



Annual Report

For the year ended
30 June 2023

Rau Paenga Limited
Crown Infrastructure
Delivery

Simple, effective,
and fully funded
Crown infrastructure
delivery support.





INTRODUCTION

Rau Paenga (formerly Ōtākaro Limited) is a Crown company created in 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 support its infrastructure delivery programme by delivering and assisting 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.

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Part 1: Context



SCOPE

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

- To be a partner and advisor to lead and support the delivery of Crown horizontal and vertical infrastructure projects
- To 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
- To ensure the efficient delivery of Crown infrastructure projects by being a collaborative and constructive contributor to the wider Crown infrastructure.

FUNCTIONS AND OPERATIONS

The organisation has six core teams:

- The Programme Delivery team is focused on the delivery of infrastructure projects
- The Corporate Services team includes the project support, finance and information technology functions
- The Government Relations team is responsible for liaison with other agencies and policy advice
- The People and Safety team is responsible for personnel, and health, safety, wellbeing and environment management
- The Legal and Risk team is responsible for legal, risk, property divestment, information management and company secretariat
- The General Manager Te Pae is also responsible for Property and Facilities management.

The company's activities are guided by policies and procedures that ascribe to good corporate discipline, with clear links to the Rau Paenga Purpose and to the company's Strategic Objectives. In addition, the company's Values and Behaviours support the delivery of its Purpose and Objectives.

ADAPTABILITY

The company was established in 2016 with the understanding that it had a finite lifespan, subject to further determinations by the Crown. It has since been repurposed, primarily to support other agencies' infrastructure programmes. Accordingly, the company's organisational structure reflects the need for adaptability. This means that the company must, in a planned manner, be able to adapt to the changing requirements of its programme and projects.

Part 2: Organisational Health and Capability

RAU PAENGA VALUES AND BEHAVIOURS

Rau Paenga continues to strengthen its organisational culture to guide all company activities. This culture is underpinned by specific, straightforward Values and Behaviours expected of all personnel in undertaking their tasks.

The Values are expressed as:

Keep it simple.

Kia mārama

Make it happen.

Mahia

Do what's right.

Mahi tika

Build lasting relationships.

Whiria kia ita

By working with its personnel, specific Behaviours have been defined to 'model' and to support the Rau Paenga Values.

These Behaviours include:

- Act with purpose and stay focused
- Do things efficiently
- Consider your audience
- Communicate clearly and consistently
- Do what you say you will do
- Promptly but properly
- Grow capability
- Be agile
- Act with integrity and respect
- Be professional and approachable
- Be courageous
- Support one another
- Be client driven
- Be curious and open minded
- Know and play your part
- Be collaborative.



HEALTH AND SAFETY

Rau Paenga has zero tolerance for anything that endangers the health, safety and wellbeing of people.

As a Crown company operating in a construction and asset ownership environment, Rau Paenga strives to be a leader of health and safety, and in ensuring compliance with the Health and Safety at Work Act 2015.

Rau Paenga is committed to a culture of safety as a core part of the company's identity through:

- The Board and Management modelling behaviours expected from the company's staff and its contractors
- Establishing best practice health, safety and wellbeing approaches in the field and in the office environment, monitoring adherence to these practices and taking immediate corrective actions if required
- Ensuring that the company, and those who are working for the company, meet all health, safety and wellbeing, and environmental regulatory obligations.

CAPABILITY DEVELOPMENT

Rau Paenga supports its staff to achieve the company's Objectives and Purpose by:

- Developing staff for their current roles, providing flexibility to move staff to other roles in the company and preparing staff for their next career steps
- Regularly reviewing the capability of its people to align the available skills with the requirements of project development lifecycles
- Achieving high levels of staff engagement
- Providing a safe environment for staff
- Delivering services required to achieve the company's Objectives in a cost-effective manner
- Providing staff with reliable, secure and cost-effective technology
- Providing a sound financial and internal control environment.

TE TIRITI O WAITANGI AND TE AO MĀORI

Rau Paenga is committed to supporting the Crown in its relationship with Māori under te Tiriti o Waitangi.

The Rau Paenga Board has put in place 'Te Pae Tawhiti: Māori Strategy 2023-2024'. This strategy recognises our commitment to the principles of te Tiriti o Waitangi. The strategy's vision is: 'We support the infrastructure aspirations of iwi and Māori communities as we manage Crown Infrastructure delivery'. There are three key shifts required to achieve our vision:

- Building cultural capability
- Responsive policies and systems
- Partnering with Māori/Iwi for greater impact

The Board regularly monitors the implementation of the strategy.

PROGRESSING GOVERNMENT ENVIRONMENTAL PRIORITIES

As a Crown entity, we support Government targets by working to reduce our emissions and publicly disclose progress on sustainability initiatives. Rau Paenga is committed to reducing our environmental footprint by managing the impact of our day-to-day work.

Rau Paenga has committed as a first step to reporting emissions from FY24 as this will be the base year for the newly repurposed, nationwide, company.



Te Papa Ōtākaro/Avon River Precinct, Christchurch

RAU PAENGA AS A GOOD EMPLOYER

The success of Rau Paenga is dependent on the technical, commercial and financial expertise of the company's staff. It is important that Rau Paenga attracts and retains skilled staff, is an employer of choice and offers an attractive place to work, with a culture that is valued by employees and supports the company to deliver on its Strategic Objectives and Purpose. As a result, Rau Paenga has put in place policies that ensure it is a 'good employer' that provides equal employment opportunities (EEO). There are seven areas on which Rau Paenga is focusing to ensure it is a 'good employer' (based on guidance from the EEO Commissioner):

Leadership, accountability and culture:

All job descriptions are consistent with EEO principles and there is no gender or ethnicity bias, with a genuine EEO culture.

Recruitment, selection and induction:

Rau Paenga has recruited staff through a variety of means including industry networks, recommendations, and recruitment companies. All staff are recruited in accordance with our EEO framework and where deemed necessary psychometric testing is undertaken.

Remuneration, recognition, and conditions:

Rau Paenga has a gender-neutral remuneration policy. Remuneration is market based. Flexible working is supported, and the wellbeing of employees is prioritised. Rau Paenga is committed to providing a healthy working environment and improving the quality of life for all employees.

Harassment and bullying prevention:

Rau Paenga has a zero tolerance approach to all forms of harassment and bullying. Rau Paenga has policies in place to deal with harassment complaints should they arise.

Safe and healthy environment:

Rau Paenga has developed policies that are designed to encourage staff participation in health and safety, and wellbeing activities. All staff are treated with respect regardless of gender, marital status, religious belief, ethical belief, colour, race, ethnic or national origins, disability, age, political opinion, backgrounds, employment status, family

status and sexual orientation. Staff are encouraged to take regular holidays and there are policies in place to help staff deal with stress-related complaints if necessary.

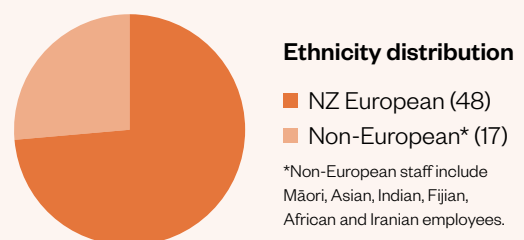
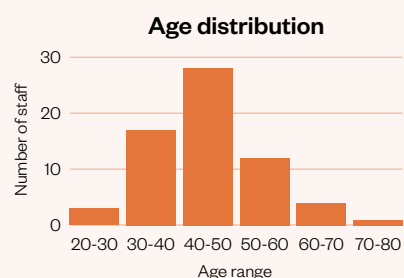
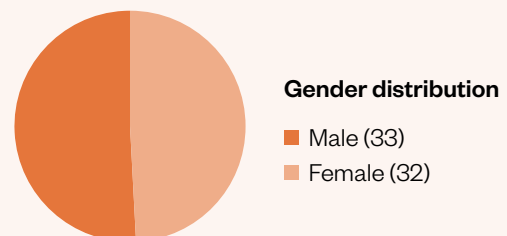
Te Tiriti o Waitangi:

Rau Paenga recognises the government's responsibility to have a culturally competent public service, we consider cultural competency in our hiring criteria and actively provide an ongoing development programme to build the cultural capability of our staff.

Employee development, promotion:

Rau Paenga encourages employee development and promotion. The structure of Rau Paenga continues to change to meet evolving requirements, creating opportunities for development.

EMPLOYEE DIVERSITY STATISTICS





South Frame Greenway, Christchurch

Part 3: Chairperson and Chief Executive's Letter

Dear Shareholders

The 2023 financial year has been one of transformation for our Crown company.

Twelve months ago we were a Christchurch post-quake regeneration agency, named Ōtākaro after the iconic local river. We ended the year as a nationwide infrastructure delivery company, with a name, Rau Paenga, that means 'many places of significance'.

For well over a year we worked closely with The Treasury and our Shareholding Ministers, who saw value in retaining the skills, tools and practices of a Crown infrastructure support and delivery entity – particularly at this challenging period for the major construction sector.

New projects

Many Government agencies don't routinely construct large buildings and other assets. When they do, often they create in-house project teams that have to grapple with the complexities of the major infrastructure environment.

It makes more sense for those agencies to partner with us, a specialist infrastructure and delivery support agency. Late in the year, as we got early runs on the board, there was a considerable upswing in interest from Government agencies keen to work with us.

At year end we had four confirmed projects around the North Island, with another dozen well advanced prospects. With additional established offices in Auckland and Wellington, we are well placed to undertake this work.

Christchurch regeneration

It's been heartening to see the Te Pae Christchurch Convention Centre achieve the primary objective of adding economic and social vibrancy to the city centre in its first full year of operation.

The 261 events hosted at Te Pae this year was 84% more than initially forecast, and drew almost 130,000 delegates and other visitors through its doors. The estimated >\$62 million in direct economic benefit that stemmed from those events was welcomed by city leaders.

One major bar and restaurant operator has noted that trading on a Monday night, which typically was one of the quietest in the week, was often brisk as conference delegates at events that started early in the week looked to catch up with sector friends.



It was also pleasing to see other civic assets that Ōtākaro developed, or contributed to, flourish. The City Promenade on the sunny city side of the river is well used by pedestrians and cyclists in particular, and gardens and other green areas we constructed in the central city have continued to come away.

It was good to get the South Frame laneways, which are catalysing development on the southern flank of the CBD, completed. Progress with the Parakiore Recreation and Sport Centre construction continued to prove challenging but we are doing everything possible to get this key city amenity completed and handed over to Christchurch City Council for commissioning.

Sales of East Frame homes slowed during the year, in line with the subdued residential property market, but Fletcher Living made good progress on the attractive development across the river from the Margaret Mahy Family Playground, and the higher density homes on Manchester Street between Hereford and Cashel Streets.

We would like to thank the Government for its ongoing support, and our staff, initially for coping with uncertainty about our future and, more recently, for heavy workloads as we ramp up in response to the new projects.

We are also grateful to Chief Executive John Bridgman, who was committed to seeing Ōtākaro repurposed before retiring as Rau Paenga was launched.

There is much to look forward to in 2024.

Corinne Haines
Chairperson

John O'Hagan
Acting CEO

Part 4: Financial summary and achievements

64.1mil

A total of \$64.1m of project and project management funding relating to the year ended 30 June 2023 was received from the Crown. This was received through a mixture of operating grants and share capital.

116.9mil

Total project and project management expenditure of \$116.9m was incurred for the year ended 30 June 2023. This is a decrease of \$26.3m on the prior year.

39.3mil

The net deficit was \$39.3m for the year. A key reason for the deficit was the recognition of a \$57.7m provision to transfer assets to Christchurch City Council at nil value.

4.2mil

One land sale transaction was settled during the year. Two parcels totalling \$4.2m were recorded as sales of land inventory.

924.7mil

Total assets are \$924.7m at 30 June 2023. This is an increase of \$34.0m from the prior year, due to the work in progress associated with capital projects.

503.5mil

Total equity is \$503.5m at 30 June 2023. Additional share capital of \$36.5m was issued during the year to fund capital projects.

Part 5: Current projects



Parakiore Recreation and Sport Centre, Christchurch

EXISTING CHRISTCHURCH ANCHOR PROJECTS

South Frame

The Anchor Project, which was designed to catalyse the southern end of the CBD, was completed in December 2022, when the final T-shaped laneway connecting Montreal, Tuam and St Asaph Streets was finished.

During the year there were significant private sector developments in the spaces adjacent to the main east-west Greenway and perpendicular lanes.

Parakiore Recreation and Sport Centre

Work continued on the Parakiore Recreation and Sport Centre, the largest aquatic and court facility of its type in New Zealand, although construction delays relating to the ground conditions and contractor performance put pressure on the works programme.

Jet grouting to remediate a small area of local subsidence was largely successful. Good progress was made on elements such as the dive tower installation, glazing and skylights. As the building was made more watertight, internal fittings were added, including some of the ceilings and many of the building

services. The Waste Water Heat Recovery System was added along with external paving and landscaping works.

The company worked closely with the main works contractor, CPB, which has made considerable cost claims, most of which are being disputed. Many of these claims are unlikely to be resolved for some time.

Te Papa Ōtākaro/Avon River Precinct

Ownership of the North Frame Pedestrian Bridge is likely to be transferred to Christchurch City Council around October 2023, once work to overcome some light surface staining of the balustrades is complete. Individual panels are being removed, treated and replaced.



East Frame Residential Area, Christchurch

East Frame Residential Area Anchor Project

Work progressed steadily on the two Fletcher Living super lots under construction during the year, although sales slowed in line with the softer residential property market.

Super Lot 15, across the Ōtākaro/Avon River from Margaret Mahy Playground, is expected to be finished in August 2023. At year end about half of the 38 homes had sold.

Super Lot 10, the first development on the Manchester Street side of Rauora Park, is likely to be complete about March 2024. It will have 63 homes. At year end, Fletcher Living was about to start using one completed apartment unit as a show home.

The next areas to be developed by Fletcher Living will be Super Lot 2, next to the former MED building in Armagh Street, followed by the small Super Lot 8 area at the south end of Rauora Park, and Super Lot 1, next to the Margaret Mahy Family Playground car park.

At year end, about half of the 102 homes on the Williams Corporation development on Super Lot 11 had been pre-sold. Earthworks were expected to start in September 2023 and construction is likely to take two years.

OTHER ONGOING CHRISTCHURCH WORK

Land Divestment

Most of the surplus Crown Land the company is responsible for divesting has already been sold. This year 56% of the surplus land on the Te Pae precinct was transferred to the Carter Group for the development of the first of the planned hotels.

Only five parcels of land remain. Two adjacent to Parakiore will be divested once the facility has been completed. The last lot in the Te Pae precinct will also be transferred to the Carter Group. Finally, another small area adjacent to the recently completed South Frame development is awaiting subdivision.

Canterbury 'Shovel Ready' Projects

By year end, six of the 12 Canterbury 'Shovel Ready' projects, which Rau Paenga has financial oversight of, were complete. A further four projects will be finished by the end of the 2024 Financial Year.

- | | |
|--|---|
| 1. Ashburton District Library and Civic Centre | 3. Cancer Society Christchurch Building Project |
| 2. Ranui Apartments | 4. Kaiapoi Stormwater and Flooding Improvements |

Current projects



Te Pae Christchurch Convention Centre

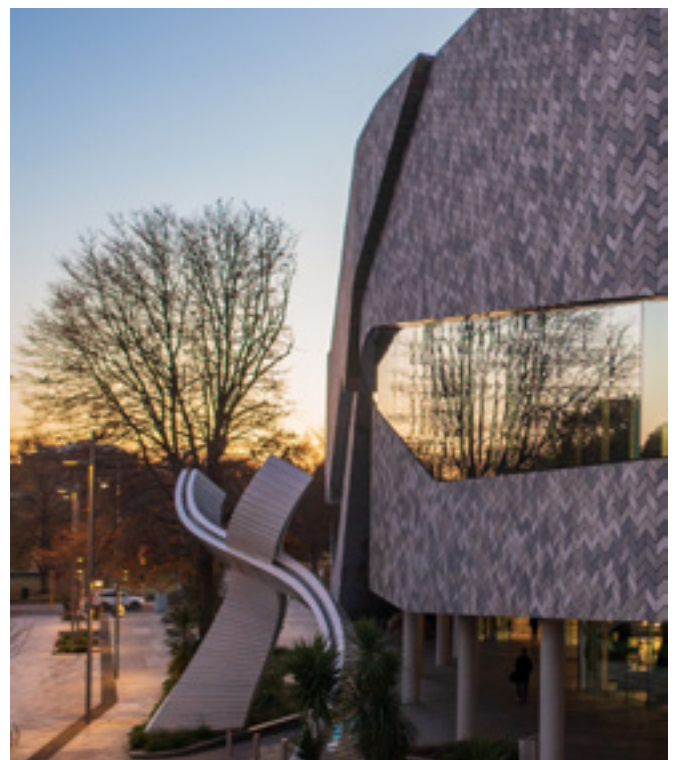
TE PAE CHRISTCHURCH CONVENTION CENTRE

The city's international standard business and community events centre, which was developed by and continues to be owned by the company, completed a very successful first full year of operation.

Initially opened in December 2021 under a Certificate of Public Use, the facility was issued with a Code of Compliance Certificate in October 2022, marking another step in its completion. Te Pae hosted 261 events during the year, almost double the 142 events originally forecast.

Those events attracted almost 130,000 visitors and delegates, and generated an estimated 90,000 hotel room nights – the equivalent of filling a 250-room hotel for a full year. Importantly, most of those events were held outside of Christchurch's summer tourism peak period.

The considerable impact of Te Pae on the social and economic vibrancy of the central city is set to continue with strong bookings for events in the year ahead.





Te Tari Taiwhenua Department of Internal Affairs, Wellington

NEW PROJECTS

By year end, three months after formally being repurposed, Rau Paenga had four relationship agreements (either memoranda of understanding or project delivery agreements) in place with different Government agencies.

The partnerships that Rau Paenga was able to talk publicly about were:

- **Ministry of Justice**
 - the three-year seismic strengthening improvement project at the Auckland District Court building
- **Te Tari Taiwhenua Department of Internal Affairs**
 - support for the delivery of the new Archives building and delivery of a link bridge connecting the new building to the National Library
- **Ministry of Business, Innovation and Employment**
 - the Wellington Science City programme.

A further two delivery agreements are likely to be in place with Project Owners by October 2023, making a total of six 'Phase One' projects.

A further dozen 'Phase Two' opportunities were being discussed with prospective clients. Development agreements for these projects, if they proceed, are likely to be signed between October 2023 and December 2024.

Discussions were ongoing with several other Government entities over projects that are likely to start from 2025 onwards.



Secretary for Justice, Andrew Kibblewhite, signed a memorandum of understanding with Acting Chief Executive, John O'Hagan

Part 6: Governance

ORGANISATION FORM

Incorporated under the Companies Act 1993, Rau Paenga Limited (formerly Ōtākaro Limited) is a Crown-owned company listed under Schedule 4A of the Public Finance Act 1989, and subject to the Crown Entities Act 2004, the Official Information Act 1982 and the Ombudsmen Act 1975.

Its shareholders are the Minister of Finance and the Minister for Infrastructure, who each hold 50% of the shares.

The Treasury monitors the company's commercial and financial performance.



MANAGEMENT OF THE COMPANY

The company's governance framework is designed to ensure that it is effectively managed and that statutory obligations are met. The governance framework ensures a clear understanding of the separate roles of Board and Management and demonstrates a shared commitment to the company's purpose.

The Board of Directors is responsible for the overall direction of Rau Paenga on behalf of Shareholding Ministers in the manner set out in the company's Constitution, Letter of Expectations, Statement of Intent and Board Code of Conduct.

The Board has delegated to the Chief Executive the company's day-to-day management, operation and administration, and the company has put in place a suite of policies that underpin its strategies and objectives. The Board operates in accordance with the relevant expectations set out in The Treasury's guide Owner's Expectations for Crown companies and entities monitored by The Treasury (including the Principles in the Securities Commission 'Corporate Governance in New Zealand: Principles and Guidelines'), and Cabinet Office Circular Investment Management and Asset Performance in the State Services (CO (19) 6), including the reporting, accountability and financial governance expectations.

BOARD OF DIRECTORS

The Board of Directors is committed to a high standard of corporate governance and regulatory compliance in guiding and monitoring the company's activities. The Board currently comprises four non-executive Directors appointed by the Shareholding Ministers, following Cabinet approval.

Under the company's Constitution there must be no fewer than two and no more than seven Directors.



Board Members



Corinne Haines

CNZM, Chairperson

Corinne Haines has more than 50 years' business experience and was at the helm of Trimble Navigation New Zealand Limited for nearly 20 years. She is currently CEO, City Missioner, at the Christchurch City Mission.

Corinne has a Bachelor of Commerce in Accounting and Economics. She is a fellow of Chartered Accountants Australia and New Zealand.

Christchurch born, Corinne has a passion for the city and the opportunities and lifestyle it provides for residents. She was awarded a special commendation at the 2014 Champion Canterbury Awards for her outstanding contribution to the Canterbury community.

In 2015 she was a member of an Independent Panel which advised the Minister of Defence on the Defence White Paper 2015.

Corinne was named a Companion of the New Zealand Order of Merit for her services to business in the 2016 New Year's Honours.



Peter Townsend

CNZM, Director

Peter is a former chief executive officer of The Canterbury Employers' Chamber of Commerce, a position he held for 21 years.

He is currently committed to governance roles, which are predominantly based in Christchurch.

He is an inaugural board member of the company and chairs the Audit and Risk Committee.

Peter is chair of Te Papa Hauora, The Health Precinct. He is also a board member of Warbirds over Wanaka Limited, and a member of the Royal New Zealand Air Force Museum Trust Board.

He is a fellow of The Institute of Directors, a life member of The Otago University Students' Association, and a life member of The Canterbury Employers' Chamber of Commerce.

Peter is the Honorary Consul of Chile, for the South Island.

He has a BSc (Hons) and a Post Graduate Diploma of Business from Otago University. In 2014 Lincoln University awarded him an Honorary Doctorate of Commerce, in recognition of his services to the business community.

In 2013 Peter was made a Companion of The New Zealand Order of Merit.



Miriam Dean

CNZM KC, Director

Miriam Dean has 40 years of legal experience as a former partner of law firm Russell McVeagh and is a long-standing member of the independent bar. She was president of the New Zealand Bar Association from 2011 to 2012. She has conducted a number of inquiries and reviews, including chairing the Government's Electricity Price Review from 2018 to 2019 and Auckland Council's review of its council-controlled organisations in 2020.

With 25 years of governance experience, Miriam is the current chair of the Banking Ombudsman Scheme, as well as a director of the Real Estate Institute of New Zealand. Past directorships include chair of NZ on Air, director of Crown Infrastructure Partners Limited, deputy chair of Auckland Council Investments and a member of the Auckland Transition Authority.

Miriam facilitated and reported to the Government on discussions with engineers on options for the repair, restoration or replacement of Christ Church Cathedral in 2017. She is also chair and a member respectively of the New Zealand Claims Resolution Service Legal Advisory Group and its wider Advisory Committee.

Miriam was made a Companion of the New Zealand Order of Merit for services to business and law in 2013.



Paul Blackler

Director

Paul Blackler is the General Manager – Construction New Zealand at Ryman Healthcare and has over 40 years' experience in the construction industry.

He was deputy chairman of the Building Practitioners Board from 2005 to 2012. The Board played a key role in shaping the licensing system for building practitioners, and hears appeals against licensing decisions and complaints against Licensed Building Practitioners.

Paul has been actively involved in the post-quake regeneration of Christchurch. He joined Citycare in 2013 to manage the Building Construction division, before taking up the leadership of Citycare Civil in 2015.

He was Chairman of the Citycare JFC Joint Venture which has delivered many of the city's most significant civil projects and was a board member of SCIRT (Stronger Christchurch Infrastructure Rebuild Team) from mid 2017 to early 2019.

BOARD COMMITTEES

The Board has an Audit and Risk Committee, which is comprised of three Directors, to assist the Board to meet its financial governance, risk management, and accountability requirements and responsibilities. The Committee's Terms of Reference also cover the role of oversight of assurance.

A remuneration sub-committee was formed late in the year and other ad hoc and standing committees may be formed from time to time.

INDEMNITIES AND INSURANCE

As permitted by the Rau Paenga Constitution, deeds of indemnity have been given to Directors, officers and employees involved in the management of the company. The company has professional indemnity, and directors' and officers' liability, insurance in place.

DISCLOSURE OF INTERESTS BY DIRECTORS

The Board maintains and regularly updates an Interests Register to ensure conflicts of interest (both real and perceived) are recorded and managed as required by the Companies Act 1993. The following table sets out all interests or cessations of interests of the Directors recorded in the Interests Register during the year ended 30 June 2023.



Wellington Central Business District

Board of Directors' Interests Register

Director	Date of Disclosure	Organisation	Role	Financial Interest	Nature of Interest
Corinne Haines (Chairperson) Last updated 3 April 2023 – affirmed 3 July 2023	5 June 2022	Christchurch City Mission	Chief Executive Officer	Salary	Fixed-term, part-time role.
	8 March 2022	Christchurch Diocese Standing Committee	Member	N/A	Standing Committee is the governance body for the Anglican Church.
	31 May 2019	Logistics Drive Investments Limited	Shareholder	Shares and shareholder advance	Company is being wound up.
	31 May 2019	Motim Technologies Limited	Shareholder	Shares	Company is to be wound up – no future income.
	1 August 2016	St Barnabas Fendalton Trust	Trustee	N/A	A trust set up to manage the fundraising for the repair and strengthening of the church after the 2011 earthquake.
	1 August 2016	St Barnabas Anglican Church - Fendalton	Synod member	N/A	Synod is the governance body of the Diocese with representatives from each parish.
Paul Blackler Last updated 6 June 2023 – affirmed 3 July 2023	6 June 2023	Lincoln Baptist Church	Chair of Elders	N/A	Church governance body
	4 October 2021	The Youth Hub Trust	Trustee	N/A	A collective of co-located services and facilities, along with transitional housing, based in the heart of central Christchurch.
	5 October 2019	Blacklight NZ Limited	Director	N/A	Bespoke technical lighting, sound and video hire, servicing and custom manufacturing business of which my son is the sole shareholder.
	5 October 2019	Ryman Healthcare Limited	General Manager – Construction New Zealand	Salary	NZX listed, Ryman Healthcare builds, owns and operates retirement villages in New Zealand and Victoria, Australia.
	5 October 2019	New Zealand Institute of Building	Member	N/A	
	5 October 2019	Shamaria Trust	Trustee	Beneficiary	Family Trust with property assets.
	5 October 2019	Avishai Trust	Trustee	Beneficiary	Family Trust with property assets.

Director	Date of Disclosure	Organisation	Role	Financial Interest	Nature of Interest
Miriam Dean Last updated 5 April 2023 – affirmed 3 July 2023	5 April 2023	The University of Auckland Foundation	Trustee	N/A	
	20 May 2022	Gas Rulings Panel	Sole Member	Professional Fees	Ministerial appointment. Commencing 29 August 2022.
	1 November 2021	Chorus NZ Limited	Director	Director's Fees	
	28 January 2021	SEB Holdings Limited	Shareholder	Shares	Joint shareholding in small private company – ownership vehicle for an Auckland apartment.
	6 August 2019	Ministry of Justice's Legal Aid Advisory Board	Chair	Professional Fees	
	7 May 2019	Department of Internal Affairs' External Advisory Committee	Member	Professional Fees	
	5 November 2018	Legal Advisory Group of the New Zealand Claims Resolution Service	Chair	Professional Fees	
	5 November 2018	Advisory Committee of the New Zealand Claims Resolution Service	Member	Professional Fees	
	28 September 2017	Real Estate Institute of New Zealand Incorporated	Director	Director's Fees	
17 February 2016	Banking Ombudsman Scheme Limited	Chair	Director's Fees	Director and shareholder.	

Director	Date of Disclosure	Organisation	Role	Financial Interest	Nature of Interest
Peter Townsend Last updated 1 February 2023 – affirmed 3 July 2023	1 February 2023	Canterbury Community Pharmacy Group	Co-opted Board Member (effective 1 February 2023)	Meeting Attendance Fees	
	4 December 2019	Warbirds over Wanaka Limited	Director (effective 1 December 2019)	N/A	Inactive entity holding intellectual property.
	2 December 2019	Warbirds Over Wanaka Airshows Limited	Director (effective 1 December 2019)	N/A	
	2 December 2019	Warbirds Over Wanaka Community Trust	Trustee (effective 1 December 2019)	N/A	
	21 June 2019	Te Papa Hauora/Health Precinct Advisory Council	Chairman (effective 1 July 2019)	Chairman's Honorarium	Te Papa Hauora/Health Precinct is an initiative involving the Canterbury District Health Board, the University of Otago, the University of Canterbury, Ara Institute of Canterbury and Matapopore Charitable Trust. Its purpose is to bring together intellectual and other resources to improve the effectiveness of the wider health ecosystem through an innovative and collaborative programme.
	31 May 2019	CECC Management Training Limited	Director	N/A	Inactive shell company.
	17 February 2016	RNZAF Museum Trust Board	Board Member	N/A	From 2006. Oversees the running of the Air Force Museum of New Zealand which holds the national collection of the Royal New Zealand Air Force (RNZAF).
	17 February 2016	Honorary Consul of Chile to Christchurch	Honorary Consul	Service Fee	From 2000. Assisting Embassy of Chile in Wellington with services and communications to Chileans in the Canterbury region.

Senior Leadership team



John O'Hagan
Acting Chief Executive
and Director Programme
Delivery



Sue Squire
General Manager
People and Safety



Sam Jack
General Counsel and
Company Secretary



Kirstie McNulty
General Manager Te Pae



Ken Forrest
Director Corporate
Services



Mark O'Regan
General Manager Public
Sector Engagement and
Policy

Part 7: Financials


Statement of responsibility

FOR THE YEAR ENDED 30 JUNE 2023

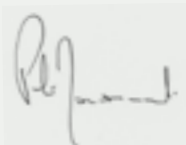
Under the Crown Entities Act 2004 and the Public Finance Act 1989, the Board is responsible for the preparation of the Rau Paenga Limited Annual Report, which includes the financial statements and performance information, and the judgements made therein. We are responsible for any end-of-year performance information provided by the company under section 19A of the Public Finance Act 1989. The Board of Directors of Rau Paenga Limited has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting for the company.

In the Board's opinion, these financial statements and the performance information fairly reflect the financial position and performance of Rau Paenga Limited for the year ended 30 June 2023.

Signed on behalf of the Board



Corinne Haines
Chairperson
2 October 2023



Peter Townsend
Director
2 October 2023



About this report

IN THIS SECTION

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding the financial performance and position of Rau Paenga Limited (Rau Paenga). Information is considered relevant or material if:

- The amount is significant because of its size or nature
- It is important to understanding the results of Rau Paenga
- It helps explain Rau Paenga's business.

Rau Paenga 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 was formerly known as Ōtākaro Limited and established with a limited life expectancy. In October 2022 Cabinet confirmed that the company would be repurposed into a Crown infrastructure delivery agency with the purpose of delivering projects on behalf of other Crown agencies. In March 2023 the Prime Minister approved the new company name and confirmed the new Shareholding Ministers, who in turn adopted a new Constitution.

The original purpose of Rau Paenga was to add value to Anchor Projects and Crown Land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives and support the Crown's exit over time on favourable terms. The company was also tasked with assisting the Crown's transition to local leadership as part of the earthquake recovery.

In addition to the original scope outlined above the company is now also responsible for leading and supporting the delivery of Crown infrastructure projects. The company will also undertake any role, and take any action, to assist the Government with any projects, as agreed between the company and the Shareholding Ministers from time to time.

Rau Paenga 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 (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.

These 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 NZ GAAP
- In accordance with GAAP and comply with Tier 1 PBE Standards
- On a GST-exclusive basis, except for receivables and payables which are presented on a GST-inclusive basis
- With no changes to accounting policies since the date of the 2022 financial statements

- On an historical cost basis modified by the revaluation of certain assets
- In New Zealand dollars rounded to the nearest one thousand, unless separately identified.

The financial statements of Rau Paenga are for the year ended 30 June 2023 and were approved by the Board of Directors on 2 October 2023.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, Rau Paenga has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Useful lives and residual values of property and equipment (note 2A)
- Fair value of land and buildings (note 2A)
- Net realisable value of land and buildings held as inventory (note 2B)
- Provision for transfer of land assets (note 2D)
- Current portion of borrowing (note 3B)
- Capital work in progress (note 2C).

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies:

- Recording of funding received in advance (note 1B)
- Classification of land and buildings (note 2A and Significant matters section)
- The capitalisation point for project costs (see Significant matters section)
- Classification of projects (see Significant Matters section)
- The capitalisation of additional costs related to COVID-19 (see Significant matters section).

Significant matters in the financial year

IN THIS SECTION

Significant matters which have had an impact on the Rau Paenga financial performance and position.

2023 PROJECT FUNDING (\$m) Total funding \$64.14m



■ Anchor operating projects ■ Anchor capital projects ■ Infrastructure projects* ■ Shovel ready projects

*Infrastructure projects funding \$0.02m

PROJECTS AND THEIR FUNDING

The Crown has committed to the continued support of Rau Paenga and the regeneration of Christchurch by agreeing to fund Rau Paenga for the completion of various Anchor Projects in Christchurch, as listed below. In the company's new role as national Crown infrastructure delivery agency, it will be delivering projects that will be considered operational in nature as any third party project costs incurred will be reimbursed fully by the Project Owner. The graph above summarises funding received by project type.

Operating projects

These projects are considered operational in nature for any of the following reasons:

1. The project involves improving land not owned by Rau Paenga.
2. The project has not reached detailed design phase, so it does not yet generate an asset for Rau Paenga.
3. Construction has finished and Rau Paenga is maintaining the asset until it transfers.
4. The project work undertaken is remediating contaminated land and doesn't increase the value of the land.
5. The project is at an initial investigative or business case stage for another entity.

Projects include Avon River Precinct, Te Pae Christchurch Convention Centre (hereafter referred to as Te Pae) business establishment, East Frame Residential, Shovel Ready projects, and delivery of infrastructure projects.

Rau Paenga is funded for these projects by the Crown with no 'use or return' conditions attached; therefore, funding is recognised when received. The only two exceptions are Shovel Ready projects, where revenue is recognised initially as a liability (for further details see note 1A) and delivery of Infrastructure Projects where the funding is received from Project Owners which is recognised when received.

Crown funding is restricted in its use to the purpose set out in the relevant funding agreement to deliver specific projects.

Capital projects

Projects are capitalised once the developed design phase is complete. At this point the scope of the project is fully defined and cost estimates can be provided on an elemental basis. This will confirm that the project is within the approved funding limits. The Board then considers approval of the main works contract.

Te Pae, Parakiore Recreation and Sport Centre (Parakiore – formerly known as Metro Sport Facility) and South Frame are currently regarded as capital projects.

Capital projects are funded by an issue of shares to the Shareholding Ministers. Funds received by way of share issue are not recognised as revenue in the Statement of Comprehensive Revenue and Expense. They are recognised as capital contributions.

Infrastructure projects

These projects are funded by the Project Owner and delivered by Rau Paenga. Project costs are incurred by Rau Paenga and third party costs are reimbursed monthly in arrears by the Project Owner. In the current financial year there is one project that falls into this category: the delivery of a three-year seismic strengthening improvement project at the Auckland District Court building on behalf of the Ministry of Justice.

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 in the Statement of Financial Position is based on the expected future use.

A Land Divestment Strategy was approved by the Board of Directors during the 2023 financial year. It determined the expected future use of land and buildings held by Rau Paenga. The classification of the land and buildings in these financial statements is prepared on the basis of the Land Divestment Strategy. For further details see note 2B.

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

1. Land and buildings held as inventory – These are the land and buildings that have been designated by the Divestment Strategy as surplus land holdings. They have been classified as inventory because Rau Paenga will be selling surplus land holdings as part of its core business.
2. Land and buildings as part of property and equipment – These are either public realm land that is expected to transfer to another entity in the future, or that are being held for strategic purposes.



Manchester St, Christchurch



Tuam Street bus lanes and shelters, Christchurch

Project assets breakdown	2023 \$000	2022 \$000
Land and buildings held as inventory	30,170	34,177
Property and equipment		
- Land	68,419	69,793
- Buildings	368,250	347,800
- Work in progress	268,860	209,958
Total	735,699	661,728

TRANSFER OF PUBLIC REALM ASSETS

The Crown has an agreement with the Christchurch City Council to vest certain pieces of land owned by Rau Paenga at some time in the future. Rau Paenga is not a party to this agreement.

A Memorandum of Understanding was reached between Christchurch City Council and Rau Paenga in the 2017 financial year as to how public realm land and assets created as part of certain Rau Paenga Anchor Projects will transfer from Rau Paenga to Christchurch City Council. As a result of this agreement, there is a provision for the transfer of assets.

Included in the provision for the transfer of public realm assets are those assets that are known to be transferring to Christchurch City Council in the future. These assets have either been recorded as land in the property and equipment class of assets or are recorded as capital work in progress.

COVID-19 PANDEMIC

Rau Paenga continues to be impacted by the various lockdowns and supplier disruptions related to the COVID-19 pandemic.

CONTRACT TYPES

Rau Paenga has entered into three types of contracts that are subject to COVID-19 claims and each form of contract has been reviewed for COVID-19 cost impact:

1. Construct Contracts (per NZS3190 form of contract) for Parakiore, Avon River Precinct and South Frame.
2. Design and Construct Contracts (per NZS3916 form of contract) for Te Pae.
3. Contracts for professional services to support the Anchor Project delivery.

For the year ended 30 June 2023 Rau Paenga has paid and accrued COVID-19 related claims and expenses totalling \$21.5m (excluding GST) across its projects (2022: \$17.3m). These are based on assessments by the Engineer-to-contract on the relevant project, and for additional professional fees incurred due to the delay. The claims received and paid are contract variations for extension of time and costs caused by the change in law and per the terms of NZS3910 Conditions of contract for building and civil engineering construction and NZS3916 Conditions of contract for building and civil engineering – Design and construct, which are the standard forms of contract used in the New Zealand construction market. All claims paid and variations paid are capitalised the year they are incurred.

Notwithstanding this, the full cost impact of COVID-19 is yet to be finally determined across Rau Paenga construction contracts and professional services. At this stage the expectation is that such costs will be able to be accommodated within the existing project budget. The claims on contracts and variations on professional services not yet received will represent costs incurred in Rau Paenga financial statements for 2023/24. Rau Paenga may incur further COVID-19 costs which are not able to be quantified at this stage.

The assessment of the impact of COVID-19 on Rau Paenga Statement of Financial Performance and Statement of Financial Position is set out below based on information available at the time of preparing the financial statements.

Financial statement area	Summary of COVID-19 impact	Note disclosing additional information
Capital work in progress	Additional costs directly attributable to the asset were incurred as a result of the ongoing COVID-19 pandemic. All of these costs up to 30 June 2023 have been capitalised to Capital work in progress per PBE IPSAS 17 Property, Plant and Equipment.	Note 2C



Parakiore Recreation and Sport Centre, Christchurch

POST BALANCE DATE EVENTS

Contingent Liability for Parakiore Recreation and Sport Centre

Since the 2022 Annual Report, the contractor responsible for the building of Parakiore has revised and increased, by 123%, the amount they are allegedly owed on the claims originally lodged in September 2022 from \$197.4m to \$439.4m (after deducting \$14.6m of agreed variations) under the Main Works Construction contract. Its claims relate to a range of issues including COVID-19 and associated delays, design and adverse ground conditions, and other sundry claims. In the interests of full disclosure the full amount claimed is disclosed in note 4D under contingent liabilities. At the date of approving the Annual Report, the parties are utilising dispute resolution provisions in the Main Works Construction contract to try to work towards resolution to resolve some or all of the disputes. Rau Paenga strongly disputes the contractor's entitlement to this sum and the basis of the claims.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2023

	Note	2023 Actual \$000	2023 Budget \$000	2022 Actual \$000
Income				
Project funding	1A	73,229	84,884	79,836
Operational funding	1B	15,747	12,740	12,950
Properties and facilities funding	1B	1,421	6,013	255
Other revenue	1C	6,462	984	3,339
Te Pae Convention Centre revenue	1D	18,042	12,522	1,956
Total revenue		114,901	117,143	98,336
Expenses				
Operating and infrastructure project expenses	1A	55,433	69,312	48,531
Operational expenses	1B	14,884	12,740	11,767
Properties and facilities expenses	1B	1,545	6,013	1,067
Te Pae Convention Centre operating expenses	1D	17,330	14,394	1,932
Provision for transfer of public realm assets and Parakiore	2D	57,722	122,724	72,563
Finance costs	1E	1,875	269	1,225
Other expenses	1F	5,331	18,144	4,902
Net (Gain)/Loss on other asset sales	1G	-	-	-
Total expenses		154,121	243,596	141,987
Land sales	2B	4,163	12,961	28,981
Cost of land sales	2B	(4,257)	(13,401)	(17,816)
Gain/(Loss) on land sales		(94)	(440)	11,165
Net surplus/(deficit) for the period		(39,314)	(126,893)	(32,486)
Other comprehensive revenue and expense for the year				
Revaluation gain/(loss) on land and buildings	2A	17,158	-	73,697
Total other comprehensive revenue and expense for the year		17,158	-	73,697
Total comprehensive revenue and expense for the year		(22,156)	(126,893)	41,211

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Capital \$000	Revaluation Reserve \$000	Accumulated Surplus \$000	Total \$000
Opening balance 01 July 2021		508,892	-	(125,227)	383,665
Comprehensive income					
Net surplus/(deficit)		-	-	(32,486)	(32,486)
Other comprehensive revenue and expense		-	73,697	-	73,697
Total comprehensive revenue and expense			73,697	(32,486)	41,211
Owners' transactions					
Capital contribution – Crown		64,306	-	-	64,306
Closing balance 30 June 2022		573,198	73,697	(157,713)	489,182
Comprehensive income					
Net surplus/(deficit)		-	-	(39,314)	(39,314)
Other comprehensive revenue and expense		-	17,158	-	17,158
Total comprehensive revenue and expense		-	17,158	(39,314)	(22,156)
Owners' transactions					
Capital contribution – Crown		36,500	-	-	36,500
Closing balance 30 June 2023	3A	609,698	90,855	(197,027)	503,527

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements.



Te Pae Christchurch Convention Centre, Christchurch

Statement of Financial Position

as at 30 June 2023

Assets	Note	2023 Actual \$000	2023 Budget \$000	2022 Actual \$000
Current Assets				
Cash and cash equivalents	3C	102,929	23,682	65,250
Term deposits	3D	28,033	10,000	129,833
Trade and other receivables	3E	13,702	20,322	11,940
Current portion of land classified as inventory	2B	7,359	6,892	14,408
Property held for transfer	2A	5,144	-	-
Current Portion of capital work in progress	2C	11,595	-	-
Prepayments	3F	25,444	500	176
Total Current Assets		194,206	61,396	221,606
Non-current Assets				
Property and equipment	2A	447,566	342,917	436,891
Other receivables	3E	2,874	-	2,469
Capital work in progress	2C	257,265	-	209,958
Land classified as inventory	2B	22,811	5,599	19,769
Total Non-current Assets		730,515	348,516	669,087
Total Assets		924,722	409,912	890,693
Liabilities				
Current Liabilities				
Creditors and other payables	3G	29,481	1,549	21,665
Te Pae payable	3G	-	-	5,000
Employee entitlements	4C	1,311	-	1,082
Funding in advance	1B	48,407	-	89,739
Funds held on behalf of Crown to fund project managed projects	1A	16	-	16
Revenue in advance - non-Crown	1A	6,831	10,117	6,184
Current portion of provisions	2D	16,889	-	88
Current portion of borrowings	3B	9,524	2,664	30,156
Current portion of lease incentives held	4A	83	-	-
Total Current Liabilities		112,543	14,330	153,930
Non-current Liabilities				
Term loan	3B	19,367	23,852	-
Provisions	2D	288,875	-	247,582
Lease incentives held	4A	410	-	-
Total Non-current Liabilities		308,652	23,852	247,582
Total Liabilities		421,195	38,183	401,511
Net Assets		503,527	371,728	489,182
Equity				
Contributed capital	3A	609,697	663,428	573,198
Accumulated surplus	3A	(174,870)	(164,807)	(198,923)
Distribution to the Crown		-	-	-
Revaluation reserve	3A	90,855	-	73,697
Total comprehensive revenue and expense for the year	3A	(22,156)	(126,893)	41,211
Total Equity		503,527	371,728	489,182

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 Actual \$000	2023 Budget \$000	2022 Actual \$000
Cash flows from operating activities				
Crown and other revenue		67,359	54,389	62,663
Interest received		5,878	984	1,284
Sale of goods		4,164	12,799	28,981
Payments to suppliers and employees		(112,274)	(110,197)	(83,099)
Interest paid		(307)	-	(1,546)
Goods and services tax (net)		(674)	-	1,107
Net cash inflow/outflow from operating activities	3C	(35,854)	(42,025)	9,390
Cash flows from investing activities				
Maturity of investments		171,733	80,000	173,056
Purchase of property and equipment		(4,090)	-	(19,764)
Purchase of capital work in progress		(58,223)	(122,724)	(49,836)
Purchase of capital work in progress		(69,933)	-	(169,866)
Net cash inflow/outflow from investing activities		39,486	(42,724)	(66,410)
Cash flows from financing activities				
Capital contribution – Crown		36,500	63,195	59,785
Loan repayment		(2,453)	(10,363)	(16,789)
Net cash inflow/outflow from financing activities		34,047	52,832	42,996
Net increase/(decrease) in cash and cash equivalents		37,679	(31,917)	(14,024)
Cash and cash equivalents at the beginning of the period		65,250	55,598	79,274
Cash and cash equivalents at the end of the period		102,929	23,681	(65,250)

The accompanying notes form part of these financial statements.

Section 1: Financial performance

IN THIS SECTION

This section provides additional information about items relating to financial performance and projects, including:

- a) Accounting policies, judgements and estimates that are relevant for understanding items related to financial performance and projects
- b) Analysis of the performance of Rau Paenga for the year by reference to the key areas of projects and operational activities.

1A - PROJECTS

Rau Paenga is funded by the Crown to deliver three types of projects:

1. Projects that are operating in nature.
2. Projects that are capital in nature.
3. Projects managed, but not owned, by Rau Paenga.

Rau Paenga is funded by Project Owners to deliver infrastructure projects. Expenses related to these projects are paid for by Rau Paenga and third party costs are reimbursed fully by the Project Owner.

Refer to the Significant Matters section for a description of the projects.

Breakdown of project funding

	2023 \$000	2022 \$000
Operating projects' funding	73,207	79,504
Funding for project managed projects	-	332
Total projects' funding	73,207	79,836

Breakdown of operating projects' funding

Project	2023 \$000	2022 \$000
An Accessible City	-	-
East Frame Residential	111	-
Te Pae	2,415	7,059
Parakiore Recreation and Sport Centre	21,448	34,941
Shovel Ready projects	48,585	35,439
Land Remediation	648	2,065
Total operating projects' funding	73,207	79,504

PROJECTS – OPERATING

Funding for operating projects was received from the Crown during the financial year.

Crown funding is restricted in its use to the purpose set out in the relevant funding agreement to deliver specific projects.

There are no 'use or return' conditions attached to the funding. Therefore, it is recognised as revenue at the point of entitlement, which is considered to be the first day of the quarter for which the funds received relate.

The fair value of all revenue received from the Crown (including projects and operational funding) has been determined to be equivalent to the amounts due under the funding agreements.

The exception to this is Shovel Ready projects, which does have a 'use or return' condition attached to the funding.

Therefore, it is recognised initially as a liability. Expenses related to Shovel Ready projects are paid for by Rau Paenga on behalf of the Crown, and these amounts reduce the liability. Please see note 1B for more detail.

Operating projects' funding for Parakiore represents contributions to the project from Christchurch City Council in accordance with the Cost Sharing Agreement.

Breakdown of operating projects' expenditure

Project	2023 \$000	2022 \$000
An Accessible City	-	3
East Frame Residential	186	277
Te Pae	4,258	12,260
Parakiore Recreation and Sport Centre	101	289
Shovel Ready projects	48,585	35,439
Land Remediation	2,281	1,839
Total operating projects' expenditure	55,411	50,107

Utilised as follows	2023 \$000	2022 \$000
Construction contractors	-	-
Project management	-	-
Quantity surveyor	28	72
Land remediation	2,281	1,839
Direct staff costs allocated to project	90	84
Shovel Ready Crown contribution	48,585	35,439
Other project expenses	4,428	12,673
Total operating projects' expenditure	55,411	50,107

For the year ended 30 June 2023, \$90k of direct staffing costs has been allocated to operating project expenditure (2022: \$84k). The funding for these direct staffing costs is provided through the Rau Paenga operating grant but is required to be allocated to the specific projects.

Projects - Capital

Projects that are considered capital in nature create assets for Rau Paenga and are funded by the issue of share capital. Funding received for these projects is not recognised as revenue. Total shares issued in relation to capital funded projects were \$36.5m (2022: \$59.6m). Total cost for the year on these projects was \$61.5m (2022: \$92.7m).

Build costs related to these projects are capitalised to work in progress (see note 2C) and once the projects are available for use and capable of operating in the manner intended by management they will be recognised as property and equipment and will be depreciated.

Breakdown of capital projects' funding

Project	2023 \$000	2022 \$000
Te Pae	-	32,194
South Frame	1,648	1,053
Parakiore Recreation and Sport Centre	34,852	26,354
Total capital projects' funding	36,500	59,601

Breakdown of capital projects' expenditure

Project	2023 \$000	2022 \$000
Te Pae	2,563	32,149
Parakiore Recreation and Sport Centre	56,983	59,737
South Frame	1,922	817
Total capital projects' expenditure	61,467	92,703

Utilised as follows	2023 \$000	2022 \$000
Construction contractors	43,854	79,288
Project management	2,627	2,896
Architect	1,862	1,001
Direct staff costs allocated to projects	774	1,022
Specialist engineer	3,846	1,339
Other project expenses	8,503	7,157
Total capital projects' expenditure	61,467	92,703

For the year ended 30 June 2023, \$774k of direct staffing costs have been allocated to capital project expenditure and subsequently capitalised as work in progress (2022: \$1.02m). More details are provided in note 2C regarding capital work in progress.

Project managed projects

All funding received from the Crown for project managed projects is initially recorded as a liability. Expenses related to project managed projects are paid for by Rau Paenga on behalf of the Crown, and these amounts reduce the liability.

Funding received and expenses incurred are not reflected in the Statement of Comprehensive Revenue and Expense. An amount is recorded as a liability to represent the unspent funding at 30 June 2023.

Breakdown of project managed project funding

Project	2023 \$000	2022 \$000
Stockton Mine	-	332
Total funding for project managed projects	-	332

Breakdown of project managed project expenditure

Project	2023 \$000	2022 \$000
Stockton Mine	-	357
Total expenditure for project managed projects	-	357

Utilised as follows	2023 \$000	2022 \$000
Consultancy	-	332
Other project expenses	-	-
Direct staff costs allocated to project	-	25
Total expenditure for project managed projects	-	357

For the year ended 30 June 2023, no direct staffing costs have been allocated to project managed projects expenditure (2022: \$25k). The funding for these direct staffing costs was previously provided through the Rau Paenga operating grant in line with the Funding Agreement and was required to be allocated to the specific projects. Since the transfer of Stockton Mine back to The Treasury in the previous financial year there have been no project managed projects allocated to the company.

	2023 \$000	2022 \$000
Prior year unspent funding	16	988
Funding received	-	1,454
Funding returned to Crown	-	(2,094)
Expenditure	-	(332)
Unspent funding for project managed projects	16	16

Represented by	2023 \$000	2022 \$000
Funds held on behalf of Crown to fund project managed projects	16	16
Total unspent funding for project managed projects	16	16
Revenue in advance - non-Crown	6,831	6,184
Total Revenue in advance from – non-Crown sources	6,831	6,184

Revenue in advance – non-Crown

There is \$6.83m revenue in advance from non-Crown sources at balance date (2022: \$6.18m). This is primarily comprised of Te Pae sales revenue received in advance of \$6.61m (2022: \$5.95m).

Infrastructure projects

As part of its repurposing Rau Paenga is delivering infrastructure projects on behalf of other Crown entities.

Expenses relating to these projects are incurred and paid directly by the company. These costs are then reimbursed monthly in arrears by the Project Owner. Revenue is invoiced and recognised on a monthly basis in line with the expenditure incurred.

Breakdown of infrastructure project funding

Project	2023 \$000	2022 \$000
Auckland District Court Seismic Resilience	22	-
Total funding for infrastructure projects	22	-

Breakdown of infrastructure project expenditure

Project	2023 \$000	2022 \$000
Auckland District Court Seismic Resilience	22	-
Total expenditure for infrastructure projects	22	-

Utilised as follows	2023 \$000	2022 \$000
Other project expenses	22	-
Total expenditure for project managed projects	22	-

1B - OPERATIONAL FUNDING

Operational funding from the Crown

An agreement between Rau Paenga and the Crown is in place for the Crown to fund the company's operational expenditure.

That agreement sets out restrictions on the use of the funding and applies conditions to unspent money in any quarter.

Given the funding has conditions attached to it as detailed in the Funding Agreement, the revenue recognised is in line with the allowable expenditure incurred. Any unspent funding as at 30 June 2023 is recorded as funding received in advance (liability).

Breakdown of operational funding from the Crown

	2023 \$000	2022 \$000
Opening balance	1,050	1,838
Gross Operational funding received from the Crown	20,000	12,162
Funding recognised as Revenue during year	(15,747)	(12,950)
Closing operational funding received in advance (liability)	5,303	1,050

The funding in advance liability from 2022 was repaid to the Crown during 2023.

Breakdown of operational expenditure

Operational Expenses	2023 \$000	2022 \$000
Fees paid to PwC for audit of financial statements – 2023 (2022: Audit NZ)	170	112
Fees paid to Audit NZ for audit of financial statements - Prior Year	3	-
Depreciation	99	53
Personnel costs	9,180	7,730
Consultancy	304	495
Other operational expenses	5,128	3,377
Total operational expenses	14,884	11,767

For the year ended 30 June 2023, \$774k of direct staffing costs have been allocated to capital project expenditure and subsequently capitalised as work in progress (2022: \$1.02m). \$90k of direct staffing costs has been allocated to operating project expenditure (2022: \$84k) as this has reached a material level, due to increased staffing levels required for construction. No direct staffing costs have been allocated to project managed projects expenditure (2022: \$25k).

The funding for these direct staffing costs is provided through the Rau Paenga operating grant in line with the Funding Agreement but is required to be allocated to the specific projects. For this reason, the operating expenditure does not match the operational funding in the 2019 - 2023 financial years.

Shovel Ready projects' funding from the Crown

On behalf of the Crown, Rau Paenga oversee and administer funds for twelve of the Canterbury Shovel Ready projects. The funding received for these projects has a 'use or return' condition attached to the funding. Therefore, it is recognised initially as a liability. Expenses related to Shovel Ready projects are paid for by Rau Paenga on behalf of the Crown, and these amounts reduce the liability.

Breakdown of Shovel Ready projects' funding from the Crown

	2023 \$000	2022 \$000
Opening balance	88,690	124,062
Gross funding received from the Crown	3,000	67
Funding recognised as Revenue during year	(48,585)	(35,439)
Shovel Ready projects funding received in advance	43,104	88,690

Breakdown of Shovel Ready projects' expenditure

Shovel Ready projects	2023 \$000	2022 \$000
Shovel Ready Crown Contribution	48,585	35,439
Total Shovel Ready projects expenditure	48,585	35,439

Funding received in advance

Funding received in advance is made up of operational funding unspent of \$5.3m (2022: \$1.1m) and Shovel Ready projects' funding unspent of \$43.1m (2022: \$88.7m). All funding in advance is recognised as current. Total funding unspent at 30 June 2023 is \$48.4m (2022: \$89.8m).

Operational property and facilities funding from the Crown

Funding for operational property and facilities is funded by the Crown. The only exception for the year ended 30 June 2023 was an accrual of \$840k of insurance proceeds relating to the Bus Interchange facility.

All funding received and expenses incurred are recognised in the period in which they are received or incurred.

	2023 \$000	2022 \$000
Bus Interchange facilities management	840	-
Land holding costs	581	255
Total operational property and facilities funding	1,421	255

Utilised as follows	2023 \$000	2022 \$000
Repairs and maintenance	887	433
Rates	654	633
Other	5	1
Total operational property and facilities expenditure	1,545	1,067

Critical judgements in applying accounting policies

Rau Paenga considers all funding received from the Crown to be non-exchange transactions. That includes all funding recorded as revenue and funding received in advance and amounts recorded as payable to or receivables from the Crown.

Additionally, any land that transfers to Rau Paenga from another entity at nil cost is a non-exchange transaction.

The split between exchange and non-exchange revenue is as follows:

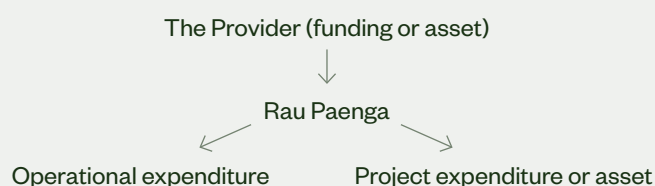
	2023 \$000	2022 \$000
Non-exchange revenue		
Crown revenue	91,022	93,911
Total non-exchange revenue	91,022	93,911

Exchange revenue		
Interest revenue	5,311	2,134
Land sales	4,163	28,981
Convention centre revenue	18,042	1,956
Other revenue	526	335
Total exchange revenue	28,042	33,406
Total revenue	119,064	127,317

Total revenue of \$114.9m per the Statement of Comprehensive Revenue and Expense does not include Land sales revenue of \$4.1m.

What is a non-exchange transaction?

Non-exchange transactions are those where the Group receives value from another entity (e.g., cash or other assets) without giving approximately equal value in exchange. The funding or asset received from the Provider is utilised to complete the various operational and capital funded projects. Rau Paenga considers this as an indirect benefit for the Provider, rather than a direct benefit.



Recognition criteria related to non-exchange transactions

Inflows of resources from non-exchange transactions, other than services in-kind, that meet the definition of an asset are recognised as an asset only when:

1. It is probable that the entity will receive an inflow of economic benefits or service potential; and
2. The fair value of can be measured reliably.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

1. It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
2. The amount of the obligation can be estimated reliably.

1C - OTHER REVENUE

	2023	2022
Other Revenue	\$000	\$000
Bank interest revenue	5,311	2,134
Crown contribution to borrowings cost	625	870
Rental revenue from leased land and buildings	-	25
Other revenue	526	310
Total other revenue	6,462	3,339

Interest revenue

Interest received on term deposits and balances held in New Zealand registered trading banks \$5.31m (2022: \$2.13m).

Crown contribution to borrowings cost

The Crown contribution to borrowings cost represents the portion of interest costs on term borrowings which will be met by the Crown on settlement of the associated mortgage of \$625k (2022: \$870k).

Other revenue

Other revenue is predominantly comprised of income received from the sale of excess building supplies.

1D - TE PAE CHRISTCHURCH CONVENTION CENTRE

	2023	2022
Sales revenue	\$000	\$000
Te Pae Convention Centre Revenue	18,042	1,956
Total sales revenue	18,042	1,956

Sales revenue represents the income from use of the various spaces for events and is recognised when the event held has been completed. Sales revenue has been recognised for the full year as Te Pae was fully operational. Sales revenue received in advance of events is recognised as Revenue in advance – non-Crown (see note 1A for more details).

Breakdown of Te Pae Convention Centre operating expenditure

Convention Centre operating expenditure	2023	2022
	\$000	\$000
Personnel costs	10,335	1,188
Food and beverage expenses	2,462	423
Other expenses	4,533	322
Total Convention Centre operating expenditure	17,330	1,932

1E - FINANCE COSTS

Finance costs

Borrowing costs are expensed in the financial year in which they are incurred. They relate to the interest charged on the loans from the Crown.

1F - OTHER EXPENSES

Other expenses	2023	2022
	\$000	\$000
Te Pae depreciation	5,331	469
Other expenses	-	53
Te Pae assets write-down on capitalisation of building	-	4,380
Total other expenses	5,331	4,902

Depreciation of buildings

For further details, see note 2A.

Donations

No donations have been made by Rau Paenga during the period.

1G - NET (GAIN)/LOSS ON OTHER ASSET SALES

During the financial year ended 30 June 2023 there were no other asset sales and therefore no net/gain(loss) to recognise (2022: there were no other asset sales and therefore no net/gain(loss) recognised).

Section 2: Assets and Liabilities

IN THIS SECTION

This section explains the types of assets Rau Paenga owns, as listed below, and how they have been valued.

1. Property and equipment.
2. Land and buildings held as inventory.
3. Work in progress.

2A – PROPERTY AND EQUIPMENT

	Land \$000	Buildings \$000	Te Pae Fixtures and Fittings \$000	Te Pae Plant and equipment \$000	Office furniture and equipment \$000	Motor Vehicles \$000	Te Pae Artwork \$000	Total \$000
Net book value 1 July 2021	54,452	3	-	38	129	33	-	54,656
Additions	4,520	288,062	1,134	17,571	37	-	875	312,197
Disposals	(3,136)	-	-	-	-	-	-	(3,136)
Transfers - land and buildings held as inventory	-	-	-	-	-	-	-	-
Depreciation expense	-	(3)	(14)	(445)	(55)	(4)	-	(521)
Net revaluation	13,957	59,739	-	-	-	-	-	73,697
Net book value 30 June 2022	69,793	347,800	1,120	17,164	111	29	875	436,891
Cost or fair value	69,793	348,003	1,134	17,752	431	34	875	438,022
Less accumulated depreciation	-	(203)	(14)	(588)	(320)	(5)	-	(1,131)
Net book value 30 June 2022	69,793	347,800	1,120	17,164	111	29	875	436,891
Additions	-	2,955	59	406	490	-	181	4,091
Disposals	-	-	-	-	-	-	-	-
Transfers - land and buildings held as inventory	-	-	-	-	-	-	-	-
Depreciation expense	-	(12)	(171)	(5,149)	(94)	(4)	-	(5,430)
Net revaluation	(1,374)	18,532	-	-	-	-	-	17,158
Net book value 30 June 2023	68,419	369,275	1,008	12,421	507	25	1,056	452,710
Cost or fair value	68,419	369,491	1,192	18,158	921	34	1,056	459,271
Less accumulated depreciation	-	(216)	(184)	(5,738)	(414)	(9)	-	(6,561)
Net book value 30 June 2023	68,419	369,275	1,008	12,421	507	25	1,056	452,710

Total depreciation of \$5.43m (2022: \$521k) is made up of \$12k (2022: \$3k) for leasehold improvements and other buildings' depreciation, \$171k (2022: \$14k) of depreciation for Te Pae fixtures and fittings, \$5.15m (2022: \$445k) of depreciation for Te Pae plant and equipment, \$94k (2022: \$55k) of depreciation for office equipment, and \$4k (2022: \$4k) of depreciation for motor vehicles (note 1B).

Breakdown of property and equipment assets

The public realm land and assets that Rau Paenga expects to transfer to the Christchurch City Council in the coming year have been classified as current assets. The current portion relates to the South Frame Anchor Project.

Property and equipment classified as a current asset	2023 \$000	2022 \$000
Land	5,144	-
Total property and equipment classified as a current asset	5,144	-
Property and equipment classified as a non-current asset		
Land	63,275	69,793
Buildings	369,275	347,800
Te Pae fixtures and fittings	1,008	1,120
Te Pae plant and equipment	12,421	17,164
Office furniture and equipment	507	111
Motor Vehicles	25	29
Te Pae artwork	1,056	875
Total property and equipment classified as a non-current asset	447,566	436,891
Total property and equipment	452,710	436,891

Recognition and measurement

Land and buildings are held on the Statement of Financial Position at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property and equipment are stated at historic cost less accumulated depreciation and any accumulated impairment losses.

Additions

The cost of an item of property and equipment, together with costs incurred subsequent to the initial acquisition, are recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Rau Paenga, and the cost of the item can be measured reliably.

In most instances, an item of property and equipment is initially recognised at its cost. Where an asset is acquired

through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

The costs of day-to-day servicing of property and equipment are expensed in the Statement of Comprehensive Revenue and Expenses as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Revenue and Expenses.

Depreciation

Depreciation of property and equipment assets, other than land, is calculated on a straight-line basis. This allocates the cost or fair value amount of an asset, less any residual value, over its estimated remaining useful life.

The useful lives of the major classes of assets are:

- Buildings/building improvements 5 – 50 years
- Furniture and equipment 2 – 4 years
- Te Pae Furniture and Fittings 2 – 25 years
- Te Pae Plant and Equipment 1.5 – 20 years
- Motor vehicles 8 years.

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each balance date.

Capital commitments

The value of committed contracts at balance date of \$62m (2022: \$83m) in relation to land and buildings for capital projects is made up of committed contracts for the South Frame, Parakiore and Te Pae projects.

Capital commitments per fixed asset class	2023 \$000	2022 \$000
Land improvements	402	1,963
Buildings	61,902	81,446
Total capital commitments	62,304	83,409

Impairment of property and equipment

Items of property and equipment held at cost include computer hardware, office equipment, and furniture and fittings. These items will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its value in use.

As at 30 June 2023, no events or changes in circumstances were identified to warrant an impairment review.

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.

Material land and building revaluation movements are accounted for on a class-of-asset basis.

Any material net revaluation results are recorded in Other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the Statement of Comprehensive Revenue and Expense. In the financial year ended 30 June 2023 a net gain on revaluation was recognised in Other comprehensive income of \$17.2m (2022: \$73.7m). The revaluation was related to the Te Pae building and the land underlying Parakiore and Te Pae.

KEY JUDGEMENTS AND ESTIMATES

Estimating useful lives and residual values

Rau Paenga makes estimates of the remaining useful lives of assets. Assessing the appropriateness of useful life and residual value estimates of property and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect assessment will affect the depreciation expense and the carrying amount of the asset. Useful lives will be reviewed annually to minimise the estimation uncertainty.

Estimating the fair value of land and buildings

A full valuation of land and buildings was performed in 2016 to establish the transfer values of the assets from CERA to Rau Paenga Limited. In 2023, J. Prior of CVAS (CHC) Limited (trading as Colliers), a registered valuer, performed a full valuation for the purposes of determining whether land and buildings were held at fair value and inventory was impaired. This included consideration of any and all ongoing impacts of the COVID-19 pandemic. There were no indicators of impairment (2022: no indicators of impairment).

Land

Fair value, using market-based evidence, is based on the highest and best use of the land, with reference to comparable land values. This falls within level 1 of the fair value hierarchy.

Adjustments have been made to some land values for the following reasons:

- Where there is a designation against the land, arising from the District Plan, restricting its future use. The adjustment reflects the negative effect on the value of the land where an owner's control of their property is reduced. The adjustment was 15%, reflecting the specific restriction on use and other characteristics of the land.
- Where there is a public realm designation against the land, combined with significant shape restriction. The adjustment reflects the negative effect on the value of land. The adjustment is to reduce the fair value of the land to 33% of its unaffected value.
- Where the location of a piece of land is considered to have an impact on the land's desirability and value. The adjustment reflects the positive effect the location has on the value of the land. The adjustment was 7.5%.

Buildings

Specialised buildings (for example, Te Pae) are valued using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The valuation approach used in index valuation entails the actual cost of the project is adjusted with indices to determine the current replacement cost of the asset.
- The valuer has used an inflation rate (CGPI Non-Residential Buildings) to inflate the actual construction contract price from project commencement to the date of valuation with the rate depending on the period. Initial cost that would have been incurred at the start of the project is inflated with the full inflation growth (42.0%) over the period.
- The replacement cost is derived from the total actual build cost with adjustments where appropriate for COVID-19 related costs, variations and contingencies. 10% professional fees are also factored in.
- The remaining useful life of assets is estimated after considering factors such as the condition of the asset, and future maintenance and replacement plans.
- Straight-line depreciation at zero percent has been applied in determining the depreciated replacement cost value of the asset.

2B - LAND HELD AS INVENTORY

Land classified as inventory is recorded at the lower of cost and net realisable value.

Rau Paenga owns land in Christchurch central business district that will be sold in the ordinary course of business.

Any material write-down from cost to net realisable value for the loss of service potential is recognised in the surplus/deficit of the Statement of Comprehensive Revenue and Expenses in the period of the write-down. The write-down of inventories during the year was \$nil (2022: nil).

Inventories that are acquired through non-exchange transactions are measured at fair value at the date of the acquisition.

	2023 \$000	2022 \$000
Land held as inventory		
Land	30,170	34,177
Total land held as inventory	30,170	34,177

	2023 \$000	2022 \$000
Represented by		
Current assets	7,359	14,408
Non-current assets	22,811	19,769
Total land held as inventory	30,170	34,177

The decrease in the inventory balance relates to land sales that have occurred during the 2023 financial year.

All land held as inventory have loans from the Crown attached to them, except for a parcel of land attached to Parakiore. The total value of loans held in relation to land held as inventory is:

	2023 \$000	2022 \$000
Land	28,892	30,156
Total loans related to land held as inventory	28,892	30,156

Land sales and cost of land sales

The sales in the current year included two pieces of surplus land holdings. A profit on the historic sales of Super Lots 3 and 6C of \$0.3m (2022: \$1.09m) was also recognised.

2C - CAPITAL WORK IN PROGRESS

Capital work in progress is recognised at cost less any impairment and is not depreciated.

Specialised assets and capital works which are not yet completed make up the majority of the balance of work in progress.

In the current year a balance of \$2.1m for Te Pae was capitalised to property and equipment. \$1.9m was attributed to Buildings and \$0.2m to Te Pae Artwork. These costs were incurred while further works were completed on the Te Pae project, with the majority of the project costs (\$306.8m) capitalised in the prior financial year. See note 2A for more details.

	2023	2022
	\$000	\$000
South Frame	11,595	9,674
Parakiore Recreation and Sport Centre	257,265	200,284
Total capital work in progress	268,860	209,958

Breakdown of capital work in progress

The capital work in progress relating to South Frame has been classified as current, as Rau Paenga expects to transfer these public realm assets to Christchurch City Council in the coming year.

	2023	2022
	\$000	\$000
Capital work in progress		
Current portion	11,595	-
Non-current portion	257,265	209,958
Total capital work in progress	268,860	209,958

2D - PROVISIONS

A provision is recognised for future expenditure of uncertain amounts or timing when:

- There is a present obligation (whether legal or constructive) as a result of a past event
- It is probable that an outflow of future economic benefits or service potential will be required to settle the obligation
- A reliable estimate can be made of the value of the obligation.

Provisions are measured at the value of the expenditure expected to be required to settle the obligation.

Breakdown of provisions

Provisions classified as a current liability	2023 \$000	2022 \$000
Provision for transfer of public realm assets	16,740	-
Make-good property provision	113	54
Other provisions	36	34
Total Provisions classified as a current liability	16,889	88
Provisions classified as a non-current liability		
Make-good property provision	310	-
Provision for transfer of public realm assets	288,565	247,582
Total Provisions classified as a non-current liability	288,875	247,582

Make-good property provision

The provision for make-good property recognises that office buildings leased by Rau Paenga in Christchurch, Wellington and Auckland will need to be returned to their previous state when the leases conclude.

Other provisions

Other provisions comprises a provision for time in lieu for Te Pae staff.

Provision for transfer of public realm assets

The provision for the transfer of public realm assets recognises that certain pieces of land and capital work in progress will transfer to Christchurch City Council in the future, as a result of the signing of a Memorandum of Understanding between Rau Paenga and Christchurch City Council.

The timing of when parcels of land are transferred to Christchurch City Council is variable and is subject to a number of factors. These include timeline variabilities due to subdivision and amalgamation processes, change in designation requirements and official title transfer timelines.

The provision for the public realm land and assets that Rau Paenga expects to transfer to the Christchurch City Council in the coming year have been classified as current.

Breakdown of provision for transfer of public realm assets

Land	2023 \$000	2022 \$000
Public Realm	624	624
Parakiore Recreation and Sport Centre	31,300	31,775
South Frame	4,520	4,520
Capital work in progress	268,860	210,663
Total provision for transfer of public realm assets	305,304	247,582

The provision has not been discounted as the projects are to be divested in a finite timeframe following construction completion. The public realm assets are to transfer within two years and the provision offsets the carrying value of the assets to be transferred.

Reconciliation of provision for transfer of public realm assets liability to expenditure:

	2023 \$000	2022 \$000
Opening provision	247,582	178,155
Provision expensed during the year	57,722	72,563
Provision utilised during the year	-	(3,136)
Closing provision	305,304	247,582

Section 3: Managing funding

IN THIS SECTION

This section explains how Rau Paenga manages its capital structure and working capital and the various funding sources and provides information about:

1. Equity and shareholding.
2. Cash management and debt.
3. Receivables and payables.

3A - SHARE CAPITAL AND EQUITY

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and is currently classified into the following components:

- Contributed capital (less share repurchase)
- Accumulated surplus.

All shares issued are ordinary shares, fully paid and have a face value of \$1 each. The total number of shares authorised as at 30 June 2023 is 609,697,150 (2022: 573,197,150).

Contributed capital is made up of multiple share issues during the year:

1. Capital funded projects of 36.5m shares for \$36.5m (2022: 59.6m shares for \$59.6m) (see note 1A).
2. Land transfers from Land Information New Zealand of nil shares for \$nil (2022: 4.7m shares for \$4.7m).

Revaluation reserve

This reserve relates to the revaluation of the Te Pae building recognised on capitalisation, and fair value revaluations of the land underlying Te Pae and Parakiore.

Revaluation reserve consists of:	2023 \$000	2022 \$000
Land	12,583	13,957
Buildings	78,271	59,739
Total revaluation reserves	90,855	73,697

Rau Paenga has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

Rau Paenga manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure that Rau Paenga effectively achieves its objectives and purpose, while remaining a going concern.

Breakdown of equity	2023 \$000	2022 \$000
Contributed capital		
Opening balance	573,198	508,892
Additional capital contributed	36,500	64,306
Closing balance	609,698	573,198
Accumulated surplus		
Opening balance	(157,713)	(125,227)
Surplus/(deficit) for the year	(22,156)	41,211
Recognition of revaluation reserve	(17,158)	(73,697)
Closing balance	(197,026)	(157,713)
Revaluation reserve		
Opening balance	73,697	-
Revaluation	17,158	73,697
Closing balance	90,855	73,697
Total equity	503,527	489,182

Capital management

Rau Paenga is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

3B - BORROWINGS

Borrowings are initially recognised at the amount borrowed. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. All borrowing costs are expensed in the period incurred.

All borrowings are held with the Crown and are attached to land and buildings transferred to Rau Paenga.

Borrowings	2023 \$000	2022 \$000
Current portion	9,524	30,156
Non-current portion	19,367	-
Total borrowings	28,892	30,156

Key judgements and estimates

Rau Paenga makes estimates of the amount recorded as the current portion of borrowings. The loans are held with the Crown and have no regular repayments. The loans are repaid as and when the underlying asset is sold. At balance date the previous year all loans were considered to be a current liability as the final repayment date in the Vendor Finance Agreement was 30 June 2023. At 30 June 2023 an extension of the final repayment date on all loans to 30 June 2027 has been agreed and signed with Treasury.

The current portion of borrowing is made up of either:

- The borrowing attached to those assets that have signed sale and purchase agreements in place as at 30 June 2023 and will be completed before 30 June 2024; or
- The borrowing attached to those assets that are currently forecast to be sold before 30 June 2024.

3C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash held in a bank trading account and short-term deposits (term deposits held for less than three months).

Balances are held or customer accounts are open with Westpac Bank, ASB Bank, Bank of New Zealand and ANZ Bank, all with credit ratings of AA-, assessed by reference to Standard and Poor's credit rating.

Reconciliation of net surplus/(deficit) to cash flows from operating activities

Reconciliation	2023 \$000	2022 \$000
Operating surplus/(deficit)	(39,314)	(32,486)
Add/(less) non-cash items		
Depreciation	5,430	521
Asset write-down	-	4,380
Inventory expenses	3,945	16,659
Interest payable	1,509	(1,907)
Vesting expense	52,722	69,427
Add/(less) movements in working capital items		
Accounts receivable	(2,424)	1,733
Prepayments	(25,269)	-
Accounts payable & accruals	7,370	(16,065)
Funding received in advance	(39,823)	(32,872)
Net cash inflow/(outflow) from operations	(35,854)	9,390

3D - TERM DEPOSITS

Term deposits represent funds held in investments for a period of more than three months.

Term deposits are held or customer accounts are open with Westpac Bank, ASB Bank, Bank of New Zealand and ANZ Bank, all with a credit rating of AA-, assessed by reference to Standard and Poor's credit rating.

3E - TRADE RECEIVABLES

Short term receivables are recorded at the amounts due.

All receivables are with counterparties that have no defaults in the past with Rau Paenga.

Rau Paenga has adopted PBE IPSAS 41 this year, this standard has a difference in expected credit loss model compared to incurred loss (eg: it is no longer necessary for a trigger event to have occurred before recognising credit losses. PBE IPSAS 41 requires the group-based measurement of expected credit losses on forward-looking information, as well as current and historic information.) Rau Paenga applies an expected credit losses model for all trade receivables.

Current trade and other receivables	2023 \$000	2022 \$000
Trade receivables	2,446	1,333
GST receivable	1,350	550
Interest receivable from bank	450	1,016
Crown contribution to borrowings cost Receivable	833	991
East Frame Residential sale receivable	5,636	5,636
Other receivables	2,987	2,414
Total current trade and other receivables	13,702	11,940

Trade receivables relate to amounts that are to be reimbursed to Rau Paenga under the terms of specific agreements.

Interest receivable

Interest receivable is the portion of interest accrued on term deposits.

Crown contribution to borrowings cost receivable

The Crown contribution to borrowings cost receivable is the portion of interest capitalised to term borrowings that will be met by the Crown upon repayment of loans. The current portion of interest receivable relates to the amount of interest that will be met by the Crown, due on the current portion of term borrowings.

East Frame Residential sale receivable

This represents the sale proceeds due from the sale of Super Lot 10 and Super Lot 15. Both the land sales of Super Lot 10 and Super Lot 15 have been recognised as revenue in the Statement of Comprehensive Revenue and Expense in the 2022 financial year.

The sale proceeds will be received upon completion of the proposed buildings as per the agreement between Rau Paenga and Fletcher Residential Limited.

Non-current other receivables	2023 \$000	2022 \$000
Crown contribution to borrowings cost receivable	2,874	2,469
Total non-current other receivables	2,874	2,469

3F PREPAYMENTS

Prepayments comprise prepaid insurance and software, and amounts prepaid for ongoing Anchor Project work.

3G TRADE PAYABLES

Short term payables are recorded at the amount payable.

Total trade payables are split between exchange and non-exchange transactions as outlined in the table below.

	2023 \$000	2022 \$000
Total payables under exchange transactions	29,476	21,660
Total payables under non-exchange transactions	6	5
Total trade payables	29,481	21,665
Payables under exchange transactions	-	-
Creditors	3,985	1,391
Accrued expenses	25,281	20,059
Anchor project retentions	210	209
Total payables under exchange transactions	29,476	21,660
Payables under non-exchange transactions		
FBT payable	6	5
Total payables under non-exchange transactions	6	5

See note 1B for explanation of exchange and non-exchange transactions.

3H - FINANCIAL INSTRUMENTS

Financial instrument categories

Financial liabilities measured at amortised cost	2023 \$000	2022 \$000
Payables (excl. deferred revenue and taxes payable)	4,195	1,601
Borrowing	28,892	30,156
Total financial liabilities measured at amortised cost	33,087	31,757
Loans and receivables		
Cash and cash equivalents	102,929	65,250
Receivables	16,576	14,409
Short term deposits	28,033	129,833
Total loans and receivables	147,538	209,492

Financial instrument risks

Credit risk

Credit risk is the risk that a third party will default on its obligation to Rau Paenga, causing it to incur loss. In the normal course of business, Rau Paenga is exposed to credit risk from cash with banks and receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Rau Paenga mitigates this by holding cash and term deposits with multiple high-quality financial institutions.

Rau Paenga holds a payment security with Fletcher Building Limited, guaranteeing payment of the fixed price portion of Super Lot 10 and Super Lot 15 in the event of non-payment by Fletcher Residential Limited.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Any borrowings issued at variable interest rates exposes Rau Paenga to cash flow interest rate risk.

Rau Paenga has borrowings with two distinct elements, fixed and variable rates. The variable portion is linked to the 90-day bank bill rate. The fixed portion is linked to a fixed margin, as determined by the Crown. This limits the exposure to interest rate movements.

Sensitivity analysis

At 30 June 2023, if the 90-day bank bill rate had been 50 basis points higher or lower, with all other variables held constant, the surplus for the year would have been \$152k (2022: \$205k) lower or higher. This movement would be attributable to increased or decreased interest expense on the Crown loans.

At 30 June 2023, if the bank interest rates had been 50 basis points higher or lower, with all other variables held constant, the surplus for the year would have been \$242k (2022: \$670k) higher or lower. This movement would be attributable to increased or decreased interest revenue received on term deposits.

Liquidity risk

Liquidity risk is the risk that Rau Paenga will encounter difficulty raising liquid funds to meet commitments as they fall due.

The majority of funding is received from the Crown and all borrowing is held with the Crown. Borrowings are repaid when associated assets are sold. The final repayment date is June 2027. As a result, Rau Paenga has minimal liquidity risk.

Rau Paenga manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Section 4: Other

IN THIS SECTION

This section includes the remaining information relating to the Rau Paenga financial statements which is required to comply with financial reporting standards.

4A - OPERATING LEASE COMMITMENTS

Operating lease payments

Operating lease payments made during the year totalled \$1.32m (2022: \$1.06m), relating to computer and premises leases.

Operating lease commitments

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items.

Lease commitments and receipts have been estimated based on the lease terms per the lease agreements.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are:

	2023 \$000	2022 \$000
Not later than one year	952	599
Later than one year and not later than five years	2,509	752
Later than five years	1,693	-

A significant portion of the total non-cancellable operating lease expense relates to the leases of three office buildings, in Wellington, Auckland and Christchurch. These leases expire in October 2025, May 2029 and November 2032 respectively. There are no options to purchase the assets at the end of the lease terms.

Lease incentives

Rau Paenga received \$500k (2022: \$Nil) in lease incentives during the year. Lease incentives are released against operating lease payments on a straight-line basis over the term of the lease. The current portion of lease incentives represents the amount expected to be realised within the next financial year.

Lease incentives breakdown

	2023 \$000	2022 \$000
Opening lease incentives	-	-
Lease incentives received during the year	500	-
Lease incentives expensed during the year	(7)	-
Closing lease incentive	493	-

Represented by:	2023 \$000	2022 \$000
Current portion	83	-
Non-current portion	410	-
Total lease incentives	493	-

4B - RELATED PARTIES

Rau Paenga is owned by the Crown.

Related party disclosures have not been made for transactions with related parties that are:

- Within a normal supplier or client/recipient relationship
- On terms and conditions no more or less favourable than those that are reasonable to expect Rau Paenga would have adopted in dealing with the party at arm's length in the same circumstances.

In conducting its activities, Rau Paenga is required to pay various taxes and levies (such as GST, PAYE and rates) to the Crown and entities related to the Crown. The payment of these taxes is based on the standard terms and conditions that apply to all taxpayers.

Rau Paenga enters into transactions with government departments, Crown entities and state-owned enterprises (e.g., New Zealand Post) and other government-related bodies (e.g., Air New Zealand and local councils). These transactions occur within normal supplier or client relationships on terms and conditions no more or less favourable than those that it is reasonable to expect Rau Paenga would have adopted

if dealing with those entities at arm's length in the same circumstances. These have not been disclosed as related party transactions and are not individually or collectively significant.

4C - EMPLOYEE ENTITLEMENTS AND BENEFITS

Employee entitlements

Provision is made for benefits owing to employees in respect of wages and salaries, and annual leave. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Short-term employee entitlements are expected to be settled within 12 months after the end of the year in which the employee provides the related service. They are measured based on accrued entitlements at current rates of pay.

A liability and an expense are recognised for bonuses where there is a contractual obligation, and a reliable estimate of the obligation can be made.

Employee benefits

Operational personnel costs include salaries and wages of Rau Paenga employees and payments to contractors that were temporarily filling a position on the organisational chart of Rau Paenga. In addition, employer's contributions to KiwiSaver and a grant provided for staff wellbeing are included.

Personnel costs capitalised to projects represents staffing costs that have been funded through the Rau Paenga operating grant but are required to be allocated to specific projects. Refer to note 1B for further explanation.

	2023 \$000	2022 \$000
Operational personnel costs	9,210	7,762
Personnel costs attributed to projects	864	1,131
Total employee benefits	10,074	8,893

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed as incurred. Total contributions in 2023 were \$269k (2022: \$214k).

4D - CONTINGENCIES

As at 30 June 2023 Rau Paenga has no contingent assets (2022: \$Nil).

Contingent liabilities

Some land owned by Rau Paenga has been identified as containing potential contaminants that will need to be remediated in the future. The quantum of the remediation work required is not fully known. As work progresses the full quantum and cost to remediate will become more certain. This is consistent with what was noted in the 2022 Annual Report.

The Crown has allocated funding to remediate land. Rau Paenga can draw down on this funding as remediation projects progress.

In relation to some construction projects underway the company is a party to various claims and disputes. All claims received are under legal assessment and are unquantified at present as the amounts of any potential liability cannot be measured with sufficient reliability.

Parakiore Recreation and Sport Centre

There are a number of contractor disputes related to Parakiore. The amount claimed in this dispute that is currently being assessed under the dispute resolution provisions of the Main Works Construction Contract is \$439.4m (2022:\$197.4m). Rau Paenga strongly disputes the contractor's entitlement to this sum and the basis of the claims. See post balance date events on page 30 for more information.

4E - CHANGES IN FINANCIAL REPORTING STANDARDS

Upcoming Standards

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to Rau Paenga are:

- PBE IFRS 17 Insurance Contracts – establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts for public benefit entities. It will be effective for annual periods beginning on or after 1 January 2023.
- Amendments to PBE IFRS 17 Insurance Contracts – to simplify implementation of PBE IFRS 17, key amendments were made for public benefit entities. It will be effective for annual periods beginning on or after 1 January 2023.

- Amendment to PBE IPSAS 1 Presentation of Financial Reports – requires an entity to describe the services provided by its audit or review firm and to disclose the fees incurred
- by the entity for those services. It will be effective for annual periods beginning on or after 1 January 2024

The timing of Rau Paenga adopting these standards will be guided by the Treasury's decision on when the Financial Statements of Government will adopt them. Rau Paenga has not yet assessed the effects of the new standards.

Standards Adopted

The Company has adopted PBE IPSAS 41 this year. Under PBE IPSAS 41 financial assets are classified in the following categories:

- at fair value through surplus or deficit (FVTSD)
- at fair value through other comprehensive revenue and expenditure (FVTOCRE) or
- at amortised cost

All items held by the Company are classified as financial assets at amortised cost. There were no changes in the classification of financial liabilities. This standard also has a difference in impairment model where expected credit loss model is used compared to an incurred loss model under PBE IPSAS 29. There were no material changes as a result of this adoption.

4F – EXPLANATIONS FOR VARIANCE TO BUDGET

All variances identified are in \$000s.

Statement of Comprehensive Revenue and Expense

Project funding (\$11,655)

Project funding is lower than the budget due to changes to the timing of project cash flows for various projects and is also impacted from COVID-19 delays and various delays and sundry disputes. This has resulted in less funding being requested during the year, in addition to utilising overfunding from the prior period.

Other revenue \$5,478

Significantly higher interest rates than forecast has resulted in more income revenue being recognised than anticipated.

Te Pae Christchurch Convention Centre revenue \$5,520

Te Pae opening hosted almost double the number of events originally budgeted, therefore more sales revenue was generated than anticipated.

Operating project expenses (\$13,879)

Operating project expenses are lower than budget due to the delayed progress on Shovel Ready projects.

Provision for transfer of public realm assets (\$65,002)

Provision for Transfer of Public Realm Assets is lower than budget due to less work being completed than expected on Parakiore.

Other expenses (\$12,813)

Depreciation on Te Pae Building was anticipated but not recognised as there was a gain on revaluation recognised in the financial year.

Other comprehensive revenue and expense (\$17,158)

Revaluation of Te Pae Building has resulted in a significant gain being recognised that was not budgeted.

Statement of Financial Position

Cash and cash equivalents \$79,247

Short term deposits \$18,033

Delayed progress on Shovel Ready projects when compared to budget has resulted in higher cash holdings at year end than anticipated, as payments are on a work complete basis to the project funding recipients.

Property and equipment \$109,793

New Auckland and Wellington offices and their associated fixed assets have been capitalised as at year end which was not included in the budget.

Work in progress \$268,860

Parakiore was budgeted to be completed by 30 June 2023 and therefore fully transferred to Christchurch City Council. This project is ongoing so remains in Work in progress, along with the South Frame project.

Funding in advance \$48,407

Delayed progress on Shovel Ready projects, when compared to budget, has resulted in higher funding held in advance at year end than anticipated.

Provisions \$305,304

Provision for Transfer of Public Realm Assets and Parakiore is higher than budget due to Parakiore remaining an ongoing project.

Contributed capital (\$53,731)

Funding for capital projects is lower than the budget due to changes to the timing of project cash flows for various projects. This has resulted in less funding being requested during the year, in addition to utilising overfunding from the prior period.

Remuneration Report

Rau Paenga is committed to fair, responsible and equitable remuneration, and ensuring a clear relationship between performance and remuneration.

Directors' fees

Directors' remuneration is paid in the form of director fees.

Currently directors' annual fees of Rau Paenga are:

Board	Chairperson	Member
Board of Directors	\$70,000	\$35,000

Directors are also entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs and professional development relevant to their Board roles, up to a collective \$15k (2022: \$15k).

Remuneration paid to the five non-executive directors (2022: five) of Rau Paenga during the period ended 30 June 2023 is:

Director name	Board fees \$000
Corinne Haines (Chairperson)	70
Miriam Dean	35
Peter Townsend	35
Rod Carr (Resigned March 2023)	24
Paul Blackler	35
Total	199

Directors are remunerated in accordance with Crown Company Director Fees Methodology.

No Board members received compensation or other benefits in relation to cessation (2022: \$Nil).

Key management personnel remuneration

Total remuneration paid or payable to members of key management personnel for the year ended 30 June 2023 is \$3.2m (2022: \$2.7m). This includes the Chief Executive, his direct reports and Board members. At year end this equates to seven FTEs (2022: seven) and five Board members (2022: five). The company, including key management personnel, was repurposed during the period; therefore, this disclosure includes payments associated with changes to key management personnel.

Chief Executive's remuneration

Total remuneration paid or payable to the former Chief Executive John Bridgman for the year ended 30 June 2023 is \$641k (2021: \$670k). This includes salary, benefits and short-term incentives, as outlined below:

	2023 \$000	2022 \$000
Salary*	497	535
Benefits**	22	20
Short-term incentives	122	115
Total remuneration	641	670

*Resigned March 2023

**Benefits include KiwiSaver and a grant for staff wellbeing.

John Bridgman resigned from Rau Paenga in March 2023, with John O'Hagan (Director Programme Delivery) replacing him as Acting Chief Executive for the remainder of the period while still undertaking his role as Director Programme Delivery.

Chief Executive's pay for performance

Short term incentives paid to the Chief Executive John Bridgman for the year ended 30 June 2023 totalled \$122k (2022: \$115k). The short-term incentive is based on performance against key company KPIs as determined by the Board of Directors.

Former Chief Executive – Director's interest disclosure

During this financial year, former Chief Executive John Bridgman was a Director of Waka Kotahi, Kāinga Ora and City Rail Link Limited. John's attendance at meetings of those three entities was in John's personal time with all fees earned on those directorships being retained by him. Any actual or perceived conflicts of interest are managed by the Board.

Professional insurances

Rau Paenga has taken out directors' and officers' insurance, and professional indemnity insurance during the financial year in respect of the liability or costs of Board members and employees.

Employee remuneration range

The number of employees of Rau Paenga (not including Directors) who during the year ended 30 June 2023 received cash remuneration and other benefits (including KiwiSaver contributions, relocation allowances and bonuses) exceeding \$100,000 is included in the table below.

Five employees received cessation payments for the year that totalled \$226k (2022: Two employees received \$61k).

Employee remuneration range for staff employed for the year ended 30 June 2023

\$000s	# of staff 2023	# of staff 2022
100-109	2	2
110-119	1	2
120-129	1	7
130-139	6	-
140-149	3	2
150-159	2	3
160-169	5	1
170-179	1	3
180-189	2	2
190-199	2	3
200-209	3	2
210-219	3	1
230-239	3	1
240-249	-	2
250-259	-	1
260-269	1	-
270-279	1	-
300-309	1	-
310-319	1	-
360-369	-	1
400-409	-	1
460-469	1	-
640-649	1	-
660-669	-	1
Total	40	35



Durham St, Christchurch

Reporting Against Appropriations

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by Rau Paenga for the year ended 30 June 2023. The original requirements are set out in the annual Vote Finance published by Treasury.

Rau Paenga is funded through a mix of Crown funding and third-party revenue. Crown funding is provided through three multi-year appropriations in Vote Finance:

- Management of Anchor Projects by Rau Paenga Limited (M31) (A40)
- Central Crown Infrastructure Delivery Agency - Operating (M80) (A40)
- Central Crown Infrastructure Delivery Agency - Capital (M80) (A40).

This section provides summary information on our activities under these appropriations, and then a fuller statement of the performance achieved, organised under the strategic goals set out in the Statement of Intent 2023-2027 and the 2023 Statement of Performance Expectations, is provided on pages 61 to 64.

	Actual 2023 Costs (\$000)	Actual 2023 Revenue (\$000)	Budget 2023 Costs (\$000)	Budget 2023 Revenue (\$000)	Actual 2022 Costs (\$000)	Actual 2022 Revenue (\$000)
Management of Anchor Projects*	11,079	13,630	12,740	12,740	12,887	14,255
Central Crown Infrastructure Delivery Agency - Operating**	4,669	6,370	-	-	-	-
Central Crown Infrastructure Delivery Agency - Capital***	-	-	-	-	-	-

*Of the total appropriation of \$20.0m, we have spent \$11.1m against this appropriation during the year. The actual 2023 revenue of \$13.6m is the income received by Rau Paenga and equals the Government's actual expenses incurred in relation to the appropriation.

**No budget costs or revenue as this appropriation was confirmed post completion of the Rau Paenga 2023 budget. This appropriation is for a total of \$100.0m over the period 1 January 2023 to 1 January 2027. Of the total appropriation of \$100.0m, we have spent \$4.7m against this appropriation during the year. The actual 2023 revenue of \$6.4m is the income received by Rau Paenga and equals the Government's actual expenses incurred in relation to the appropriation.

***No budget or actual costs or revenue as this appropriation was confirmed post completion of the Rau Paenga 2023 budget and not utilised in 2023.

Management of Anchor Projects by Rau Paenga Limited

This appropriation is intended to achieve continuation of Christchurch earthquake recovery of the Anchor Projects Programme and divestment of Crown-owned land in Christchurch and is limited to the Crown's contribution to Rau Paenga operating and financing expenses.

Rau Paenga will manage and administer the Anchor Projects Programme and divestment of Crown-owned land in Christchurch in accordance with the company's purpose as set out in its Constitution and its Statement of Intent.

The overarching responsibilities of Rau Paenga related to this appropriation are:

- Delivery of defined Anchor Projects by providing procurement, design management and construction management services on behalf of the Crown
- Providing programme governance, including risk, cost and schedule management
- Divestment of Crown-owned land in central Christchurch in a manner which balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives
- Managing the operations and ownership responsibilities of completed assets
- Acting in a manner consistent with recovery plans and any regeneration plans.

These responsibilities are reflected in the strategic objective contained in the Statement of Intent as follows:

- 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.
- 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.

The detailed performance reporting against the appropriation and strategic objective is per the content in the original Statement of Performance Expectations which is reported on pages 61 to 64. Rau Paenga performance against some measures, particularly with regard to Anchor Project delivery, has been impacted by various claims, sundry disputes, and the COVID-19 pandemic.

	Standard for 2022/23	Performance for 2022/23	Standard for 2021/22	Performance for 2021/22
Rau Paenga will manage and administer the Anchor Projects Programme and divestment of Crown-owned land in Christchurch in accordance with the company's purpose as set out in its Constitution and its Statement of Intent.	Achieved.	Achieved. Refer to pages 61 to 64 for more details on this achievement.	Achieved.	Achieved.

Central Crown Infrastructure Delivery Agency - Operating

This appropriation is intended fund the operations of a central Crown infrastructure delivery agency and is limited to providing for the operation of a central Crown infrastructure delivery agency.

The overarching responsibilities of Rau Paenga related to this appropriation are:

- Delivery of infrastructure projects by providing procurement, design management and construction management services on behalf of the Crown
- Providing programme governance, including risk, cost and schedule management.

These responsibilities are reflected in the strategic objective contained in the Statement of Intent as follows:

- 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
- 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.

Post completion of the original Statement of Performance Expectations 2022/23 it was confirmed that Rau Paenga would be formally repurposed into a Crown infrastructure delivery agency and this appropriation was created. As such there was no detailed performance reporting against the appropriation and strategic objective included in the original Statement of Performance Expectations 2022/23. Our performance measures relating to delivery of infrastructure have been included in the Statement of Performance Expectations 2023/24 and will be reported against in our 2024 Annual Report.

	Standard for 2022/23	Performance for 2022/23
Rau Paenga will efficiently manage and administer a set of infrastructure projects in accordance with the company's purpose as set out in its Constitution and its Statement of Intent.	Achieved.	Achieved. Infrastructure portfolio still in establishment phase.

Central Crown Infrastructure Delivery Agency - Capital

This appropriation is intended to fund the working capital for a central Crown infrastructure delivery agency and is limited to the provision of working capital to a central Crown infrastructure delivery agency.

These responsibilities are reflected in the strategic objective contained in the Statement of Intent as follows:

- 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
- 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.

Post completion of the original Statement of Performance Expectations 2022/23 it was confirmed that Rau Paenga would be formally repurposed into a Crown infrastructure delivery agency and this appropriation was created. As such there was no detailed performance reporting against the appropriation and strategic objective included in the original Statement of Performance Expectations 2022/23. Our performance measures relating to delivery of infrastructure have been included in the Statement of Performance Expectations 2023/24 and will be reported against in our 2024 Annual Report.

	Standard for 2022/23	Performance for 2022/23
There is evidence that the working capital is used to support the timely progression of infrastructure projects.	Achieved.	N/A. No working capital required in 2022/23.

Performance against budget

Summary of the actual expenditure incurred against budgeted annual appropriations funded through Vote Finance

Non-Departmental Output Expense	What is intended to be achieved with the appropriation	Actual 2022/23 \$000	Budget Appropriation 2022/23	Actual 2021/22 \$000	Budget Appropriation 2021/22 \$000
Greater Christchurch Anchor Projects MCA (M31) (A40) - The single overarching purpose of this appropriation is to support the recovery of Christchurch by contributing operating and capital funding for Anchor Projects covered by the Christchurch Central Recovery Plan.					
Non-Departmental Other Expenses					
Christchurch Bus Interchange and Associated Transport Infrastructure – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Christchurch Bus Interchange and associated transport infrastructure.	-	100	-	100
Te Pae – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of Te Pae.	2,415	5,000	7,059	17,400
Christchurch Stadium – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Christchurch Stadium.	-	165	-	165
Financial Impact of Valuations	This category is limited to expenses incurred as a result of the Crown's decisions affecting valuations.	-	100	-	100
Leasing Anchor Project Land	This category is limited to the financial impact of granting concessionary leases over anchor project land.	-	100	-	100
Parakiore – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of Parakiore.	-	-	-	120,000
Pre-Development Holding Costs – Operating	This category is limited to the Crown's contribution to the maintenance, operation and ownership of Anchor Project land and assets prior to commencement of developments.	581	500	255	4,000
Procurement of Land and Assets – Operating	This category is limited to the Crown's contribution to the purchase, acquisition and clearance of land and assets for Anchor Project development.	648	1,500	2,065	12,000
Public Space – Operating	This category is limited to the Crown's contribution to the development, operations and divestment of the Crown owned public space.	111	50	-	11,000
Sale of Land	This category is limited to the financial impact from the divestment of land and transaction costs incurred in the preparation for sale and the sale of land.	-	100	-	100
Non-Departmental Capital Expenditure					
Christchurch Bus Interchange and Associated Transport Infrastructure – Capital	This category is limited to the Crown's contribution to the capital development of the Christchurch Bus Interchange and associated transport infrastructure and to providing equity or loan capital to Rau Paenga for that purpose.	-	100	-	100
Te Pae – Capital	This category is limited to the Crown's contribution to the capital development of Te Pae and to providing equity or loan capital to Rau Paenga for that purpose.	-	4,662	26,594	17,000
Land and Asset Acquisition – Capital	This category is limited to the Crown's contribution to the cost of land and assets to be acquired for anchor project development and to providing equity or loan capital to Rau Paenga for that purpose.	-	100	-	100
Parakiore – Capital	This category is limited to the Crown's contribution to the capital development of Parakiore and to providing equity or loan capital to Rau Paenga for that purpose.	20,252	20,000	23,227	60,000
Public Space – Capital	This category is limited to the capital development of the Crown owned public space and to providing equity or loan capital to Rau Paenga for that purpose.	1,648	1,100	1,053	5,000
Total		25,655	33,577	60,253	247,165

Assessment of performance

A summary of the performance against each appropriation as outlined in Vote Finance is provided in the table below.

Performance Measure	Standard for 2022/23	Performance for 2022 /23	Standard for 2021/22	Performance for 2021 /22
Greater Christchurch Anchor Projects MCA (M31) (A40)				
Payments made in respect of Greater Christchurch Anchor Projects are made in accordance with the terms and conditions of the relevant funding agreements and agreed timelines.	Achieved	Achieved	Achieved	Achieved
Non- Departmental Other Expenses				
<i>Christchurch Bus Interchange and Associated Transport Infrastructure – Operating</i>				
During operating hours, the Bus Interchange is not closed from operations greater than two hours at any one point in time during the year.	Not Applicable*	Not Applicable*	Not Applicable*	Not Applicable*
All 'An Accessible City' projects are on time and on budget.	Achieved	Achieved	Achieved	Achieved
<i>Te Pae – Operating</i>				
Te Pae is progressed on time and on budget.	Achieved	Not Achieved**	Achieved	Not Achieved**
<i>Christchurch Stadium Business Case – Operating</i>				
The project will be progressed in line with Government decisions and agreed project timelines	Achieved	Not Applicable***	Achieved	Not Applicable***
<i>Parakiore Recreation and Sport Centre (formerly Metro Sport Facility) – Operating</i>				
Parakiore Recreation and Sport Centre is progressed on time and on budget.	Achieved	Not Achieved**	Achieved	Not Achieved**
<i>Pre-Development Holding Costs – Operating</i>				
All cleared/remediated land is held in a state ready for development or ultimate sale.	Achieved	Achieved	Achieved	Achieved
<i>Procurement of Land and Assets – Operating</i>				
Land is acquired and remediated to a level and in a timeframe needed to meet all Anchor Project performance targets and all land divestment targets as per Rau Paenga's Land Divestment Strategy.	Achieved	Achieved	Achieved	Achieved
<i>Public Space – Operating</i>				
All public space projects are developed, operated and divested in keeping with Anchor Project performance targets and Rau Paenga's Land Divestment Strategy.	Achieved	Achieved	Achieved	Achieved
Non- Departmental Capital Expenditure				
<i>Christchurch Bus Interchange and Associated Transport Infrastructure – Capital</i>				
Expenditure is in line with the agreed project timelines.	Achieved	Achieved	Achieved	Achieved
<i>Te Pae – Capital</i>				
Te Pae is progressed on time and on budget.	Achieved	Not Achieved**	Achieved	Not Achieved**
<i>Land and Asset Acquisition – Capital</i>				
Land is acquired in a timeframe needed to meet all Anchor Project performance targets and all land divestment targets as per Rau Paenga's Land Divestment Strategy.	Achieved	Achieved	Achieved	Achieved
<i>Parakiore Recreation and Sport Centre – Capital Achieved</i>				
Parakiore is progressed on time and on budget.	Achieved	Not Achieved**	Achieved	Not Achieved**
<i>Public Space – Capital Achieved</i>				
All public space projects are developed, operated and divested in keeping with Anchor Project performance targets and Rau Paenga's Land Divestment Strategy.	Achieved	Achieved	Achieved	Achieved

* The Christchurch Bus Interchange was sold to the Christchurch City Council within the 2019/20 financial year (30 September 2019).

** The timelines for Te Pae and the Parakiore continued to be impacted by the ongoing effects of the COVID-19 pandemic, and various claims and sundry disputes. However, Te Pae continues to perform within the allocated total project budget. Parakiore continues to have budget challenges due to the claims and disputes – refer to page 30 for further details.

*** Management of the Christchurch Stadium construction project has been assigned to Christchurch City Council in the 2020/21 financial year.

Statement of the Cost of Outputs

The Crown Entities Act 2004 requires that Rau Paenga's performance reporting complies with generally accepted accounting practice in New Zealand (GAAP) and that it discloses actual revenue and expenses incurred, compared to budget, for each output class.

Rau Paenga has four output classes, as disclosed below.

	Actual 2022/23 \$000	Budget 2022/23 \$000	Actual 2021/22 \$000	Budget 2021/22 \$000
Delivery of Anchor Projects (capital and operational)				
Revenue	60,474	85,065	137,040	213,339
Expenditure	66,012	94,666	140,971	217,451
Delivery of Rau Paenga infrastructure projects*				
Revenue	-	-	-	-
Expenditure	-	-	-	-
Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives				
Revenue	4,163	12,961	28,981	27,101
Expenditure	4,257	13,401	17,816	18,369
Monitoring 12 Rau Paenga assigned funding agreements for IRG Shovel Ready Projects				
Revenue	48,585	67,090	35,439	92,157
Expenditure	48,545	67,090	35,439	92,157

*This output class was not included in the FY23 Statement of Expectations as this document was completed prior to the confirmation of the company being repurposed and the creation of this appropriation. Actual revenue and expenses are nil based on Treasury advice that revenue and expenses for Rau Paenga infrastructure projects should be included only in the Project Owners' reporting.

Statement of Performance

2023 Performance Reporting

The original purpose of Rau Paenga was to add value to Anchor Projects and Crown Land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives and support the Crown's exit over time on favourable terms. The company was also tasked with assisting the Crown's transition to local leadership as part of the earthquake recovery. In addition to the original scope outlined above the company is now also responsible for leading and supporting the delivery of Crown infrastructure projects. The company will also undertake any role, and take any action, to assist the Government with any projects, as agreed between the company and the Shareholding Ministers from time to time. This section describes our performance against the measures and targets set out in our original *Statement of Performance Expectations 2022/23*, therefore does not reference our infrastructure purpose or projects. Our performance measures relating to delivery of infrastructure projects have been included in the *Statement of Performance Expectations 2023/24* and will be reported against in our 2024 Annual Report.

The performance targets of Rau Paenga for the 2023 financial year relate to the construction programme, employee health, safety and wellness, divestment of Crown land, employee health, wellbeing and development, transition to local leadership, monitoring of approved Shovel Ready projects and diligent financial management of Te Pae.

Construction Programme

Outcome: Delivery of defined Anchor Projects

Add value to Crown Anchor Projects by delivering the projects safely, on budget, to schedule and to the desired quality.

For all defined Crown Anchor Projects:

- a) **Cumulative working days' variance, when comparing forecast practical completion to the opening financial year baseline practical completion, is less than 10 days delayed.**
- b) **Current estimated costs at completion are below or equal to the current approved budget.**

Anchor Project	Baseline practical completion date as at 30 June 2021	Forecast practical completion date as at 30 June 2022	Forecast practical completion date as at 30 June 2023	Cumulative working days' variance – compared to 1 July 2022 baseline practical completion date	Current estimated costs at completion compared to budget as at 30 June 2021	Current estimated costs at completion compared to budget as at 30 June 2022	Current estimated costs at completion compared to budget as at 30 June 2023
Te Pae Christchurch Convention Centre	October 2021	September 2022*	July 2023	203 Days	0.77%	2.57%	2.87%
Parakiore Recreation and Sport Centre	February 2023	April 2024*	January 2025*	183 Days	(2.70%)	(2.94%)	(8.79%)
Te Papa Ōtākaro / Avon River Precinct	July 2021	March 2023	August 2023	131 Days	0.23%	0.16%	0.25%
East Frame Residential Precinct	January 2025	December 2025	January 2026	26 Days	16.24%	18.07%	23.06%
South Frame	April 2021	February 2023	February 2023	6 Days	5.62%	4.26%	4.32%

Baseline practical completion date is the date at which the asset is available for use (i.e., not the contractual practical completion); but does not include the close-out period where defects can be addressed.

When assessing the estimated costs at completion compared to budget, a positive variance indicates that the estimated costs at completion are less than the budget.

Working days for the purpose of the above table does not include weekends or the period 27 to 31 December 2022.

* The contractual impacts of COVID-19 on practical completion for Parakiore and Te Pae precludes an assessment of Cumulative Working Days' delay.

As shown in the table above the forecast completion date of all projects is now later than expected at the start of the financial year. The current estimated costs at completion are below or equal to the current approved budget for all projects, with the exception of Parakiore. As such both measures a) and b) are not achieved in the 2023 year (2022: measures a) and b) not achieved).

There are a number of variances across the projects. Those considered to be at a material level are discussed below. Overall, the variances are due to levels of uncertainty looking forward, particularly when considering risk profiles for the various projects. These are monitored monthly by project teams and managed accordingly.

c) Work undertaken on defined Anchor Projects is to the desired quality, as established during the project planning phase.

As with each Anchor Project contracted engineers and architects confirm monthly the completeness and quality of the work completed in the preceding month. As such, this measure has been achieved in the 2023 year (2022: measure achieved).

TE PAE CHRISTCHURCH CONVENTION CENTRE

Te Pae is forecast to be delivered within the current budget. The building was substantially completed in December 2021 and was open for business under a Certificate of Public Use. Christchurch City Council issued the Code Compliance

Certificate on 14 October 2022. The forecast completion milestone date relates to the contractor receiving practical completion. Due to disruptions from COVID-19 in early 2022 and having to coordinate defecting and completing compliance related works with the operating business the forecast contractual practical completion date is now August 2023.

PARAKIORE RECREATION AND SPORT CENTRE

Parakiore is forecast to be delivered over budget, primarily because of additional work and delay costs. The facility is expected to be available for commissioning in 2025. This is due to COVID-19 disruptions, contractor performance, and various claims and sundry disputes. The reported completion date in the above table excludes the post practical completion commissioning to be undertaken by Christchurch City Council.

AVON RIVER PRECINCT

The baseline practical completion date for Avon River Precinct has moved from March 2023 to August 2023. The North Frame Pedestrian Bridge was opened to the public under a Certificate of Public Use on 9 November 2021 but there is a defect with the finish of the balustrade that requires resolution by the contractor which will delay the issuing of practical completion until it is resolved.

EAST FRAME RESIDENTIAL

Sales of units have been subdued due to the rapid rise of interest rates and the pessimistic macro-economic outlook in the short to medium term. Accordingly, the pace of development of remaining super lots has slowed.

SOUTH FRAME

The last part of this project, the Laneway through Block 103, was completed.



South Frame Greenway, Christchurch

Health, Safety and Wellness

Outcome: Delivery of Anchor Projects to a high standard of health and safety

- a) *Total recordable injury frequency rate (TRIFR) of less than 2.7 per 200,000 hours worked across the project portfolio.*

As at 30 June 2023 the TRIFR is 0.32 per 200,000 man hours. As such, this measure has been achieved in the 2023 year (2022: TRIFR 0.77 per 200,000 man hours, measure achieved).

- b) *Zero events assessed by Worksafe NZ during the financial year on Rau Paenga sites;*

There were two notifiable events during the year (one relating to Te Pae and one relating to Parakiore) as defined in the Health and Safety at Work Act 2015. Worksafe was notified of the events and advised it will not be investigating further. As such, this measure has been achieved in the 2023 year (2022: one notifiable event, Worksafe notified and did not investigate any further, measure achieved.)

DIVESTMENT OF CROWN LAND

Outcome: Divestment of Crown land while balancing good commercial outcomes

- a) *Sales meet forecasted targets for the financial year, as per the Board approved Budget (Twelve parcels of land remaining to divest; Five parcels of land are forecast to be divested in the 2023 financial year).*

Five sites were designated for divestment in the 2023 financial year under the Land Divestment Strategy. In total, one site was sold, with this property being allocated for divestment during the 2023 financial year. As such this measure has not been achieved in the 2023 year (2022: nine of nine sites sold as forecast, measure achieved). The remaining four sites originally forecast for divestment have been reallocated to future financial years, due to revised sales forecasts as a result of the slowing property market. Of the 12 parcels remaining at 30 June 2023 three sites are currently under contract, and one site was divested in early July 2023.

As part of the land divestment process, the strategy has been reviewed six-monthly against market conditions, and revised and approved annually based on market valuations. An updated market valuation was completed in June 2023.

- b) **The 2023 Annual Report will include a case study which illustrates how Rau Paenga adds value to Anchor Projects and Crown land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives.**

Rau Paenga is to add value to Anchor Projects and Crown land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives and supports the Crown's exit over time on favourable terms.

A key demonstration of how this balance is achieved is during the divestment of Crown-owned land in central Christchurch. Each divestment is considered on a case-by-case basis taking into account a variety of independent factors, such as the market conditions at the time of sale, the surrounding amenities, the preferred development timeline, and the site feasibilities. Each site is assessed and marketed based on its own specific merits and challenges with the balancing and divestment criteria being weighted appropriately based on each site.

As an example, in April 2023 Rau Paenga successfully completed the sale of the first of two lots of land to be sold to the Carter Group. The 4230m² site sits between Cathedral Square and Oxford Terrace. The Development Agreement with Carter Group will deliver up to four hotels on the Te Pae sites, including a five-star hotel. The sale will deliver both positive regenerative and commercial outcomes. The regenerative outcome will be achieved through the significant boost to central city high-end accommodation options for Te Pae event attendees and other tourists. The five-star hotel, in particular, is expected to bring more large-scale business events to Te Pae, and greatly benefit central retail and hospitality businesses as event attendees spend time and money in the city. The commercial outcome was achieved by securing a Development Agreement with a trusted and well-established developer in the Carter Group.

In a challenging and changing market over the last seven years the company has divested 44 properties (\$109.4m combined gross sales value) and has 12 remaining to divest, three of which are currently under contract.

As such this measure has been achieved in the 2023 year (2022: measure achieved).

EMPLOYEE HEALTH, WELLBEING AND DEVELOPMENT

Outcome: Health, wellbeing and development of all Rau Paenga employees

To achieve this outcome, Rau Paenga will strive for:

a) All employees to actively participate in health, safety and wellbeing initiatives.

Rau Paenga runs an annual Wellbeing calendar which ensures we have events scheduled at least monthly. Activities include educational sessions, summer and winter wellness packs, and team activities which encourage social interaction and support specific events such as Mental Health Awareness Week. As such in the 2023 year this measure has been achieved (2022: measure achieved).

b) All Rau Paenga employees have active learning and development plans in place by 31 July 2022.

54 out of 54 established employees had active learning and development plans throughout the year. As such this measure has been achieved in the 2023 year (2022: 47 out of 47 established employees had active learning and development plans, measure achieved).

TRANSITION TO LOCAL LEADERSHIP

Outcome: Transition to local leadership

Rau Paenga assists with the transition to local leadership by completing public realm and transport projects in the central business district and transferring ownership of them to Christchurch City Council. The Rau Paenga delivered realm and transport projects are: The Avon River Precinct, East Frame Public Realm (Rauora Park), South Frame and An Accessible City.

As at 30 June 2023 Rau Paenga had completed and transferred ownership of 27 of 30 portions of public realm assets across to Christchurch City Council. As such this measure has been achieved in the 2023 year (2022: 25 of 30 portions were transferred, measure achieved). The public realm assets and transport projects are settled and transferred for no consideration.

SHOVEL READY MONITORING ROLE

Outcome: Diligent monitoring of Rau Paenga approved Shovel Ready projects

Rau Paenga is committed to monitoring the company’s 12 assigned funding agreements for Shovel Ready projects in Canterbury. Rau Paenga monitors the operational and service performance for build partners as described in this section. The build partners’ responsibility is for operational and service performance of the construction; Rau Paenga’s role is to monitor performance to ensure that contractually agreed service levels are being met.

a) As at 30 June 2023 at least 67% (8 of 12) of approved Rau Paenga Shovel Ready projects are completed.

	2023
Percentage of Rau Paenga Shovel Ready projects that have completed construction	50% (6 of 12)

In the 2021 and 2022 financial years we reported on the percentage of Shovel Ready projects that had commenced construction. These results are displayed below, and in both years this measure was achieved. The measure was updated in the 2023 year to report on projects that have been completed rather than commenced.

	2022	2021
Percentage of Rau Paenga Shovel Ready projects with funding agreements that have commenced construction	100% (12 of 12)	83.33% (10 of 12)

TE PAE CHRISTCHURCH CONVENTION CENTRE OPERATIONS

Outcome: Diligent financial management of Te Pae operations

Rau Paenga manages the operation of Te Pae as the building owner. The company’s role is to monitor performance of the Te Pae operator to ensure that agreed service levels are being met in a cost-effective manner.

a) As at 30 June 2023 the total operating loss is less than or equal to \$1.87m (with an sensitivity accuracy of +/- 10%).

Te Pae achieved a 2023 operating profit of \$0.88m, a \$2.75m improvement on the budgeted loss of \$1.87m. As such, this measure has been achieved in the 2023 year (2022: not applicable, this measure was included for the first time in 2023).

b) Sales revenue of not less than \$12.5m for the year ended 30 June 2023.

Te Pae recorded 2023 sales revenue of \$18.21m, a \$5.71m improvement on the budgeted sales revenue of \$12.5m. As such, this measure has been achieved in the 2023 year (2022: not applicable, this measure was included for the first time in 2023).

c) 12 international events held at the facility.

Te Pae hosted 13 international events in 2023, compared to 12 international events budgeted. As such, this measure has been achieved in the 2023 year (2022: not applicable, this measure was included for the first time in 2023).



Canterbury Earthquake National Memorial, Christchurch

Independent Auditor's Report



To the Readers of Rau Paenga Limited's Financial Statements and Performance Information for the Year Ended 30 June 2023

The Auditor-General is the auditor of Rau Paenga Limited (the Company). The Auditor-General has appointed me, Nathan Wylie, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 25 to 56, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including significant accounting policies and other explanatory information; and
- the performance information which reports against the Company's statement of performance expectations and appropriations for the year ended 30 June 2023 on pages 58 to 68.

In our opinion:

- the financial statements of the Company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Company's performance information for the year ended 30 June 2023:
 - presents fairly, in all material respects, for each class of reportable outputs:

- its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
- presents fairly, in all material respects, for the appropriations:
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 2 October 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Company, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the performance information which reports against the Company's statement of performance expectations and appropriations.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 24 and 72, but does not include the financial statements and the performance information, and our auditor's report thereon.

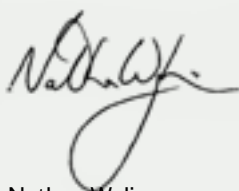
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Company.



Nathan Wylie
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

Statutory information and other disclosures

Shareholders

Minister for Infrastructure
(Hon Megan Woods)

Minister of Finance
(Hon Grant Robertson)

Registered Office and Contact

Address

Level 8, Anthony Harper Tower
62 Worcester Boulevard
Christchurch 8013
New Zealand

Auditor

The Auditor-General pursuant to section 14 of the Public Audit Act 2001. Nathan Wylie of PricewaterhouseCoopers was appointed to perform the audit on behalf of the Auditor-General.

Directors' Interests

Pursuant to sections 140 and 211(1)(e) of the Companies Act 1993, the general disclosures of interest made during the year ending 30 June 2023 by Directors of Rau Paenga Limited are included on pages 20 to 22 of the Annual Report.

Solicitors

Chapman Tripp

Duncan Cotterill

Greenwood Roche

MinterEllisonRuddWatts

Bankers

Westpac Banking Corporation

ASB Bank Limited

Bank of New Zealand Limited

ANZ Bank Limited

Senior Management

John O'Hagan

– Acting Chief Executive Officer and Director Programme Delivery

Kirstie McNulty

– General Manager, Te Pae

Sam Jack

– General Counsel and Company Secretary

Ken Forrest

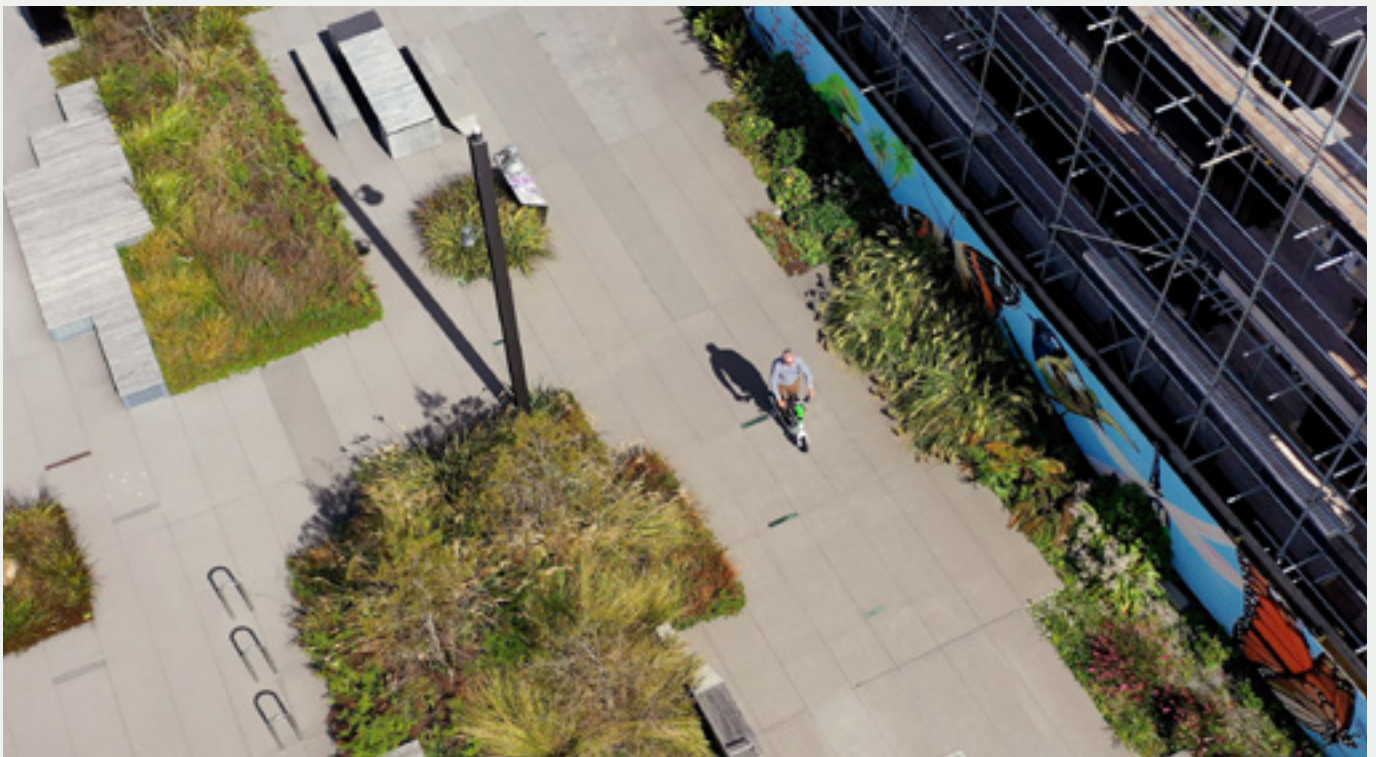
– Director Corporate Services

Sue Squire

– General Manager, People and Safety

Mark O'Regan

– General Manager, Public Sector Engagement and Policy



South Frame Greenway, Christchurch

