:

Interest Payment 1 - 30 September 2014

Interest Payment 2 - 30 September 2015

Interest Payment 3 - 30 September 2016

Interest Payment 4 - 30 September 2017

Interest Payment 5 - 30 September 2018

Interest Payment 6 - 30 September 2019

Interest Payment 7 - 30 September 2020

**Interest Rate** means the rate of interest used to calculate Interest Payments, determined with reference to the Restoration Rate in accordance with Section 7.2.

**Live Matched Control Group** means a group of Cohort 1 families with similar characteristics to families being referred to the Newpin program, but who do not receive support from Newpin, as identified by FACS and UnitingCare under the terms of the Implementation Deed.

**Management Agreement** means the management agreement for the provision of administration and management services between the Newpin SBB Trust and SVA.

**Manager** means Social Ventures Australia (SVA)

**Maturity Date** means 30 September 2020.

**Minimum Subscription Amount** is \$50,000.

**Mothers' Centre** means a Newpin centre that is focussed on working with the mothers of children in out-of-home care or at risk of entering out-of-home care.

**Principal** means the amount lent to UnitingCare under the UC Loan Deed, and is equal to the Aggregate Subscriptions for the Newpin SBB.

**Principal Repayment** means the amount to be repaid by UnitingCare to the Trustee on the Maturity Date under the UC Loan Deed as described in Section 7.3.

**Referral Date** means the date upon which the Implementation Deed comes into force.

**Restoration** means the return of the child or young person from out-of-home care to their parent/s.

**Restoration Rate Calculation Date** means 30 June each year.

**Subscription Amount** means the funds an Investor invests into the Newpin SBB.

**SVA** means Social Ventures Australia Limited (ABN 94 100 487 572).

**Termination Date** means any date on which the UC Loan Deed is terminated prior to the Maturity Date.

**Termination Interest Payment** means the interest payable, if any, on the Termination Date, as calculated in accordance with Section 7.4

**Unrestored Exit** means a child or young person in out-of-home care whose parent had attended a Newpin Centre, but who ceased to attend the Newpin Centre prior to the restoration of the child or young person.

## Appendix 1: UnitingCare NSW.ACT summary financial statements<sup>30</sup>



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000  
Fax: +61 (2) 9322 7001  
www.deloitte.com.au

### Independent Auditor's Report to the Board of UnitingCare NSW.ACT

We have audited the accompanying financial report of UnitingCare NSW.ACT, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and UnitingCare NSW.ACT Board's declaration as set out on pages 3 to 44.

#### *UnitingCare NSW.ACT Board's Responsibility for the Financial Report*

The Board of UnitingCare NSW.ACT is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and for such internal control as UnitingCare NSW.ACT Board determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the UnitingCare NSW.ACT Board, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation.

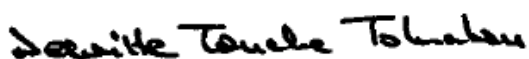
Member of Deloitte Touche Tohmatsu Limited

<sup>30</sup> Full statutory accounts available upon request.

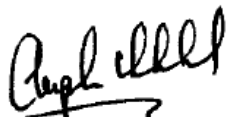
## Deloitte

### Opinion

In our opinion, the financial report of UnitingCare NSW.ACT presents fairly, in all material respects, the entity's financial position as at 30 June 2012 and its financial performance for the year then ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.



DELOITTE TOUCHE TOHMATSU



Stephen Holdstock  
Partner  
Chartered Accountants  
Sydney, 26 October 2012

### Uniting Care NSW.ACT Summary Statement of Comprehensive Income for year ended 30 June 2012 (\$m)

	Year ended 30 June 2012	Year ended 30 June 2011
Revenue	586.6	539.6
Expenses	567.2	509.8
Surplus prior to taxation	19.4	29.8
Taxation	0	0
Net Loss/Gain on revaluation of assets	(3.7)	-
Total Comprehensive Income for the year	15.8	30.6

### Uniting Care NSW.ACT Summary Statement of Financial Position as at 30 June 2012 (\$m)

	Year ended 30 June 2012	Year ended 30 June 2011
Current Assets	533.9	488.4
Non-Current Assets	836.2	813.4
Total Assets	1,372	1,309
Current Liabilities	747.5	701.8
Non-Current Liabilities	7.1	5.5
Total Liabilities	754.6	707.3
Accumulated Funds	0	1.3
Reserves	617.5	600.4
Net Assets	617.5	601.7

# APPLICATION FORM NEWPIN SOCIAL BENEFIT BOND

This is an application form for issue by Newpin SBB Pty Limited (ACN 163 343 539) in its capacity as trustee for the Newpin SBB Trust (**Trustee**) of Newpin Social Benefit Bond (**Newpin SBB**) described in, and subject to the terms and conditions set out in the SBB Loan Note Deed Poll. This Application Form accompanies the Information Memorandum dated 24 April 2013. The applicant described in this Application Form hereby applies to subscribe for the dollar amount of the Newpin SBB set out in this form on and subject to the terms and conditions set out in the SBB Loan Note Deed Poll and agrees to be bound by the terms and conditions set out in the SBB Loan Note Deed Poll.

It is important that you read the Information Memorandum in full and the acknowledgements contained in this Application Form before applying to participate in the Fund. The Trustee will provide you with a paper copy of the Information Memorandum including any supplemental Information Memorandum and the Application Form, on request without charge.

This Application Form may only be distributed to persons who qualify as “wholesale clients” as defined in section 761G of the *Corporation Act 2001*(Cth).

Applicants can only participate in the Newpin SBB on receipt of:

- this Application Form,
- verification of the applicant’s identity, and
- payment of the application monies in full.

This Application Form must be lodged with the Trustee at Level 6, 6 O’Connell St, Sydney NSW 2000 or at such other place as the Trustee may agree.

This Application Form and application monies must be received by the Trustee by 3:00 pm on 20 June 2013 or such later date as the Trustee advises.

**Note:** Capitalised terms used in this Application Form and not defined herein, shall have the meaning given in the Information Memorandum.

This application and any agreement made on acceptance of this application is governed by and construed in accordance with the laws of Victoria.

Please complete all the sections indicated.

**Individual, joint or sole trader –**  
must complete section A1, B, C, D, E and F

**Partnership –**  
must complete A1, A4, B, C, D, E and F

**Australian Company –**  
must complete A1 (Directors), A2, B, C, D, E and F

**Trust with Individuals as Trustee –**  
must complete A1 (Trustees), A3, B, C, D, E and F

**Trust / Super Fund with Corporate Trustee –**  
must complete A1 (Directors), A2 (Company), A3, B, C, D, E and F

**Other:** Please contact SVA.



## Newpin Social Benefit Bond

### Section A1 – Individuals / Sole Trader

(including individuals acting as trustee and corporate directors and partners)

#### Applicant 1 (Your name *MUST* match your ID exactly.)

All individuals must provide certified copies of photo identification, such as passports, driver's licenses or similar government issued photo ID.

Title:  Given Names (in full):  Surname:

Date of Birth (dd/mm/yyyy):    Country of Citizenship:

Are you an Australian resident for tax purposes? ☐ Yes ☐ No

If no, please specify your country of tax residence:

Australian Tax File Number (TFN):  OR

Exempt from quoting a TFN (Exemption details):

Residential Address:

City/Suburb/Town:  State:  Postcode:  Country:

Email Address:

Telephone (home): Area code:  Number:

Telephone (business hours): Area code:  Number:

Mobile:

Fax: Area code:  Number:

#### Applicant 2 (Your name *MUST* match your ID exactly.)

All individuals must provide certified copies of photo identification, such as passports, driver's licenses or similar government issued photo ID.

Title:  Given Names (in full):  Surname:

Date of Birth (dd/mm/yyyy):    Country of Citizenship:

Are you an Australian resident for tax purposes? ☐ Yes ☐ No

If no, please specify your country of tax residence:

Australian Tax File Number (TFN):  OR

Exempt from quoting a TFN (Exemption details):

Residential Address:

City/Suburb/Town:  State:  Postcode:  Country:

Email Address:

Telephone (home): Area code:  Number:

Telephone (business hours): Area code:  Number:

Mobile:

Fax: Area code:  Number:

## COMPLETE THIS PART IF INDIVIDUAL IS A SOLE TRADER

Full Business Name (if any):  ABN: Principal Place of Business (if any):   
(PO Box is NOT acceptable)City/Suburb/Town:  State:  Postcode:  Country: Email Address: Telephone (home): Area code:  Number: Telephone (business hours): Area code:  Number: Mobile: Fax: Area code:  Number: 

## Section A2 – Australian Corporations &amp; Corporate Trustees

Must provide a certified copy of an ASIC search on the company name or certificate of registration.

Full name of the company as registered by ASIC:  ABN: Registered Office Address (PO Box is NOT acceptable): City/Suburb/Town:  State:  Postcode:  Country: Principal Place of Business (if any):   
(PO Box is NOT acceptable)City/Suburb/Town:  State:  Postcode:  Country: Main Contact: Email Address: Telephone (home): Area code:  Number: Fax: Area code:  Number: Company Type: 

Name of Directors (in full): Note: Each director must also complete A1


Is the company an Australian resident for tax purposes? ☐ Yes ☐ NoIf no, please specify your country of tax residence: Australian Tax File Number (TFN):  ORExempt from quoting a TFN (Exemption details):

### Section A3 – Trusts or Super Fund

Must provide certified copy of the first few pages of the trust deed or ATO website extract or ATO communication.

Name of trust or fund:

Country of establishment:

Date of establishment:

ABN:

Business name of the Trustee (if any):

**NOTE:** Individual trustees must complete A1; corporate trustees must complete A2.

Type of trust:

- ☐ Regulated trust (SMSF)
- ☐ Registered managed investment scheme
- ☐ Unregistered managed investment scheme with only wholesale clients which does not make small-scale offerings under section 1012E of the Corporations Act 2001:
- ☐ Government superannuation fund:
- ☐ Other:

If other, please specify (e.g. family, unit, charitable, estate):

Are you an Australian resident for tax purposes? ☐ Yes ☐ No

If no, please specify the trust's or fund's country of tax residence:

Australian Tax File Number (TFN):

OR

Exempt from quoting a TFN (Exemption details):

**NOTE:** Only the trustee(s) will be recognised as the Investor, however, we are required to record details of the beneficiaries.

BENEFICIARY 1

Name:

ABN (if applicable):

BENEFICIARY 2

Name:

ABN (if applicable):

BENEFICIARY 3

Name:

ABN (if applicable):

BENEFICIARY 4

Name:

ABN (if applicable):

### Section A4 – Partnerships

Must provide certified copy of the Partnership Agreement or ATO correspondence in the past 12 months or Certificate of Registration.

Full Name of the partnership:

Full Business Name of partnership registered in any State or Territory (if applicable):

Business of Partnership:

Country of Establishment:

Date of Establishment:

Australian Tax File Number (TFN):

OR

Exempt from quoting a TFN (Exemption details):

How many partners are there?:

Each partner's details (*in capitals*):

Full Name:

Partnership Share:

Full Residential Address:

Full Name:

Partnership Share:

Full Residential Address:

Full Name:

Partnership Share:

Full Residential Address:

Full Name:

Partnership Share:

Full Residential Address:

**NOTE:** One partner MUST complete A1.

## Section B – Contact Details

Please specify if contact details are different to those provided in Section A or if joint investors, please indicate the preferred contact details:

Postal Address:

City/Suburb/Town:

State:

Postcode:

Country:

Email Address:

Telephone (*home*):

Area code:

Number:

Telephone (*business hours*):

Area code:

Number:

Mobile:

Fax:

Area code:

Number:

## Section C – Investment Details (must complete)

Total investment amount:

\$

Please tick the box below to advise how your payment will be made.



Payment by cheque (*Please complete Sections D*)



Electronic Funds Transfer (EFT) (*Please complete Section D and provide a clear reference for EFT funds*)

## Section D – Bank Account Details

All applicants must complete this section by providing details of an Australian banking institution. The nominated bank account must be in the name of the applicant.

Bank Name/Institution:

Branch name and address:

City/Suburb/Town:

State:

Postcode:

Country:

BSB:

Account Number:

Account Name:

Reference No. (*if EFT*):

When giving instructions to us about your investment please indicate who has authority to operate your account (*e.g. any one to sign / all to sign / other*):

Please complete the signature page (Section F) of this Application Form.

## Section E – Declarations & Signatures

By completing the Application Form you:

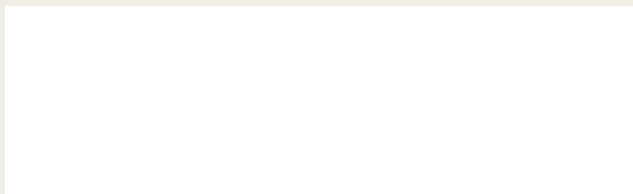
- (a) declare that before executing this Application Form, you have fully read and understood the Information Memorandum, and this Application Form and have made your own independent investigation and appraisal of the taxation, legal, economic and credit aspects associated with the investment, including seeking professional, taxation and legal advice as it deems appropriate in respect of the Newpin SBB pursuant to this Application Form;
- (b) agree to be bound by the terms of the Information Memorandum and the SBB Loan Note Deed Poll;
- (c) acknowledge that this Information Memorandum does not constitute an offer in any jurisdiction in which, or to any person of whom, it would be unlawful to make the offer;
- (d) represents and warrants that you are not prohibited by law from receiving the Information Memorandum or executing this Application Form;
- (e) declare that you are a “wholesale client” for the purposes of section 761G of the Corporations Act;
- (f) declare that you have power to make an investment in the Newpin SBB in accordance with the terms of the Information Memorandum, the SBB Loan Note Deed Poll and this Application Form;
- (g) declare that you have full legal capacity to execute this Application Form and have taken all action that is necessary to authorise the execution of this Application Form;
- (h) if this Application Form is signed under power of attorney, the attorney declares that he or she has not received notice of revocation of that power;
- (i) in the case of joint applications, you each agree to hold the Newpin SBB as joint tenants and acknowledge that, unless otherwise stated, either Investor is able to operate the account;
- (j) declare that, if investing as a trustee on behalf of a superannuation fund or trust, you are acting in accordance with your designated powers and authority under the trust deed. In the case of superannuation funds, you also confirm that the funds are complying funds under the Superannuation Industry (Supervision) Act;
- (k) declare that if investing as a trustee on behalf of a self managed superannuation fund (SMSF) that an investment in the Newpin SBB is an appropriate investment for your SMSF;
- (l) declare that, if you are investing as a company or incorporated association, you confirm that you are an officer of the company or incorporated association and that you have the authority to bind the company or incorporated association to the investment;
- (m) acknowledge that neither the Trustee, SVA, their related body corporates and related entities (as defined in the *Corporation Act 2001* (Cth)), any other members of their respective groups, or any of their directors or associates or any other entity, guarantees the performance of, or the repayment of capital invested in, or income from, the Fund, or that the Fund will achieve a particular rate of return;
- (n) acknowledge that an investment in the Newpin SBB is subject to investment risk, including possible loss of capital invested, and agree that those risks are appropriate for a person in your circumstances and with your investment objectives;
- (o) acknowledges that the applicant has not relied in any way whatsoever on any statements made by, or purported to be made by, the Trustee, or SVA, their related body corporates and related entities, any other members of their respective groups, and of their directors or associates, agents or service providers in relation to this investment, other than as set out in the Information Memorandum, or this Application Form and acknowledge that neither the Trustee, or SVA, their related body corporates and related entities, any other members of their respective groups, any of their directors or associates, agents or service providers have made, and the Information Memorandum, and this Application Form do not contain, any regarding the suitability or appropriateness of the investment in the Newpin SBB, given your investment objectives, financial situation or particular needs or the tax consequences of making this investment in the Newpin SBB
- (p) declare that all information provided in this Application Form or any other information provided in support of the subscription for the Newpin SBB is true and correct;
- (q) agree to the collection, use and disclosure of your personal information provided to the Trustee, or SVA, their related body corporates and related entities, any other members of their respective groups, any of their directors or associates, agents or service providers;
- (r) acknowledge that all information relating to this Application Form or any subsequent information relating to the investment in the Newpin SBB may be disclosed to any service provider. This authority will continue unless revoked in writing by you;



- (s) agree to give all further information or personal details and provide assistance to the Trustee, or SVA or their nominees, if required to allow them to meet their obligations under anti-money laundering (AML), counter-terrorism financing (CTF) and taxation legislation;
- (t) warrant that:
- (i) you comply and will continue to comply with applicable AML and CTF Laws, including but not limited to the law and regulations of Australia in force from time to time;
  - (ii) you are not aware and have no reason to suspect that:
    - (A) the application monies have been or will be derived from or related to any money laundering, terrorism financing or similar activities illegal under Applicable Laws or otherwise prohibited under any international convention or agreement (illegal activity); or
    - (B) the proceeds of your investment in the Newpin SBB will be used to finance any illegal activities;
  - (iii) you are not a "politically exposed" person or organisation for the purposes of any AML/CTF Law;
- (u) acknowledge that the Trustee may, in its sole and absolute discretion but otherwise in accordance with the law, vary the terms of this Application Form or alter the arrangements in respect of the Newpin SBB, where the Trustee is required to do so due to changes in AML/CTF Law;
- (v) acknowledge that we may decide to delay or refuse any request or transaction, including by suspending the issue or withdrawal of Units in the Fund, if we are concerned that the request or transaction may breach any obligation of, or cause us to commit or participate in an offence under any AML/CTF Law, and the Trustee, and SVA will incur no liability to you if we do so. You further acknowledge that the Trustee, and SVA is under no obligation to inform you of their intention to do any of the above, or the fact that they have done any of the above, nor are they obliged to provide you with their reasons for any such actions;
- (w) acknowledge that the Trustee, and SVA will rely on the representations given in this Application Form, and you agree to indemnify the Trustee or SVA against any loss or claim of or against the Trustee, and SVA to the extent that the loss or claim arises from or is connected with any breach of any of the representations contained in this Application Form; and
- (x) acknowledges that until the Newpin SBB is issued to you, you have no interest in the Newpin SBB Trust.

## Section F – Signature


Signature of Applicant 1:



Name of Applicant 1:



Date:



Tick capacity – mandatory for companies:

☐

Sole Director

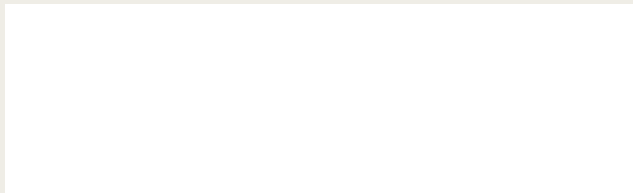
☐

Director

☐

Secretary

Signature of Applicant 2:



Name of Applicant 2:



Date:



Tick capacity – mandatory for companies:

☐

Sole Director

☐

Director

☐

Secretary

# CORPORATE DIRECTORY

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## TRUSTEE

Newpin SBB Pty Ltd

## AGENT / MANAGER

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Fax: +61 2 8004 6701

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