

Rau Paenga Limited Statement of Performance Expectations

For Financial Year 2025

1. Introduction

This Statement of Performance Expectations (**SPE**) is submitted by the Board of Directors (**Board**) of Rau Paenga Limited (**Rau Paenga**), pursuant to the Crown Entities Act 2004. It sets out the performance expected of Rau Paenga for the period 1 July 2024 to 30 June 2025.

Statement of responsibility

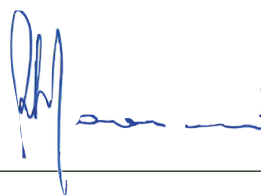
The Board is responsible for the statements contained in this document, including the appropriateness of the assumptions underlying them. The Board is responsible for internal control systems that provide reasonable assurance as to the integrity of the company's financial reporting.



Corinne Haines

Chairperson

24 June 2024



Peter Townsend

Board Member

24 June 2024

2. Our Operating Context

2.1 A Highly Skilled, Ready-to-Deploy Infrastructure Delivery Entity

Rau Paenga Limited (**Rau Paenga**) is the only dedicated infrastructure delivery entity within the Crown. Distinct from other entities in the infrastructure system, Rau Paenga focuses on the mechanics of delivery, being the day-to-day management of project execution. From procurement and design through to delivery, defects remediation and commissioning, Rau Paenga drives the project forward, managing scope, schedule and budget while maintaining a strong health and safety ethos.

Our key differentiator from Crown departments and agencies that deliver infrastructure, is that while they must balance delivery against a range of competing priorities (e.g., policy development, providing services to the public), we are focused solely on infrastructure, and we specialise in its delivery.

Our key differentiator from private sector providers of project management services is that by being part of the Crown, we can act as the client for the Crown. In practice, this means Rau Paenga is a replacement for the equivalent team within a Crown department or agency. Driven only by our accountabilities to our shareholding Ministers, Rau Paenga is motivated to achieve “best for Crown” and “best for project” outcomes, and has the skills and experience to achieve those outcomes. Utilising Rau Paenga services means the Crown can be a competent, savvy client – the kind of client with which the construction sector wants to work.

2.2 Transition

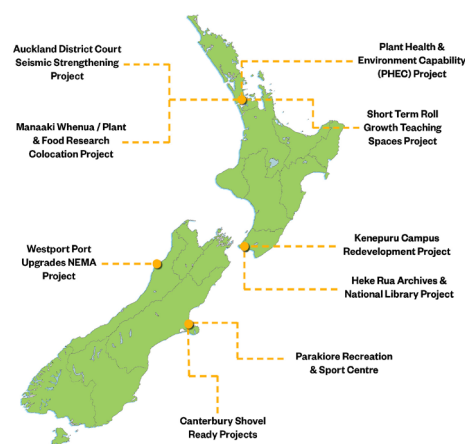
When Ōtākaro Limited was repurposed as Rau Paenga in 2022, the company began a transition process. Originally established as a Christchurch-centric infrastructure delivery entity with a fixed life, the company needed to rapidly reposition itself and become a New Zealand-wide delivery entity with an enduring role. This transition is now well advanced, but there is more work to do.

The transition thus far has presented both highs and lows. For example, we made a strong start in securing a new project portfolio, with Project Owners of several large vertical infrastructure projects opting to work with us in the first couple of months. However, in the months that followed, Project Owners became more resistant to working with Rau Paenga, and the rate at which we added projects to our portfolio slowed.

Rau Paenga Portfolio

Rau Paenga is delivering projects for the Ministry for Primary Industries, the Ministry of Justice, the Department of Internal Affairs, the Ministry of Education, the National Emergency Management Agency, ESR, and Manaaki Whenua in partnership with Plant & Food Research.

We are also working towards the completion of our legacy infrastructure work programmes in Christchurch, including Shovel Ready and the Parakiore Recreation and Sports centre.



The Board and Management of Rau Paenga will continue to steer the company through its transition, cognisant of three key drivers of uncertainty that the company must navigate:

Lack of an enforced mandate

- Currently Crown entities have a choice of whether to use our infrastructure project delivery services – and to date many entities are choosing to try and deliver infrastructure projects themselves for reasons including:
 - Lack of knowledge of what is involved, what commercial capability they will require and what they are committing themselves and the Crown to;
 - Over-confidence in their ability to DIY infrastructure projects;
 - Unwillingness to have a Crown infrastructure expert involved, for fear Rau Paenga would identify issues and risks with their systems, policies, processes, and people and share these with Treasury or Ministers;
 - Desire to control the finances of capital projects – including being able to capitalise some of their existing overhead costs into the project and thus appear to make operational savings;
 - Focusing on outcomes that are best for their entity – rather than best for the Crown as a whole;
 - Self-preservation – CE's considering using Rau Paenga services seek advice from the people in their organisation who would be most affected and/or replaced if Rau Paenga delivered their infrastructure projects – which affects their advice.
 - Retaining control of the narrative/performance story – having an external party involved that is not dependent on the entity for funding makes it much harder for entities agencies to delay or prevent notification of poor performance or missed deadlines, budget blowouts etc.

Fiscal Retrenchment

- Fiscal retrenchment across the public sector means there are less infrastructure projects being funded at present. Where projects are progressing, directives to limit the use of consultants and contractors encourages entities to attempt to do work themselves rather than seek external, expert assistance.

Future Funding Model

- A desire by Government to change Rau Paenga's current funding model to one based on cost-recovery. It has proven challenging to get agreement from agencies to use Crown infrastructure delivery services when they are free. In a fiscally restrained environment, it will be almost impossible to convince Crown entities to choose to use and pay for the cost of Crown infrastructure delivery services – unless there is a mandate requiring them to do so.

2.3 Accountability in the Face of Uncertainty

Preparing accountability documents in the face of this uncertainty has been difficult, but Rau Paenga has responded by focusing on our **unique selling point**, being that we are a highly skilled client-side infrastructure project delivery entity with a singular focus – to deliver infrastructure projects safely, on time, on budget and to the required specifications.

Our Statement of Intent (SOI) and Statement of Performance Expectations (SPE) have been informed primarily by the Minister’s Letter of Expectations, but in setting our performance targets for the period, we have also tried to balance our ambition to support the Government across the full spectrum of its infrastructure priorities, with the ongoing uncertainty that the company faces.

For example, Rau Paenga continues to implement processes and approaches that will maximise its operating efficiency. However, if Rau Paenga does not receive a formal mandate from Government in the 2025 financial year – that requires some or all major Crown infrastructure projects to be delivered by Rau Paenga – then the company does not expect it will be able to establish a large enough portfolio of projects to meet the company’s desired operational efficiency ratio performance measures – of FTEs to value of capital projects – which based on current staffing levels requires \$0.8 billion of projects to be secured.

3. Objectives, Scope and Output for Financial Year 2025

3.1 Strategic Objectives

The company has as its Strategic Objectives the purposes set out in its Constitution, which are:

- (a) To act as a partner and advisor to the Government and Project Owners to lead and/or support the delivery of horizontal and vertical infrastructure projects and programmes
- (b) To provide project support and delivery services (including procurement, and preparation and review of business cases) to Project Owners for horizontal and vertical infrastructure projects and programmes, as agreed between the company and the Shareholding Ministers and/or the company and Project Owners, from time to time
- (c) To add value to the delivery of Anchor Projects, and divest and manage the Anchor Project Assets where required by, and/or agreed by the Company with, Shareholding Ministers
- (d) To:
 - a. divest; or
 - b. where required by, and/or agreed by the Company with, Shareholding Ministers, manage Crown-owned Assets (including Crown-owned land, but not including Anchor Projects) in a manner that balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives
- (e) To undertake any role and take any action to assist the Government with any projects and programmes, as agreed between the company and the Shareholding Ministers from time to time.

As part of giving effect to its purpose, the company shall engage with and be a constructive contributor to the wider Crown infrastructure system, working with other entities as required to identify potential improvements, with the long-term view of ensuring the efficient delivery of Crown infrastructure projects.

3.2 Nature and Scope

Business

Rau Paenga (formerly Ōtākaro Limited) is a Crown company that became operational on 16 April 2016 under Schedule 4A of the Public Finance Act 1989 to take over specific functions of the Canterbury Earthquake Recovery Authority.

In 2022, Cabinet formally repurposed and funded the company to become a Crown infrastructure delivery agency to support its infrastructure delivery programme by delivering, and assisting with the delivery of, other Crown agencies' projects. In early March 2023, the Prime Minister approved the new company name Rau Paenga Limited and confirmed the new Shareholding Ministers who in turn adopted a new Constitution.

Rau Paenga positions itself as the Crown-side client in the delivery of infrastructure projects. This means the company is an important interface between the Crown and Treaty Partners, as well as the construction sector and subcontractor market. Rau Paenga is focused on building and maintaining strong partnerships with these parties.

Scope

Consistent with its Strategic Objectives and Letter of Expectations, the overarching responsibilities of Rau Paenga include:

- Be a partner and advisor to lead and support the delivery of Crown horizontal and vertical infrastructure projects
- Provide project support and delivery services to Crown Project Owners for infrastructure projects and programmes
- To prioritise and add value to the delivery of Christchurch post-quake Anchor Projects, and divest and manage the Anchor Project Assets
- To divest or manage Crown-owned Assets, balancing a desire to achieve good commercial outcomes against the Crown's regeneration objectives
- To undertake any role and take any action to assist the Government requested by the Shareholding Ministers from time to time
- Over the longer term, work to ensure the efficient delivery of Crown infrastructure projects by being a collaborative and constructive contributor to the wider Crown infrastructure system.

4. Reportable Outputs and Performance Targets

4.1 Reportable Outputs

Rau Paenga produces outputs, impacts and outcomes from its activities which are defined as reportable outputs under the Crown Entities Act 2004. Rau Paenga has four reportable outputs as follows:

1. Delivery of defined Anchor Projects.
2. Divestment of Crown land while balancing good commercial outcomes against regeneration outcomes.
3. Monitoring Rau Paenga assigned Infrastructure Reference Group (**IRG**) Shovel Ready Projects.
4. Delivery of Infrastructure Projects as principal.

These reportable outputs are intended to achieve the Rau Paenga objectives to add value to defined Anchor Projects and Crown land in a way that balances a desire to achieve good commercial outcomes with the Crown's regeneration objectives. They also support the Crown's IRG Shovel Ready objective and requirements for a Crown infrastructure delivery agency.

The expected revenue and expense for each reportable output for the financial year 2025 is as follows:

Reportable Output	Crown Revenue (NZ \$'000)	Crown Expense (NZ \$'000)
Delivery of defined Anchor Projects (capital and operational)	\$43,250	\$68,206*
Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives	\$6,660	\$9,459
Monitoring 2 remaining Rau Paenga-assigned funding agreements for IRG Shovel Ready Projects**	\$11,243	\$11,243
Delivery of Infrastructure Projects as principal	\$102,350	\$102,350

* Expenses are greater than revenue due to income carried forward from the prior year of \$24,956k.

** Rau Paenga has been mandated to distribute and manage the funding for the seismic strengthening of the Canterbury Museum Redevelopment Project. In FY25, Rau Paenga intends to distribute \$14m as the Crown contribution to the project owner under this output.

The performance of the four outputs will be measured through the performance targets noted in the following sections 4.2.1 to 4.2.9.

In addition to the reportable outcomes above, Rau Paenga also provides project support and delivery services for Infrastructure projects and workstreams, in an agent capacity. These outputs have not been included as reportable outputs, because Rau Paenga does not hold the appropriation relating to these activities. These outputs are as follows:

1. Support of Infrastructure Projects as agent
2. Support of Infrastructure workstreams as agent.

Where Rau Paenga has been designated as agent, to provide support and delivery services for Infrastructure projects and workstreams, the Crown Revenue received, and Crown Expense incurred will be reported in each of the respective Project Owner's financial statements.

The expected revenue and expense for each output for the financial year 2025 is as follows:

Other Output	Crown Revenue (NZ \$000)	Crown Expense (NZ \$000)
Support of Infrastructure Projects as agent	\$76,490	\$76,490
Support of Infrastructure workstreams as agent	\$72,039	\$72,039

4.2 Performance Targets

Performance targets for the company's activities are measured as milestones and KPIs which have been set, and performance on these measures will be reported in the Rau Paenga Annual Report, as follows:

4.2.1 Delivery of Projects

Outcome: Delivery of Projects – Anchor and Infrastructure

Add value to Crown Projects by delivering the projects safely, on currently approved budget, to schedule and to the desired quality. Our approach to ensuring a high standard of health, safety and wellbeing management on all our projects needs to respond to changes in our projects and work types over time. The Total Recordable Injury Frequency Rate (**TRIFR**) measure is aligned to the common industry reporting standard of incidents per 200,000 hours worked.

What will achievement of this outcome look like?

1. Cumulative working days' variance, when comparing forecast Client handover date to the baseline Client handover date, is delayed less than 8% of baseline duration.
2. Current estimated costs at completion are below or equal to the current approved budget.
3. Work undertaken on defined Projects is to the desired quality, as established during the project planning phase.
4. TRIFR of less than 2.7 per 200,000 hours worked across the project portfolio.

4.2.2 Monitoring of Projects

Outcome: Diligent monitoring of Projects – Shovel Ready

Rau Paenga is committed to monitoring the company's assigned funding agreements for Shovel Ready Projects in Canterbury. Of the 12 projects that were originally assigned to Rau Paenga, ten have been completed as at 30 June 2024. Rau Paenga monitors the operational and service performance for IRG build partners as described in this section. The build partners' responsibility is for operational and service performance of the construction; the company's role is to monitor performance to ensure that contractually-agreed service levels are being met.

What will achievement of this outcome look like?

1. As at 30 June 2025 at least 50% (1 of 2) of remaining approved Rau Paenga IRG projects are completed.

Build partners' performance is measured by project reports from their consultants confirming that construction is being delivered on time, within the current approved budget, and to the required quality. Rau Paenga will report on these measures in the company's Annual Report. In addition to the 12 original Shovel Ready Projects, Rau Paenga has been mandated to distribute and manage the funding for the seismic strengthening component of the Canterbury Museum Redevelopment Project. This part of the project is forecast to commence in April 2024 and be completed by March 2026.

4.2.3 Divestment of Crown Land

Outcome: Divestment of Crown land while balancing good commercial outcomes with regeneration objectives

One of the key Strategic Objectives for Rau Paenga is to divest Crown-owned land in central Christchurch in a manner which balances a desire to achieve good commercial outcomes against the Crown's recovery and any regeneration objectives.

What are good commercial outcomes?

Rau Paenga delivering a balance between optimal returns to the Crown and regeneration activities for the central city.

What will achievement of this outcome look like?

1. Land sales meet forecasted targets for the financial year, as per the Board-approved Budget (4 parcels of land are forecast to be settled in the 2025 financial year).
2. The 2025 Annual Report will include a case study which illustrates how Rau Paenga adds value to defined Anchor Projects and Crown land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives.

4.2.4 Culture, Talent and Wellbeing

Outcomes: Rau Paenga employees' health, safety, wellbeing and development is proactively managed

Rau Paenga is committed to attracting and developing highly-skilled people and teams, while maintaining and nurturing a supportive company culture. Ensuring we have a diverse and inclusive workforce will also be a strong focus over the coming year.

What will achievement of this outcome look like?

1. Rau Paenga will hold 10 wellbeing initiatives during the 2025 financial year.
2. Rau Paenga will implement a Cadet scheme in the 2025 financial year.

4.2.5 Te Pae Christchurch Convention Centre Operations

Outcome: Diligent financial management of Te Pae Christchurch Convention Centre (Te Pae) operations

Rau Paenga manages the operation of Te Pae as the building owner. The company monitor and assures the performance of the Te Pae operator, and effective implementation of asset management strategy to ensure that agreed service levels are being met in a cost-effective manner.

What will achievement of this outcome look like?

1. As at 30 June 2025 the total owner and operating loss is less than or equal to \$2.96m (with a sensitivity accuracy of + 10%).
2. Fifteen international events held at the facility.

4.2.6 Progressing Government Environmental Priorities

Outcome: Support Government targets by working to reduce emissions

Rau Paenga will develop a plan to reduce the company's environmental footprint by managing the impact of our day-to-day work.

What will achievement of this outcome look like?

1. Commence 5 ESG-related initiatives.
2. Te Pae facility maintains Toitū net carbon zero or equivalent certification.

4.2.7 Transition to Local Leadership

Outcome: Transition to local leadership

Rau Paenga is committed to assist the Crown's transition to local leadership as part of the Christchurch earthquake recovery.

What will achievement of this outcome look like?

1. All asset acceptance letters received from the Christchurch City Council for the completed Anchor Project assets within the year ended 30 June 2025.

4.2.8 Infrastructure Stakeholder Engagement

Outcome: Be a respected voice in Crown/Public Sector infrastructure delivery best practice

Rau Paenga will broaden relationships across Crown agencies and become a respected voice in Crown/Public Sector infrastructure delivery best practice.

What will achievement of this outcome look like?

1. Rau Paenga will agree upon a future funding arrangement with Treasury in the 2025 financial year.
2. Rau Paenga contributes to or leads infrastructure policy work programmes during the 2025 financial year.

4.2.9 Financial and Operational Efficiency

Outcome: Efficient use of Crown funding

Rau Paenga expects to improve its operational efficiency over time as we complete the transition to our new role, and as our project portfolio grows and matures.

What will achievement of this outcome look like?

1. Operational efficiency ratio will be equal to or greater than 1: \$15m - measured by the ratio of FTE: Aggregated Estimated Cost to Complete of projects where a Letter of Intent or similar agreement has been signed.

5. Forecast Financial Statements

5.1 Introduction

The forecast financial statements below include a forecast Statement of Comprehensive Revenue and Expense, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows for the 2025 financial year.

Rau Paenga conducts several different activities as outlined in section 2.2 under specific funding agreements with the Crown. The accounting treatment of revenue varies for each activity, depending on the specific terms in each agreement. Funding streams are a mixture of operating grants and share capital. All operating grants received are recorded as revenue in the Statement of Comprehensive Revenue and Expense, except where operating grants are received in advance of the relevant period. In that instance the funding agreement with the Crown requires any unspent amount to be returned; this is recorded as revenue received in advance on the balance sheet.

Rau Paenga incurs expenditure as part of its various activities. Operating expenditure and project expenditure that is operating in nature is recorded in the Statement of Comprehensive Revenue and Expense. This expenditure is funded by Crown operating grants, Project Owners and from Christchurch City Council contributions. Project expenditure that is capital in nature is recorded on the balance sheet as capital work in progress. Capital expenditure is funded by the issue of shares to the Crown.

Land was initially introduced to the company through a combination of Crown loans and share capital. Proceeds from the sale of land are retained by the company after first repaying Crown loans.

5.2 Forecast Financial Statements

5.2.1 Statement of Forecast Comprehensive Revenue and Expense Rau Paenga Limited

**Statement of Forecast Comprehensive Revenue and Expense
For the year ended 30 June 2025**

NZ \$000	2025 FINAL BUDGET
Income	
Crown Revenue - Operating	26,809
Crown Revenue - Infrastructure Projects	102,350
Crown Revenue - Project Operating	1,654
Crown Revenue - Te Pae Operations	5,469
CCC Revenue	1,131
Interest Received	3,699
Te Pae Sales Revenue	17,425
Shovel Ready Grants	25,243
Total Income	183,779
Net (Loss)/Gain on Land Sales	(2,798)
Operating Expenses	
Salaries & Staff Costs	(16,983)
Facilities Costs	(1,645)
IT Costs	(701)
Depreciation	(419)
Other Expenses	(5,920)
Infrastructure Project Costs	(102,350)
Project Operating Expenses	(1,654)
Land Remediation	(1,140)
Te Pae Operations and Owner's Costs	(6,738)
Te Pae Operating Costs	(19,117)
Shovel Ready Project Costs	(25,243)
Total Operating Expenses	(181,910)
Operational Surplus/(Deficit)	(930)
Provision for Asset Transfer	(66,551)
Interest Expense	(493)
Convention Centre Depreciation	(18,889)
NET SURPLUS/(DEFICIT)	(86,863)

5.2.2

Statement of Forecast Financial Position Rau Paenga Limited

Statement of Forecast Financial Position As at 30 June 2025

NZ \$000	2025 FINAL BUDGET
EQUITY	
Share Capital Opening	710,073
Share Capital - Project Costs	59,571
Share Capital Closing	769,643
Retained Earnings Opening	(312,508)
Surplus (After Tax)	(86,863)
Distribution to the Crown	-
Retained Earnings Closing	(399,370)
Revaluation Reserves	90,855
TOTAL EQUITY	461,129
Represented By:	
ASSETS	
Operating Cash	66,419
Short Term Deposits	28,033
Sundry and Other Debtors	13,790
Interest Receivable	1,335
Total Current Assets	109,577
Office Fit Out & Equipment	6,786
Land	63,275
Inventory	13,488
Work In Progress	425,111
Buildings	343,360
TOTAL ASSETS	961,596
Less:	
LIABILITIES	
Current Creditors	20,734
Revenue in Advance	13,963
Provision for Asset Transfer	456,411
Crown Vendor Finance	9,359
TOTAL LIABILITIES	500,467
NET ASSETS	\$461,129

5.2.3

Statement of Forecast Changes in Equity Rau Paenga Limited

Statement of Forecast Changes in Equity For the year ended 30 June 2025

NZ \$000	Capital	Retained	Revaluation Reserves	TOTAL
Opening Balance	710,073	(312,508)	90,855	488,420
Comprehensive Revenue and Expense				
Net Deficit for the Year	-	(86,863)	-	(86,863)
Total Comprehensive Revenue and Expense	-	(86,863)	-	(86,863)
Owners Transactions				
Contributed Capital	59,571	-	-	59,571
Distributed to the Crown	-	-	-	-
Total Owner's Transactions	59,571	-	-	59,571
CLOSING BALANCE 30 JUNE 2025	769,643	(399,370)	90,855	461,129

5.2.4

Statement of Forecast Cash Flows Rau Paenga Limited

Statement of Forecast Cash Flows For the year ended 30 June 2025

NZ \$000	2025 FINAL BUDGET
Cash Flows From Project Activities	
Crown, CCC, Convention Centre and Rental Income	166,517
Interest Received	3,699
Net Capital Injection From Crown	59,571
Project Costs Paid	(232,469)
General Expenses Paid	(25,249)
	(27,931)
Cash Flows from Land Sale Activities	
Proceeds from Sale of Land	9,906
Payments to Crown - Loan Repayment	(10,181)
Payments to Crown - Distribution	-
	(275)
Cash Flows from Asset Transfers	
Office Equipment Purchased	(386)
	(386)
Cash Flows from Investing	
Transfer From/(to) Short Term Deposits	-
	-
NET CASH MOVEMENT	(28,592)
OPENING CASH BALANCE	95,012
CLOSING OPERATING CASH BALANCE	66,419

5.3

Notes to the Forecast Financial Statements

Reporting entity

Rau Paenga Limited is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is a Schedule 4A entity of the Public Finance Act 1989.

Rau Paenga (then named Ōtākaro) was incorporated on 17 February 2016 with two Shareholding Ministers and a Board of Directors.

Rau Paenga has designated itself as a public benefit entity (**PBE**) for the purposes of financial reporting under Public Sector PBE Standards. Rau Paenga is a public authority and is exempt from the payment of income tax. Accordingly, no provision has been made for income tax in the financial statements.

Basis of preparation

These prospective financial statements have been prepared:

- In accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP)
- In accordance with PBE FRS 42 and NZ GAAP as it relates to prospective financial statements
- On a GST-exclusive basis, except for receivables and payables which are presented on a GST-inclusive basis
- On an historical cost basis modified by the revaluation of certain assets and liabilities
- In New Zealand dollars rounded to the nearest thousand, unless separately identified

The actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material for the reasons already noted.

Significant accounting policies

The following accounting policies significantly affect the measurement of financial performance and position.

Revenue

Project Funding

The three types of projects that Rau Paenga is funded by the Crown and/or Project Owner to deliver are:

- Projects that are operating in nature – these projects do not create an asset for Rau Paenga, and funding is recognised as revenue in the period it is received
- Projects that are capital in nature – these projects create an asset for Rau Paenga and are funded by a share issue to the Crown; this funding is not recognised as revenue in the forecast financial statements
- Projects managed, but not owned, by Rau Paenga – funding received for these projects is not recognised as revenue in the Rau Paenga forecast financial statements; unspent funding is recorded as a liability of Rau Paenga to the Crown and/or Project Owner.

Shovel Ready Project Funding

Rau Paenga is funded by the Crown to monitor and fund 12 Canterbury Shovel Ready Projects.

These are:

- Projects that are operating in nature – these projects do not create an asset for Rau Paenga and funding is recognised as revenue in the period that the cost is incurred; unspent funding is recorded as a liability of Rau Paenga to the Crown.

In addition to the 12 original Shovel Ready Projects, Rau Paenga has been mandated to distribute and manage the funding for the seismic strengthening component of the Canterbury Museum Redevelopment Project.

Operational Funding

An agreement between Rau Paenga and the Crown is in place for the Crown to fund the company's operational expenditure. The agreement applies conditions to unspent funding received. Unspent funding is recorded as a liability in the forecast financial statements.

Rau Paenga considers all funding received from the Crown and/or Project Owner to be non-exchange transactions.

Project Assets

When operating and capital projects were transferred to Rau Paenga, land and building assets were transferred with them. The classification of these assets is based on the expected future use.

Land and buildings associated with the projects have been classified as follows:

- Land and buildings held as inventory – this is land and buildings held for sale in the normal course of business and includes land related to the East Frame Residential project
- Land and buildings as part of property and equipment – this land is either public realm held for strategic purposes, or the future use of the land is not certain at the time of preparing the forecast financial statements.

Fair Value and Revaluation of Land and Buildings

Land and building revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance date. Land and building revaluation movements are accounted for on a class-of-asset basis.

Depreciation

Depreciation is calculated using the straight-line basis at rates that will write off the costs (or valuations) of the assets to their estimated residual values over their useful lives. The residual value and useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year.

Borrowings

All borrowings are held with the Crown and are attached to operating and capital project land and buildings transferred to Rau Paenga. All loans are repayable upon the sale of the underlying asset. A portion of the interest due is not repayable upon the sale of the underlying asset.

Share Capital and Equity

All shares issued are fully paid and have a face value of \$1 each. The Crown holds all issued capital of Rau Paenga. The Crown investment in Rau Paenga is expected to be made up of 769,643,000 shares as at 30 June 2025.

Critical accounting estimates and assumptions

In preparing these prospective financial statements, Rau Paenga has made estimates and assumptions concerning the future including the impacts of COVID-19. These estimates and assumptions may differ from subsequent actual results.

Estimates and assumptions are continually evaluated and are based on expectations of future events that are believed to be reasonable. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amount of the assets and liabilities within the forecast financial statements are:

- Land sales and divestments' forecast uncertainty regarding timing of settlement between financial years, and number of future sales and divestments
- Cost of land remediation activities and the current level of uncertainty in estimating land remediation costs
- Progress of defined Anchor Projects and the impact this has on overall project costs and funding required
- Provision for asset transfers is estimated based on land classified as public realm and all work-in-progress on relevant assets for transfer capitalised during the financial year. The estimated amount is affected by the uncertainty regarding timing of divestments and defined Anchor Project progress
- Shovel Ready Projects payments to recipients is based on progress on site. If any significant delays are experienced this will impact on forecast payment to recipients
- Infrastructure Project forecasts, where Rau Paenga has, or is negotiating, a signed development agreement and is the principal on the project, are reflected in the forecast for FY25. This expenditure is funded by revenue from the respective Project Owner Agency
- During FY24, the main contractor responsible for building Parakiore revised and increased the amount they alleged they were owed on the claims originally lodged in 2022, from \$197.0m to \$439.4m, under the Main Works Construction contract. Rau Paenga disputed the contractor's entitlement to this sum and legal proceedings, without prejudice negotiations and contractual dispute processes continued throughout the year. The parties have resolved these claims through the Trial Period Agreement signed in February 2024 and are working together to complete the project
- Parakiore as at 31 January 2024 is forecasting an overspend which is largely due to the risk associated with the impacts from COVID-19, adverse ground conditions experienced on site and main contractor claims. We have continued to use internal estimates of additional cost in Parakiore's estimated costs to complete while we wait for the revised programme and target cost for completing the project pursuant to the process in the Trial Period Agreement.

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Rau Paenga^{Limited}
Crown Infrastructure
Delivery

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