NZSIF
New Zealand Social Infrastructure Fund Limited

Registered Prospectus & Investment Statement
For the offer of up to 125 million Shares at
$1.00 per Share

12 March 2010

CRAIGS INVESTMENT PARTNERS
Lead Manager

MORRISON & CO

Answers to Important Information

Important Information
(The information in this section is required under the Securities Act 1978).

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

In addition to the information under those headings, important information can be found in the other sections of this prospectus and investment statement ("Offer Document").

ENGAGING AN INVESTMENT ADVISER

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by one or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

OFFER JURISDICTION

The offer under this document is being made to members of the public in New Zealand. The Offer may also be made to certain institutional investors in New Zealand and certain other jurisdictions where it is lawful to do so. No person may offer, invite, sell or deliver any Shares or distribute any document (including this Offer Document) to any person outside New Zealand except in accordance with all the legal requirements of the relevant jurisdiction. Unless otherwise agreed with NZSIF, any person or entity subscribing for Shares in the Offer will, by virtue of such subscription, be deemed to represent that he or she is not in a jurisdiction that does not permit the making of an offer or invitation of the kind contained in this Offer Document and is not subscribing for the account or benefit of a person within such jurisdiction.

DEFINITIONS

Capitalised terms and abbreviations used in this document are explained in Section 17 – Glossary of Terms, on page 49. Unless otherwise stated or implied, references to times in this document are to New Zealand time, and references to dates or years are calendar year references. Any discrepancies between totals and sums and components in tables contained in this document are due to rounding.

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Registered Prospectus and Investment Statement

A signed copy of this Offer Document, together with copies of the documents required by Section 41 of the Securities Act 1978, being the material contracts (as specified at paragraph 17 of the Statutory Information section of this Offer Document), were delivered for registration at the Companies Office in Auckland on 12 March 2010. This Offer Document is dated 12 March 2010.

Investment Highlights

New Zealand Social Infrastructure Fund

Craigs Investment Partners and Morrison & Co PIP Limited have established the New Zealand Social Infrastructure Fund Limited ("NZSIF") to invest as a Limited Partner in the Public Infrastructure Partners LP ("PIP Fund"). NZSIF will enable New Zealand investors to participate in the development of Social Infrastructure Assets through Public-Private Partnerships ("PPPs").

NZSIF PRESENTS AN OPPORTUNITY TO INVEST IN NEW ZEALAND SOCIAL INFRASTRUCTURE ASSETS

NZSIF has an exclusive opportunity to undertake a public offer to raise capital to invest in the PIP Fund. This will provide the opportunity to invest and participate in the development of Social Infrastructure Assets (such as schools, hospitals and prisons). The NZ Superannuation Fund has committed to invest $100 million in the PIP Fund as the cornerstone investor. NZSIF will invest in the PIP Fund on substantially the same terms as the NZ Superannuation Fund and other institutional investors, providing a dedicated pool of capital to fund the delivery of Social Infrastructure Assets through PPPs, with a focus on New Zealand opportunities. The PIP Fund may also make investments in Australian based Social Infrastructure Assets in certain circumstances.

WHY INVEST IN SOCIAL INFRASTRUCTURE ASSETS THROUGH PPPs?

Revenues linked to government or government-related entities

The PIP Fund will principally invest in Social Infrastructure Assets that are provided through PPP arrangements in return for regular payments. Revenues will be derived from central or local government or related entities, such as the Crown, city councils, district health boards and universities ("Public Sector Clients"). The creditworthiness of the Public Sector Clients is underpinned by their relationship with central or local government which have the ability to levy tax or rates.

Long-term, stable cash flows

Revenues in Social Infrastructure PPPs are typically generated from the assets being made *available* to Public Sector Clients, rather than from measures based on *usage* or *demand* (such as for airports or toll roads) and are typically subject to 15 to 35 year contracts ("Concessions"). The cash flows from assets (once operational) are therefore expected to be stable in nature and predictable over long periods of time.

Revenues linked to inflation

Social Infrastructure PPPs generate revenues that are often linked to an inflation index for the duration of the Concession. Returns to investors are therefore typically partially linked to inflation over the term of the Concession.

Limited exposure to economic cycles and diversification benefits

Social Infrastructure PPPs generally involve investments in assets associated with the provision of essential social services, which are necessary during periods of economic growth as well as recession. Investors who are seeking to diversify from market specific risk in listed equities, listed property and listed infrastructure may therefore be able to achieve diversification by investing in Social Infrastructure PPPs where, once a Concession has been signed, revenues are sourced from Public Sector Clients and are generally either not contingent upon, or have limited exposure to, economic cycles.

Value enhancement potential

In addition to offering stable long-term returns, active management of PPP projects can result in enhanced value and return characteristics for investors. This may be achieved in a number of ways, including valuation increases following construction completion (as a project's risk profile reduces), negotiating lower costs with service providers or insurers as the PIP Fund portfolio grows, and 'follow-on' investments, where the PIP Fund may invest further capital to expand an existing project.

WHY INVEST IN NZSIF?

Growth potential for the use of PPPs in New Zealand

Spending on infrastructure has been a feature of stimulus packages announced by governments internationally, including the New Zealand Government, in response to the recent global economic downturn. The New Zealand Treasury has predicted a need for significant expenditure on investment in infrastructure in New Zealand over the next 10 years[1].

The use of PPPs in New Zealand is an emerging investment sector but is being increasingly examined by the Government as a means of procuring Social Infrastructure, as demonstrated by the Government's exploration of PPP procurement options for the delivery of a new prison at Wiri[2]. In March 2010, the National Infrastructure Unit of the New Zealand Treasury released the National Infrastructure Plan which confirms that the Government intends to use PPPs where they represent value for money to tax payers. Recently, Government agencies have taken steps to explore the feasibility of the PPP model in relation to New Zealand school property[3], and to remove impediments to the use of PPPs in water[4] and transport projects[5]. Due to the emerging nature of the PPP sector in New Zealand, the PIP Fund may be unable to invest in suitable projects immediately, but will invest as opportunities become available during the Investment Period (which is expected to be for the period to 29 October 2015).

1 The Treasury paper "Infrastructure: Facts and Issues" September 2009, available at http://www.treasury.govt.nz/releases/2009-09-07i/, outlines the Treasury's current forecast expenditure for certain infrastructure areas in New Zealand

2 See Bill English's speech to the New Zealand Council of Infrastructure Development, reported 12 August 2009, available at http://www.billenglish.co.nz/index.php?/archives/473-Speech-to-New-Zealand-Council for infrastructure Development, accessed on 21 October 2009. It should be noted that NZSIF/PIP Fund will focus on the delivery of Social Infrastructure Assets rather than on the provision of social services, so would not provide private custodial services within prisons

3 See http://beehive.govt.nz/release/ppps+being+considered+new+school+property

4 NZPA, *"Hide Announces Proposed Changes to Local Government Act"*, 28 October 2009, available at http://www.stuff.co.nz/national/politics/3007715/Hide-announces-proposed-changes-to-local-government-act

5 Steven Joyce, "Land Transport Management Act to be reviewed", 28 October 2009, available at http://beehive.govt.nz/release/land+transport+management+act+be+reviewed

PPPs have a proven track record internationally

The merits of adopting PPPs to procure Social Infrastructure Assets in New Zealand and Australia are supported by the successful use of PPPs in international markets. In the United Kingdom, over 630 projects delivering infrastructure investment of over $63 billion (including projects involving Social Infrastructure Assets) have been signed since 1992[6], representing approximately 15% of the United Kingdom's public investment programme. United Kingdom and Australian studies have demonstrated that PPPs provide cost and delivery efficiencies versus traditional procurement methods, which aligns with governments' focus on delivering value for money in the public sector[7,8].

The PIP Fund draws on the expertise of Morrison & Co as a specialist infrastructure investor

The PIP Fund will be managed by a wholly-owned subsidiary of Morrison & Co. Morrison & Co has a history of successful investment partnerships with local government and community bodies, and is manager of a global infrastructure mandate for the NZ Superannuation Fund. Morrison & Co's management team has extensive experience in managing and funding major infrastructure assets. Steven Proctor, who Morrison & Co has recently appointed as Executive Director of the PIP Fund, has worked in overseas PPP markets since 1995, including managing investments in PPPs to provide schools, hospitals, wastewater infrastructure, railways, roads and leisure facilities.

As manager of the listed infrastructure fund, Infratil Limited, Morrison & Co has a strong track record of shareholder value creation. Infratil has delivered a total shareholder return for investors in excess of 15% per annum since 1 April 1994[9].

Morrison & Co has confirmed that its shareholders and employees will collectively commit to invest not less than $2 million alongside NZSIF in the PIP Fund, reinforcing Morrison & Co's alignment with investors and its focus on delivering returns.

Attractive target return for NZSIF over a long investment horizon

NZSIF is targeting an Internal Rate of Return over the term of the PIP Fund of 11%[10] per annum before tax, but after all costs, investment management and administration fees and expenses. There is the possibility of additional incremental return arising from active management of PIP Fund Investments and economies of scale.

Investors in NZSIF should note that an 11% Internal Rate of Return is a target only and dependent on the performance of investments made by the PIP Fund and there can be no guarantee that such return will be delivered to investors. In particular, due to the potentially staggered timing of investments by the PIP Fund and the nature of cash flows under the PPP model, the actual distribution to investors in NZSIF in a particular year may be lower or higher than NZSIF's target rate of return. Distributions are likely to be lower when the PIP Fund is in the process of evaluating and making investments in Social Infrastructure PPPs (but is not yet receiving any distributions from those investments).

Investors in NZSIF will begin to receive distributions over the term of the PIP Fund (expected to be 18 years) once the PIP Fund commences receiving distributions from operational Social Infrastructure PPPs and itself makes distributions to NZSIF (and/or NZSIF receives returns on any co-investments). These distributions may be in the form of dividend income, periodic returns of investment capital, and potentially capital gains on the sale of Investments (if made).

In-specie distribution rights

NZSIF will be entitled to participate in any in-specie distribution of assets to PIP Fund investors. To the extent permitted by the relevant securities and tax laws applying at the relevant time, shares distributed by PIP Fund may in turn be able to be distributed directly to investors in NZSIF.

6 PPP Forum, available at http://www.pppforum.com/index.asp

7 Allen Consulting Group, "Performance of PPPs and Traditional Procurement in Australia – Report to Infrastructure Partnerships Australia", 30 November 2007

8 KPMG, "PFI in School Building – Does it Influence Educational Outcomes?", 2009 and KPMG, "Investment in School Facilities and PFI – Do they Play a Role in Educational Outcomes?", 2008

9 Data sourced from Bloomberg Historical Studies. Total shareholder returns have been calculated for the period 1 April 1994 to 31 December 2009, assuming the reinvestment of net dividends

10 Returns to NZSIF are based on the return to the PIP Fund from its investments. NZSIF's Internal Rate of Return target of 11% is expected to be less than the return received by direct investors in the PIP Fund due to the additional costs of creating and maintaining NZSIF as a separate company, including administration and governance costs. It does not include the Application Fee investors pay to the Lead Manager.


Britomart Transport Centre
Station
Plaza
Entrance
TRAIN
TRANSPORT
INFORMATION
BUS
Britomart Transport Centre

1 Letter from the Chairman

12 March 2010

Dear Investor

With New Zealand's demand for new infrastructure growing each year, and the Government's commitment to improving the country's productivity while maintaining high standards of public services, there is an increasing need to deliver essential infrastructure to New Zealand in a cost effective and efficient manner.

Morrison & Co, one of New Zealand's leading infrastructure investment managers, has established the Public Infrastructure Partners LP (the PIP Fund) exclusively to invest in Social Infrastructure Assets through Public-Private Partnerships (PPPs). In a strong endorsement of the PPP opportunity in New Zealand (and also in Australia) and Morrison & Co's investment expertise, the New Zealand Superannuation Fund has already committed capital of $100 million to the PIP Fund and has an option to commit a further $100 million in the future.

For smaller investors who are unable to invest directly in the PIP Fund, we have created the New Zealand Social Infrastructure Fund (NZSIF), which will invest alongside the New Zealand Superannuation Fund and other institutional investors on substantially the same terms. NZSIF's primary focus will be its investment in the PIP Fund. It will have its own Board, independent of Morrison & Co, to ensure best practice corporate governance (which will be modelled on NZX governance and reporting disciplines).

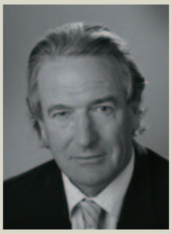
Investments made by the PIP Fund will target PPP projects that deliver Social Infrastructure Assets (such as hospitals, schools or university facilities, water treatment facilities and prisons) to central or local government agencies under contracts that run for 15 to 35 (or more) years.

PPPs are relatively new to New Zealand. They have, however, been successfully utilised by governments in the United Kingdom, Australia and Canada for a number of years. International experience using a PPP model to procure infrastructure has demonstrated that projects have generally been delivered on a more timely and cost effective basis than traditional infrastructure procurement methods, and have allowed governments to succeed in delivering essential social services to the public.

Further, investors in PPP projects have benefited from attractive, stable returns under the long-term contractual nature of PPP arrangements, often with a secure counterparty such as a central or local government agency. Revenues from Social Infrastructure PPP arrangements are typically linked to the availability of an asset for use, rather than being linked to usage of, or demand for, an asset (which is often the case for toll roads or airports). Once the PIP Fund is fully invested, an investment in NZSIF can offer investors attractive long-term stable, partially inflation-linked returns.

I recommend you consider an investment in NZSIF as part of a balanced investment portfolio.

Yours sincerely
NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LIMITED



Kim Ellis
Chairman

2 Key Terms of the Offer

Issuer:	New Zealand Social Infrastructure Fund Limited (NZSIF).
Objective:	To invest as a limited partner in the Public Infrastructure Partners LP (PIP Fund). The PIP Fund will invest primarily in New Zealand Social Infrastructure Assets through PPPs and, with Advisory Committee approval, Australian domiciled Social Infrastructure Assets.
Investment Manager:	Morrison & Co PIP Limited will be the investment manager of the PIP Fund and will have control over the investment decisions associated with any funds invested in the PIP Fund.
Offer:	50 million Shares at an issue price of $1.00 per Share, with provision to issue up to a further 75 million Shares at $1.00 per Share in oversubscriptions.
Shares on Offer:	Each Share comprises one ordinary voting share (nil issue price) and 100 non-voting redeemable preference shares in NZSIF (of one cent each).
Initial Subscription:	An initial subscription of $0.10 per Share subscribed for is payable upon application (plus the Application Fee on the total subscription amount).
Further Calls:	The remaining $0.90 per Share, being the balance between the initial subscription and the Issue Price, is payable in tranches. Further calls will be subject to 20 Business Days' advance notice to the investor. The proceeds of the initial subscription, and each further call, will be applied to successively pay up in full the non-voting redeemable preference shares in NZSIF represented in each Share.
Minimum Investment:	20,000 Shares (paid up on initial application to $2,000), and thereafter in 5,000 Share increments (paid up to $0.10 per Share), plus the Application Fee.
Application Fee:	An application fee of 2% of the total Subscription Amount is payable by investors in NZSIF to the Lead Manager. The Application Fee will be used to pay brokerage at the same rate to NZX Firms and invited financial intermediaries on stamped Application Forms. The Lead Manager reserves the right to reduce the Application Fee at its absolute discretion for applications in excess of $1,000,000.
Offer Closing Date:	The Closing Date of the Offer is 30 April 2010.
Management Fee:	Investment Management fees are payable by the PIP Fund to the Investment Manager under the Investment Management Agreement as described in Section 10 – Summary of the Investment Management Agreement on page 28 and also in Section 16 – Schedule 1: Annual Performance Fee, on page 48.
Applications for Shares:	Applications must be accompanied by cheque payment for the initial subscription plus the Application Fee. Cheques should be made out to 'NZSIF Share Offer' and crossed 'Not Transferable'. Duly completed Application Forms together with the appropriate payment must be lodged with any NZX Firm, invited financial intermediaries or the Lead Manager, in sufficient time to be lodged with the Share Registrar prior to Closing Date.

Allocation of Shares: Allocations and scaling will be determined by the Board with recommendations from the Lead Manager and may not be pro-rata. NZSIF reserves the right to accept or decline oversubscriptions.

Allotment of Shares: Allotment is expected to take place on 6 May 2010 (subject to any extension of the Closing Date). The Board reserves the right to reject any application, or accept any application in part only, without assigning any reason for doing so. Any interest generated on subscription monies held by NZSIF shall be for the account of NZSIF, except as required by the Securities Act. Any surplus subscription monies will be refunded to Applicants within five Business Days after allotment of Shares to successful Applicants and will not carry interest.

Administration Manager: NZSIF Management Limited (the "Administration Manager"), a wholly-owned subsidiary of Craigs Investment Partners, will provide the day-to-day administration of NZSIF. See Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15 for further information.

Administration Fee: An annual administration fee of 0.25% per annum of the Opening Equity Value of NZSIF is payable by NZSIF to the Administration Manager under the Administration Management Agreement. See Section 11 – Summary of the NZSIF Administration Agreement, on page 30 for further information.

Listing: Listing of the Shares is not currently being sought. Whilst there will be no formal secondary market for the Shares, the Administration Manager will provide an order matching facility for buyers and sellers of Shares to assist with the provision of liquidity for holders of Shares during the term of the PIP Fund.

If considered appropriate in the future, the Board may seek to list NZSIF Shares on the NZX or any other order matching facility, subject to satisfying the relevant listing rule requirements and subject to approval by the General Partner.

PIP Fund Term: The initial term of the PIP Fund is 18 years, ending 29 October 2027, unless terminated earlier or extended by an ordinary resolution of the Limited Partners.

Reporting: The progress of NZSIF, and updates on the performance of the PIP Fund, will be provided on a half-yearly basis. Other matters such as portfolio valuation, distributions and financial statements of NZSIF will be provided through annual reports and newsletters, available on the website www.nzsif.co.nz.

Failure to Pay a Call: If an investor fails to pay a call on any Share:

- interest will accrue on the unpaid amount at 5% per annum above the 90-day bank bill rate.
- the Shares to which the call relates will be liable to forfeiture under NZSIF's constitution.
- NZSIF may enforce the lien provided for in its constitution over all Shares held by that investor by disposing of such Shares and applying the proceeds towards the unpaid amount (with the investor remaining liable for any shortfall after the sale or disposal of such Shares).

For further details, see Section 12 – Financial Information, on page 32.

No Guarantee: No person referred to in this Offer Document guarantees the Offer, the Shares or the performance of NZSIF or of the PIP Fund.

Disclosure of Promoters: Craigs Investment Partners and Morrison & Co PIP Limited (and each of their directors who are not directors of NZSIF) are the promoters of the Offer.

Withdrawal of Offer: The Board, in conjunction with the Lead Manager, reserves the right to withdraw the Offer at any time on or prior to the Closing Date. If the Offer is withdrawn, all subscription monies will be refunded to Applicants within five Business Days of the date the Offer is withdrawn. No interest will be paid to Applicants on any subscription monies so refunded.

IMPORTANT DATES

Registration of prospectus	Friday 12 March 2010
Offer opens	Wednesday 17 March 2010
Closing Date	Friday 30 April 2010
Allocation and Allotment of Shares	Thursday 6 May 2010
Posting of holder statements	by Friday 7 May 2010
Mailing of refunds (if applicable)	by Friday 7 May 2010

The Board, in conjunction with the Lead Manager, reserves the right to amend the offer timetable at any time on or prior to the Closing Date. Investors are therefore encouraged to submit their applications as soon as possible.

3 Overview of Public-Private Partnerships as an Investment Class

INTRODUCTION TO SOCIAL INFRASTRUCTURE

Infrastructure can broadly be defined as long-term physical assets that operate in markets with high barriers to entry and enable the provision of goods and services.

Social Infrastructure is a subset of the infrastructure sector and typically includes assets that accommodate social services. As set out in the table below, examples of Social Infrastructure Assets include schools, universities, hospitals, prisons and community housing. Social Infrastructure does not typically extend to the provision of social services, such as the provision of teachers at a school or custodial services at a prison.

Sector	Examples of Social Infrastructure Assets
Health	• Medical facilities • Ancillary infrastructure (e.g. offices, carparks, training facilities)
Education	• Schools (primary and secondary) • Tertiary facilities • Residential student accommodation
Housing	• State or Council housing • Defence force housing
Civic and Utilities	• Community & sports facilities • Local government facilities • Water and wastewater treatment
Transport	• Bus stations • Park and rides • Availability-based roading (excluding demand-risk toll roads)
Corrections and Justice	• Prisons • Court houses

In contrast, economic infrastructure supports economic activity and is often characterised by 'user-pays' or demand-based revenue streams (such as tolls on toll roads or landing fees for an airport).

In New Zealand, Social Infrastructure is almost exclusively provided by a central or local government (or related entities such as district health boards and universities). The development and provision of Social Infrastructure is well suited to PPPs, which have been used successfully to deliver public infrastructure since the early 1990s in the United Kingdom[11], and more recently in Australia.

PUBLIC-PRIVATE PARTNERSHIPS

Overview

A PPP is a long-term contract between the public sector (a Public Sector Client) and a private company or consortium of companies (a Private Entity) covering the design, construction, maintenance, and financing of an infrastructure asset. PPPs can take many different forms, but typically have the following characteristics:

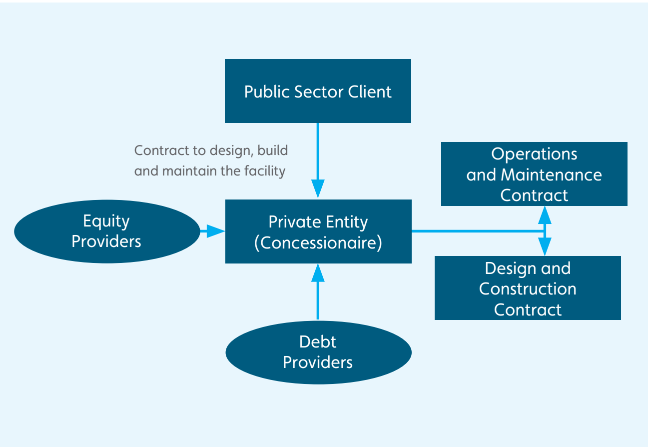
- a Public Sector Client enters into a contract with a Private Entity to provide finance and arrange the design, construction and ongoing operation of an asset. 'On-going operation' is usually limited to maintenance of the asset (but may extend to the provision of ancillary services, such as cleaning). The delivery of core social services to the public (such as the provision of teachers at a school or medical services at a hospital) typically remains the responsibility of a government agency;
- the Public Sector Client undertakes to pay for use of an asset for a specified term normally ranging from 15 to 35 years (the Concession). The Concession represents a substantial part of the life of the asset;
- the Private Entity contracts out construction and facilities management under fixed-price terms thereby passing construction and operational performance risk to sub-contractors where possible; and
- at the end of the Concession, ownership of the asset is returned to the Public Sector Client, who can continue to use the asset.

A key distinction between PPPs and traditional procurement methods is that the risks associated with the ownership and operation of an asset are largely borne by the private sector

11 PFI, "Strengthening Long-term Partnerships", page 12, available at http://www.hm-treasury.gov.uk/pfi_strengthening_long-term_partnerships.htm

rather than public sector. An example of a Social Infrastructure PPP would be a hospital building financed and constructed by a Private Entity and made available for use by a local District Health Board. The Private Entity then provides housekeeping, building maintenance and other non-medical services while the hospital authority focuses on the delivery of core medical services.

The principal contractual relationships in a typical PPP are shown diagrammatically below:



Financing

PPP projects typically generate relatively stable and predictable cash flows over the term of a Concession. Because of the nature of these cash flows, Private Entities can support relatively high levels of debt. While debt levels are expected to be high initially (particularly, during the project construction phase), debt typically declines over the term of a Concession as it is repaid from operating cash flows. Further information regarding maximum permitted debt levels for the PIP Fund can be found in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21.

A Private Entity will typically fund the initial project costs, including construction costs, through a mixture of long-term non-recourse senior debt, subordinated debt and equity. Ideally, where possible, senior debt and/or an equity bridging facility is drawn first and equity and subordinated debt are drawn towards the end of the construction phase (usually two-to-three years) to minimise calls on equity capital until the asset is operational.

Social Infrastructure PPP revenues

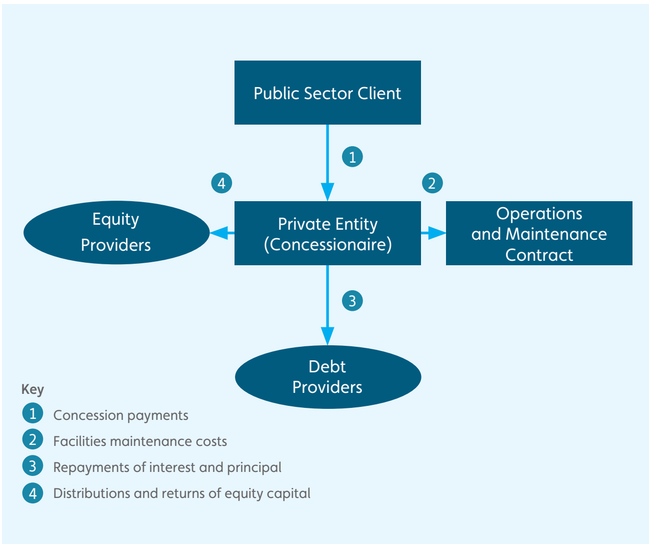
Once a Social Infrastructure Asset becomes operational, a Private Entity will receive revenues from the Public Sector Client for the remainder of the length of the Concession, provided agreed service levels are met. The revenues are typically inflation-linked and can be either 'availability' or 'demand' based depending on the nature of the project:

- 'Availability' – based projects entitle a Private Entity to receive regular payments from a Public Sector Client to the extent that the project asset is available for use in accordance with contractually agreed service levels.
- 'Demand' – based projects entitle a Private Entity to receive payments related to the usage of the project asset.

The focus of the PIP Fund will be to invest in Social Infrastructure Assets through PPPs with availability-linked payments made by a Public Sector Client. The PIP Fund does, however, have the ability to invest in demand-linked projects subject to certain criteria.

Cash flows

An illustrative example of the cash flows received/paid by a Private Entity for an operational asset is shown below:



In a typical PPP, assuming an asset is held until the end of the Concession, the cash flows to/from equity holders occur in two phases:

- Construction
  During the construction phase, investors will be called upon to provide portions of their committed capital – known as draw downs or calls – as and when required. A typical build time for a new Social Infrastructure Asset might be two-three years and equity would be called in instalments during this period.
- Operation
  Concession payments to the Private Entity typically commence once an asset is constructed and considered operational (i.e. available for use) by the Public Sector Client. Revenues typically enable the Private Entity to repay the construction and finance costs, pay for asset maintenance and operation and provide an equity return for investors. Equity investors can receive an investment return on equity in the form of income (dividends or distributions of operating profits from PPP assets), periodic returns of investment capital, and potentially capital gains on sale of investments (if sold).

  Typically, in the final few years of the Concession, once senior debt and subordinated debt are repaid from asset operating cash flows, all of an asset's operating earnings will flow to equity investors (after providing for any required latter year capital expenditure).

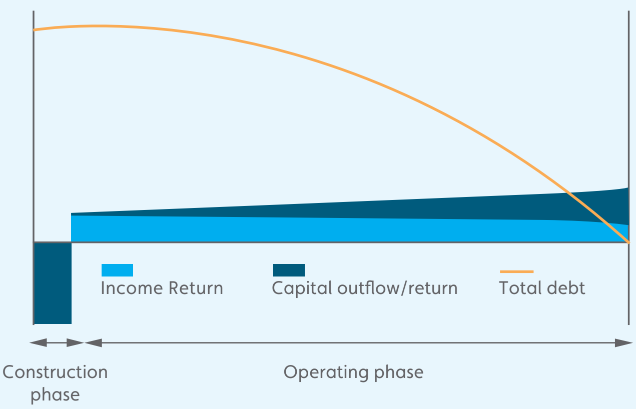
BENEFITS OF USING PPPs TO PROCURE SOCIAL INFRASTRUCTURE

Traditionally, New Zealand Social Infrastructure projects have been funded, operated and maintained by the public sector. However, there is international evidence to suggest that procurement through a PPP can deliver several benefits to the public sector, including:

Value for money

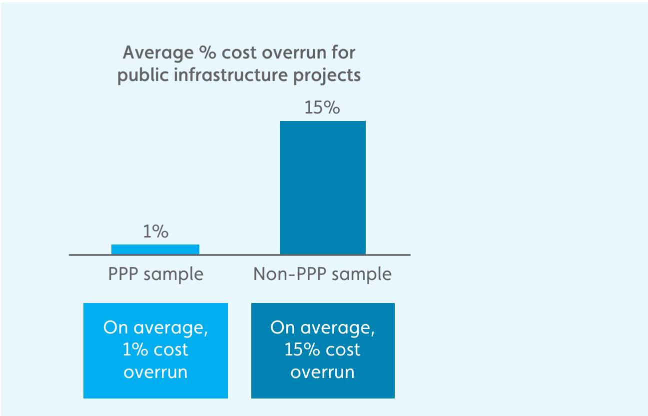
- in contrast to traditional procurement methods, the private sector has a financial incentive to optimise construction and on-going management such as building repairs and maintenance. This can result in the selection of more durable materials, which increases initial construction costs but reduces the whole-of-life costs of the project; and
- PPPs bring private sector expertise and innovation to the infrastructure associated with the provision of public services, which can deliver greater value for money relative to traditional procurement methods. Recent Australian experience shows that, on average, cost overruns in PPP projects are 1% of the total project cost compared to 15% of the total project cost for non-PPP projects[12].

The chart below sets out an illustrative example of the annual cash flows to equity investors and the amortisation profile of project debt funding associated with a hypothetical PPP project.



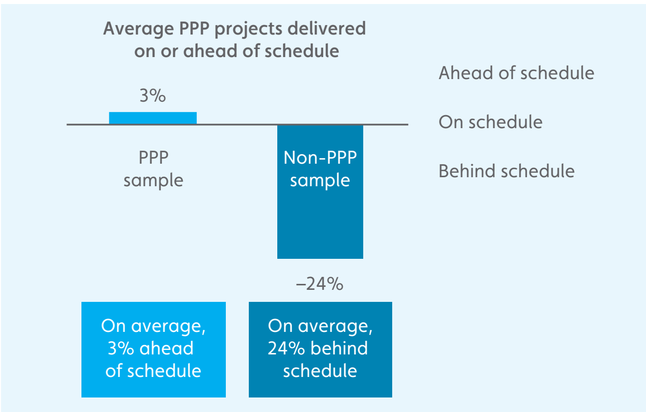
- Equity outflows for investors typically occur during the construction phase as projects are designed, built and completed.
- Returns to equity investors during the operating phase are generated from Concession payments received from the Public Sector Client and can have both an income and a capital component.
- Income returns comprise either dividends or distributions of operating profits (before tax) from the Private Entity. Capital returns reflect periodic returns of investors' invested capital. Capital returns tend to increase as the outstanding balance of debt funding is repaid over the term of the Concession.
- Cash flow streams are ideally relatively consistent during a Concession but can vary as a result of capital expenditure required to ensure the asset is returned to the Public Sector Client in a pre-agreed condition.

12 Allen Consulting Group, *"Performance of PPPs and traditional procurement in Australia –report to infrastructure partnerships Australia"*



Risk management

- in a PPP, the private sector partner has an incentive to complete construction on, or ahead of, time and provide high-quality services, as payments do not typically commence until the asset has been built and an agreed level of service is being provided. Recent Australian experience shows that, on a value-weighted average basis, PPP projects are delivered 3% ahead of schedule compared to 24% behind schedule for non-PPP projects[13]; and



- private partners in PPPs that receive availability-based payment streams have a commercial incentive to manage the ongoing quality, cost and availability of the infrastructure.

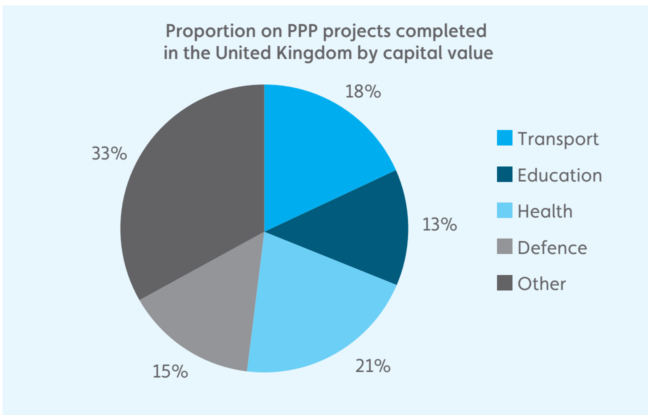
Delivery on government priorities

- PPPs allow the public sector to spread the payment for infrastructure assets over a number of years and may allow projects to be brought forward compared with traditional procurement approaches; and
- PPPs allow the public sector to focus on the provision of frontline services rather than managing capital works and maintenance. For example, United Kingdom studies suggest that educational performance rises in PPP schools[14].

USE OF PPPs GLOBALLY

The PPP model has been used in the United Kingdom since the early 1990s[15], through the use of Private Finance Initiatives for the procurement of public infrastructure. Since 1992, over 630 PFI projects delivering infrastructure investment of over £63 billion have been signed in the United Kingdom[16]. The model was seen as a way of overcoming a substantial reduction in public investment in infrastructure projects (relative to GDP) that had caused a backlog of maintenance and repairs, which was hindering the public sector's ability to deliver high quality services to tax payers[17].

In the United Kingdom, a significant proportion of PPPs have been for core Social Infrastructure projects in the Health (21%), Education (13%) and Defence (15%) sectors[18].



13 Ibid
14 KPMG, "PFI in School Building – Does it Influence Educational Outcomes?" and "Investment in School Facilities and PFI – Do They Play a Role in Educational Outcomes?"
15 PFI, "Strengthening Long-term Partnerships", p.12
16 PPP Forum, available at http://www.pppforum.com
17 PFI, "Strengthening Long-term Partnerships", p.14
18 PPP Forum, available at http://www.pppforum.com/index.asp

In Australia, PPPs have increasingly been used to deliver Social Infrastructure Assets. Between 1980 and 2006, over 120 PPP projects delivering infrastructure investment of over A$35 billion have been undertaken in Australia[19], including road, rail, water, energy, defence, health, education and prison developments. The model has been used in virtually all levels of Australian Federal Government and all States and Territories and for assets such as the NSW Royal North Shore Hospital, the Melbourne Convention Centre and Victoria's new desalination plant.

Many other countries have followed the United Kingdom's lead and are at various stages of the development curve with respect to the use of PPPs. Spain, France, the United States, and Canada are becoming increasingly sophisticated and experienced users of the PPP model.

MARKET POTENTIAL FOR PPPs IN NEW ZEALAND

While PPPs are well established internationally, to date traditional procurement models[20] have been favoured in New Zealand. There have, however, been a number of examples of partnerships between the public and private sectors to finance the delivery of infrastructure projects in New Zealand, including:

- Auckland Harbour Bridge, completed in 1959, financed privately by user tolls.
- Lyttelton Tunnel, completed in 1964, financed privately by user tolls.
- Tauranga Harbour Bridge, completed in 1988, financed privately by user tolls.
- Route K expressway in Tauranga, completed in 2003, a two lane expressway linking SH 29 directly with downtown Tauranga, funded by Tauranga District Council as a toll road.
- ALPURT B2 Northern Gateway Toll Road, completed in 2009, a realigned extended expressway between Orewa and Puhoi, funded by the New Zealand Transport Agency as a toll road.
- Tauranga Eastern Motorway, a proposed motorway from Te Maunga junction to Paengaroa, for which design is currently being finalised, is expected to be a toll road.
- Various university student accommodation projects, including the Massey University '10-years scheme'.

In addition, recent developments in New Zealand indicate a greater willingness and need for Social Infrastructure PPPs:

- In **November 2003**, the Land Transport Management Act was passed, empowering public road controlling authorities to enter into concession agreements between a third party and a public road controlling authority relating to the construction or operation of roads.
- In a **September 2007** speech, National Party Leader John Key emphasised that PPPs could play an effective role in building more infrastructure assets, especially in the property sector and involving areas such as prisons, schools and hospitals[21].
- In **December 2007**, Kaipara District Council awarded a $53 million Design Build Finance and Operate (DFBO) contract for delivery of wastewater services to the town of Mangawhai[22].
- In **June 2008**, the Waterview Connection Procurement Steering Group concluded that PPPs can offer value for money through disciplines around costing, defining objectives and risk allocation together with the performance incentives that arise from having private finance at stake[23].
- In **March 2009**, the Treasury established a National Infrastructure Unit (NIU) to formulate a long-term infrastructure plan for New Zealand[24].
- In **August 2009**, in a speech to the New Zealand Council of Infrastructure Development conference, Hon. Bill English confirmed that the Government will consider a PPP as a mechanism to procure the next prison[25].
- In **October 2009**, the NIU released 'Guidance for Public-Private Partnerships (PPPs) in New Zealand', a paper that outlines the Government's approach to procuring infrastructure via PPPs[26].

19 Irwin, T. and Mokdad, T., "Managing contingent liabilities in public-private partnerships: Practice in Australia, Chile, and South Africa", Report for the World Bank, 30 June 2009, available at http://www.infrastructureaustralia.gov.au/files/Managing_contingent_liabilities_in_PPPs_in_Australia_Chile_and_South_Africa_30_June_2009.pdf
20 Such as design & construct, alliance, fixed price/turnkey
21 Simcox C, "Key to Infrastructure Assets: Public-Private Partnerships", Dominion Post, 02 September 2007
22 Sourced from http://www.kaipara.govt.nz/kaipara/notices.htm#waste_scheme
23 Report of the Waterview Connection Procurement Steering Group, "Progressing the Waterview Connection as a Public-private Partnership", 26 June 2008
24 See http://www.treasury.govt.nz/releases/2009-03-02i
25 Hon Bill English's speech to the New Zealand Council of Infrastructure Development, note 2
26 See http://www.infrastructure.govt.nz/publications/pppguidance

- In **October 2009**, Local Government Minister Rodney Hide announced intended reforms of the Local Government Act. A part of the reform is aimed at providing greater flexibility for the use of PPPs for the provision of water services thereby allowing the private sector to design, build, finance and operate water treatment facilities for councils up to a 35-year period[27].
- In **October 2009**, Transport Minister Steven Joyce requested a review of the Land Transport Management Act. As part of the review, measures for reducing the barriers to PPPs to fund transport projects are to be examined[28].
- In **December 2009**, Education Minister Anne Tolley announced that the Ministry of Education and Treasury are assessing the suitability of PPP models for building and maintaining school properties[29].
- In **March 2010**, the NIU released the National Infrastructure Plan, which confirms that the Government intends to use PPPs where they represent value for money for tax-payers[30].

In addition to the above, there is compelling rationale for the public sector to consider the use of PPPs to fund infrastructure investment in New Zealand:

- The New Zealand Government considers investment in infrastructure to be a key pillar in lifting New Zealand's productivity[31]. The National Infrastructure Plan outlines a "step change in the level of infrastructure investment" with $7.5 billion allocated for new capital projects over five years[32].
- The New Zealand Council of Infrastructure Development has estimated the Government and local authorities will spend about $70 billion on infrastructure development and maintenance in the next 10 years[33].
- PPPs allow Government to meet the cost of infrastructure development from future incomes, rather than current taxation and direct borrowing[34].
- Given other pressures on the Government's operating account, it is focused on delivering services more cost-effectively and with less capital. It has acknowledged that PPPs can provide stronger incentives to minimise whole-of-life costs and improve service quality than is possible within the public sector[35]. This conclusion is supported by international studies which have shown that PPPs can lead to cost efficiencies versus traditional procurement models[36].

27 NZPA, "Hide announces proposed changes to local government act", 28 October 20009, available at http://www.stuff.co.nz/national/politics/3007715/Hide-announces-proposed-changes-to-local-government-act and http://www.voxy.co.nz/national/potential-better-water-services-changes-local-government-act/5/28732
28 Steven Joyce, "Land Transport Management Act to be Reviewed"
29 See http://beehive.govt.nz/release/ppps+being+considered+new+school+property
30 National Infrastructure Plan, March 2010, p.67, available at http://www.infrastructure.govt.nz/plan
31 Minister's Executive Summary, Budget 2009, pg. 1, available at http://www.treasury.govt.nz/budget/2009/execsumm
32 National Infrastructure Plan, March 2010, p.11, available at http://www.infrastructure.govt.nz/plan
33 Venter, N., "Rich Pickings in Infrastructure", Dominion Post, 18 August 2009, available at http://www.stuff.co.nz/business/industries/2762082/Rich-pickings-in-infrastructure
34 National Infrastructure Plan, March 2010, p.67, available at http://www.infrastructure.govt.nz/plan
35 Ibid
36 Allen Consulting Group, "Performance of PPPs and traditional procurement in Australia", 30 November 2007

4 Investment Characteristics of NZSIF

An investment in NZSIF will provide holders of Shares with an opportunity to invest, through the PIP Fund, in the development of Social Infrastructure Assets in New Zealand through PPPs. The Board believes that investments in Social Infrastructure PPPs are attractive because of the following characteristics:

- Stable, long-term investment returns;
- Low counterparty or default risk;
- Limited correlation to market cycles and diversification benefits;
- Value enhancement potential; and
- Target return expectations for NZSIF.

STABLE, LONG-TERM INVESTMENT RETURNS

Long-term stable cash flows

Cash flows from investments in Social Infrastructure PPPs are typically generated from the assets being made available to Public Sector Clients, rather than from measures based on usage or demand (such as for airports or toll roads)[37], and are generally subject to 15 to 35 year Concession contracts. The cash flows are therefore expected to be stable in nature and predictable over long periods of time.

Low volatility of returns

Where possible, the PIP Fund will seek to pass the risk of non-payment by the Public Sector Client, due to failure to meet asset availability and service standards, onto third-party service providers contractually or through penalties for non-performance. Insurance may also be used to manage the risk of events that would cause a Private Entity to breach its contract with a Public Sector Client. Both the passing of risk to sub-contractors and the use of insurance are designed to minimise the volatility of cash flows.

Inflation-linked revenues

Social Infrastructure PPPs generate regular revenue streams that are typically linked to an inflation index (e.g. CPI) for the duration of the Concession (15 to 35 years). Returns to investors are therefore typically partially linked to inflation over the term of the Concession.

LOW COUNTERPARTY OR DEFAULT RISK

Concession payments are typically paid by central or local government or related entities, such as district health boards or universities. The creditworthiness of the Public Sector Clients is underpinned by their relationship with central or local government which have the ability to levy tax or rates.

LIMITED CORRELATION TO MARKET CYCLES AND DIVERSIFICATION BENEFITS

Limited correlation to market cycles

As social services are an essential part of communities, Social Infrastructure Assets tend to be utilised during periods of economic growth as well as recession. In addition, income streams are generally linked to asset availability and service levels, rather than economic activity (i.e. usage of or demand for the asset) resulting in cash flows that have limited exposure to market forces or economic cycles.

Diversification benefits

The correlation between returns on listed equities and the returns on unlisted infrastructure tends to be low because, once a Concession has been signed, Concession payments are not generally linked to market forces nor exposed to competitive or technological pressures. Investors who are seeking to diversify market specific risk prevalent in listed investments may therefore be able to achieve diversification from investing in unlisted infrastructure[38].

VALUE ENHANCEMENT POTENTIAL

Active management of PPP projects can result in enhanced value and return characteristics for investors. This may be achieved in a number of ways, including valuation increases following construction completion (as a project's risk profile reduces), negotiating lower costs with service providers or insurers as the PIP Fund portfolio grows, and 'follow-on' investments, where the PIP Fund may invest further capital to expand an existing project.

37 The PIP Fund's investment mandate also allows it to invest in Social Infrastructure Assets that have some demand or utilisation-based revenue
38 Colonial First State Global Asset Management Limited, "A Review of the Australian Infrastructure Investment Market", 23 January 2009

TARGET RETURN EXPECTATIONS FOR NZSIF

NZSIF is targeting an Internal Rate of Return over the term of the PIP Fund of 11%[39] per annum before tax, but after all costs, investment management and administration fees and expenses. There is the possibility of additional incremental return arising from active management of the PIP Fund Investments and economies of scale. Investors in NZSIF should note that an 11% Internal Rate of Return is a target only and dependent on the performance of investments made by the PIP Fund and there can be no guarantee that such a return will be delivered to investors.

Due to the emerging nature of the PPP sector in New Zealand, the PIP Fund may be unable to invest in suitable projects immediately, but will invest as opportunities become available during the Investment Period (which is expected to be the period to 29 October 2015). Once identified and negotiated, suitable investment opportunities for the PIP Fund may involve the construction of new Social Infrastructure Assets over a likely two-to-three year construction period, or the acquisition of a fully operational asset.

Accordingly, due to the potentially staggered timing of investments and nature of cash flows under the PPP model, the annual distribution to investors in NZSIF may be lower or higher than NZSIF's target rate of return. Distributions are likey to be lower when the PIP Fund is in the process of making and evaluating investments in Social Infrastructure PPPs (but is not yet receiving any distributions from those investments). In addition, distributions to the PIP Fund and therefore to NZSIF from individual Social Infrastructure PPP projects may vary.

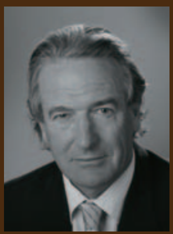
Investors in NZSIF will begin to receive distributions over the term of the PIP Fund (expected to be at least 18 years) once the PIP Fund commences receiving distributions from operational Social Infrastructure PPPs and itself makes distributions to NZSIF (and/or NZSIF receives returns on any co-investments). These distributions may be in the form of dividend income, periodic returns of investment capital, and potentially capital gains on the sale of Investments (if made).

39 Returns to NZSIF are based on the return to the PIP Fund from its investments. NZSIF's Internal Rate of Return target of 11% is expected to be less than the return received by direct investors in the PIP Fund due to the additional costs of creating and maintaining NZSIF as a separate company, including administration and governance costs. It does not include the Application Fee investors pay to the Lead Manager.

5 NZSIF Board of Directors

The Board comprises four directors: two independents, one of whom is Chairman, and two nominated by Craigs Investment Partners.

The Board is responsible for monitoring the investment of funds by NZSIF, the reporting obligations of NZSIF and monitoring the Administration Manager's performance. In addition, one or more of the directors of NZSIF is expected to be appointed to the Advisory Committee, which manages conflicts of interest between the Investment Manager and the PIP Fund, investment opportunities outside of the PIP Fund's core investment criteria (such as investments in Australia) and removal of the Investment Manager.



KIMMITT ROWLAND ELLIS (CHAIRMAN)

BCA (Hons), BE (Hons)

Kim is a widely experienced Chief Executive best known for his 13 years at the helm of one of New Zealand's most successful listed companies, Waste Management NZ Limited, culminating in the company's sale in 2006. During his tenure, Waste Management produced compound annual earnings growth in excess of 20%, completed in excess of 40 acquisitions and built a successful business in Australia. His earlier CEO appointments, dating back to 1978, covered a number of market sectors including health, manufacturing, distribution, transport, property, agriculture and fashion. Kim is currently Chairman of private equity held MetroGlasstech Limited and Envirowaste Services Limited and listed Seeka Kiwifruit Limited, as well as director of publicly listed Freightways Limited and Salvus Strategic Investments Limited and of privately held Tasman Tanning Limited. He is also a member of the Trust Board of St Cuthbert's College.

IAN ALEXANDER NICHOLSON FRASER

BE (Hons), Dist FIPENZ

Ian is a Distinguished Fellow of the Institution of Professional Engineers. He was an Executive Director of Beca Group Limited, or the company in its previous forms, for over 20 years, and managing Director of Beca Carter Hollings and Ferner Limited for three years. He has a broad engineering background across the industrial, electricity, civil infrastructure and institutional and commercial building sectors. Ian is currently a director of Transpower NZ Limited and Windflow Technology Limited, an alternate director of Beca Group Limited, and a former director and deputy chairman of Mighty River Power Limited. He is also a former Trustee Board member of Wellington and Wellesley Colleges and a former Board member and President of the Association of Consulting Engineers of New Zealand.

NEIL JOHN CRAIG

BAgCom

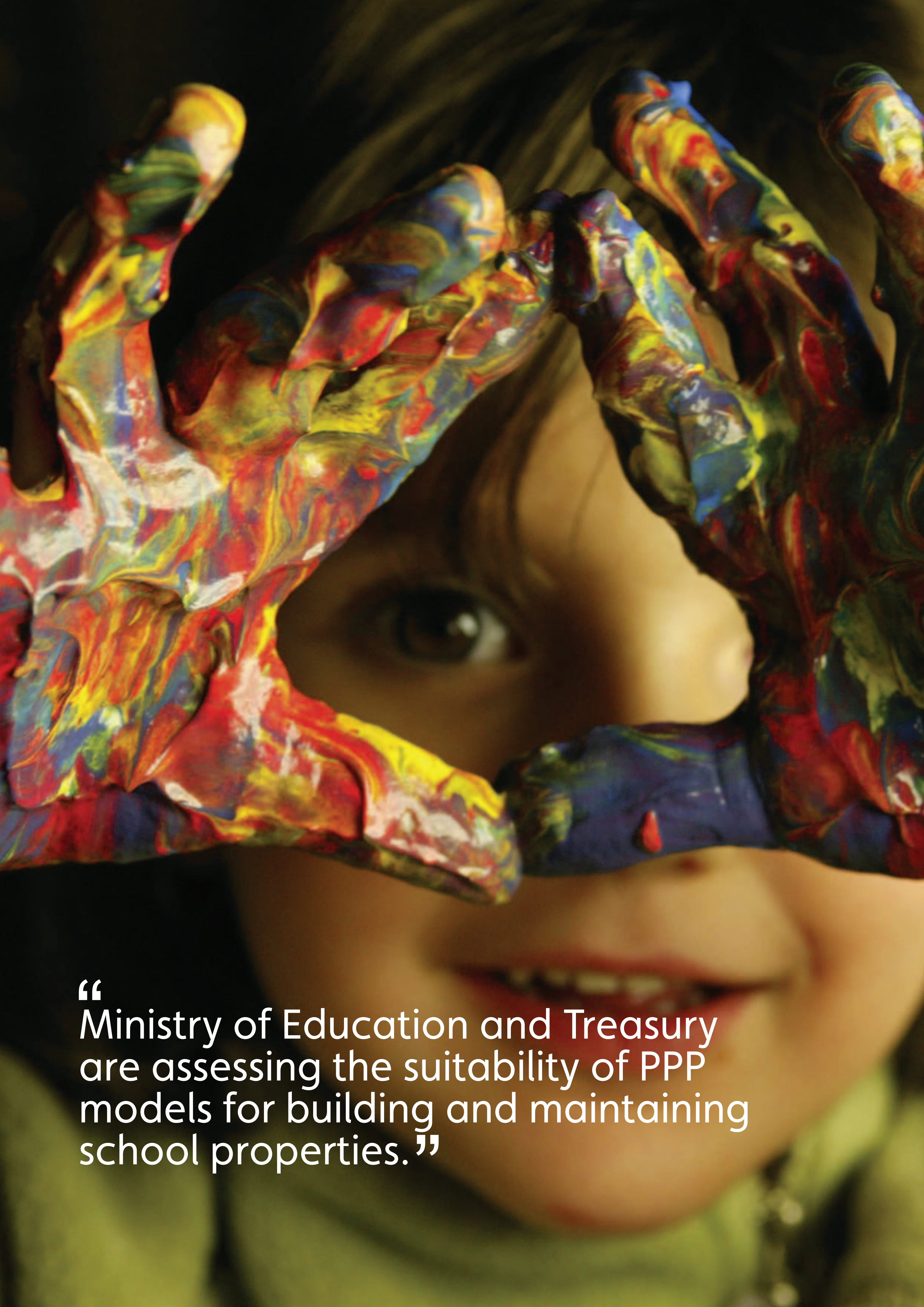
Neil is the founding principal and Executive Chairman of Craigs Investment Partners, a company he has been instrumental in building from a small regionally-based share broking business in Whakatane to its current position as a leading New Zealand Primary Market Participant and investment advisory firm. Neil has a broad experience in stock exchange listings, capital raisings and corporate activity for a wide range of companies.

Neil is currently a director of Pohutukawa Private Equity Limited and Pohutukawa Private Equity II Limited, the first and subsequent Pohutukawa funds as well as Comvita Limited (Chairman) and a number of privately held companies. He has previously been a Director of Mighty River Power Limited, New Zealand Stock Exchange, Dairy Equity Limited and Trust Bank Bay of Plenty Limited.

MICHAEL JOHN CAIRD

BCom, LLB

Mike joined Craigs Investment Partners in March 2009 as Head of Debt Capital Markets, and has been a director of Craigs Investment Partners since 2001. Mike's career in financial markets includes 11 years with ABN AMRO, during which he was Head of Acquisition and Leveraged Finance for Australia and New Zealand and Head of Global Markets for New Zealand, Brierley Investments Limited for 10 years and Arthur Young for four years. Mike has previously been a director of Hospital Car Parking Limited, McConnell Property Limited, Mangawhai Development Holdings Limited, AsiaPower Limited and Aetna Health (N.Z.) Limited. During his time at ABN AMRO, Mike was involved in acquiring the Auckland District Health Board carparking concession and the Mangawhai township wastewater design, build, finance, and operate concession, two early PPP style projects in New Zealand.

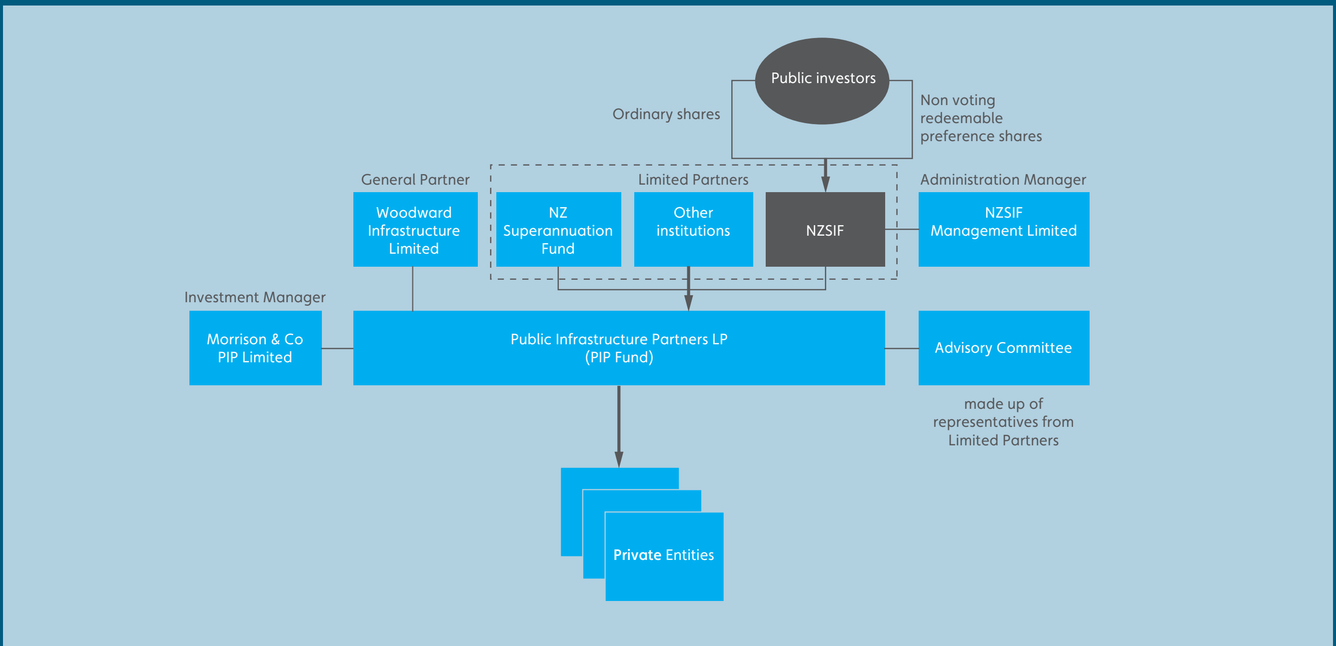


"Ministry of Education and Treasury are assessing the suitability of PPP models for building and maintaining school properties."

6 Structure, Administration, Governance and Reporting for NZSIF

INVESTMENT STRUCTURE

NZSIF was established to provide the New Zealand public with an opportunity to invest in the PIP Fund, and therefore obtain an exposure to predominately New Zealand-based Social Infrastructure Assets through PPPs. NZSIF will be a limited partner in the PIP Fund, as shown below:



Each Share held by investors of NZSIF consists of one ordinary voting share (nil issue price) and 100 non-voting redeemable preference shares of one cent each. NZSIF is looking to issue 50 million Shares in the Offer at an issue price of $1.00 per Share (with provision for oversubscriptions of up to an additional 75 million Shares at an issue price of $1.00 per Share).

Ordinary shares held by investors in NZSIF confer normal voting rights. The redeemable preference shares confer no voting rights.

As a Limited Partner, NZSIF will be required to make capital contributions to the PIP Fund, as called by the General Partner. When such capital calls are made on NZSIF, NZSIF will make capital calls on holders of the Shares up to the fully-paid value of the Shares.

NZSIF will receive a pro-rata share of the income and capital returns from investments made by the PIP Fund.

- Where Investments by the PIP Fund are structured through a limited partnership, NZSIF will receive distributions comprising gross income and also returns of capital from the underlying investment. Tax will be paid by NZSIF and income distributed to investors through imputed dividends (where imputation credits are available) and capital will be returned via redemption of the redeemable preference shares.
- Where Investments by the PIP Fund are structured through a company, NZSIF will receive distributions in the form of dividends and returns of capital from the underlying Social Infrastructure Assets. Dividends will be paid to holders of Shares (with imputation credits, where available) and capital will be returned via redemption of the redeemable preference shares.

ADMINISTRATION

NZSIF has engaged the Administration Manager to provide day-to-day administrative management services, such as investment of unallocated or surplus cash, investor relations, the preparation of interim and annual reports and other shareholder services that may be required from time to time.

The Administration Manager is a wholly-owned subsidary of Craigs Investment Partners.

Craigs Investment Partners is one of New Zealand's largest independent investment advisory firms, offering solutions to both private investors and corporate clients. Craigs Investment Partners has 17 branches throughout New Zealand and 110 investment advisors. Craigs Investment Partners has significant experience in portfolio management and the day-to-day running of unlisted investment funds, which includes being a joint venture partner with Direct Capital Limited in relation to the Pohutukawa I and Pohutukawa II private equity funds.

Craigs Investment Partners is also a Primary Market Participant of the NZX and is regulated by NZX Limited.

While Craigs Investment Partners is currently 100% owned by staff employees and associates of the company, it is possible in the future that it may have significant shareholders who will not be staff employees or associates (for example, an international financial institution owning a stake in Craigs Investment Partners as has occurred previously). The directors of Craigs Investment Partners are of the view that any such change in the company's shareholding would be positive for the company and would have no material impact on NZSIF or the Offer.

In addition, Craigs Investment Partners will operate an internal Chinese Wall policy in relation to the administration responsibilities associated with its role as Administration Manager of NZSIF.

INVESTMENT MANAGEMENT

The investment management services for the PIP Fund are to be undertaken by the Investment Manager. Accordingly, other than rights provided to Limited Partners through representation on the Advisory Committee, neither NZSIF nor the Administration Manager will have control over the investment management decisions associated with the PIP Fund and therefore the Committed Capital of NZSIF.

GOVERNANCE

NZSIF will retain a separate Board to ensure best practice corporate governance and that the interests of holders of Shares are represented. The directors of NZSIF can be appointed or removed by ordinary resolution of the shareholders of NZSIF.

The Board will report on the performance of NZSIF's investment in the PIP Fund to shareholders semi-annually. In addition, the Board will review the capital adequacy of NZSIF, be responsible for shareholder reporting and set timely shareholder meetings for NZSIF.

REPORTING

The Investment Manager and General Partner will provide Limited Partners with information regarding progress of the PIP Fund and its Investments and Limited Partners' share of income and expenses. This information will enable the Administration Manager to keep the Board informed of NZSIF's investment in the PIP Fund.

Information regarding the performance of NZSIF (through its investment in the PIP Fund and underlying Investments) will be provided to investors on a half yearly basis.

All other information, such as audited financial statements of NZSIF and distribution details, will be provided to investors through an annual report.

Half yearly and annual reports will be made available to all shareholders in NZSIF via NZSIFs website, as www.nzsif.co.nz, unless a physical copy is requested by the investor. NZSIF also intends to make general information on NZSIF, as well as its reporting, available on the website.

NOTIFICATION AND REGISTRATION OF HOLDINGS

The Registrar will maintain the share registry for NZSIF. The Registrar will send holding statements to all successful applicants no later than five Business Days from the date of Allotment.

RESTRICTED LEVEL OF OVERSEAS SHAREHOLDERS

Under the Deed of Adherence, the Board has agreed with Woodward Infrastructure Limited not to register any transfer of Shares that would result in more than 10% of the Share capital of NZSIF being held by 'overseas persons' for the purposes of the Overseas Investment Act 2005.

SOLE PURPOSE

Except with the written consent of the General Partner, NZSIF will only invest in the PIP Fund or co-invest in investments made by the PIP Fund. NZSIF will not acquire any other assets, other than those acquired directly or indirectly through its investment in, or co-investment with, the PIP Fund. The amount of capital committed to the PIP Fund by NZSIF will be the amount raised under the Offer less an amount determined by the Directors of NZSIF to reflect the expected costs and expenses of NZSIF and the Offer. Surplus cash will be invested by NZSIF in deposit accounts and/or government or registered bank securities.

If available to NZSIF, NZSIF may co-invest in investments made by the PIP Fund on such terms (including in respect of the basis on which such co-investments are managed for NZSIF) as may be approved by the Board.

RESTRICTIONS TO THE ALTERATION OF CONSTITUTION

The holders of Shares may alter the constitution of NZSIF by special resolution which is approved by 75% of NZSIF's shareholders.
Any alteration or revocation to the clauses of NZSIF's constitution concerning restrictions on the level of foreign ownership of NZSIF requires the prior written approval of Woodward Infrastructure Limited.

BORROWING

The Administration Manager will not use debt to leverage NZSIF's investment in the PIP Fund.

Further information on borrowing by NZSIF is provided under '*Borrowing Powers*', in Section 12 – Financial Information, on page 33.

Private Entities are expected to employ varying levels of borrowing on a non-recourse basis depending on the nature and risks associated with the cash flows of individual Investments. Further information on borrowing by the PIP Fund and by Private Entities is provided under '*Borrowing*' in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 22.

7 About the PIP Fund

WHAT IS THE PIP FUND?

NZSIF has been established to invest in the PIP Fund as a limited partner. The PIP Fund is a limited liability partnership, established under the Limited Partnerships Act 2008, which came into effect in May 2008. The primary purpose of the PIP Fund is to make, hold and dispose of investments in Social Infrastructure Assets through PPPs. The investment objectives, strategy and investment criteria of the PIP Fund are described in further detail in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21.

As at the date of this Offer Document the PIP Fund has not made any Investments. Since the formation of the PIP Fund in October 2009, its manager has been actively developing investment opportunities and is currently in discussions with prospective counterparties on several potential Investments. However transactions of this nature typically have a long lead time and it is not expected that the PIP Fund will make any Investments prior to the Closing Date of this Offer (30 April 2010).

WHAT IS A LIMITED PARTNERSHIP?

The PIP Fund has been structured as a limited partnership. This structure is commonly used internationally for private equity and venture capital funds and is becoming increasingly common in New Zealand. The PIP Fund, as a limited partnership, is a separate legal entity composed of two types of partners, general and limited partners:

- the general partner, who is responsible for the management and operation of the limited partnership and who is jointly and severally liable with the limited partnership for its unpaid debts and obligations to the extent such debts cannot be met by the limited partnership; and
- the limited partners, who are the providers of capital to the limited partnership and who do not participate in the management and operation of the limited partnership (outside specified safe harbours). Limited partners have liability that is limited to the size of the investment commitment they make, so long as they do not engage in the management of the limited partnership.

For New Zealand tax purposes a limited partnership is generally taxed in the same way as a general partnership. That is, the limited partnership is not taxable. Instead the partners pay tax on their share of the limited partnership's taxable income (assuming the partner is a tax paying entity).

WHO ARE THE PARTNERS?

The NZ Superannuation Fund has committed to invest $100 million in the PIP Fund as the cornerstone investor and was the sole limited partner in the PIP Fund at its formation on 30 October 2009 (Commencement Date). NZ Superannuation Fund also has the option to increase its initial investment into the PIP Fund prior to 29 October 2012, up to a maximum of $200 million in aggregate. In addition to the NZ Superannuation Fund, following the allotment of Shares under this offer, NZSIF will become a Limited Partner.

Morrison & Co has confirmed that its shareholders and employees will collectively commit to invest not less than $2 million alongside NZSIF in the PIP Fund, reinforcing Morrison & Co's alignment with investors and its focus on delivering returns.

The general partner of the PIP Fund is Woodward Infrastructure Limited, the beneficial owner of which is the HRL Morrison Music Trust. The General Partner may agree to additional investors becoming Limited Partners in accordance with the Limited Partnership Agreement.

WHO WILL MANAGE THE PIP FUND?

The investment management services for the PIP Fund are to be undertaken by Morrison & Co PIP Limited, a wholly-owned subsidiary of Morrison & Co.

Morrison & Co was founded in 1988 by Lloyd Morrison, initially targeting the infrastructure sector as Governments around this time introduced private capital to areas such as ports, airports and energy generation and distribution. In addition to the development of infrastructure expertise, Morrison & Co has been an active instigator and manager of specialist investment funds.

Morrison & Co launched Infratil Limited in 1994 and has subsequently established and managed a number of other investment mandates. Morrison & Co's investment approach has been to focus on sectors that offer attractive long-term growth opportunities, to apply a combination of financial and sector-specific expertise and to foster community and stakeholder relationships in order to maintain their position as a trusted investment partner for essential infrastructure assets. Morrison & Co's current investment and fund management activities include:

- NZX-listed Infratil – founded and managed by Morrison & Co, with market capitalisation of over $910 million as at 31 December 2009[40];
- a global infrastructure investment mandate which Morrison & Co manages for the NZ Superannuation Fund;
- Fisher Morrison Premium Infrastructure Fund and the Fisher Morrison Infrastructure Fund, established as part of Morrison & Co's strategic partnership with Fisher Funds and focused on investing in global infrastructure stocks and bonds; and
- Greenfield Agribusiness – an agribusiness investment joint venture between Morrison & Co principals and agriculture industry specialists. The group's first fund, the Greenfield Rural Opportunities Fund, was established in 2006 and has focused on the acquisition and development of over 20,000 hectares of pastoral farmland in New Zealand.

Morrison & Co has a team of over 20 executives based in Wellington, Auckland, Sydney and Brisbane, combining transactional and operational experience. This team includes in-house financial, legal and government relations expertise, as well as sector specialists in infrastructure and property management.

Morrison & Co's track record

Morrison & Co is a proactive manager with a history of strong performance for investors. Infratil has delivered a total shareholder return for investors in excess of 15% per annum since 1 April 1994[41]. The Fisher Morrison Premium Infrastructure Fund and the Fisher Morrison Infrastructure Fund have both delivered total shareholder returns in excess of 21% per annum since inception in December 2008[42].

KEY MEMBERS OF THE PIP FUND MANAGEMENT TEAM

Marko Bogoievski MBA, BCA, CA
Chief Executive of Morrison & Co
Investment Committee member

Marko is Chief Executive of Morrison & Co and is Chairman of the PIP Fund Investment Committee. He is actively involved in the development of relations with senior government ministers and officials to generate investment opportunities for the PIP Fund. Prior to joining Morrison & Co in 2008, he was Chief Financial Officer of Telecom Corporation of New Zealand Limited, responsible for corporate finance, mergers and acquisitions and group strategy. He has also held a number of senior financial, operational and sales roles in the airline, consumer goods and financial services industries. Marko holds a Master of Business Administration from the Harvard University Graduate School of Business and a Bachelor of Commerce and Administration from Victoria University. He is a Chartered Accountant.

Liberato Petagna BCA
Chief Investment Officer of Morrison & Co
Investment Committee member

Lib joined Morrison & Co in 1990 and leads the investment team. He has extensive experience in mergers and acquisitions, financial structuring, and funds management in the infrastructure and property sectors. He has played a lead role in the establishment of Infratil and the development of many of Morrison & Co's funds.

Peter John Coman MSc, BA, BPA
Chief Executive of Morrison & Co Property Group
Managing Director of the PIP Fund
Investment Committee member

Peter has overall accountability for the development and performance of infrastructure assets within the PIP Fund. Prior to joining Morrison & Co in 2008, he was Managing Director of Jones Lang LaSalle, New Zealand. Previous to this he worked in the United Kingdom for Prudential Real Estate Investors,

40 From IRESS, as at 31 December 2009

41 Data sourced from Bloomberg Historical Studies. Total shareholder returns have been calculated for the period 1 April 1994 to 31 December 2009, assuming the reinvestment of net dividends

42 Data sourced from the custodian of the Fisher Morrison Infrastructure Funds, Trustees Executors Ltd. Total shareholder returns have been calculated for the period from inception of both funds on 5 December 2008 to 31 December 2009, assuming the reinvestment of net dividends

as a Director in their European private equity real estate fund focusing on unlisted property company investments, and for Lend Lease Property Capital in their real estate private equity business. Peter holds a Master of Science in Investment Management from the City University Business School (London), and a Bachelor of Arts and Bachelor of Property Administration from the University of Auckland.

Paul Joseph Charles Newfield MPhil, MA, BA
Investment Director of the PIP Fund
Paul is responsible for origination and execution of investment opportunities for the PIP Fund with the support of the broader Morrison & Co investment team. Prior to joining Morrison & Co in 2008 he was a Principal at The Boston Consulting Group where he worked across the infrastructure, construction and finance sectors in New Zealand and Australia. He holds a MPhil in Management from the University of Cambridge and a MA and BA from the University of Auckland.

Steven Christopher Proctor BSc, ACMA,
Executive Director of the PIP Fund
Steven has been working in the public-private partnership sector since 1995, primarily in the United Kingdom. Prior to joining Morrison & Co in 2010, he was a Principal in the private equity department of Henderson Global Investors (UK), where he was responsible for the acquisition and management of social infrastructure investments. Within the public-private partnership sector he has worked as Sponsor (purchasing and bidding social infrastructure projects), Lead Arranging banker (lending into several UK project finance transactions) and as a Financial Advisor to both private sector project developers and government agencies.

Steven has successfully invested in public-private partnerships providing schools, hospitals, waste water infrastructure, railways, roads and leisure facilities. He has a Bachelor of Science degree in Economics from the University of St Andrews and is a Chartered Management Accountant (UK).

8 The PIP Fund Investment Objectives and Strategy

The following section summarises the investment criteria for the PIP Fund, as provided in the Limited Partnership Agreement.

INVESTMENT OBJECTIVES OF THE PIP FUND

The purpose of the PIP Fund is to maximise risk-adjusted returns for the Limited Partners through the development, acquisition and operation of Social Infrastructure Assets through PPPs.

In evaluating Social Infrastructure Asset opportunities, the PIP Fund may invest in 'greenfield' developments (new projects) and 'brownfield' projects (where pre-existing facilities are modified, upgraded or expanded) as well as consider secondary market acquisitions of operating assets if and when they become available.

AUTHORISED INVESTMENTS

- Social Infrastructure Assets that are to be developed or acquired for the primary purpose of being part of a PPP;
- equity or debt securities in any entity whose primary purpose is to hold Social Infrastructure Assets;
- other types of securities in any entity whose primary purpose is to hold Social Infrastructure Assets and which have been approved by the Advisory Committee;
- cash for liquidity purposes only; and
- other prospective investments approved by the Advisory Committee that are consistent with the PIP Fund's investment objectives and strategy.

PROHIBITED INVESTMENTS

Unless authorised by the Advisory Committee, the PIP Fund will not invest in:

- Investments that involve responsibility for the provision or delivery of the core social services, such as educational services (teaching) or medical care;
- Investments in correctional facilities, other than in relation to management and maintenance of the physical structures and non-custodial ancillary services (such as provision of utilities and laundry services);
- Investments whose operations are not substantially in New Zealand or Australia;
- Derivative Contracts;
- takeover transactions publicly opposed by the board of directors of the target, unless the takeover transaction was initially a recommended takeover or a transaction not opposed by the board of the target;
- Investments that responsible investors should not invest in, as listed in publicly available sources, agreed to by all partners; and
- Investments that might, in certain circumstances, impose a liability on the PIP Fund, which is greater than the PIP Fund's capital contribution to that Investment.

INVESTMENT STRATEGY OF THE PIP FUND

The PIP Fund intends to be a long-term investor in underlying assets and accordingly will seek to invest in Social Infrastructure Assets with cash flows that are expected to be of long duration, low volatility and linked to New Zealand or Australian inflation.

INVESTMENT PERIOD

The PIP Fund will invest in Social Infrastructure Assets during the Investment Period. Once the Investment Period is terminated or expires, the PIP Fund must not enter into any commitment to make a new investment other than for 'follow-on investments' (being further Investments which the General Partner and Investment Committee believe are appropriate or necessary for the PIP Fund to invest for the purposes of preserving, protecting or enhancing an existing Investment).

Commencement and term

The Investment Period commenced on 30 October 2009 and will last until 29 October 2015, unless extended by the approval of the Advisory Committee. The Investment Period may be terminated by the Limited Partners earlier than 29 October 2015, if:

- within three years from the final closing date (being 29 October 2010 or such other date as the General Partner may determine with the consent of the Advisory Committee), less than 25% of Committed Capital (excluding additional capital committed by the NZ Superannuation Fund as discussed under Section 7 – About the PIP Fund, on page 18) has been called or invested by the PIP Fund; or
- there is a substantial change in law or policy of the Government, which in the reasonable opinion of the majority of Limited Partners (as voted on by way of ordinary resolution) would materially diminish the investment opportunities of the PIP Fund; or

- the Advisory Committee requires the PIP Fund to cease making new investments because there has been a change in the Key Persons initially appointed to the Investment Committee; or
- the General Partner/Investment Manager retires or is removed.

The Investment Period can also be terminated earlier than 29 October 2015 by the General Partner.

BORROWING

The PIP Fund will not generally use debt to finance Investments at the 'fund' level. The General Partner, at its sole discretion, may authorise the use of debt in certain circumstances where a Limited Partner becomes a 'defaulting partner,' as discussed in Section 9 – Summary of the Limited Partnership Agreement on page 23. Otherwise, the PIP Fund may also borrow with the approval of the Advisory Committee.

Private Entities are, however, expected to employ varying levels of Borrowing on a non-recourse basis depending on the nature and risks associated with the cash flows of that Investment. The target Borrowing for any particular asset or Private Entity will depend on the appropriate levels of Borrowing at the time, having regard to facilities available from lenders, financial market conditions and the extent to which the asset's income streams are availability-based or exposed to market forces.

A Private Entity will typically fund the initial project costs, including construction costs, through a mixture of long-term non-recourse senior debt, subordinated debt and equity. Ideally, senior debt and/or an equity bridging facility is drawn first and equity and subordinated debt are drawn towards the end of the construction phase (which will likely be two-to-three years). Debt financing drawn down during the construction phase is generally structured to be repaid over the term of the Concession from project operating cash flows. As a result, Borrowing levels for a project will therefore generally decline, rather than increase or be maintained, over the term of a Concession.

The PIP Fund has maximum Borrowing levels, measured as the ratio of debt to debt-plus-equity (which should be distinguished from target Borrowing levels). Under the Limited Partnership Agreement, the maximum Borrowing level for a particular Social Infrastructure Asset will range from 65% to 85%, and the exact Borrowing level will depend on the extent of availability-based payments from, and technical risk associated with, that asset.

The maximum Borrowing levels limits set out above can only be exceeded with Advisory Committee approval.

CONCENTRATION LIMITS OF THE PIP FUND

Under the Limited Partnership Agreement, the PIP Fund will seek to mitigate exposure to particular asset classes or counterparties, as follows:

- the maximum allocation to a single asset or company will not exceed the higher of 25% of the total Committed Capital of the PIP Fund or 25% of the market value of assets or property of the PIP Fund, measured at the date of commitment to that asset;
- the maximum allocation to a single counterparty (i.e. the Public Sector Client) will not exceed the higher of 40% of the total Committed Capital of the PIP Fund or 40% of the market value of assets or property of the PIP Fund, measured at the date of commitment to an asset, except where that counterparty is the Central Government of New Zealand or an entity with an explicit or implicit guarantee from the Central Government of New Zealand; and
- the maximum allocation to a single sector with material demand-risk shall not exceed the greater of 25% of the total Committed Capital of the PIP Fund or 25% of the market value of assets or property of the PIP Fund, measured at the date of commitment to an asset.

The above limits may only be amended with approval from the Advisory Committee.

SECURITIES LENDING

The Investment Manager may not lend to any third party any securities, investments or documents of title or certificates evidencing title.

AMENDMENTS

The Limited Partnership Agreement (including the investment criteria) may be amended by a special resolution of the Limited Partners, with the consent of the General Partner.

9 Summary of the Limited Partnership Agreement

Subject to completion of the Offer, NZSIF will become bound by the Limited Partnership Agreement as a Limited Partner. Principal terms of the Limited Partnership Agreement are described below.

CAPITAL CALLS

From time to time, the PIP Fund will call for Limited Partners to contribute capital for the purposes of making Investments, for working capital purposes or for meeting any obligation of the Limited Partnership. Capital calls will be made by the General Partner in the form of a written draw down notice.

Capital calls made to NZSIF will be made with no less than 25 Business Days' prior written notice. This is intended to provide sufficient time to enable NZSIF to make capital calls to investors. The General Partner will maintain a register of the Limited Partners and their respective amounts of Committed Capital and capital contributions.

TERM

The PIP Fund's term will be for an initial period of 18 years to 29 October 2027, unless terminated earlier under the Limited Partnership Agreement. The initial period is expected to be made up of two phases: a period of 15 years, comprising the Investment Period and the 'operating' phase (as described on pages 6–7) followed by a period of three years during which the affairs of the PIP Fund would be expected to be 'wound down' and the assets of the PIP Fund distributed to Partners.

After the initial period of 15 years, the term of the PIP Fund may be extended for three additional five year periods by an ordinary resolution of the Limited Partners, passed no later than 90 days prior to the expiry of the relevant period.

On termination, no further business may be conducted by the PIP Fund, except to complete any unfinished transactions at that time and to wind up the affairs of the PIP Fund and distribute its assets to the Partners.

MANAGEMENT OF THE PIP FUND

The management and control of the business and affairs of the PIP Fund including being responsible for the performance and obligations of the Investment Manager are the responsibility of the General Partner. The General Partner is also responsible for ensuring that the PIP Fund makes Investments on a basis consistent with its investment criteria set out in the Limited Partnership Agreement, which is summarised in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21.

Under the Limited Partnership Agreement, the General Partner is not required to follow the advice of, or resolutions passed by, the Limited Partners or the Advisory Committee, except in relation to a limited number of specified matters, including approval of Investments outside the investment criteria, ceasing to make new Investments under certain circumstances, approval of variations to the Investment Management Agreement, approval to extend the Investment Period under certain circumstances, approval of changes to the ultimate control of the General Partner or Investment Manager and resolutions to replace the General Partner or the Investment Manager in certain circumstances. The General Partner is entitled to an annual fee of $5,000 (plus GST, if any).

ADVISORY COMMITTEE

Under the Limited Partnership Agreement, the PIP Fund will have an Advisory Committee, which will comprise one representative member for each Limited Partner whose Committed Capital is greater than $10 million and thereafter by the General Partner with the approval of the Limited Partners, up to a maximum of five members. Where more than five Limited Partners have committed in excess of $10 million, the five Limited Partners with the highest Committed Capital shall have the appointment rights. NZSIF has agreed that, in exercising any right to appoint a member to the Advisory Committee, it will not appoint an employee, officer or director of Craigs Investment Partners, unless otherwise approved by the General Partner. Under the Limited Partnership Agreement, the Advisory Committee will, amongst other things:

- meet quarterly with the General Partner and Investment Manager to be updated on business affairs of the Limited Partnership;
- manage potential conflicts of interest between the General Partner and/or the Investment Manager, with the PIP Fund or Limited Partners;
- consider/approve Investments outside the investment criteria, and consider and/or approve amendments to the investment criteria set out in the Limited Partnership Agreement (and summarised in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21);

- be responsible for dealing with the Investment Manager in a case of a default by the Investment Manager, or regarding any proposed amendment to the Investment Management Agreement;
- be responsible for removing the Investment Manager under the Limited Partnership Agreement and the Investment Management Agreement;
- agree the appointment of an independent valuer and approve the valuation methodologies and policies used for valuation of the PIP Fund's Investments and/or calculation of the Investment Manager's annual performance fee; and
- approve changes to the Key Persons.

Members of the Advisory Committee, will not however, take part in the management of the Limited Partnership business.

INVESTMENT COMMITTEE

Decisions by the PIP Fund regarding new Investments or in relation to the sale or disposition of Investments must be approved by a majority of members of the investment committee. The investment committee will comprise up to five individuals, identified as Key Persons, who are either employed by Morrison & Co or actively involved in the management of the PIP Fund as part of the Investment Manager. Initially the members of the investment committee will be Liberato Petagna, Marko Bogoievski, and Peter Coman, for whom a brief overview is provided on page 19.

If a 'Substantial Change in Key Persons' occurs under the Limited Partnership Agreement, the Advisory Committee may require the PIP Fund to cease making new Investments (other than 'follow-on' Investments, and investment opportunities for which an irrevocable offer has already been made). A 'Substantial Change in Key Persons' occurs if any two of Key Persons initially appointed to the Investment Committee (being Liberato Petagna, Marko Bogoievski and Peter Coman) cease to actively participate in the Investment Committee or actively participate in the management of the Investment Manager, or there is a change of ultimate control of the Investment Manager, in either case without the consent of the Advisory Committee.

COMPETING INVESTMENTS

Except with the consent of the Advisory Committee, the General Partner must not and must procure that, the Investment Manager and their respective affiliates do not, establish a private equity fund in New Zealand in competition to the PIP Fund in New Zealand until the earlier of (i) the total Capital Contributions plus any legally binding commitments of the PIP Fund (whether for operating costs or committed Investments) are at least 75% of the total Committed Capital of the PIP Fund; or (ii) the Investment Period has expired.

The General Partner, the Investment Manager and its affiliates manage Infratil Limited, the Fisher Morrison Premium Infrastructure Fund and the Fisher Morrison Infrastructure Fund, and may make investments on behalf of these entities. Until the earlier of (i) and (ii) above, the General Partner must ensure that the PIP Fund has the opportunity (where reasonably practicable) to participate in investment opportunities presented to these entities which come within the PIP Fund's investment criteria. Where the Advisory Committee wishes the PIP Fund to participate in the opportunity to a greater extent than that offered, as far as reasonably practicable, the PIP Fund and the other funds administered by the General Partner will participate in that investment on a basis proportionate to the amount of their Committed Capital or equity value to the Limited Partnership at the date of the relevant investment.

CO-INVESTMENT

Subject to investment by the Investment Manager or the General Partner (or an affiliate of either) of at least $2 million into the PIP Fund by the final closing date of the PIP Fund, the Investment Manager and the General Partner will have the first right to invest in any project with the PIP Fund up to a maximum aggregate limit of 7.5% of the total amount invested in projects by the PIP Fund, or such higher percentage as may be agreed by the Advisory Committee from time to time. At least one month before the beginning of each calendar year the General Partner and/or the Investment Manager will confirm the level of investment the General Partner and/or the Investment Manager will make for that calendar year, and will ensure that this level of investment is made in respect of each Investment made by the PIP Fund during that calendar year.

There is no obligation for either the Investment Manager or General Partner to hold any co-investment for the term of the PIP Fund.

REPORTING

The General Partner will keep the Limited Partners informed of the progress of the PIP Fund and its Investments, and information regarding the performance of the PIP Fund and the projects that the PIP Fund has invested in will be provided to the Limited Partners on a quarterly basis.

In addition, the General Partner will provide audited financial statements within 90 days of the close of an Accounting Period and specific information regarding each Private Entity to Limited Partners at least annually. Any information regarding any material adverse change affecting the PIP Fund, its projects or Private Entities will be provided to Limited Partners by the Investment Manager promptly and whenever practicable.

ALLOCATIONS OF PROFITS AND LOSSES

All profits and all losses of the PIP Fund from a particular investment are to be allocated to the Limited Partners who participated in the particular Investment on a pro-rata basis. The General Partner will be permitted to depart from this pro-rata distribution in the following circumstances:

- where a partner has been excused from making an Investment, in respect of distribution of profits and losses of that Investment (discussed further below);
- where a partner has failed to comply with a draw down notice, in respect of investments made by that partner; and
- where the NZ Superannuation Fund elects, before 29 October 2012, to increase its Committed Capital (as discussed below).

For tax purposes, income, tax credits, rebates, gains, expenses and losses will be allocated to all Limited Partners in proportion to their respective shares in partnership income, notwithstanding that allocations for other purposes may be made on a different basis as a result of the above matters. However, if practicable, the PIP Fund may in the future seek to amend its structure so that allocations for tax purposes match the manner in which allocations for other purposes are made.

NEW PARTNERS AND FURTHER INVESTMENT BY THE NZ SUPERANNUATION FUND

Where a new Limited Partner joins the PIP Fund, it will be required to make a capital contribution to the PIP Fund of an amount, which results in the new Limited Partner having contributed the same proportion of its capital as the existing Limited Partners. In addition, the new Limited Partner must contribute an amount equal to the interest that would have accrued on the amount contributed at a rate of 8% per annum and an amount equal to the new Limited Partner's proportion of the formation expenses of the PIP Fund. The General Partner may elect to distribute the interest and formation cost contributions to the existing Limited Partners.

As discussed above, prior to 29 October 2012, the NZ Superannuation Fund may elect to increase its investment in the PIP Fund by up to a further $100 million (so that its maximum aggregate investment in the PIP Fund is $200 million). On such an election:

- the NZ Superannuation Fund will not have to make any of the 'equalisation' payments referred to in the paragraph immediately above;
- the extent of any increase in the total Committed Capital may not be drawn or used for the purpose of allocating further funds towards Investments that have already been made by the PIP Fund prior to the election; and
- the General Partner shall be permitted to make adjustments in the distributions to the Limited Partners necessary to deal equitably between them in relation to the increase in the total Committed Capital to the PIP Fund.

DEFAULTING PARTNER

If any Limited Partner fails to comply with a draw down notice by the PIP Fund, then that Limited Partner will have to pay interest at 5% per annum over the 90-day bank bill rate on the amount owed. If, while the Limited Partner is in default, the PIP Fund serves notice on the Limited Partner to pay the call within 10 Business Days and the Limited Partner fails to pay the call within that period, all the rights of the Limited Partner (including voting rights, distribution rights and rights to have representation on the Advisory Committee) will be suspended and the Limited Partner's interest in the PIP Fund may be offered for sale. Funds received from the sale will be applied first towards the costs of sale, payment of unpaid amounts by the Limited Partner and costs reasonably incurred by the PIP Fund as a result of the Limited Partner's default. Funds remaining after these costs are paid will be distributed to the Limited Partner. The General Partner will, in addition, be permitted to make any such adjustments to the accounts and distributions of the Limited Partners as the General Partner may consider necessary to deal equitably between them.

EXCUSED PARTNERS

The PIP Fund may call for capital (in the form of a written draw down notice) from the Limited Partners from time to time. A Limited Partner will, however, be 'excused' from contributing capital called for the purposes of participating in an Investment to be made by the PIP Fund, if there is material likelihood that participation in that Investment would result in a material violation of:

- a law applicable to that Limited Partner; or
- an investment policy agreed between the General Partner and the Limited Partner.

The General Partner may also determine (in its sole discretion) that a Limited Partner's participation in a potential Investment could have a material adverse effect on the PIP Fund, or the Investment, or create a material conflict of interest.

In the event that a Limited Partner is 'excused' from contributing capital for one of the reasons outlined above, the Limited Partner:

- shall be deemed not to participate in that Investment;
- will be repaid the part of its Capital Contribution that is equal to its pro-rata share of the investment cost of the Investment, for which it is 'excused';
- will not be allocated distributions in respect of it;
- the General Partner may (with Advisory Committee approval) decide to offer a greater interest in a new Investment to that Limited Partner; and
- the General Partner shall be permitted to make such adjustments to the accounts and distributions of the Limited Partners as it may consider necessary to deal equitably between them in relation to any 'excused' partner.

DISTRIBUTIONS

The intent of the PIP Fund is to make distributions in cash, but it may make distributions 'in-kind' where the General Partner deems such a distribution appropriate in light of the circumstances.
The General Partner will exercise its discretion reasonably and in the interests of the Limited Partners as a whole and will endeavour to maintain liquidity for any securities distributed in-kind upon transfer.
The amount of such distributions shall be deemed to be equal to the value of relevant securities or assets of the PIP Fund as of the effective date of their distribution or, in the case of marketable securities, the average closing price of the previous 25 trading days.

The General Partner is not required to make distributions to the Limited Partners unless:

- there is cash available (other than in respect of distributions 'in-kind');
- the distribution will not breach any applicable laws;
- the distribution has not been allocated for a future Investment; or
- the General Partner reasonably considers that the PIP Fund has sufficient funds to meet its present and future contemplated obligations and liabilities and to protect the interests of the Limited Partners.

Subject to the three circumstances discussed in 'Allocation of profits and loss' above, the General Partner is required to make distributions to Limited Partners on a pro-rata basis.

RE-ADVANCEMENT OF DISTRIBUTIONS

Limited Partners may be required by the General Partner to re-advance part of any amount distributed to it by the PIP Fund where that distribution is attributable to payments in respect of:

- distributions made to Limited Partners arising from new Limited Partners joining the PIP Fund;
- net proceeds arising from the realisation of an Investment in respect of which the PIP Fund has given warranties and/or indemnities and where a substantiated claim has been made under such warranties; and/or
- indemnities or where required to meet an indemnity obligation of the Limited Partners.

In no event shall the aggregate amount of the re-advance together with the Capital Contribution relevant at the time exceed the Limited Partner's total Committed Capital.

INDEMNITY OF GENERAL PARTNER / INVESTMENT MANAGER

The Limited Partners agree to indemnify the General Partner, the Investment Manager, their directors and managers, current and future contractors of the PIP Fund, employees of the PIP Fund and directors of Private Entities in carrying out their roles under the Limited Partnership Agreement. The indemnity does not cover negligence, dishonesty, wilful default or bad faith of any of the listed persons.

TRANSFER OF PIP FUND INTERESTS

Limited Partners are not permitted to withdraw any Committed Capital until the termination of the PIP Fund, and may not transfer or encumber its partnership interest in the PIP Fund without the consent of the General Partner (not to be unreasonably withheld) and without first complying with pre-emptive rights in favour of the other Limited Partners.

MEETINGS OF PARTNERS

Meetings of Limited Partners will be held at least once a year. Ordinary resolutions of the Limited Partners require the approval of Limited Partners holding at least 50% of the total Committed Capital of the PIP Fund and special resolutions of the Limited Partners require the approval of Limited Partners holding at least 75% of the total Committed Capital of the PIP Fund, in each case excluding any Committed Capital of the General Partner or any Limited Partner who is in default under a draw down notice by the PIP Fund.

TERMINATION AND LIQUIDATION

The Limited Partnership Agreement will terminate on the occurrence of certain 'termination events'. These termination events include:

- the removal or retirement of the General Partner, where the General Partner is not replaced within 10 Business Days;
- the expiry of three years after a notice by the General Partner following any change in the law as a result of which the continuation of the PIP Fund becomes, in the reasonable opinion of the General Partner, impracticable or inadvisable or otherwise immediately upon a notice by the General Partner that the continuation of the PIP Fund would be unlawful;
- a notice by the General Partner that no further Committed Capital may be drawn down under the terms of the Limited Partnership Agreement and that all the PIP Fund's Investments have been disposed of and all liabilities (including contingent liabilities) of the PIP Fund have been satisfied and the proceeds have been distributed;
- the expiry of three calendar years after the latest of the date fifteen years after the Commencement Date (being 29 October 2027), unless that initial term is extended by the Limited Partners (by an ordinary resolution) for an additional five year term, which power of extension may be exercised again by the Limited Partners at the expiry of the first initial five year extension term, and again at the end of the second five year extension term;
- the recommendation of the Advisory Committee to terminate following a change of control of the General Partner or Investment Manager; or
- the expiry of three calendar years after passing an ordinary resolution following a substantial change in law or policy of the Government which, in the reasonable opinion of the Limited Partners, has led to the PIP Fund disposing of all or substantially all of the PIP Fund's assets and materially diminishing the investment opportunities of the PIP Fund under the investment criteria.

The General Partner and/or the Investment Manager may retire on 90 Business Days written notice and may be required to retire on the occurrence of certain events. These events include events where the General Partner and/or the Investment Manager are:

- directed to retire by an ordinary resolution of the Limited Partners where the General Partner has committed a material breach of the Limited Partnership Agreement and does not rectify such breach within 60 Business Days of receiving notice of the breach from the Advisory Committee;
- directed to retire by an ordinary resolution of the Limited Partners where the Investment Management Agreement has been terminated;
- directed to retire by a special resolution of the Limited Partners provided the General Partner and Investment Manager have an opportunity to address the Limited Partners at the meeting at which the resolution is considered;
- directed to retire by a special resolution of the Limited Partners for 'poor performance' (as defined in the Limited Partnership Agreement); or
- directed to retire by a special resolution of the Limited Partners following the occurrence of multiple non-material breaches of the Limited Partnership Agreement in any rolling 24-month period.

Any replacement General Partner will be appointed by way of an ordinary resolution of the Limited Partners.

AMENDMENTS

The Limited Partnership Agreement may, with the consent of the General Partner, be amended by a special resolution of the PIP Fund, provided that no amendments that may have an adverse effect on the interests of the Investment Manager (or any former Investment Manager or General Partner) may be made without their prior written consent. In addition, the General Partner may amend the Limited Partnership Agreement where the amendment is of a technical nature, made to correct a manifest error, inconsistency, ambiguity, to comply with the provisions of any law or will have no material adverse effect on the Limited Partners, and the General Partner notifies the Limited Partners at least 10 Business Days before and no Limited Partner has objected.

10 Summary of the Investment Management Agreement

THE INVESTMENT MANAGER

The Investment Manager has been appointed as the sole and exclusive provider of investment management services to the PIP Fund under the Investment Management Agreement.

The Investment Manager will have broad powers to deal with and manage (including without limitation by buying and selling) the Investments of the PIP Fund. More specifically, the Investment Manager is responsible for the decision to invest, acquire, hold or sell any part of the assets held by the PIP Fund and to determine the structure of such Investments (including corporate structure and the amount of any borrowings, if any). NZSIF will hold a Limited Partnership interest in the PIP Fund, and therefore the Investment Manager will have broad powers in respect of the management of assets held in relation to that Partnership Interest.

The Investment Manager is authorised to incur costs and expenses on behalf of the PIP Fund in the conduct of its management role, and can delegate functions to any person the Investment Manager believes on reasonable grounds to be reliable and competent in relation to the matters concerned; and more generally hire advisers and other specialists to supplement its work (for example, legal and accounting services). Notwithstanding the above, the Investment Manager is required to bear its own overhead costs in relation to the establishment of the investment management infrastructure and also the performance of investment management services.

The Investment Manager is the PIP Fund's preferred supplier of investment banking and financial advisory services that are not covered by the Investment Management Agreement, and the Investment Manager has first right of refusal in respect of providing these services to the PIP Fund and the Private Entities. The investment banking and financial advisory services will incur separate fees from the Investment Management Fee, and the terms and quantum of the services and associated fees must be approved by the Advisory Committee as being arm's length commercial terms.

INVESTMENT MANAGEMENT FEES

In return for providing the investment management services for the PIP Fund, the Investment Manager is paid a base management fee and may also qualify to be paid an annual performance fee where the return of the PIP Fund portfolio exceeds a benchmark return.

Base Management Fee

The Investment Manager will be paid an annual base management fee comprising the aggregate of:

- 1.5% of Invested Capital invested in or allocated to Investments that are not Fully Operational; and
- 0.8% of Invested Capital invested in or allocated to Investments that are Fully Operational,

less a fee of $5,000 (plus GST, if any), payable to the General Partner.

Up to and including the date of expiry of the Investment Period, notwithstanding the calculation mechanism above, the annual base management fee will be no less than an amount equal to 0.8% of Committed Capital.

The base management fee will be estimated by the Investment Manager and paid in instalments quarterly in advance on the first business day of each financial quarter (subject to a wash-up at the end of the respective quarter in the event that the estimate results in an over or under-payment). With the agreement of the Limited Partners, the Investment Manager may elect to defer receipt of any part of its base management fee, in which event interest will accrue on the amount of the accrued and unpaid fee at a rate of 1.0% per annum over the 90-day bank bill rate from the due date until the date of payment.

The annual management fee ceases to be payable with respect to any portion of Invested Capital, on the date any Investment is fully realised and the Invested Capital is returned to investors.

Annual Performance Fee

In addition to the base management fee, the Investment Manager may be entitled to be paid an annual performance fee of 20% of the returns generated by the PIP Fund in excess of a benchmark return. Payment of the annual performance fee in any one Accounting Period is subject to a 'high-water mark', a cap on the fee amount payable for an Accounting Period and a claw-back mechanism which may apply on the termination of the PIP Fund. Details in relation to qualification for payment, quantum and payment of the annual performance fee are explained in detail in Section 16 – Schedule 1: Annual Performance Fee, on page 48.

The annual performance fee is paid in arrears following the end of the Accounting Period, once the quantum has been calculated and the Limited Partnership has been invoiced.

TERM AND TERMINATION

The Investment Management Agreement continues until the PIP Fund is dissolved, unless it is terminated earlier as a consequence of the occurrence of an insolvency event, or an act of negligence, material breach or serious misconduct on the part of a party.

The Investment Manager may resign as manager of the PIP Fund by giving 90 days' written notice of its intention to resign to the Limited Partnership.

The Investment Manager may also be directed to retire as investment manager by a special resolution of the Limited Partners for 'poor performance', provided that 30 Business Days' prior notice of the proposed resolution is given to the Investment Manager and it is given the opportunity to address the Limited Partners at the meeting for which the resolution is considered.

INDEMNITY

Pursuant to the Investment Management Agreement, the Limited Partners have agreed to indemnify the Investment Manager, and its officers, employees, advisers and agents, against losses and costs incurred by reason of the Investment Manager performing its obligations under the Management Agreement except those resulting from the gross negligence, fraud, dishonesty or wilful default of an indemnified party.

11 Summary of the NZSIF Administration Agreement

THE ADMINISTRATION MANAGER'S RESPONSIBILITIES

Under the Administration Agreement, NZSIF appoints the Administration Manager as sole and exclusive provider of administration services to NZSIF. The Administration Manager's broad responsibilities include:

- using the net proceeds of the Offer to invest in the PIP Fund, as agent of NZSIF;
- advising the Board when calls are required in respect of Shares to meet any calls made on NZSIF;
- monitoring the performance of the PIP Fund and maintaining records of investments made;
- reporting to the Board on the performance of the PIP Fund's Investments; and
- reporting to holders of Shares on the performance of NZSIF, on behalf of the Board.

NZSIF's primary investment will be its limited partnership interest in the PIP Fund. The investment decisions of the PIP Fund will be made by the Investment Manager in accordance with the Investment Management Agreement, which is described in Section 10 – Summary of the Investment Management Agreement, on page 28.

The Administration Manager is authorised to incur costs and expenses on behalf of NZSIF in the conduct of its administrative role. To supplement its work, the Administration Manager can also delegate functions outside its areas of core competency and expertise to third parties; and more generally hire advisers (such as accounting, legal and tax) and other specialists the Administration Manager believes on reasonable grounds to be reliable and competent in relation to the matters concerned. Notwithstanding the above, the Administration Manager is required to bear its own overhead costs in relation to the establishment of the administration infrastructure and also the performance of administration services.

The Registrar will provide share register services. The Administration Manager will provide an order matching facility for buyers and sellers of Shares to assist with the provision of liquidity for holders of Shares.

ADMINISTRATION FEE

In return for administrating NZSIF, the Administration Manager will be paid an annual administration fee, estimated and payable in advance in four equal quarterly instalments on the first Business Day of each financial quarter of NZSIF during the relevant Accounting Period. The Administration Manager will use the annual administration fee to meet its own operating expenses but is entitled to be reimbursed for third party expenses it incurs on behalf of NZSIF.

The annual administration fee is 0.25% (plus GST, if any) per annum of the Opening Equity Value of NZSIF for an Accounting Period (being the aggregate of NZSIF's Shareholders Funds and the value of any Subscription Amount that remains uncalled in respect of the Shares as at the end of the preceding Accounting Period).

TERM OF THE ADMINISTRATION AGREEMENT

The Administration Agreement continues until NZSIF is liquidated, unless terminated earlier as a consequence of the occurrence of an insolvency event, or an act of negligence, material breach or serious misconduct on the part of a party. Also, the Administration Manager may resign its appointment by giving 180 days' written notice.

INDEMNITY

NZSIF has agreed to indemnify the Administration Manager, and its directors, officers, employees, advisers and agents, against losses and costs incurred by reason of the Administration Manager performing its obligations under the Administration Agreement except those resulting from the negligence, fraud, dishonesty, wilful default or material breach of an indemnified party.

12 Financial Information

NEW ZEALAND TAXATION

The following information is of a general nature only. Tax consequences will to some extent depend on individual circumstances, and investors should seek advice from their own tax advisor as to the consequence of an investment in NZSIF.

NZSIF was established to be a Limited Partner, and may also make co-investments in Investments made by the PIP Fund. As a Limited Partner, NZSIF may receive gross (pre-tax) income and capital in respect of Investments of the PIP Fund, which are structured as limited partnerships. NZSIF will also receive dividends, returns of capital and possibly interest in respect of Investments, which are structured as companies.

Accordingly, NZSIF expects to distribute dividends to holders of Shares in respect of income earned from the PIP Fund and any co-investments, as well as capital distributions from time to time (which would be paid as redemptions of the redeemable preference shares). Where New Zealand imputation credits are available for distribution with dividends, they will be passed onto investors in NZSIF. However, there is no guarantee that imputation credits will be available for distribution. Further, NZSIF may also receive capital gains if the PIP Fund divests underlying Investments (or if NZSIF divests its investments).

TAXATION OF NEW ZEALAND INVESTORS

Dividends on the ordinary shares will be subject to New Zealand income tax at the income tax rate applicable to the investor. New Zealand resident investors who are subject to tax on the dividends will be entitled to a credit for any imputation credits attached to the dividends. Distributions out of capital gains from sale or refinancing of underlying assets are likely to be taxable to investors (with no imputation credits) unless distributed pursuant to the wind up of NZSIF. Dividends will be subject to resident withholding tax, except for investors who have provided a certificate of exemption.

Provided that redemptions of redeemable preference shares are funded only from amounts received by NZSIF as returns of capital from its investment in the PIP Fund or in any co-investments (and not from income or capital gains), such redemptions should be treated as returns of capital, and accordingly as not subject to tax, except for investors who hold their Shares on revenue account.

Proceeds from the sale of Shares should only be taxable for investors who:

- acquired their Shares with a dominant purpose of resale; or
- are dealers in investments such as the Shares; or
- carry on a business an ordinary incident of which is the sale of investments such as the Shares; or
- sell the Shares in the course of carrying on an undertaking or scheme entered into for the purpose of making a profit.

Investors who are taxable on the proceeds of a sale of Shares should be entitled to a deduction for the cost of their Shares.

APPLICATION FEE

The application fee of 2.0% of the total Subscription Amount for the Shares is payable by investors to the Lead Manager upon application. The Application Fee will be used to pay brokerage at the same rate to NZX Firms and invited financial intermediaries on stamped Application Forms.

The Lead Manager reserves the right to reduce the Application Fee at its absolute discretion for applications received in excess of $1,000,000.

ISSUE EXPENSES

An amount equal to 1.0% of the total Subscription Amount will be paid by NZSIF to the Lead Manager on account of preliminary and issue expenses associated with the Shares being offered. The Lead Manager will meet issue expenses of NZSIF, including issue expenses in excess of this amount and the Lead Manager will retain any surplus as a fee.

DISTRIBUTIONS

NZSIF expects to earn interest from cash held on deposit, and receive dividends and distributions from the PIP Fund once Investments have been made and the assets become ‘operational’. NZSIF may also receive capital gains if the PIP Fund divests underlying Investments.

Until Investments have been made by the PIP Fund, investors in NZSIF should not expect any distributions. Income will be distributed to investors in NZSIF once NZSIF begins receiving regular income from the PIP Fund (which will be once underlying Investments begin delivering an operating cash flow surplus). In addition, any capital received in respect of assets from the PIP Fund will be returned to investors via redemptions of the redeemable preference shares.

VALUATIONS OF OPERATIONAL ASSETS

NZSIF may receive valuations of the PIP Fund portfolio from time to time. Under the Limited Partnership Agreement, valuations of the PIP Fund's operational investments must be completed at least annually.

OBLIGATION TO PAY SUBSCRIPTION MONIES

The subscription price of the Shares is payable in tranches.

When investors make an application for Shares, they subscribe for all Shares applied for, and also make a commitment to meet the total subscription price of $1.00 per Share. The amount payable upon application represents the initial call of $0.10 per $1.00 on Shares applied for, plus the full Application Fee.

Subsequent calls will be made in respect of the remaining subscription price of $0.90 per Share allotted.

The remaining $0.90 per Share, being the balance up to the Issue Price, is payable in tranches. Future calls will be subject to 20 Business Days' advance notice to the investor.

The proceeds of the initial subscription, and each subsequent call, will be applied to successively pay up in full the non-voting redeemable preference shares in NZSIF represented in each Share.

INVESTOR DEFAULT ON A CALL

If an investor does not pay a call on the due date the following consequences apply:

- the investor will be liable to pay a default rate of interest on the amount that remains unpaid, at a rate of 5% per annum above the 90-day bank bill rate;
- the Board will give the investor a further notice demanding payment after the date the notice is served;
- if the investor fails to pay within five Business Days' of such notice, the Board may resolve that the Shares in respect of which payments have been called but are unpaid will be forfeited (forfeited shares); NZSIF may (but is not obliged to) sell the forfeited Shares. NZSIF has no duty to the holder of the forfeited shares to seek a buyer for such shares or in respect of any consideration obtained, however any such consideration so received (less any costs of disposal) shall be returned to the holder of the forfeited shares; and
- alternatively, NZSIF may enforce the lien provided for in its constitution over all Shares held by the investor and apply the proceeds towards the outstanding call and any interest on the outstanding call (with the investor remaining liable for any shortfall after the sale or disposal of such Shares and any surplus proceeds of sale, less any costs of disposal, being returned to the investor).

ACCOUNTS

NZSIF's annual accounts will be prepared in accordance with the Financial Reporting Act 1993 and audited.

SET OFF

NZSIF may choose to apply distributions payable to investors against outstanding capital calls rather than make that distribution and then make a capital call.

BORROWING POWERS

The Administration Manager is only authorised to borrow money:

- if a call has been approved by the Board, to the extent of the aggregate amount of that call and for a term not exceeding 90 days after the date on which such call is due; or
- otherwise with the written prior approval of the Board.

TRANSFERABILITY OF SHARES

In certain circumstances, as set out in NZSIF's constitution, the Board may refuse or delay the registration of any transfer of Shares.

In addition, under NZSIF's constitution, no transfer of any Share will be registered by the Board if that transfer would result in more than 25%, or such other percentage as the Board may determine or agree with Woodward Infrastructure Limited from time to time, of the Share capital of NZSIF being held by 'overseas persons' for the purposes of the Overseas Investment Act 2005.

Under the Deed of Adherence, the Board has agreed with Woodward Infrastructure Limited not to register any transfer of Shares that would result in more than 10% of the Share capital of NZSIF being held by 'overseas persons' for the purposes of the Overseas Investment Act 2005.

13 Risks

This Offer is for an investment in NZSIF, which in turn will invest in the PIP Fund. As a result, investors face risks resulting from the structure and operation of, and investments undertaken by, NZSIF as well as risks resulting from the structure and operation of, and investments undertaken by, the PIP Fund.

NZSIF RISKS

Shares

The value of the Shares and income derived from them (if any) can go down as well as up. There is no guarantee that the price of Shares will fully reflect their underlying net asset value. In the event of a winding-up of NZSIF, holders of Shares will rank behind any creditors of NZSIF and, therefore, any positive return for holders of Shares will depend on NZSIF's assets being sufficient to meet the prior entitlements of any creditors.

It is also possible that costs associated with operating and administering NZSIF and the PIP Fund will be incurred before any Investments are made and investors receive any returns. This could adversely impact the value of the Shares and the net tangible asset value of NZSIF until such time that Investments become operational and distributions commence by the PIP Fund and allow distributions to be made to NZSIF investors.

Liquidity

Investing in NZSIF requires a long-term commitment with no certainty of return. There is no ability for investors to withdraw capital from NZSIF (including any calls payable) or, except in exceptional circumstances, for NZSIF to withdraw capital from the PIP Fund (including any calls payable to the PIP Fund).

While Craigs Investment Partners will endeavour to match sellers and buyers of the Shares on an informal basis, there may not be any buyers or sellers of the Shares and/or the price of the Shares may be different to their underlying net asset value.

PIP Fund

NZSIF's principal investment (apart from any co-investments with the PIP Fund and temporary investments, such as short-dated Government securities and bank deposits, for surplus cash) will be its interest as a limited partner in the PIP Fund. As a result, the performance and position of NZSIF is largely dependent on the performance of the PIP Fund. No guarantee can be given in respect of the future earnings or performance of the PIP Fund (see PIP Fund Risks, below).

Exculpation and Indemnification

The structure through which NZSIF will invest in the PIP Fund is through a New Zealand limited partnership. Certain provisions contained in the Limited Partnership Agreement and the Investment Management Agreement may limit the liability of the General Partner and the Investment Manager.

The Limited Partners, including NZSIF, are also responsible for indemnifying the General Partner and the Investment Manager (and their employees and agents) for any losses or damage incurred by them except for losses incurred as a result of their fraud, negligence or wilful default.

Consequences of Insolvency

Investors will not be obliged to pay any additional money (in excess of the Issue Price which remains uncalled or unpaid at that time) to any person in the event of insolvency of NZSIF. All claims of creditors or other parties against NZSIF rank ahead of the claims of holders of Shares in the event of any liquidation or winding up of NZSIF. All holders of Shares rank equally upon a winding up or liquidation of NZSIF, in each case for an equal share per Share of any surplus assets of NZSIF, after payment or discharge of other claims. No other persons currently rank equally with, or behind, such claims.

Taxation

Returns to investors will be affected by tax payable by any Private Entities structured as companies, by NZSIF and also by the investor. Tax laws are subject to change, which can have retrospective effect.

Because PPPs are not common in New Zealand, their taxation treatment is not certain in all respects. In particular, the law does not currently deal clearly with:

- the right to depreciate Investments in the event that they may be subject to a 'contract for sale'; and
- the tax treatment of a sale of depreciable assets (in particular buildings and other land-based assets) for an amount less than fair market value.

If the tax risks in this respect are not favourably resolved, then returns to NZSIF of the amount invested may be subject to tax, which will reduce amounts distributable to investors in NZSIF.

Where a Limited Partner is excused from an Investment, or otherwise does not participate in an Investment in proportion to their Committed Capital, NZSIF's taxable income may not match its accounting income (see under the heading "Allocations of Profits and Losses" in Section 9 for further details). If this happens, it is possible that the effective tax rate on its accounting income may be higher (or lower) than the statutory rate.

The Commissioner of Inland Revenue has the discretion to treat a redemption of shares (including the redeemable preference shares issued by NZSIF) as taxable if he determines that the redemption is 'in lieu of a dividend'. If he exercises his discretion, holders of Shares would be subject to tax on all or part of the return of their investment. NZSIF intends to structure its distributions and redemptions so that the risk of the Commissioner exercising this discretion is low.

Failure to meet a call to the PIP Fund

If NZSIF fails to meet a call made by the PIP Fund, then NZSIF will have to pay interest on the amount owed. If, while NZSIF is in default, the PIP Fund serves notice on NZSIF to pay the call within 10 Business Days and NZSIF fails to pay the call within that period, all the rights of NZSIF as a Limited Partner (including voting rights, distribution rights and rights to have representation on the Advisory Committee) will be suspended and NZSIF's interest in the PIP Fund may be offered for sale. Funds received from the sale will be applied first towards the costs of sale, payment of unpaid amounts by NZSIF and costs reasonably incurred by the PIP Fund as a result of NZSIF's default. Funds remaining after these costs are paid will be distributed to NZSIF. This situation could arise if a significant number of investors fail to meet a call made by NZSIF in respect of the Shares when required to do so if NZSIF makes a co-investment which is not entirely funded by new equity, or if NZSIF otherwise has insufficient funds to meet a call by the PIP Fund.

In order to partially mitigate the risk caused by NZSIF investors failing to meet a call on the Shares, NZSIF has the ability to sell the Shares of investors who have not made payment on a call, and use these proceeds in order to meet calls to the PIP Fund. Further, NZSIF may enter into a standby lending facility to enable it to cover default by a certain number of NZSIF investors in relation to their call.

Co-Investments

If NZSIF co-invests in any Investments made by the PIP Fund, it will directly face the risks relating to the PIP Fund described below (modified as necessary to refer to NZSIF). In addition, NZSIF would face funding, management and performance risks in respect of that co-investment.

PIP FUND RISKS

In addition to the risks identified above, holders of Shares are indirectly subject to the risks faced by the PIP Fund, which in some instances may be exacerbated if operating in combination with risks relating to the structure or operation of NZSIF.

GENERAL RISKS

Legislation

Changes in legislation or Government policy including that applying to taxation, accounting and the environment, could have an impact on the operations, earnings and performance of the PIP Fund and on distributions to Limited Partners, including to NZSIF.

Macroeconomic Factors

Investments may be subject to both domestic and international economic forces, which are beyond the control of the Investment Manager. Macroeconomic fluctuations may cause variations in factors, including market prices of securities and the cost and availability of debt securities employed in PPP transactions. These fluctuations may impact on the value of the Investments.

Force Majeure

The performance of the PIP Fund may be affected by reason of events such as war, civil war, riot or armed conflict, radioactive, chemical or biological contamination, pressure waves, environmental occurrences and acts of terrorism, which are outside its control. The occurrence of such events may result in an asset of the PIP Fund being unavailable for use.

If the force majeure event continues or is likely to continue to affect the performance of the services by the PIP Fund for a specified period of time it is possible that both the PIP Fund and the Public Sector Client will have the right to terminate the arrangements between them. In such circumstances, compensation (if any) would be unlikely to cover the amounts paid for the acquisition of the investment by the PIP Fund.

Country Risk

The PIP Fund is principally focused on Social Infrastructure investment opportunities in New Zealand and Australia. As the PIP Fund has the capacity to be exposed to businesses that have some proportion of their operations outside of New Zealand, Investments undertaken by the PIP Fund may be exposed to country risk. Investors should be aware of the potential impact on asset prices of political and sovereign risk, expropriation, and differences in law and regulatory differences in the enforcement of contracts.

Currency Risk
Where the PIP Fund acquires assets with operations outside of New Zealand, final returns calculated in New Zealand dollars will be impacted by currency fluctuations.

SPECIFIC RISKS

Political Risk
There is no guarantee that the New Zealand or Australian governments, local bodies, or other public sector bodies will use PPPs as a method for procuring the provision of Social Infrastructure. Further, future changes in legislation or policy may impact on the Government's prospective use of PPPs to procure Social Infrastructure Assets. This could impact on the number of investment opportunities for the PIP Fund, the performance of the PIP Fund and on distributions to Limited Partners, including to NZSIF.

Availability of and Competition for Investment Opportunities
The availability of Investments for the PIP Fund will be reliant on suitable Social Infrastructure Assets being available in New Zealand and/or Australia. Further, due to potential competition for Investments from other investors, the PIP Fund may not be able to find suitable projects to invest in. Accordingly, there is no guarantee of the timing or quantum of Investments to be made by the PIP Fund and its ability to construct a diversified portfolio of Investments. As a consequence, there can be no guarantee over the timing or quantum of calls to investors in NZSIF and returns may be lower and risks may be higher than expected.

Borrowing
Private Entities may use debt to partially fund Investments. If the availability of debt funding is restricted, the PIP Fund might not be able to complete a transaction, which could reduce the PIP Fund's return on equity. The obligation to make interest payments on borrowed money may reduce the PIP Fund's ability to make distributions and may increase the chance of insolvency of a Private Entity or Investment.

Reliance on the Investment Manager
Neither holders of Shares nor NZSIF will have an opportunity to control day-to-day operations, including investment and disposition decisions, of the PIP Fund. They must rely on the ability of the Investment Manager in identifying, structuring, managing and exiting Investments. Holders of Shares and also NZSIF are therefore reliant on the Investment Manager's key personnel. The performance of the PIP Fund could be adversely impacted if the Investment Manager ceases to be involved in the management of PIP Fund or its Investments. Similarly, the performance of the Investment Manager could be affected by a loss of key personnel.

Client Payment Default
Clients of the PIP Fund may include but are not limited to Public Sector Clients. Although the PIP Fund will assess each client's creditworthiness prior to entering into an arrangement with them, the possibility of default remains.

Covenants for Senior Debt
Covenants provided in connection with the use of senior debt are likely to be extensive and detailed. If certain covenants are breached, payments to Limited Partners, including NZSIF, could be suspended. Additionally, if an event of default occurs the senior lenders may become entitled to 'step-in' and take responsibility for, or appoint a third party to take responsibility for, the PIP Fund's rights and obligations under the agreements relating to its Investments between the parties. In addition, in such circumstances the senior lenders will typically be entitled to enforce their security over any secured assets and to sell those assets to a third party. The consideration for any such sale may not result in any payment in respect of the PIP Fund's investment in those assets.

Limited Number of Investments
The PIP Fund's investment criteria, as set out in the Limited Partnership Agreement, requires it to invest only in New Zealand (and with Advisory Committee approval, Australian) Social Infrastructure Assets. As a consequence, the PIP Fund will bear the risk of investing in a single asset class.

In addition, the PIP Fund is expected to make a limited number of Investments and, accordingly, the performance of the PIP Fund could be significantly adversely affected by the negative performance of any single investment.

Demand risk
While the focus of the PIP Fund is to invest in PPP projects with availability-based payment streams, the PIP Fund reserves the right to invest in projects that have demand-based payment streams, where the payment received by the PIP Fund depends on the extent to which the project assets are used or the price set. There is a risk that the level of use of the project assets or price charged and hence returns from such projects are lower than expected.

Even for projects with availability-based payment streams, the PIP Fund may decide to provide services, which are ancillary to the management of the underlying infrastructure. Typically, the revenue derived from these services is demand dependent.

Termination of the Investment Management Agreement
In certain circumstances the Investment Management Agreement can be terminated (see Section 10 – Summary of the Investment Management Agreement, on page 28). In addition, the Investment Manager and General Partner may resign. In either circumstance, an alternative investment manager/general partner will need to be appointed by the PIP Fund. There is no guarantee that a replacement investment manager/general partner with equivalent credentials and expertise will be appointed in that circumstance.

Inflation/deflation
Where possible, the PIP Fund's revenues and expenditure will be subject to indexation. The base index used for price (and cost) inflation is likely to be CPI. If inflation is higher or lower than expected, the effect on investment returns will depend on the nature of the underlying project and, where Concession revenue is availability-based, the CPI indexation provisions agreed with the Public Sector Client for each project.

Market Value of Investments
Returns from Investments will be affected by the price at which they are constructed or acquired. The value of these Investments will be (among other risk factors) a function of the discounted value of their expected future cash flows, and as such will vary with movements in interest rates and the competition for such assets.

Risks in Contractual Arrangements
Contracts will be used by the PIP Fund to pass through various risks to its sub-contractors including, where practicable, construction risk, operational performance risk and additional risks as appropriate. To the extent that these contractual arrangements are not effective at passing through risk to sub-contractors as intended, this may result in unexpected costs, or revenues that are lower than expected.

Reliance on Sub-contractors
The PIP Fund may choose to use a single sub-contractor to provide services across more than one Investment. In such a circumstance, the default or insolvency of a single sub-contractor could adversely impact the returns on a number of Investments.

Sub-contractor Service Failure
If a sub-contractor fails to provide services to the standard agreed with the PIP Fund, the Public Sector Client may have recourse to reduce payments to, or claim damages from, the PIP Fund. Typically, any cost to the PIP Fund caused by such a breach would be passed through to the relevant sub-contractor, subject to any agreed cap on contractual liability. If the sub-contractor, or its guarantors or insurers do not meet their obligation to compensate the PIP Fund, the PIP Fund will be required to wholly bear the cost of reduced payments from, or damages payable to, the Public Sector Client.

Sub-contractor Termination
If a sub-contract is terminated, the PIP Fund may suffer a reduction in revenue while a replacement sub-contractor is found, and may also incur costs in excess of any performance bonds provided during the re-tender process. The PIP Fund may not be able to recover these costs.

Termination of Agreements
Typically, both the PIP Fund and the Public Sector Client will have the right to terminate their project agreement in certain defined circumstances. The compensation (if any) to which the PIP Fund will be entitled on termination will depend on the reason for termination and the terms of the agreement between the parties. In some cases there may be no compensation. In other cases (including termination for force majeure), the amount of compensation payable (if any) may cover neither the full amount of senior debt secured on that Investment nor the nominal value of the capital invested in the project. For these purposes, senior debt can be taken to include the costs (or gains) arising from breaking any interest rate hedging arrangements. Typically, senior lenders will have security over any compensation proceeds. In other termination circumstances such as default by a Public Sector Client, any compensation would be expected to cover senior debt and the return of invested capital.

Insurance
Typically, the PIP Fund will be responsible under its arrangements with clients for maintaining insurance cover for, amongst other things, buildings, contents and third party risks (for example arising from damage to property). Typically, the PIP Fund assumes the risk that the cost of maintaining insurance may be greater than expected, and that in some circumstances it may not be able to obtain the necessary insurance.

The above list is not exhaustive and potential investors should read this Offer Document in full and, if they require further information on material risks, seek professional advice.

Investors are strongly advised to regard any investment in NZSIF as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. Consequently, potential investors should contact their Financial Advisor regarding an appropriate portfolio allocation.

14 Investment Statement

WHAT SORT OF INVESTMENT IS THIS?

Description of Securities

The Offer consists of a total of 50 million Shares to be offered for subscription by NZSIF. NZSIF may accept over subscriptions of up to a further 75 million Shares. A description of the Shares is set out in Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15. Each Share comprises one ordinary voting share (with a nil issue price) and 100 non-voting redeemable preference shares (with an issue price of $0.01 per share).

WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Issuer

The Issuer is New Zealand Social Infrastructure Fund Limited, and its address is:

Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3110

The Issuer is a newly incorporated company that has not carried on any business activities to date. The intended activity of the Issuer is to become a limited partner in the PIP Fund and undertake the other activities referred to in this Offer Document. A description of the PIP Fund's investment strategy and objectives is set out in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21.

The directors of the Issuer are Kimmitt Rowland Ellis (Auckland), Ian Alexander Nicholson Fraser (Wellington), Neil John Craig (Tauranga) and Michael John Caird (Lower Hutt).

The Promoters

The promoters of the Offer for the purposes of the Securities Act 1978 are Craigs Investment Partners and each of its directors (other than those directors who are also directors of the Issuer) being Frank Maurice Aldridge (Tauranga), Thomas Peter Davies (Rotorua), Ronald Phillip Lewis (Dunedin), James Bruce Miller (Auckland) and William Turnbull Stevens (Auckland), and Morrison & Co PIP Limited and each of its directors, being Marko Bogoievski (Wellington), Peter John Coman (Auckland) and Paul Joseph Charles Newfield (Auckland). Craigs Investment Partners and each director of Craigs Investment Partners can be contacted at Craigs Investment Partners' address set out in Section 19 – Corporate Directory, on page 57. Morrison & Co PIP Limited and each director of Morrison & Co PIP Limited can be contacted at Morrison & Co PIP Limited's address set out in Section 19 – Corporate Directory, on page 57.

HOW MUCH DO I PAY?

Applications must be for a minimum of 20,000 Shares at an issue price of $1.00 per Share and thereafter in multiples of 5,000 Shares. $0.10 of the Share issue price is payable on application along with the Application Fee to cover the cost of brokerage, as further described in Section 2 – Key Terms of the Offer, on page 2.
The remaining $0.90 per Share, being the balance up to the Issue Price, is payable in tranches. Future calls will be subject to 20 Business Days advance notice to the investor. The consequences of failing to meet a call are set out in Section 12 – Financial Information on page 32.

Applications for Shares must be made in accordance with the application instructions set out in the Application Form. In particular, payment must be made by cheque made out in favour of 'NZSIF Share Offer' and crossed 'Not Transferable' and completed Application Forms should be mailed or delivered to the NZX Firm through which the application was obtained, to the Lead Manager or to the Registrar.

All Application Fees are inclusive of GST, if any.

WHAT ARE THE CHARGES?

In return for performance of its duties as Administration Manager of NZSIF, the Administration Manager is entitled to be paid an annual administration fee, payable quarterly in advance.

The administration fee payable under the Administration Agreement is 0.25% (plus GST, if any) per annum of the Opening Equity Value of NZSIF for an Accounting Period (being the aggregate of NZSIF's Shareholders' Funds plus the value of any Subscription Amount that remains uncalled in respect of the Shares at the balance date of the preceding Accounting Period).

NZSIF has been established to invest in the PIP Fund as a Limited Partner. As such, investment management fees are also payable to the Investment Manager. Further information regarding the fees payable to the Investment Manager is available in Section 10 – Summary of the Investment Management Agreement, on page 28.

In addition to the Issue Price for the Shares each Applicant is required to pay an Application Fee for each Share applied for. The Application Fee shall be 2.0% of the total Subscription Amount. The Application Fee is paid to the Lead Manager and will be used to pay brokerage at the same rate to NZX Firms and invited financial intermediaries on stamped Application Forms. The Lead Manager reserves the right to reduce the Application Fee at its absolute discretion for applications in excess of $1,000,000.

An amount equal to 1.0% of the total Subscription Amount will be paid by NZSIF to the Lead Manager on account of preliminary and issue expenses associated with the Shares being offered. The Lead Manager will meet issue expenses of NZSIF, including issue expenses in excess of this amount and the Lead Manager will retain any surplus as a fee.

WHAT RETURNS WILL I GET?

NZSIF is targeting an Internal Rate of Return over the term of the PIP Fund of 11%[43] per annum before tax, but after all costs, investment management and administration fees and expenses. There is a possibility of additional incremental return arising from active management of the PIP Fund Investments and economies of scale.

Due to the emerging nature of the PPP sector in New Zealand, the PIP Fund may be unable to invest in suitable projects immediately, but will invest as opportunities become available during the Investment Period (which is expected to be the period to 29 October 2015). Once identified and negotiated, suitable investment opportunities for the PIP Fund may involve the construction of new Social Infrastructure Assets over a likely two-to-three year construction period, or the acquisition of a fully operational asset. Investors in NZSIF should note that an 11% Internal Rate of Return is a target only and dependent on the performance of investments made by the PIP Fund and there can be no guarantee that such a rate of return will be delivered to investors.

Due to the potentially staggered timing of investments and nature of cash flows under the PPP model, the actual annual distribution to investors in NZSIF may be lower or higher than NZSIF's target rate of return. Distributions are likely to be lower when the PIP Fund is in the process of evaluating and making investments in Social Infrastructure PPPs (but is not yet receiving any distributions from those investments).

Investors in NZSIF will begin to receive distributions once the PIP Fund commences receiving distributions from operational Social Infrastructure PPPs and itself makes distributions to Limited Partners (and/or NZSIF receives returns on any co-investments). The return investors in NZSIF will be entitled to receive on their investment in Shares will be amounts received on dividends paid by the Issuer, periodic repayments of capital by the Issuer (paid by way of redemption of redeemable preference shares), potentially capital gains on the divestment of Investments (to the extent Investments are sold and gains are distributed by the PIP Fund) and proceeds received on any liquidation of the Issuer (whether in cash or in kind) and if investors sell the Shares, the difference between the issue price and the eventual sale price of the Shares, after taking account of transaction costs and taxes (where relevant).

The key factors that determine the returns to investors are set out in Section 2 – Key Terms of the Offer, on page 2, Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15, Section 12 – Financial Information, on page 32 and Section 13 – Risks, on page 34. Returns to investors may also be affected by relevant taxes.

No returns are promised to investors. There is no specified frequency for, nor are there any specified dates on which repayments or returns from the Shares will be due and paid. The Issuer is the only person legally liable to pay the returns. There will be no established market for sale of Shares.

The Issuer believes that it is unable to reliably predict future returns, and investors should rely on their own judgement or on independent advice as to the likely level of returns.

WHAT ARE MY RISKS?

The principal risks of an investor's subscription money not being recovered in part or whole by an investor, or an investor not receiving the returns referred to under 'What returns will I get?' above are set out in Section 13 – Risks, on page 34. Applicants should also review the potential risks raised in the taxation summary set out in Section 12 – Financial Information, on page 32. No investor will at any stage be required to pay more money in respect of a Share than the amounts set out under 'How much do I pay?' above.

43 Returns to NZSIF are based on the return to the PIP Fund from its investments. NZSIF's Internal Rate of Return target of 11% is expected to be less than the return received by direct investors in the PIP Fund due to the additional costs of creating and maintaining NZSIF as a separate company, including administration and governance costs. It does not include the Application Fee investors pay to the Lead Manager.

It is possible that an investor will receive, in total, less than the amount of the issue price paid up by that investor if the returns produced by NZSIF (after deducting all relevant investment management and administration fees, costs and expenses) are negative.

No investor will or may be liable to pay money to any person as a result of the insolvency of the Issuer (other than any amounts of the issue price of Shares uncalled, or called but unpaid). In a liquidation situation, an investor's claim on the assets of the Issuer will rank behind the claims of any secured and unsecured creditors the Issuer may have. Holders of Shares will rank equally among themselves in the event of liquidation or winding up.

CAN THE INVESTMENT BE ALTERED?

The terms and conditions on which the Shares can be subscribed for (including the amounts payable by subscribers) but excluding the application fee can only be altered by amendment to this Offer Document. Details of any such amendment must be filed with the Registrar of Companies.

NZSIF

The holders of Shares may alter the constitution of NZSIF by special resolution which is approved by 75% of NZSIF's shareholders. Any alteration(s) to the clauses of the constitution concerning restrictions on the level of foreign ownership of NZSIF require(s) the prior written approval of Woodward Infrastructure Limited.

The PIP Fund

The terms of NZSIF's investment in the PIP Fund are governed by the Limited Partnership Agreement. The Limited Partnership Agreement may, with the consent of the General Partner, be amended by a special resolution of the Limited Partners, provided that no amendments that may have an adverse effect on the interests of the Investment Manager (or any former Investment Manager or General Partner) may be made without their prior written consent.

The Board, in conjunction with the Lead Manager, reserves the right to withdraw the Offer at any time on or prior to the Closing Date. If the Offer is withdrawn, all subscription monies will be refunded to Applicants within five Business Days of the date the Offer is withdrawn. No interest will be paid to Applicants on any subscription monies so refunded.

HOW DO I CASH IN MY INVESTMENT?

No person has the right to terminate, cancel, surrender or otherwise make or obtain payment of the returns from the Shares other than as described under the heading 'What Returns Will I Get', above.

Investors may sell their Shares to another person (subject to the discretion of the Board) subject to compliance with NZSIF's constitution (and in particular clauses concerning restrictions on certain share transfers) applicable securities laws and regulations, the Takeovers Code and the Overseas Investment Regulations, and the continuation of an active trading market. Whilst there will be no formal secondary market for the Shares, the Administration Manager will provide an order matching facility for buyers and sellers of Shares to assist with the provision of liquidity for holders of Shares during the term of the PIP Fund. Each Share includes 100 redeemable preference shares in NZSIF and one ordinary share. The redeemable preference shares may be redeemed by the Issuer in accordance with their terms.

Sales of Shares may be subject to brokerage charges.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries about the Shares should be directed in writing to:

NZSIF Management Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3110

Attention: Peter Lalor
Phone: (07) 577 6049
Email: enquires@nzsif.co.nz
Website: www.nzsif.co.nz

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Complaints about the Shares can be made to:

NZSIF Management Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3110

Attention: Peter Lalor
Phone: (07) 577 6049
Fax: (07) 928 6443
Email: enquires@nzsif.co.nz

There is no ombudsman to whom complaints about the Shares can be made.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

The Offer Document

Other information relating to the Shares is contained or referred to in this Offer Document. Investors are advised to read the rest of this Offer Document carefully.

Additional copies of this Offer Document may be obtained from Craigs Investment Partners, free of charge, at the addresses set out in the Section 19 – Corporate Directory, on page 57. This Offer Document and other documents of, or relating to, the Issuer may be viewed on the Companies Office website at www.companies.govt.nz or during normal business hours at the registered office of the Issuer which is set out in the Section 19 – Corporate Directory, on page 57. Where relevant documents are not available on the Companies Office website, a request for the documents may be made by contacting the Ministry of Economic Development Business Service Centre on 0508 266 726.

Annual Information

Each investor is entitled to receive notice of general meetings of NZSIF and to receive the following additional documents:

- a half yearly report of NZSIF;
- distribution details, when a distribution is paid by NZSIF; and
- an annual report of NZSIF.

Half yearly and annual reports will be made available to all shareholders in NZSIF via NZSIF's website, www.nzsif.co.nz, unless a physical copy is requested by the investor. NZSIF also intends to make general information on NZSIF, as well as its reporting, available on the website.

15 Statutory Information

(Information Required by Securities Regulations 2009)

The following information is required by Schedule 1 to the Securities Regulations 2009 (the 'Regulations') and forms part of this Offer Document.

1. MAIN TERMS OF OFFER

Issuer

The Issuer of the Shares is New Zealand Social Infrastructure Fund Limited. The registered office of the Issuer is stated in Section 19 – Corporate Directory, on page 57.

Description of Securities Offered

The securities being offered are Shares in the Issuer. A fuller description of the Shares is set out in Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15.

Maximum Number

The number of Shares being offered is 50 million Shares subject to an over-subscription allotment of an additional 75 million Shares. Accordingly, the maximum number of shares on offer is 125 million Shares.

Price or Other Consideration

The Shares are being offered at a price of $1.00 per Share. $0.10 per Share is payable upon application.

The remaining $0.90 per Share, being the balance up to the Issue Price, is payable in tranches. Calls will be subject to 20 Business Days' advance notice to the investor.

The proceeds of the initial call, and each subsequent call, will be applied to successively pay up in full the non-voting redeemable preference shares in NZSIF represented in each Share.

An application fee of 2.0% of the total Subscription Amount is payable to the Lead Manager on application. The Application Fee is paid to the Lead Manager and will be used to pay brokerage at the same rate to NZX Firms and invited financial intermediaries on stamped Application Forms. The Lead Manager reserves the right to reduce the application fee at its absolute discretion for applications in excess of $1,000,000. Additional details are set out in Section 2 – Key Terms of the Offer, on page 2.

2. NAME AND ADDRESS OF OFFEROR

As the Shares are not previously allotted securities, the Issuer is also the offeror, and therefore the disclosure requirements of Clause 2 of Schedule 1 to the Regulations are not applicable.

3. DETAILS OF INCORPORATION OF ISSUER

The name of the Issuer is New Zealand Social Infrastructure Fund Limited (registered number 2390416), which was incorporated in New Zealand under the Companies Act 1993 on 26 January 2010.

Place File Kept

The public file relating to the Issuer can be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website a request for the documents can be made by contacting the Ministry of Economic Development Service Centre on 0508 266 726.

4. PRINCIPAL SUBSIDIARIES OF ISSUER

The Issuer does not have any subsidiaries or assets at the date of this Offer Document.

5. NAMES, ADDRESSES, AND OTHER INFORMATION

Directors

The names of the directors of NZSIF are Kimmitt Rowland Ellis (Auckland), Ian Alexander Nicholson Fraser (Wellington), Neil John Craig (Tauranga) and Michael John Caird (Lower Hutt). Their technical or professional qualifications are set out in Section 5 – NZSIF Board of Directors, on page 13 and in Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15. The Board of NZSIF can be contacted at the registered office of the Issuer, which is set out in Section 19 – Corporate Directory, on page 57.

Promoters

The promoters of the Offer for the purposes of the Securities Act 1978 are Craigs Investment Partners and each of its directors (other than those directors who are also directors of the Issuer) being Frank Maurice Aldridge (Tauranga), Thomas Peter Davies (Rotorua), Ronald Phillip Lewis (Dunedin), James Bruce Miller (Auckland) and William Turnbull Stevens (Auckland), and Morrison & Co PIP Limited and each of its directors, being Marko Bogoievski (Wellington), Peter John Coman (Auckland) and Paul Joseph Charles Newfield

(Auckland). Craigs Investment Partners and each director of Craigs Investment Partners can be contacted at Craigs Investment Partners' address set out in Section 19 – Corporate Directory, on page 57. Morrison & Co PIP Limited and each director of Morrison & Co PIP Limited can be contacted at Morrison & Co PIP Limited's address set out in Section 19 – Corporate Directory, on page 57.

Executive Directors

No Director is an employee of the Issuer.

No Bankruptcy

Neither the Issuer, any director of the Issuer, nor any promoter has been adjudged bankrupt, insolvent, convicted of a crime involving dishonesty, prohibited from acting as a director of a company, or placed in statutory management, voluntary administration, liquidation or receivership during the five years preceding the date of this Offer Document.

Advisors

The name of the Issuer's auditor and securities registrar, the Lead Manager and solicitors who have been involved in the preparation of this Offer Document, are set out in Section 19 – Corporate Directory, on page 57.

Experts

There are no experts named in this Offer Document.

6. RESTRICTIONS ON DIRECTORS' POWER

The Issuer's constitution imposes the following modifications, exceptions and limitations on the powers of the Board:

- limitations on the Board's powers to alter investors' rights and enter major transactions, reflecting the provisions contained in Sections 117 and 129, respectively, of the Companies Act 1993;
- limitations on the Board's ability to issue shares, except in certain circumstances permitted by the Issuer's constitution; and
- the Board must not register a transfer of any Shares if that transfer would result in more than 25%, or such other percentage as the Board may determine or agree with Woodward Infrastructure Limited from time to time, of the Share capital of NZSIF being held by 'overseas persons' for the purposes of the Overseas Investment Act 2005. Under the Deed of Adherence, the Board has agreed with Woodward Infrastructure Limited not to register any transfer of Shares that would result in more than 10% of the Share capital of NZSIF being held by 'overseas persons' for the purposes of the Overseas Investment Act 2005.

The Companies Act 1993 contains a number of other provisions, which could have the effect or consequence, in certain circumstances, of restricting the powers of the Board. Such provisions are common to any company registered under the Companies Act 1993.

7. SUBSTANTIAL EQUITY SECURITY HOLDERS OF THE ISSUER

Names and Shares Held

As at the date of this Offer Document, NZSIF has 100 ordinary shares on issue, which are held by Craigs Investment Partners. Immediately after the Offer, NZSIF intends to buy back and cancel the 100 shares held by Craigs Investment Partners.

No Investor Liability

Neither the Administration Manager, NZSIF, Craigs Investment Partners, Morrison & Co PIP Limited nor any offer promoter undertakes any liability in respect of, or guarantees, the Shares being offered under this Offer Document.

8. DESCRIPTION OF ACTIVITIES OF THE ISSUING GROUP

The Issuer has not yet commenced business or acquired any assets. The intended activities of the Issuer are set out in Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15.

9. SUMMARY OF FINANCIAL STATEMENTS

The Issuer has not yet commenced business. Apart from costs incurred in incorporation and those relating to this Offer Document, the Issuer has not acquired any assets or incurred any debts. Therefore, no historical financial statements have been prepared.

10. PROSPECTS AND FORECASTS

A statement as to the trading prospects of the Issuer is set out in Section 6 – Structure, Administration, Governance and Reporting for NZSIF, on page 15, Section 7 – About the PIP Fund, on page 18, Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21, Section 12 – Financial Information, on page 32, and Section 13 – Risks, on page 34 of the Offer Document.

11. PROVISIONS RELATING TO INITIAL FLOTATIONS

Directors' Plans

During the year commencing on the date of this Offer Document the Board plans for NZSIF to invest as a Limited Partner in the PIP Fund. Further details regarding the investment strategies of the PIP Fund are set out in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21. The sources of finance for these plans comprise the funds received pursuant to the Offer of Shares in this Offer Document.

Use of Proceeds Not Limited to Stated Plans

Notwithstanding the plan of the Board, the proceeds of the Offer of Shares may be applied towards any other undertaking that the Issuer may lawfully engage in. However, NZSIF has agreed that, except with the written consent of the General Partner, it will only invest in the PIP Fund and shall not acquire any other assets (other than those derived directly or indirectly through its investment in the PIP Fund). Surplus cash will be invested in deposit accounts and/or government or registered bank securities.

Prospective Statements of Cash Flows

In the Board's opinion, having made due enquiry by them, prospective financial statements for the Issuer would be likely to deceive or mislead with regard to particulars that are material to the Offer because it is not practicable to formulate reasonable assumptions on which to base the statements. This is because forecasting the cash flow of NZSIF will necessarily involve predicting a number of factors outside of the control of NZSIF, including the timing of and returns from Investments made by the PIP Fund.

Minimum Amount Required to be Raised

For the purposes of Section 37(2) of the Securities Act 1978, the minimum amount that, in the opinion of the Board, must be raised by the issue of Shares under this Offer Document is $40 million, being the total subscription amount payable on 40 million Shares.

12. ACQUISITION OF BUSINESS OR SUBSIDIARY

As at the date of this Offer Document, the Issuer has not acquired any businesses or subsidiaries, and does not plan to acquire any specific business or equity securities that will result in a body corporate becoming a subsidiary of the Issuer.

As at the date of this Offer Document, the PIP Fund has not acquired any businesses or subsidiaries. The investment strategies of the PIP Fund are set out in Section 8 – The PIP Fund Investment Objectives and Strategy, on page 21.

13. SECURITIES PAID UP OTHERWISE THAN IN CASH

The existing shares in the Issuer were issued upon incorporation for no consideration. Other than this allotment, the Issuer has not allotted any securities otherwise than for cash in the five years preceding the date of this Offer Document.

14. OPTIONS TO SUBSCRIBE FOR SECURITIES OF ISSUING GROUP

No options have been granted, and it is not proposed to grant any options to subscribe for any shares in the Issuer.

15. APPOINTMENT AND REMOVAL OF DIRECTORS

The Board of the Issuer may be appointed or removed, or otherwise vacated from office in accordance with sections 153 to 157(1)(a) to (d) of the Companies Act 1993. No person, other than the members of the Issuer in general meeting or directors of the Issuer acting as a board to fill a casual vacancy, has the right to appoint a director to the Issuer.

16. INTERESTED PERSONS

Directors

Remuneration for services: None of the directors of the Issuer are entitled to any other remuneration from the Issuer, other than director's fees (which in aggregate will amount to a maximum of $100,000 per annum for directors and a one-off payment of $20,000 to independant directors for services to NZSIF during the offer) and reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as directors. In addition, directors may from time to time, subject to appropriate disclosures in accordance with the procedures of the Companies Act 1993, provide consulting services to NZSIF, on normal arm's length terms.

Direct or indirect material interest: The Issuer has granted to the directors an indemnity to the maximum extent permitted by the Companies Act 1993 and its constitution, as further described under 'Material Contracts' in paragraph 17 of this Section. The Issuer also has the power to effect insurance for directors and employees pursuant to the Companies Act 1993 and the Issuer's constitution.

Neil John Craig and Michael John Caird are directors, executives and shareholders of Craigs Investment Partners, which is a promoter and Lead Manager of the Offer, and which owns 100% of the shares in the Administration Manager.

The Promoters

Remuneration for services and direct or indirect interest in the Issuer: Craigs Investment Partners owns all the issued shares in the Administration Manager. Fees are payable by NZSIF to the Administration Manager under the Administration Agreement, which is described in Section 11 – Summary of the NZSIF Administration Agreement, on page 30. Craigs Investment Partners is also the Lead Manager of the Offer.

Fees are payable by the PIP Fund to the Investment Manager under the Investment Management Agreement, which is described in Section 10 – Summary of the Investment Management Agreement, on page 28.

As at the date of this Offer Document, NZSIF has 100 ordinary shares on issue, which are held by Craigs Investment Partners. Immediately after the Offer, NZSIF intends to buy back and cancel the 100 shares held by Craigs Investment Partners.

Associated Persons of the directors, Proposed Directors and Promoters

Except as described above, no associated person of the directors or promoters of the Issuer is entitled to remuneration for services in respect of the Issuer or derive any direct or indirect material interest in the Issuer.

Morrison & Co has confirmed that its shareholders and employees will collectively commit to invest not less than $2 million alongside NZSIF in the PIP Fund, reinforcing Morrison & Co's alignment with investors and its focus on delivering returns.

17. MATERIAL CONTRACTS

The Issuer has entered into the following material contracts (not being a contract entered into in the ordinary course of business) in the two years preceding the date of this Offer Document:

- Deed of Adherence to the Limited Partnership Agreement dated on or around 10 March 2010, pursuant to which NZSIF has agreed to become a Limited Partner subject to completion of this Offer;
- Administration Agreement between the Issuer and the Administration Manager dated on or around 10 March 2010. Details of the Administration Agreement are set out in Section 11 – Summary of the NZSIF Administration Agreement, on page 30; and
- A Deed of Indemnity granted by NZSIF in favour of each director of NZSIF dated on or around 10 March 2010.

18. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations that are pending or current at the date of registration of this Offer Document that may have a material adverse effect on the Issuer.

19. PRELIMINARY AND ISSUE EXPENSES

An amount equal to 1.0% of the total Subscription Amount will be paid by NZSIF to the Lead Manager on account of preliminary and issue expenses associated with the Shares being offered. The Lead Manager will meet issue expenses in excess of this amount and the Lead Manager, will retain any surplus as a fee. No commission or brokerage is to be paid out of the issue expenses – brokerage is to be paid out of the Application Fee as set out on page 2.

20. RESTRICTIONS ON ISSUING GROUP

There are no restrictions, being restrictions that result from any undertaking given, or contract or deed entered into, by the Issuer that limits its ability to distribute profits or borrow.

21. OTHER TERMS OF OFFER AND SECURITIES

All terms of the Offer, and all terms of the Shares being offered, are set out in this Offer Document except those implied by law, or contained in a document which is registered with a public official, available for public inspection and referred to in this Offer Document.

22–24. FINANCIAL STATEMENTS

There are no historical financial statements for the Issuer, as the Issuer has not commenced business.

25. PLACES OF INSPECTION OF DOCUMENTS

The material contracts referred to above and the constitution of the Issuer may be viewed at any time on the Companies Office website at www.companies.govt.nz or during normal business hours at the registered office of the Issuer which is set out in Section 19 – Corporate Directory, on page 57. Where relevant documents are not available on the Companies Office website, a request for the documents may be made by contacting the Ministry of Economic Development Business Service Centre on 0508 266 726.

26. OTHER MATERIAL MATTERS

There are no other material matters relating to the offer of the Shares (other than matters elsewhere set out in this Offer Document).

27. DIRECTORS' STATEMENT

The Issuer has not commenced business or produced any financial statements, and therefore the requirements of clause 27 of Schedule 1 to the Regulations are not applicable.

28. AUDITOR'S REPORTS

There are no historical financial statements for the Issuer, as the Issuer has not commenced business.

This Offer Document is dated 12 March 2010.

A copy of this Offer Document has been signed by or on behalf of each director of the Board of the Issuer and each Promoter.

16 Schedule 1: Annual Performance Fee

Annual performance fee calculation
In any Accounting Period, the Investment Manager may qualify to be paid an annual performance fee. The fee is calculated by reference to the difference between the sum of 'qualifying amounts', being the excess returns earned over the life of the PIP Fund (Aggregate Qualifying Amount) and the sum of amounts actually paid to the Investment Manager as annual performance fees (Aggregate Paid Performance Fee Amount).

If the Aggregate Qualifying Amount is equal to or less than the Aggregate Paid Performance Fee Amount in an Accounting Period, no annual performance fee is payable to the Investment Manager. The Aggregate Qualifying Amount can therefore be considered a 'high-water mark', which can only be increased as a result of returns from the PIP Fund's investment portfolio exceeding the benchmark (which results in additional 'qualifying amounts' increasing the Aggregate Qualifying Amount).

Qualifying Amounts
For this purpose, a qualifying amount, for an Accounting Period, is calculated as follows:

Portfolio Value x (Portfolio Return – Benchmark) x 20%

Portfolio Return broadly equals the change in market value of investments in the PIP Fund portfolio plus any distributions to investors, less capital injections, divided by the weighted average value of the portfolio, for the relevant Accounting Period (the Portfolio Value).

The Portfolio Return is adjusted to a pre-tax, post-base management fee return by subtracting accrued but unpaid management fees and adding back the total amount of taxes which have been paid, or withheld or deducted from any amount payable to the PIP Fund during the Accounting Period. It is also adjusted to broadly neutralise the impact of foreign exchange movements on the value of Australian investments for the purposes of calculating Qualifying Amounts.

The **Portfolio Value** is broadly equal to the market value of investments in the PIP Fund portfolio at the close of the previous Accounting Period, adjusted for any capital injections (or capital or profit receipts payments) during the year (depending on the timing of those injections or payments).

The **Benchmark** return is calculated by reference to CPI, plus a margin. The margin is variable and depends on the weighted average Borrowing of the assets of the PIP Fund, in aggregate, as follows:

- If the average portfolio Borrowing of the assets of the PIP Fund is less than 50%, the benchmark return is CPI plus 5.5%.
- If the average portfolio Borrowing of the assets of the PIP Fund is between 50% and 75%, the benchmark return is CPI plus 6.5%.
- If the Average portfolio Borrowing of the assets of the PIP Fund is greater than 75%, the benchmark return is CPI plus 7.5%.

The benchmark therefore adjusts so that the Investment Manager is not rewarded for either excessive use of Borrowing or changes in CPI (it is expected that a significant proportion of the revenues earned from any of the Social Infrastructure Assets will be typically inflation-linked).

Quantum limitations and 'fee banking'
If the Aggregate Paid Performance Fee Amount is less than the Aggregate Qualifying Amount, at the end of an Accounting Period, the Investment Manager will be entitled to an annual performance fee. The annual performance fee is subject to a 'fee cap' of 2.0% of the market value of all investments in the PIP Fund portfolio.

Any amount in excess of the 2.0% cap is effectively 'banked' for future years, and will be reflected in the value of the Aggregate Qualifying Amount at the next performance fee calculation date. In the event that the Investment Manager is required to pay tax with respect to an entitlement to an annual performance fee that has not been paid to the Investment Manager, the amount required to satisfy this tax liability will be paid to the Investment Manager, notwithstanding the 2.0% fee cap.

Claw-back
If, on the termination of the PIP Fund, the Aggregate Paid Performance Fee Amount exceeds the Aggregate Qualifying Amount, the Investment Manager is liable to repay to the Limited Partnership the excess return over the Aggregate Qualifying Amount so that over the total life of the PIP Fund the Aggregate Paid Performance Fee Amount (less any taxes paid or payable by the Investment Manager) is equal to the Aggregate Qualifying Amount.

Realisation of Investments
In certain circumstances, including if the Investment Manager realises an Investment during an Accounting Period, the Advisory Committee can agree to pay the Investment Manager an annual performance fee for an Accounting Period in excess of the 2.0% fee cap, subject to qualifying for payment under the criteria described under the heading 'Annual performance fee calculation' above. A performance fee paid in these circumstances is still included in any claw-back calculation performed on termination of the PIP Fund.

17 Glossary of Terms

Accounting Period	means the period ending on and including 31 March (and then 31 March in each following year) and, in the case of the first Accounting Period, beginning on the date of registration of the Limited Partnership or, in all other cases, on the first day following the end of the previous Accounting Period
Administration Manager	means NZSIF Management Limited, a subsidiary of Craigs Investment Partners
Advisory Committee	means the advisory committee of the PIP Fund comprising representatives from the Limited Partners. Details of the composition and role of the Advisory Committee can be found on page 23 of the Offer Document
Applicant	means a person who submits an Application Form
Application Fee	means 2% of the total Subscription Amount
Application Form	means an application form to subscribe for Shares in the Offer, contained on page 52 of the Offer Document
Board	means the board of directors of NZSIF
Borrowing	means the ratio of debt to debt-plus-equity, measured at the time the indebtedness is incurred
Business Days	means any day of the week other than Saturday, Sunday or a public holiday in Auckland or Wellington
Capital Contribution	means in respect of each Limited Partner, the aggregate amount of its Committed Capital called and contributed to the Limited Partnership from time to time
Closing Date	means 5pm on 30 April 2010, unless amended
Commencement Date	means 30 October 2009, being the date that the PIP Fund was registered
Committed Capital	means the amount of New Zealand dollars contributed and agreed to be contributed to the capital of the PIP Fund by each Limited Partner
Concession	means a contract entered into by a Private Entity with a Public Sector Client, typically for 15 to 35 years, under which the Private Entity typically provides finance and arranges the design, construction and ongoing operation of an asset and the Public Sector Client undertakes to make payments to the Private Entity
CPI	means the percentage change in the New Zealand All Groups Consumer Price Index over the relevant twelve month period for which data has been released by Statistics New Zealand
Craigs Investments Partners	means Craigs Investment Partners Limited
Deed of Adherence	means the deed dated on or around 10 March 2010 pursuant to which NZSIF has agreed to be bound by the terms of the Limited Partnership Agreement
Derivative Contracts	means any contracts which establish rights and obligations to some underlying instrument, investment, currency, product, index, right or service including contracts commonly known as swaps, forward rate agreements, futures, options (excluding any option to acquire or divest an Investment), forward foreign exchange contracts, and hedge contracts
Fully Operational	means the time when the project is complete, has passed all applicable completion tests, has had all necessary documentation and other information supplied, has achieved all applicable certifications and approvals, has been handed over to the owner in the state

required by the applicable contract and has commenced commercial operation, provided that if a business plan in respect of a project contemplates unitary or service charges, then that project shall not be considered to be fully operational until the commencement of unitary or service charges

General Partner means Woodward Infrastructure Limited (company number 2315772), the beneficial owner of which is the HRL Morrison Music Trust

Internal Rate of Return the annualised effective compound rate of return earned on Subscription Amounts (excluding the Application Fee)

Invested Capital means the Investment Cost of a particular Investment, as budgeted by the Investment Manager and approved by the investment committee, on the date the Limited Partnership or a Private Entity enters into a legally binding agreement with respect to that Investment, but does not include debt or equity provided to Private Entities by third parties, other than Limited Partners or the General Partner (where it has committed capital to the Limited Partnership)

Investments means investments made or to be made by the Limited Partnership in underlying assets and businesses, including shares, debentures, warrants or other securities of and commitments and loans (whether secured or unsecured) in or to any company, body corporate, limited partnership or other entity and any commitment by the Limited Partnership to do so

Investment Cost means, until a valuation of an Investment is conducted, the investment cost of an Investment together with any expenses (including ongoing foreign exchange hedging costs) associated with such investment which are paid or are to be paid by the Limited Partnership or a Private Entity, and thereafter the market value of that Investment

Investment Manager means the manager of the PIP Fund, being in the first instance Morrison & Co PIP Limited

Investment Management Agreement means the agreement signed between the Investment Manager and the PIP Fund and the General Partner on 2 November 2009 with respect to the provision of management services to the Limited Partnership

Investment Period means the investment period for the PIP Fund, as described in Section 8 – The PIP Fund Investment Objectives and Strategy on page 21

Issuer means New Zealand Social Infrastructure Fund Limited

Issue Price means $1.00 per Share

Key Persons means, Marko Bogoievski, Liberato Petagna, Peter Coman and Paul Newfield and such other persons employed by Morrison & Co or its affiliates comprising the investment committee of the PIP Fund from time to time, or a replacement appointed under the Limited Partnership Agreement

Lead Manager means Craigs Investment Partners

Limited Partner(s) means the limited partners from time to time of the PIP Fund

Limited Partnership means the PIP Fund

Limited Partnership Agreement means the agreement establishing the PIP Fund dated 23 October 2009

Morrison & Co means H.R.L. Morrison & Co Group Limited and, where the context requires, its subsidiaries

NZSIF means New Zealand Social Infrastructure Fund Limited

NZ Superannuation Fund means NZSF Private Equity Investments (No.1) Limited as nominee of the Guardians of New Zealand Superannuation

NZX means NZX Limited

NZX Firms means stock broking firms authorised to trade shares on the NZX

Offer Document means this combined prospectus and investment statement

Opening Equity Value means: (i) For the first Accounting Period, the total Subscription Amount of NZSIF, less 1%; and (ii) for each subsequent Accounting Period, the sum of: (i) Shareholders Funds as at the last day of the preceding Accounting Period; and (ii) any part of the total Subscription Amount which remains uncalled as at the last day of the preceding Accounting Period

PIP Fund means Public Infrastructure Partners LP

Primary Market Participant means any company, firm, organisation or corporation designated as a Primary Market Participant from time to time by the NZX pursuant to the NZX Participant Rules

Private Entity means a company, limited partnership, body corporate or other entity, owned wholly or indirectly by the PIP Fund, whose primary purpose is to invest in Social Infrastructure Assets through PPPs

PFI means Private Finance Initiative

Public Sector Client means the Government of New Zealand, local authorities in New Zealand, or entities related to or owned by the Government of New Zealand (including universities, tertiary institutions and district health boards), or corresponding bodies, authorities or entities in Australia in respect of Investments made in Australia (with Advisory Committee approval), as the context requires

Registrar means Computershare Investor Services Limited; and Share Registry means the share register maintained by the Registrar

Regulations means the Securities Regulations 2009

Securities Act means the Securities Act 1978 (as amended)

Social Infrastructure or Social Infrastructure Assets means facilities designed to provide or accommodate social services that are predominantly delivered by governmental entities, such as schools, post offices, student accommodation, car parking, healthcare facilities, prisons, and water services. It does not include investments of a predominantly commercial nature, such as airports, demand-risk toll roads, electricity lines businesses and power generation. Ultimately, whether an asset qualifies as a Social Infrastructure Asset will be determined by the Investment Manager's regard to the nature of an asset's cash flows (where comparatively stable, long duration inflation-linked net cash flows are regarded as a defining characteristic) and to the demand-risk that the asset faces

Shareholders Funds means the book equity value of NZSIF as reflected in the annual audited financial statements of NZSIF

Subscription Amount means the product of the Issue Price under the Offer and the number of Shares applied for in NZSIF under the Offer

Share means one ordinary voting share (with a nil issue price) and 100 non-voting redeemable preference shares (with an issue price of $0.01 per share) in New Zealand Social Infrastructure Fund Limited

18 Application Forms and Instructions

INSTRUCTIONS TO COMPLETE THE APPLICATION FORM

Read the Offer Document carefully before applying for Shares.

1. List your full name, contact address and telephone details. Applications must be in the name(s) of natural persons, companies or incorporated bodies. At least one full first name and surname are required for each natural person. Applications in the name of a minor, trust, fund or estate, business, firm or partnership, club or other unincorporated body cannot be accepted. In those cases, Applications must be made in the name(s) of the person(s) who is (are) legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) as appropriate. A maximum of three Applicants may apply jointly.
2. Enter your Inland Revenue Department number. For a joint application, only one Inland Revenue Department number is required.
3. The minimum application amount under the Offer is 20,000 Shares at $1.00 per Share (minimum Subscription Amount of NZ$20,000). The initial call of $0.10 per Share (minimum NZ$2,000) is payable with this Application Form (together with the Application Fee of $0.02 per Share). Applications must be made in multiples of 5,000 Shares thereafter.
4. The application fee is 2.0% of the total Subscription Amount. The Lead Manager reserves the right to reduce the Application Fee for Subscription Amounts over $1,000,000.
5. Sign and date the Application Form. Each Applicant or the authorised person must sign the Application Form. The Applicant only may sign the Application Form unless another person has been duly appointed as the attorney or agent of the Applicant. If an attorney or agent signs, he/she must complete the relevant certificate on the bottom of the application. If signing as an attorney, you must enclose your signed certificate of non-revocation of power of attorney.
6. The completed Application Form, together with a cheque for the initial call and Application Fee should be mailed or delivered to the NZX Firm whose stamp appears on the Application Form, the Lead Manager or the Registrar, in time to be received by the Registrar no later than **5pm on 30 April 2010 (the Closing Date)**.
7. Cheques should be made out to 'NZSIF Share Offer' and crossed 'Not Transferable'.

Examples of correct form of registerable names:

Type of Investor	Instruction	Correct Form
Individual	Use given name in full, not initials	John Joseph Jones
Company	Use company title, not abbreviations	ABC Limited
Trust(s)	Do not use the name(s) of the trust(s). Trustees may apply as joint applicants	Susan Jones & John Jones/Susan Jones Family A/C
Deceased Estates	Do not use the names of the deceased, use executor(s) personal name(s)	Michael Jones Estate/John Jones A/C
Partnership(s)	Do not use the name of the partnership, use each partner's full name	John Jones & Michael Jones/John Jones & Son A/C
Clubs/Unincorporated Bodies	Do not use the name of a club, use office bearer(s) personal names	Susan Jones/ABC Tennis Association A/C
Superannuation Funds	Do not use the name of the fund, use the name of the trustee(s)	John Jones Limited/Super Fund A/C

Terms and Conditions of Applications

- By signing the Application Form, the Applicant acknowledges that the Application Form was distributed with the Offer Document and that the application for Shares is made subject to the terms and conditions set out in the Offer Document.
- Upon receipt, application monies will be banked pending allotment/transfer. The banking of such monies shall not constitute allotment/transfer of any Shares. Any interest earned on application monies received will be to the account of NZSIF.
- The Board, in consultation with the promoters and Lead Manager, will allot/transfer Shares as soon as practicable after the Closing Date.
- Subject to minimum shareholding parcels of 5,000 Shares, the Board in consultation with the Lead Manager reserve the right to allot/transfer Shares in full to any Applicant, or to allot any lesser number, or to decline any application. Where the number of Shares allotted/transferred is less than the number of Shares applied for, or no Shares are allotted, surplus application monies will be refunded to the applicant, without interest, within five Business Days of the Closing Date.
- Shareholding statements will be sent to holders of Shares as soon as practicable after allotment/transfer but in any event no later than five Business Days after Closing Date.
- The Applicant agrees that once lodged with NZSIF, applications for Shares cannot be revoked or withdrawn.

Application Form

NZX Firm's Stamp
Adviser Code

New Zealand Social Infrastructure Fund Share Offer

For instructions on how to complete this form see the accompanying application instructions

Application forms must be returned to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622 or your advisor in sufficient time to be lodged with the registrar by **5.00pm** on the **30 April 2010**

1. APPLICANT DETAILS (block letters please) Please enter name(s) in full (including all first names)

Title Legal First Name(s) Legal Family Name

Title Legal First Name(s) Legal Family Name

Title Legal First Name(s) Legal Family Name

Corporate Name

IRD Number

Please attach Resident Withholding Tax Exemption Certificate (if you have one)

Postal Address (including post code)

Postcode

Ph – Home ( )

Ph – Work ( )

Fax ( )

Preferred Email address

Common Shareholder Number (CSN)

2. APPLICATION AMOUNT – IMPORTANT

- A Share comprises 1 ordinary share and 100 redeemable preference shares in NZSIF.
- The minimum application amount under the Offer is 20,000 Shares at $1.00 per Share (minimum Subscription Amount of NZ$20,000), of which the initial call of $0.10 per Share (minimum NZ$2,000) is payable upon application. Applications must be made in multiples of 5,000 Shares thereafter.
- An Application Fee of NZ$0.02 per Share is also due at the time of application.
- Cheques should be made payable to 'NZSIF Share Offer' and crossed 'Not Transferable'.
- Payment must be made in New Zealand dollars and drawn on a registered New Zealand bank. Cheques must not be post dated.
- Applications must be received by Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622 prior to **5pm** on **30 April 2010** (the Closing Date) to be accepted.

Number of Shares applied for (minimum 20,000 Shares, and in increments of 5,000 shares thereafter)	
Initial Call at $0.10 per Share applied for (Number of Shares x $0.10)	$ .00
Application Fee at $0.02 per Share (Number of Shares x $0.02)	$ .00
Total amount due (Initial Call + Application Fee)	$ .00

Payment must be provided with this Application Form for the total amount due shown above

3. DIVIDEND PAYMENTS

If you currently receive interest or dividend payments from the Registrar by direct credit, the Registrar will pay the dividends from the Shares by direct credit to the same account unless you indicate otherwise. If you wish to have your dividends credited to another account or the Registrar does not have your account details please complete this section. Please complete only one option. Cheques will not be issued for dividend payments.

OPTION 1 – My New Zealand Bank Account Details:

Account Name(s)

Account Number – – –

Bank Branch Account Number Suffix

OPTION 2 – My Cash Management Account Details:

Name of NZX Firm where Cash Management Account held

Cash Management Client Account Number

4. SIGNATURE (S) OF APPLICANT

I/We hereby apply for the number of Shares shown above and agree to accept such Shares (or such lesser number as may be allotted) on and subject to the terms and conditions set out in the Offer Document dated 12 March 2010 and on the terms set out in the Application Instructions.

Signature of Applicant or Authorised Person ______ Date ______

Signature of Applicant or Authorised Person ______ Date ______

Attorneys: Please complete and sign the certificate of non-revocation overleaf. Upon acceptance, in whole or in part, of an Applicant's offer to purchase Shares, the Issuer will transfer those Shares to the Applicant and will procure registration of the Applicant as the holder of those Shares, subject to all applicable laws. This Application Form must not be issued, circulated or distributed unless accompanied by the Offer Document.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, ______ (Name of Attorney)

of ______ (Address and Occupation of Attorney)

HEREBY CERTIFY:

1. THAT, by a Power of Attorney dated the ______ day of ______ ______ ('Donor') appointed me his/her/its Attorney on the terms and conditions set out in the Power of Attorney.
2. THAT I have executed the application for Shares printed on this Application Form under the Power of Attorney and pursuant to the powers thereby conferred on me by that Power of Attorney.
3. THAT at the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney, whether by the death (or winding up) of the Donor or otherwise.

Signed at ______ this ______ day of ______ 2010

Signature of Attorney ______

CERTIFICATE OF NON-REVOCATION OF AGENCY – Complete this section if you are acting as agent for someone

I, ______ (Name of Agent)

of ______ (Address and Occupation of Agent)

HEREBY CERTIFY:

1. THAT, by an agreement dated the ______ day of ______ ______ ('Donor') appointed me his/her/its Agent on the terms and conditions set out in the Agreement.
2. THAT I have executed the application for Shares printed on this Application Form under the Power of Attorney and pursuant to the powers thereby conferred on me by that Appointment.
3. THAT at the date of this certificate I have not received any notice or information of the revocation of that Appointment, whether by the death (or winding up) of the Donor or otherwise.

Signed at ______ this ______ day of ______ 2010

Signature of Agent ______

ADDITIONAL APPLICATION TERMS

By signing this Application Form, the Applicant acknowledges that this form was distributed with the Offer Document dated 12 March 2010 and that offers to subscribe for Shares are upon and subject to the terms and conditions set out in the Offer Document. The Applicant also acknowledges that they have read and understood the Offer Document. The Applicant also acknowledges that the information supplied on the Application Form is true.

The Applicant acknowledges and understands that any Shares in NZSIF that are issued to them will be issued partly paid at an issue price of $1.00 per Share with an initial amount of $0.10 per Share payable on application. In addition the Applicant must pay an application fee equal to $0.02 per Share (the Lead Manager reserves the right to reduce the Application Fee for Subscription Amounts over $1,000,000). The remaining amounts due per Share allotted to the Applicant (representing $0.90 per Share allotted) shall remain outstanding and unpaid. The holder will be liable to pay up such unpaid accounts in full when called upon to do so. For the purposes of section 50 of the Companies Act 1993, the Applicant consents to becoming the holder of Shares applied for by them (or such lesser number of Shares as may be allotted to them).

The Applicant acknowledges and confirms that none of Morrison & Co, Craigs Investment Partners, nor NZSIF, nor the Investment Manager nor their respective officers, directors, employees, advisers, associates or affiliates nor any member of the Board (each 'relevant person') has made any warranties in connection with NZSIF or the performance of NZSIF and that he, she or they has/have not relied on the contents of any statement, representation, warranty, promise, undertaking or agreement, whether made expressly or by implication by any relevant person.

The Applicant hereby waives its rights (if they become a Shareholder) to receive the annual reports and financial statements of the Issuer to the maximum extent permitted by law from time to time subject to such Applicant receiving an annual report of NZSIF and consolidated financial statements of NZSIF. The Applicant may (if they become a Shareholder) revoke this waiver at any time by written notice to NZSIF.

An Application cannot be withdrawn or revoked by the Applicant.

NZSIF reserves the right in its absolute discretion to reject any Application in whole or in part without giving any reason.

In the case of joint Applicants, only the address of the first named of the joint Applicants will be recorded by NZSIF and all distributions, notices, etc, will be sent to the address of the first Applicant (and to the email address provided on the Application Form).

Each Applicant confirms that it is not resident in, or organised or incorporated under, the laws of the United States nor any other country or jurisdiction in which the Offer or issue of the Shares would be unlawful.

Expressions defined in the Offer Document have the same meanings in this Application Form. This Application Form, the offer, and any contract arising out of its acceptance are governed by New Zealand law.

Application Form

NZX Firm's Stamp

Adviser Code

New Zealand Social Infrastructure Fund Share Offer

For instructions on how to complete this form see the accompanying application instructions
Application forms must be returned to Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622 or your advisor in sufficient time to be lodged with the registrar by **5.00pm** on the **30 April 2010**

1. APPLICANT DETAILS (block letters please) Please enter name(s) in full (including all first names)

Title ___ Legal First Name(s) ___ Legal Family Name ___

Title ___ Legal First Name(s) ___ Legal Family Name ___

Title ___ Legal First Name(s) ___ Legal Family Name ___

Corporate Name ___

IRD Number ___

Please attach Resident Withholding Tax Exemption Certificate (if you have one)

Postal Address (including post code)

Postcode ___

Ph – Home ( )

Ph – Work ( )

Fax ( )

Preferred Email address ___

Common Shareholder Number (CSN)

2. APPLICATION AMOUNT – IMPORTANT

- A Share comprises 1 ordinary share and 100 redeemable preference shares in NZSIF.
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Initial Call at $0.10 per Share applied for (Number of Shares x $0.10)	$ .00
Application Fee at $0.02 per Share (Number of Shares x $0.02)	$ .00
Total amount due (Initial Call + Application Fee)	$ .00

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Account Name(s) ___

Account Number ___ – ___ – ___ – ___

Bank Branch Account Number Suffix

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Name of NZX Firm where Cash Management Account held ___

Cash Management Client Account Number ___

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Signature of Applicant or Authorised Person ______ Date ______

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Attorneys: Please complete and sign the certificate of non-revocation overleaf. Upon acceptance, in whole or in part, of an Applicant's offer to purchase Shares, the Issuer will transfer those Shares to the Applicant and will procure registration of the Applicant as the holder of those Shares, subject to all applicable laws. This Application Form must not be issued, circulated or distributed unless accompanied by the Offer Document.

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3. THAT at the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney, whether by the death (or winding up) of the Donor or otherwise.

Signed at ______ this ______ day of ______ 2010

Signature of Attorney ______

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Signature of Agent ______

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The Applicant acknowledges and confirms that none of Morrison & Co, Craigs Investment Partners, nor NZSIF, nor the Investment Manager nor their respective officers, directors, employees, advisers, associates or affiliates nor any member of the Board (each 'relevant person') has made any warranties in connection with NZSIF or the performance of NZSIF and that he, she or they has/have not relied on the contents of any statement, representation, warranty, promise, undertaking or agreement, whether made expressly or by implication by any relevant person.

The Applicant hereby waives its rights (if they become a Shareholder) to receive the annual reports and financial statements of the Issuer to the maximum extent permitted by law from time to time subject to such Applicant receiving an annual report of NZSIF and consolidated financial statements of NZSIF. The Applicant may (if they become a Shareholder) revoke this waiver at any time by written notice to NZSIF.

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NZSIF reserves the right in its absolute discretion to reject any Application in whole or in part without giving any reason.

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Each Applicant confirms that it is not resident in, or organised or incorporated under, the laws of the United States nor any other country or jurisdiction in which the Offer or issue of the Shares would be unlawful.

Expressions defined in the Offer Document have the same meanings in this Application Form. This Application Form, the offer, and any contract arising out of its acceptance are governed by New Zealand law.

19 Corporate Directory

BOARD OF DIRECTORS OF NZSIF

Kimmitt Rowland Ellis (Chairman)
Ian Alexander Nicholson Fraser
Neil John Craig
Michael John Caird

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

OFFICES OF NZSIF

New Zealand Social Infrastructure Fund Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3110

Phone: (07) 577 6049
Fax: (07) 928 6443
Email: enquiries@nzsif.co.nz
Website: www.nzsif.co.nz

AUDITORS

KPMG
35 Grey Street
PO Box 110
Tauranga 3140

Phone: (07) 578 5179
Fax: (07) 578 2555

INVESTMENT MANAGER

Morrison & Co PIP Limited
97 The Terrace
PO Box 1395
Wellington 6140

Phone: (04) 473 2399
Fax: (04) 473 2388

ADMINISTRATION MANAGER

NZSIF Management Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3110

Phone: (07) 577 6049 or 0800 272 442
Fax: (07) 928 6443
Email: enquiries@nzsif.co.nz

LEAD MANAGER

Craigs Investment Partners Limited
Craigs Investment Partners House
158 Cameron Road
PO Box 13155
Tauranga 3110

Phone: (07) 577 6049 or 0508 226 226
Fax: (07) 571 8625
Website: www.craigsip.com

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna
North Shore City 0622

Phone: (09) 488 8777
Fax: (09) 488 8787
Email: enquiry@computershare.co.nz

SOLICITORS

Chapman Tripp
Level 35, 23–29 Albert Street
PO Box 2206
Auckland 1140

Phone: (09) 357 9000
Fax: (09) 357 9099

OFFICES OF NZSIF

New Zealand Social Infrastructure Fund Limited
Craigs Investment Partners House
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