



New Zealand Social Infrastructure Fund Limited
158 Cameron Road
P O Box 13155
Tauranga 3141
Phone 07 5774 727 Fax 07 928 6443
Email enquiries@nzsif.co.nz
Website www.nzsif.co.nz

23 April 2012

Dear Shareholder

Further to our 24 February 2012 update we are delighted to confirm our second investment and provide some detail on upcoming distributions.

Hobsonville Schools PPP

In our interim report to you in December 2011 we mentioned that the Hobsonville Schools PPP was the second New Zealand public private partnership (PPP) to be offered for public tender. On 14 March 2012 the Government announced that the PIP Fund's Learning Infrastructure Partners (LIP) Consortium was the preferred bidder for this project.

On 5 April 2012 the Government and the Consortium reached financial close for the project, to build and maintain New Zealand's first PPP schools at Hobsonville Point, Auckland.

The Learning Infrastructure Partners consortium is made up of firms with significant experience in designing, building and maintaining New Zealand schools including Hawkins – lead construction; ASC Architects – lead designer; and facilities management, Programmed Facility Management. The PIP Fund provides 97.5% of the project equity funding and the financial management. The balance of the equity (2.5%) is provided by Hawkins.

The project involves constructing both a primary and secondary school at Hobsonville Point Auckland. The primary school will be completed for opening in January 2013, and the secondary school will be ready for term 1 in the 2014 school year. The schools will provide education for 690 primary school students and 1,500 secondary school students.

The finance and maintenance term (the concession) runs for 25 years. The Government pays a regular concession fee to LIP during the contracted term which covers all maintenance and financing costs. The debt on the project is paid down over the course of the concession period, with yield gradually increasing over time. We expect the income stream from the Hobsonville Schools PPP to commence from mid-2014. The Government pays the concession to LIP who pass through 97.5% of the residual (after meeting debt servicing costs) to the PIP Fund. At the end of the concession period all obligations transfer to the Government.

Funding

The PIP Fund is committed to providing approximately \$10 million in equity which is expected to be payable in October 2013. The NZSIF contribution will be approximately \$2.2 million.

At 31 March 2012 NZSIF had cash of \$2.28 million so there is no need for a further call at this stage. However, should the PIP Fund make another investment during 2012, this event will almost certainly result in a call being made at the time. Otherwise, we would be calling funds for the Hobsonville Schools capital contribution in August 2013.

Distributions

Our February update also mentioned a capital return of up to 3 cents per share (cps) plus the commencement of regular distributions from the PIP Fund to the limited partners expected in the second quarter of 2012.

Capital Return

The capital return results from the repayment of loans originally made by the PIP Fund to the Melbourne Convention & Exhibition Centre (MCEC), now repaid from the successful refinancing of the subordinated debt of the MCEC as a result of Caisse de Dépôt et Placement du Québec (a leading Canadian Fund Manager) becoming a shareholder in the MCEC.

We anticipate being in a position to return net capital of 3cps to shareholders during May 2012, by way of redemption of redeemable preference shares. There may be a small additional amount depending on final tax treatment of the return of capital from MCEC to the PIP Fund.

Dividends

NZSIF's initial operating dividend for the 12 months to 31 March 2012 will be paid in July 2012 which we expect to be in the range of 0.5cps to 0.7cps.

Future distributions from the PIP Fund to NZSIF should increase, due to the repayment of the MCEC mezzanine debt, and we aim to pay dividends in February and July each year. Gross yield projection for the year end March 2013 remains between 3.7% and 5.2% on a 27cps capital base. As mentioned we understand that the first distribution from the Hobsonville Schools PPP will commence in mid-2014. We hope to provide some projected income figures from the school PPP at the time of our annual report in July 2012.

We will provide you with a distribution advice for each distribution in May and July.

We will continue to keep you informed as further investments are made by the PIP Fund through media releases, via the NZSIF website www.nzsif.co.nz or by writing directly to you.

If you have any queries regarding your investment in NZSIF, please discuss with your Investment Adviser or you may call Peter Lalor at NZSIF Management on 07 577 4727.

Yours sincerely

NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LIMITED



Kim Ellis
Chairman