

NZSIF CHAIRMAN'S ADDRESS TO ANNUAL SHAREHOLDERS MEETING

22 AUGUST 2011 11.30AM

CHAIRMAN'S ADDRESS to SHAREHOLDERS

CHAIRMAN WELCOME

LADIES AND GENTLEMEN

THANK YOU FOR YOUR ATTENDANCE TODAY

I AM KIM ELLIS, CHAIRMAN OF NZSIF.

WELCOME TO THE FIRST ANNUAL SHAREHOLDER MEETING OF THE NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LIMITED.

APOLOGIES

QUORUM

WE HAVE A QUORUM –ANY APOLOGIES TO BE RECORDED.

PLEASE NOTE THAT ONLY SHAREHOLDERS OF THIS COMPANY MAY VOTE ON THE RESOLUTIONS OR ASK QUESTIONS.

INTRODUCTION OF DIRECTORS & GUESTS

MY FELLOW DIRECTORS ARE:

- IAN FRASER, CO DIRECTOR AND A DISTINGUISHED FELLOW OF THE INSTITUTION OF PROFESSIONAL ENGINEERS
- NEIL CRAIG, EXECUTIVE CHAIRMAN OF CRAIGS INVESTMENT PARTNERS LTD
- MIKE CAIRD, DIRECTOR OF CRAIGS INVESTMENT PARTNERS LTD

WE ALSO HAVE PRESENT MEMBERS OF THE INVESTMENT MANAGER OF THE PIP FUND WHO WILL BE PRESENTING TO YOU TODAY:

- PETER COMAN AND STEVEN PROCTOR – MORRISON & CO

AND MEMBERS OF NZSIF MANAGEMENT:

- PETER LALOR AND CHRIS FLEURY

AUDITORS KPMG – MANAGING PARTNER GLENN KEANEY

SOLICITORS CHAPMAN TRIPP –PARTNER TIM TUBMAN - APOLOGY

CHAIRMAN'S PRESENTATION to SHAREHOLDERS

NZSIF RAISED \$41M FROM ITS IPO IN MARCH 2010. NZSIF INVESTS AS A LIMITED PARTNER INTO THE PIP FUND (THE PUBLIC INFRASTRUCTURE PARTNERS LIMITED PARTNERSHIP). THE PIP FUND IS AN INSTITUTIONAL FUND ESTABLISHED BY MORRISON & CO TO INVEST IN PUBLIC PRIVATE PARTNERSHIPS – PPP's, THAT DELIVER SOCIAL INFRASTRUCTURE ASSETS SUCH AS SCHOOLS, HOSPITALS, CONVENTION CENTRES, PRISONS AND LOCAL GOVERNMENT FACILITIES TO THE COMMUNITY.

THE FINAL CLOSE FOR THE PIP FUND WAS COMPLETED ON 31 DEC 2010. THE PIP FUND HAS NINE LIMITED PARTNERS WITH COMMITMENTS TOTTALLING \$176.5M. NZSIF'S INTEREST IN THE PIP FUND IS 22.95%, AND WE ARE THE SECOND LARGEST INVESTOR IN THE FUND, THE LARGEST BEING THE NZ SUPER FUND.

INVESTMENT PROGRESS

THE PIP FUND HAS MADE JUST THE ONE INVESTMENT TO DATE, IN THE:

MELBOURNE CONVENTION AND EXHIBITION CENTRE (MCEC)

THE MCEC INVESTMENT IS AN ESTABLISHED OPERATIONAL PPP ASSET.

THIS MITIGATES THE USUAL DEVELOPMENT RISKS ASSOCIATED WITH PPP GREENFIELD PROJECTS

THE TOTAL PIP FUND INVESTMENT IN MCEC WAS NZ\$39 MILLION COMPRISING 49.9% OF THE ORDINARY EQUITY ALONG WITH AN INVESTMENT IN PREFERRED EQUITY. MCEC MAKES UP 23% OF PIP FUND COMMITTED CAPITAL AS AT 31 MARCH 2011. THE MCEC INVESTMENT IS SIGNIFICANT WITH TOTAL ASSETS OF A\$900M AND LONG TERM FUNDING.

THIS FIRST INVESTMENT IS A SIGNIFICANT INVESTMENT FOR NZSIF REPRESENTING A COMMITMENT BY NZSIF OF NZ\$9.2 MILLION, BEING 22.4% OF THE NZSIF COMMITTED CAPITAL.

WHILE IT IS DISAPPOINTING NOT TO HAVE MADE FURTHER INVESTMENT PROGRESS AT THIS TIME, IT IS NOT FOR LACK OF EFFORT. THE PIP FUND HAS BEEN AN ACTIVE PARTICIPANT IN SEVERAL TENDER PROCESSES IN BOTH NEW ZEALAND AND AUSTRALIA FOR BOTH NEW AND EXISTING ASSETS, BUT TO DATE HAS ONLY BEEN SUCCESSFUL IN THE ONE ACQUISITION – MCEC. .

UPCOMING INVESTMENT OPPORTUNITIES

THE PIP FUND IS DESIGNED FOR LONG-TERM INFRASTRUCTURE INVESTING. TYPICALLY PPP INVESTMENTS ENTAIL A BUILD PROJECT. THE NEW ZEALAND MARKET IS ONLY JUST ADAPTING TO THE PPP PROCUREMENT CONCEPT, WITH THE FIRST NEW ZEALAND PPP PROJECT BEING THE WIRI PRISON, A PROJECT THE PIP FUND HAS NOT PARTICIPATED IN, DUE TO THE "CUSTODIAL" REQUIREMENT OF THE PROJECT.

THE PIP FUND'S NEW ZEALAND INVESTMENT ACTIVITY WILL PRIMARILY BE DRIVEN BY GOVERNMENT INFRASTRUCTURE PROJECTS BEING ROLLED OUT OVER THE NEXT FEW YEARS. THE HON. BILL ENGLISH STATED *"THIS GOVERNMENT HAS MADE IT CLEAR THAT THEY ARE OPEN TO GREATER USE OF PRIVATE SECTOR EXPERTISE WHERE IT MAKES SENSE. BUILDING AND MAINTAINING TWO NEW SCHOOLS THROUGH A PPP IS LIKELY TO RESULT IN A RANGE OF BENEFITS."*

ON THE 6 APRIL 2011 THE GOVERNMENT ANNOUNCED THAT IT INTENDS TO COMMISSION TWO NEW SCHOOLS IN HOBSONVILLE THAT WILL BE DESIGNED, FINANCED, BUILT AND MAINTAINED UNDER A PUBLIC-PRIVATE PARTNERSHIP.

ON THE 27 MAY 2011 THE GOVERNMENT ANNOUNCED A SHORTLIST OF THREE CONSORTIUMS, ONE INCLUDING THE PIP FUND TOGETHERWITH HAWKINS CONSTRUCTION; ASC AND PPA

ARCHITECTS; AND PROGRAMMED FACILITY MANAGEMENT, SELECTED TO PROCEED TO THE NEXT STAGE OF THE TENDERING PROCESS. A PREFERRED PARTY IS EXPECTED TO BE SELECTED IN THE 4Q11. IF SUCCESSFUL THE PROJECT WILL COMMENCE IN 1Q2012.

THE PIP FUND EXPECTS THE PACE OF INFRASTRUCTURE INVESTMENT ACTIVITY TO INCREASE OVER THE NEXT 12-24 MONTHS AS THE VARIOUS CROWN ENTITIES ADOPT THE PPP MODEL.

THE PIP FUND'S INVESTMENT FOCUS WILL BE ON SOCIAL INFRASTRUCTURE INVESTMENTS THAT ADD VALUE TO COMMUNITIES, IDEALLY EDUCATIONAL AND HEALTH FACILITIES BUT THE PIP FUND IS OPEN TO CONSIDERING OTHER INFRASTRUCTURE INVESTMENT OPPORTUNITIES. THE PIP FUND WILL NOT BE INVOLVED IN PRISON PROJECTS WITH A PRISON CUSTODIAL ASPECT.

OUR INVESTMENT MANAGER'S WILL PROVIDE AN UPDATE ON THE HOBSONVILLE SCHOOL PPP AND OTHER PPP OPPORTUNITIES IN THEIR PRESENTATION WHICH FOLLOWS THE ASM.

INVESTMENT VALUATION- PIP FUND

THE PIP FUND EMPLOYS A THIRD PARTY EXPERT TO VALUE THE FUND'S ASSETS ONCE A YEAR. THE VALUATION IS CALCULATED AS AT BALANCE DATE BEING 31 MARCH AND WAS COMPLETED THIS YEAR FOR THE MCEC INVESTMENT.

THE VALUE ASCRIBED BY THE INDEPENDENT EXPERT, TO THE PIP FUND'S ASSETS SHOWS THE NZSIF INVESTMENT VALUE WOULD BE NZ\$9.5M. THIS COMPARES TO THE ORIGINAL NZSIF INVESTMENT COST OF NZ\$9M.

DISTRIBUTIONS

WE ARE STILL IN THE EARLY STAGE OF THE FUND SO NZSIF HAS NOT MADE ANY DISTRIBUTIONS AT THIS POINT. DISTRIBUTIONS TO NZSIF INVESTORS ARE LIKELY TO START ONCE NZSIF RECEIVES DISTRIBUTIONS FROM THE PIP FUND.

NZSIF EXPECTS TO RECEIVE DIVIDENDS AND DISTRIBUTIONS FROM THE PIP FUND ONCE INVESTMENTS HAVE BEEN MADE AND THE ASSETS BECOME 'OPERATIONAL'. THIS MAY OCCUR AFTER A PERIOD OF CONSTRUCTION, OR UPON THE PIP FUND MAKING AN INVESTMENT IN A PPP PROJECT THAT IS ALREADY OPERATING.

FOR 'GREENFIELD' DEVELOPMENTS (NEW PROJECTS), THE OPERATIONAL PHASE WILL TYPICALLY FOLLOW AN INITIAL 1-3 YEAR CONSTRUCTION PHASE.

FOR SECONDARY MARKET ACQUISITIONS OF OPERATING ASSETS SUCH AS THE MCEC, THE ASSET WILL TYPICALLY ALREADY BE GENERATING REVENUES AND MAY GENERATE DISTRIBUTABLE RETURNS FOR INVESTORS FROM THE DATE OF ACQUISITION.

IT SHOULD BE NOTED THAT IN THE EARLY STAGES OF THE FUND IT MAY BE THAT THE PIP FUND RETAINS INITIAL DISTRIBUTIONS FROM OPERATING CONCESSION INVESTMENTS FOR WORKING CAPITAL NEEDS, RATHER THAN PASSING THESE THROUGH TO THE LIMITED PARTNERS. THIS IS POSITIVE FOR INVESTORS AS IT ALLEVIATES THE NEED FOR THE PIP FUND TO MAKE CALLS ON THE LIMITED PARTNERS AND IN TURN NZSIF DOES NOT NEED TO MAKE CALLS ON OUR SHAREHOLDERS TO MEET WORKING CAPITAL NEEDS.

FINANCIAL REPORT

TURNING NOW TO THE FINANCIAL STATEMENTS FOR THE 15 MONTH PERIOD TO 31 MARCH 2011.

YOU WILL NOTE THAT WE MADE A SMALL PROFIT FOR THE YEAR OF \$45,579. THIS PROFIT, PLEASEAS AS IT IS FOR THE INTIAL START-UP PERIOD OF THE NZSIF IS THE NET RESULT OF –

- INTEREST INCOME OF \$125,000; AND
- CHANGES IN THE VALUE OF THE PIP FUND INVESTMENT +\$210,000 (MCEC)
- AFTER ADMINISTRATION COSTS OF \$267,000 AND INTEREST COSTS OF \$23,000.

AS AT 31 MARCH NZSIF HAD ASSETS OF \$11.985M AND EQUITY OF \$11.924M. INCLUDED IN OUR ASSET POSITION IS A CASH BALANCE OF \$2.5M.

WE HAVE ASSETS VALUED AT APPROX. 29 CENTS PER SHARE. THE LAST SALE PRICE FOR NZSIF SHARES WAS 30c

NZSIF HAS 41M \$1 SHARES ON ISSUE PAID TO 30CPS. TO DATE WE HAVE MET CALLS TO THE PIP FUND OF \$9.2M (22.5 CENTS PER NZSIF SHARE)

I AM HAPPY TO ANSWER ANY QUESTIONS ON THE FINANCIAL ACCOUNTS

IF NO FURTHER QUESTIONS I NOW MOVE TO THE RESOLUTION

RESOLUTION - REAPPOINTMENT OF AUDITOR

THE RESOLUTION, DETAILED IN THE NOTICE OF MEETING IS THAT RELATING TO THE APPOINTMENT OF AUDITORS KPMG. READ RESOLUTION:

TO RESOLVE THAT KPMG BE REAPPOINTED AS AUDITORS OF THE COMPANY AND THAT THE DIRECTORS BE AUTHORISED TO FIX THE AUDITOR'S REMUNERATION FOR THE ENSUING YEAR.

---- DISCUSSION ---VOTE BY SHOW OF HANDS ---RESOLUTION OUTCOME --- PASSED

THANK YOU.

GENERAL BUSINESS

IS THERE ANY GENERAL BUSINESS-----IF NOT I NOW CLOSE THE MEETING AND HAND YOU OVER TO PETER COMAN AND STEVEN PROCTOR OF MORRISON & CO FOR THEIR PRESENTATION ON THE PIP FUND.

PRESENTATION BY THE INVESTMENT MANAGER

CHAIRMAN CLOSSES MEETING

THANKS TO THE INVESTMENT MANAGER FOR THEIR PRESENTATION. FORMALLY CLOSE THE MEETING. PLEASE NOW JOIN US FOR SOME REFRESHMENTS.