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CROWN INFRASTRUCTURE
PARTNERS | HANGA NGĀTAHI

BUILDING TOGETHER

ANNUAL REPORT 2023

FOR YEAR END 30 JUNE 2023

New Zealand Government
Te Kāwanatanga o Aotearoa

COLLABORATION AND ROBUST PROGRAMME MANAGEMENT UNDERPINS CIP'S ABILITY TO PARTNER TO DELIVER COMMUNITY AND NATIONAL BENEFITS THROUGHOUT AOTEAROA.

CROWN INFRASTRUCTURE PARTNERS | HANGA NGĀTAHI

Cover: Kiwa Pools, Gisborne - IRG
Yarrow Stadium, New Plymouth - IRG

THE YEAR AT A GLANCE FOR YEAR ENDED 30 JUNE 2023

UFB UPTAKE
73% +3.7%

UFB CITIES/ TOWNS COMPLETE
412 +32

UFB AVAILABILITY
1.84 +27,502 million
HOMES & BUSINESSES

UFB POPULATION COVERAGE
87% +.7%

94 6
396 +62 km
FIBRE LINKS BUILT

RURAL BROADBAND **COVERAGE TO DATE**
80,992 +5,693
HOMES & BUSINESSES
96% COMPLETE

MOBILE TOWERS RURAL & BLACK SPOTS
452 +88 TOWERS COMPLETE
86% COMPLETE

STATE HIGHWAY **KM COVERED**
+214km
1,273km
91% COMPLETE

TOURISM SPOTS **COVERED**
124
74% +29 COMPLETE

MARAE CONNECTED
624 +33
+47
620 WITH HARDWARE INSTALLED

RURAL CAPACITY
+21,841 UPGRADES
31,155
45% COMPLETE
HOMES, FARMS, & BUSINESSES

CIP INFRASTRUCTURE REFERENCE GROUP PROJECTS
46 12 COMPLETED 46 COMMENCED

INFRASTRUCTURE PROJECTS

12 TRANSPORT PROJECTS $285.6m

11 HOUSING PROJECTS $63.8m

7 SERVICES PROJECTS $89.2m

12 COMMUNITY PROJECTS $375.4m

4 ENVIRONMENT PROJECTS $25.5m

BETTER OFF **FUNDING**
$132m SPENT BY COUNCILS*
26% OF TOTAL GOVERNMENT FUNDING

** To deliver activities and projects for the benefit of their communities.*

RURAL DRINKING WATER
6
KĀINGA UPGRADED

IFF
$177m
FUNDING SECURED

NET **EARNINGS**
$52.2m
$144.6m BETTER THAN FY22
This is the total comprehensive income for the Company.

INFRASTRUCTURE INVESTMENT TO DATE
$3.08bn +$600m

HEALTH & SAFETY
TRIFR
3.82* UP .67
TOTAL RECORDABLE INJURY FREQUENCY RATE

** Total injuries have deceased, however hours worked has decreased over the year, meaning the TRIFR rate has increased.*

REPORT FROM THE CHAIR AND CHIEF EXECUTIVE

2023 MILESTONES AND MOMENTUM

THIS YEAR CROWN INFRASTRUCTURE PARTNERS (CIP) CELEBRATES THE RESOUNDING SUCCESS AND COMPLETION OF AOTEAROA NEW ZEALAND'S ULTRA FAST BROADBAND (UFB) FIBRE OPTIC NETWORK, BRINGING SIGNIFICANT BENEFITS TO NEW ZEALANDERS, COMMUNITIES, BUSINESSES, AND SCHOOLS, WHICH WAS CRUCIAL DURING THE COVID-19 LOCKDOWNS.

A centrepiece in CIP's portfolio, the UFB programme was completed in December 2022 on time and under budget to provide 87 percent of New Zealanders in 412 towns and cities across Aotearoa with access to world-leading ultra-fast, reliable broadband internet.

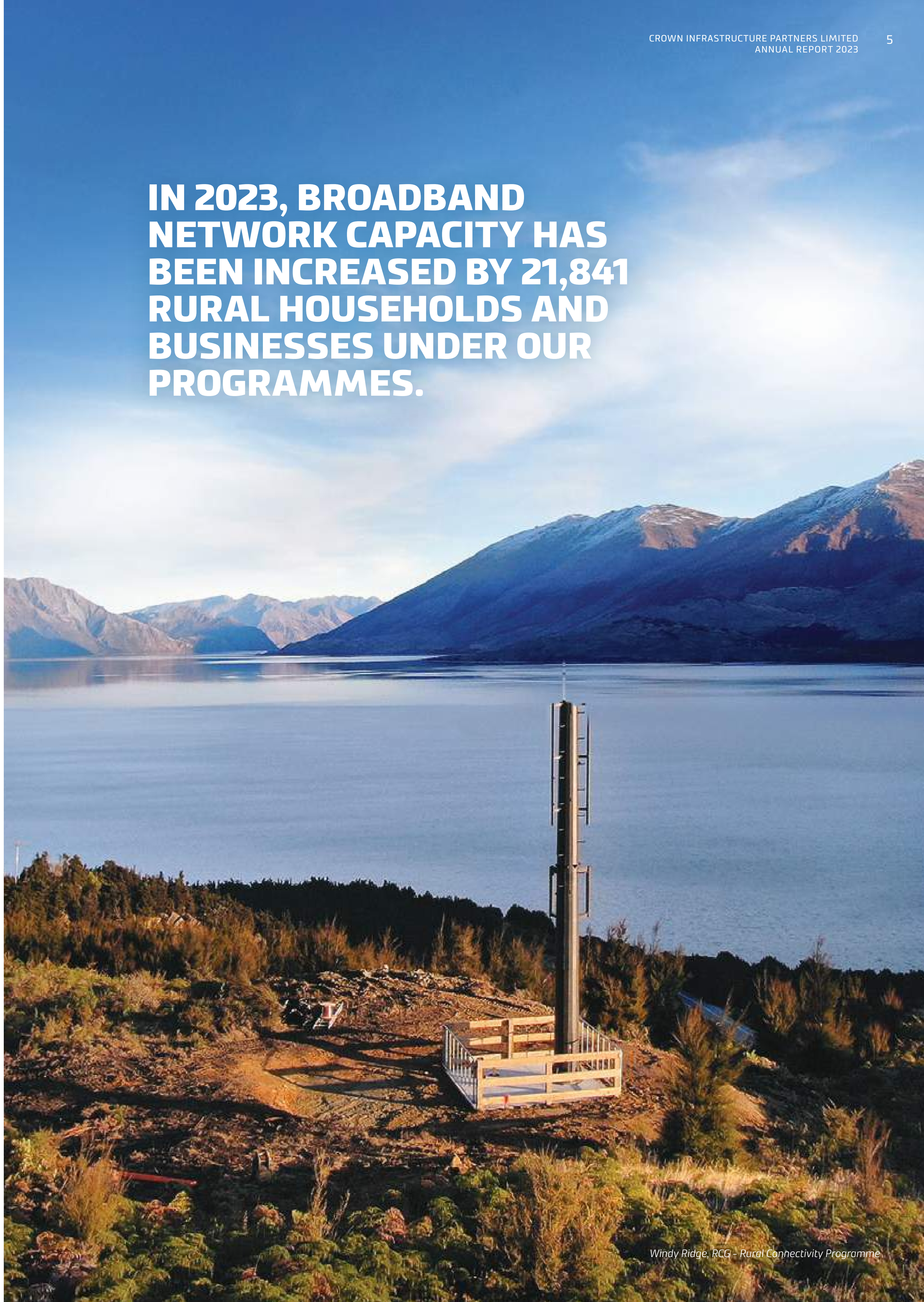
At 30 June 2023 uptake is at 73 percent at an average speed of 451 Mbps across the UFB network and growing. Aotearoa is now ranked 4th in the OECD for access to broadband and 9th for uptake. None of this would be possible without our partners Chorus, Northpower Fibre, Enable and Tuatahi First Fibre, who have gone beyond to deliver for communities.

Since 2010, $1.75 billion in Government funding has been invested in UFB, with the total cost exceeding $5.5 billion including co-funding from these partners. Of the investment made, $390 million of Government funding has been returned and reinvested.

This commitment to collaboration and robust programme management underpins CIP's ability to be effective partners and deliver community and national benefits throughout New Zealand.

CIP CONTINUES TO FURTHER DELIVER ACROSS A PORTFOLIO OF INFRASTRUCTURE PROGRAMMES

Key programmes funded over the last fiscal year included new and enhanced rural broadband and mobile coverage as well as broadband capacity upgrades across rural New Zealand. Alongside this, contracting and commencement of New Zealand's new Public Safety Network to support emergency services, improvements to three waters and rural drinking water infrastructure, completion of 12 CIP-led Infrastructure Reference Group (**IRG**) projects across the country to date and closing the first Infrastructure Funding and Finance (**IFF**) transaction funding transport infrastructure in Tauranga, have made the last year one of the busiest to date.



Windy Ridge, RCG - Rural Connectivity Programme

MILESTONES ACHIEVED IN RURAL CONNECTIVITY AND MOBILE BLACK SPOTS

CIP's digital connectivity programmes to improve broadband coverage capacity and mobile black spots across rural areas have continued at pace.

In 2023, broadband network capacity has been increased by 21,841 rural households and businesses by identifying congestion hotspots across the country and funding delivery partners to deliver a range of capacity upgrade solutions.

The benefits to rural communities, farms, and businesses are significant, providing much needed and improved broadband connectivity to those areas where online usage has grown substantially.

CIP's major rural broadband and mobile partner, the Rural Connectivity Group (**RCG**), has now built approximately 450 mobile towers across the motu, including the country's 400th rural broadband mobile tower which was made live in late 2022. This 400th tower covers tourism sites around Lake Tarawera, a culturally significant tourism spot, providing the mana whenua of Lake Rotomahana and visitors with reliable mobile and broadband coverage.

CIP acknowledges our Wireless Internet Service Provider (WISP) network partners across the country, who are small local operators deeply embedded in the communities they operate in. They provide broadband coverage to those more difficult to reach rural areas.

CIP initiated and funded its partner Chorus to deploy nearly 400 kilometres of fibre links in the South Island, providing resilience across mountain passes in some of the most challenging regions in Aotearoa. The fibre links run from Hāwea to Fox Glacier, Te Anau to Milford and also between Manapouri and Blackmount.

IMPROVED PUBLIC SAFETY NETWORK FOR EMERGENCY SERVICES

CIP partners with Police's Next Generation Critical Communications unit to manage the delivery of New Zealand's Public Safety Network, Te Kupenga Marutau (**PSN**), for frontline emergency service agencies with contracts signed in November 2022.

This network will provide emergency services, including Fire and Emergency NZ, NZ Police, St John Ambulance, and the Wellington Free Ambulance service with a single, nationwide, secure, digital radio service and multi-network priority cellular broadband capability - including voice, video, messaging, and data - nationwide.

The PSN will provide much needed, secure, resilient and advanced communications which will assist first responders in serving members of the public in times of need.

PARTNERING TO IMPROVE WATER INFRASTRUCTURE

Another success this fiscal year has been completion of the Three Waters Infrastructure Stimulus Funding programme, launched in late 2020. This has resulted in a 37 percent year-on-year (2021/22) increase in Three Waters infrastructure investment across 67 councils and supported 1,925 full-time workers. There has been $523 million of government investment and $159 million of council funding to contribute to these outcomes.

Successful and effective partnership with councils has provided improved drinking water, wastewater, and stormwater infrastructure throughout the country. These benefits are often felt immediately in communities and the environment, which is incredibly rewarding to see.

The Rural Drinking Water Programme has commenced, with CIP partnering with FILTEC to deliver the programme. The $30 million programme was developed in partnership with the Department of Internal Affairs (**DIA**), Te Puni Kōkiri, and the drinking water regulator Taumata Arowai to provide remote kāinga and other rural communities with safe and healthy drinking water that complies with the New Zealand Drinking Water Standards.

Small water treatment stations have been installed at marae sites, including on Great Barrier Island and in the Tairāwhiti Region, providing some resilience during Cyclone Gabrielle. CIP is targeting to complete 50 new water treatment plants for communities by the end of 2023/24 financial year.

THE FIRST INFRASTRUCTURE FUNDING AND FINANCE (IFF) TRANSACTION

In November 2022, CIP contractually closed the inaugural transaction utilising the Infrastructure Funding and Financing Act 2020 (**IFFA**), raising $198 million of 30-year fixed-rate interest senior debt from Westpac and BNZ. CIP will provide approximately $177 million of funding to Tauranga City Council (**TCC**) for a package of transport projects within the Western Bay of Plenty Transport System Plan (**TSP**). The Western Bay of Plenty is one of New Zealand's fastest growing areas and

North Western Busway, Auckland - IRG Programme

the projects funded by CIP will relieve pressure on Tauranga's transport networks providing multi-modal solutions including increased cycling and bus lanes, and support urban intensification and new neighbourhood development.

This pathfinder transaction establishes a replicable model that can be used for funding infrastructure in New Zealand, with the first ever 30-year floating to fixed interest rate swap done in Australasia - a real accomplishment.

Subsequently, CIP contractually closed a second IFF transaction where ~$440 million of 30-year fixed interest rate debt was raised from five financial institutions, with CIP to provide $400 million to Wellington City Council to fund their wastewater sludge minimisation facility.

MOMENTUM FOR INFRASTRUCTURE REFERENCE GROUP PROGRAMME

Pleasing progress of the Infrastructure Reference Group (**IRG**) projects continues, with 62 percent of $1.3 billion in Government funding advanced for all CIP projects across the programme as at 30 June 2023. Delivered in partnership with councils, iwi, private sector and non-government organisations, IRG projects bring many social and wellbeing benefits to communities across the motu.

CIP overseas 46 of the 222 approved IRG projects funded across New Zealand. With 6 complete this year, it brings the total complete that are overseen by CIP to 12. With a total project value of $2.4 billion, projects support construction employment in local communities.

A prime example is the resounding success of the Hawke's Bay Regional Aquatics Centre, which benefited from $32 million of funding. Opened in September 2022, the multi-purpose facility is part of the Mitre Ten sports park on the outskirts of Hastings, and exists to provide towns from Dannevirke to Wairoa with access to a world-class aquatic sports, with a world cup pool, accommodation, and a health facility.

SUSTAINABILITY

This year CIP is outlining how it is supporting the Government's sustainability objectives through several projects that CIP is funding. This includes reducing transport emissions, supporting sustainable construction approaches, methane reduction and circular economy projects. We look forward to providing more detailed outcomes and progress from these in future in this growing area of focus, to assist Aotearoa to achieve its climate reduction goals.

CORPORATE AND FINANCE

CIP achieved financial net earnings of $52.2 million in FY23 exceeding its Statement of Performance Expectation (**SPE**) by $233 million and improved on FY22 by $144.6 million due to the benign interest rate environment, increased infrastructure loan advances and cost savings. CIP's SPE performance measures were all achieved or exceeded except for one which was only slightly missed.

CIP has received $125.2 million in the form of share capital and grants from the Government and $48.1 million from debt providers to fund infrastructure investments across its various programmes. During FY23, CIP invested $600 million from the above proceeds and available capital to fund its programmes, and currently has made investments in infrastructure of $3.1 billion to date throughout New Zealand.

CIP's focus on delivering outcomes for the benefit of New Zealanders contributes to the retention of a stable workforce with low turnover, with 27 percent of our people having provided more than 10 years of service. A key factor in the long tenure of our people is their feeling of connection to the community outcomes from the work in which we are involved. CIP is at the 87th percentile against other New Zealand organisations for its employees having a sense of purpose in their work. CIP places a high priority on retaining and developing our people, offering good employment policies and practices, and providing an attractive place to work.

The Health and Safety Recordable Injury Frequency Rate for the digital connectivity programmes in the year to June 2023 was 3.82. This was an increase on the previous year's rate, however this is due to a decrease in hours worked, specifically in the UFB programme, as this work comes to an end. Recordable injuries reduced to 8 in 2023 versus 16 in 2022. Hours worked will continue to decrease over the coming years as the major infrastructure programmes complete. It is pleasing to see that in this time, total injuries have gone down.

CIP's achievements this financial year are due to genuine collaboration with our many infrastructure partners.

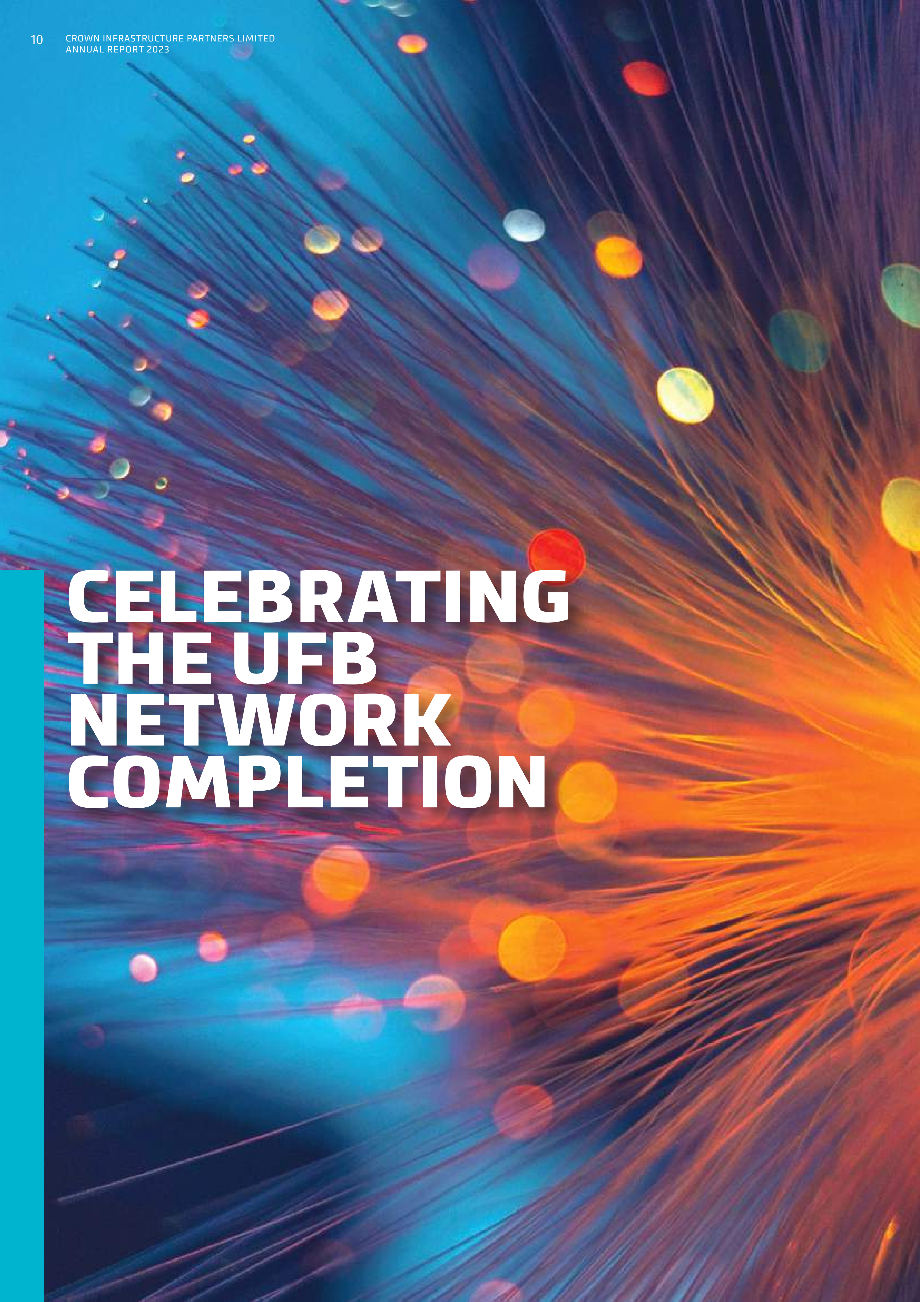
We thank our infrastructure delivery partners, councils and infrastructure owners, iwi and other stakeholders, for their tireless contribution to the success of the programmes completed over the past 12 months, and their dedication to delivering better outcomes for communities across Aotearoa New Zealand.

CIP is proud to lead these outcomes on behalf of the Government and is energised to continue to deliver even more progress for New Zealanders in 2024.

Mark Binns - Chair
16 October 2023

Graham Mitchell - Chief Executive
16 October 2023

Invercargill production bore - Affordable Waters Programme



CELEBRATING THE UFB NETWORK COMPLETION

FAST, RELIABLE BROADBAND INTERNET HAS BECOME A UBIQUITOUS PART OF EVERYDAY LIFE FOR AOTEAROA NEW ZEALAND OVER THE PAST DECADE, PROVIDING ACCESS TO ONLINE EDUCATION, SOCIAL CONNECTION, WORK AND TRADE - AND A VITAL LIFELINE THROUGH THE COVID-19 PANDEMIC.

CIP is celebrating the completion of New Zealand's world leading, Ultra Fast Broadband (**UFB**) fibre optic network on time and under budget to reach 87 percent of population.

The UFB roll out was completed in December 2022, bringing high-speed fibre broadband to 412 towns and cities. Uptake is currently at 73 percent of UFB premises passed as of 30 June 2023, and it continues to increase.

The benefits of UFB are wide-reaching and help New Zealanders to not only engage in business, trade and tourism but has also been essential to support home education, social connection as well as business productivity over the last few years. The programme was continually extended and at completion the final towns to be covered were small communities including townships such as Haast, Ōwhango, Tuatapere and Eketāhuna.

CIP's delivery partners Chorus, Northpower, Enable, and Tuatahi First Fibre took on the job of innovators to find cost-effective, deployment solutions to bring UFB to these locations and many more across the motu - particularly challenging towards the end of the roll-out.

Reaching these locations on time and under budget is an excellent achievement that shows the commitment by Government and delivery partners to expand fibre broadband across Aotearoa.

CELEBRATING TOGETHER

CIP joined delivery partner Chorus to celebrate the final fibres being installed in the network with an event held in December 2022 at Manea Footprints of Kupe in Opononi.

Celebrating the last connection box in the network - Opononi, Northland

The town - with a population of 280 - sits on the south shore of Hokianga Harbour on State Highway 12 in Te Tai Tokerau Northland. Wedged between the Opononi sand dunes across the harbour and the Waipoua Forest, its isolation is characteristic of many of the final towns covered in the build programme.

At the event, mana whenua and community groups shared how fibre broadband will benefit their community and the impact it will have on their everyday lives, for example holding community meetings and hui online, growing businesses and tourism operations, and providing opportunities for rangatahi in education and health.

CHANGING WITH THE TIMES

Much has changed since the programme started in 2010. Broadband download capacity was around 10GB in 2010 and it has improved nearly 60-fold to 585GB in 2023 according to Chorus' Q4 results and is continuing to increase.

During this time, we have collectively experienced the arrival of online streaming services, three Rugby World Cups and a global pandemic: all of which have led to increases in data usage across the network.

The UFB network is designed and future-proofed for growth, with Chorus forecasting 1,000GB monthly data usage per household by 2025. Consumers can already buy 8 Gbps services to the home and with future optical technology, upgrade speeds and capacity are largely unconstrained.

REINVESTING FUNDS FOR PUBLIC GOOD

Since 2010, $1.75 billion in Government funding has been invested in UFB, with the total cost exceeding $5.5 billion including co-funding from delivery partners.

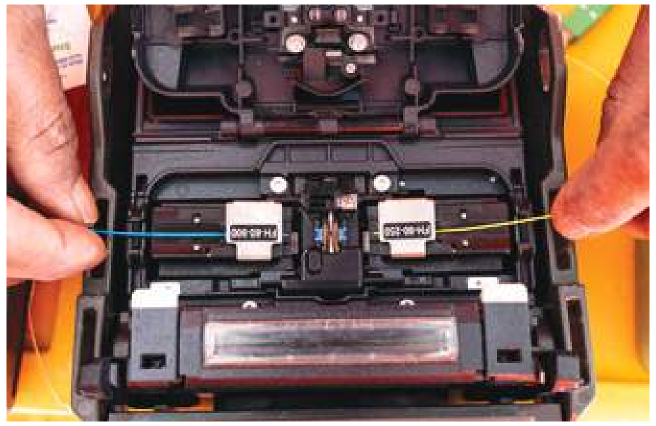
One of the innovative aspects of the programme has been the recycling funding structure.

Of the original investment made, $390 million of Government funding has been returned and reinvested.

Repayments were recycled back into further UFB extensions and also rural wireless broadband, resulting in more communities enjoying the benefits of reliable fibre broadband as well as rural wireless broadband.

Chorus Hikuwai Bridge rebuild 2023

Fibre fusion splicer



Mania School, Whangarei, first school connected to UFB 2010

Fibre joint management system - connecting household fibre to the network

UFB THOUGH THE YEARS: 2009 - 2023

2009
MED (now MBIE) issue invitation to participate for bids for UFB to 75% of NZ

RFP

2010
Issued Request for Proposals for UFB

2010
December: first contracts signed

2010
Northpower connects first School - Manaia View; and UFB build commences

2011
Contracts signed

20% 5% UPTAKE

2013
Build 20% complete, 5% uptake

2014
25% population coverage, 10% uptake

25% 10% UPTAKE

Over **500,000** premises passed

2014

1st

2014
Whangārei first city completed

100Mbps
2014
100Mbps product

2015
Upsurge in demand for 100Mbps – doubling connections

2015
All urban schools and 90% businesses passed

2015
Tauranga, Hamilton and New Plymouth complete

1m 25% UPTAKE

2016
1 million premises passed - 25% uptake

2016
21 towns & cities completed

21

1Gbps

2016
1Gbps nationwide

2016
UFF completed its build early

EARLY

2017
UFB expansion started to 87% population

50% UPTAKE

2018
Enable completed

2019
UFB1 complete - 75% coverage and 1.5 million premises passed

2019
Chorus releases hyper-fibre products offering speeds up to 8Gbps

8Gbps

8th

2019
New Zealand 8th in OECD for fibre coverage

2020
30% data surge during COVID-19 lockdowns

1m

2020
1 million connections

2022
Total UFB programme complete - 87% population coverage

87%

412

2022
412 towns and cities covered with UFB

2022
567 GB per month – more than 50-fold increase in data usage across network since UFB started

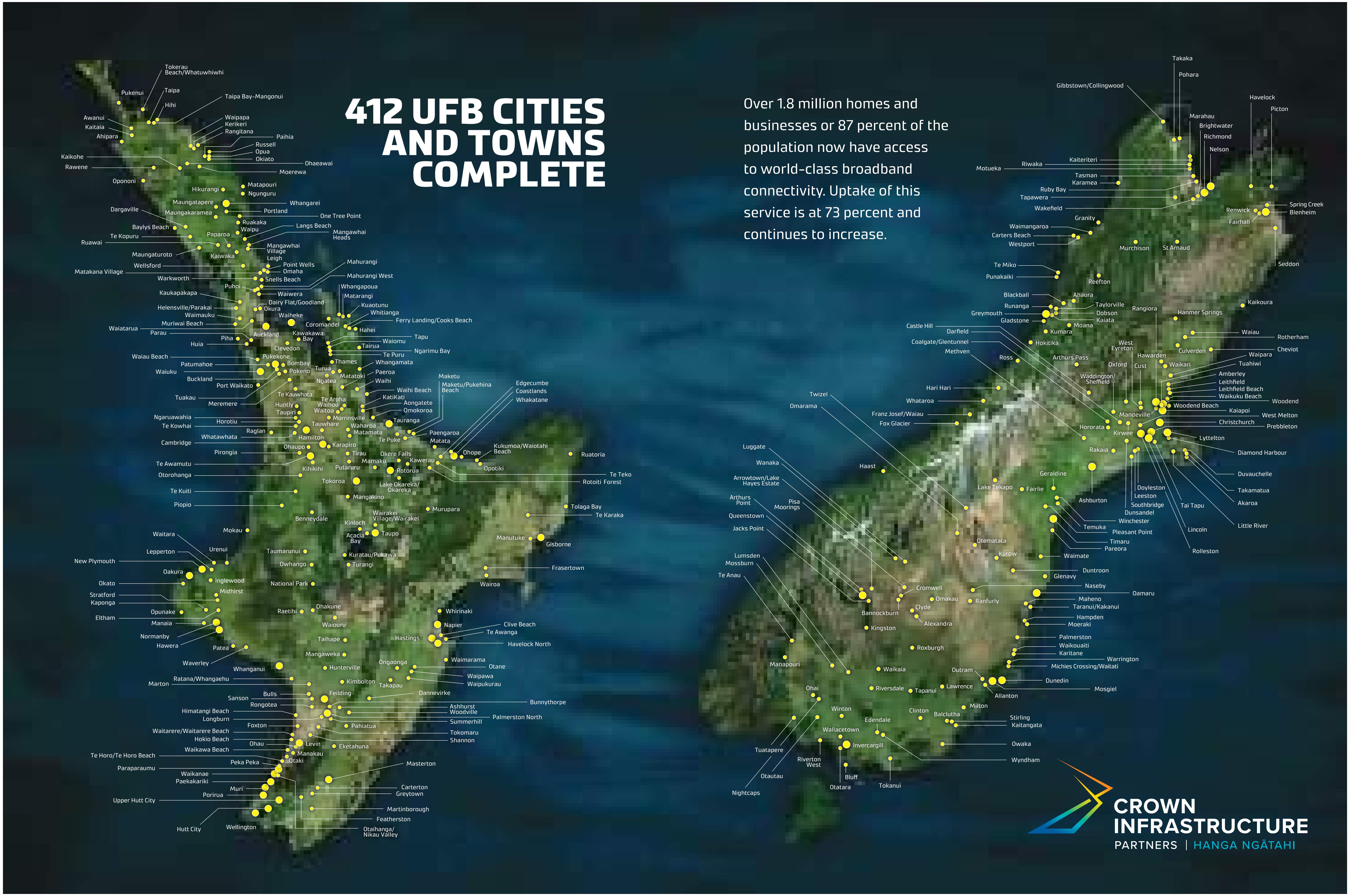
50x

73% UPTAKE

2023
73% uptake of fibre connections

412 UFB CITIES AND TOWNS COMPLETE

Over 1.8 million homes and businesses or 87 percent of the population now have access to world-class broadband connectivity. Uptake of this service is at 73 percent and continues to increase.



CROWN INFRASTRUCTURE PARTNERS | HANGA NGĀTAHI

DIGITAL CONNECTIVITY PROGRAMMES

Mount Olympus, RCG Rural Connectivity Programme

CONNECTING RURAL NEW ZEALAND

CIP HAS FUNDED DIGITAL CONNECTIVITY PROGRAMMES TO HELP CONNECT NEW ZEALANDERS TO RELIABLE BROADBAND AND MOBILE COVERAGE - NO MATTER WHERE THEY WORK, LIVE, OR PLAY.

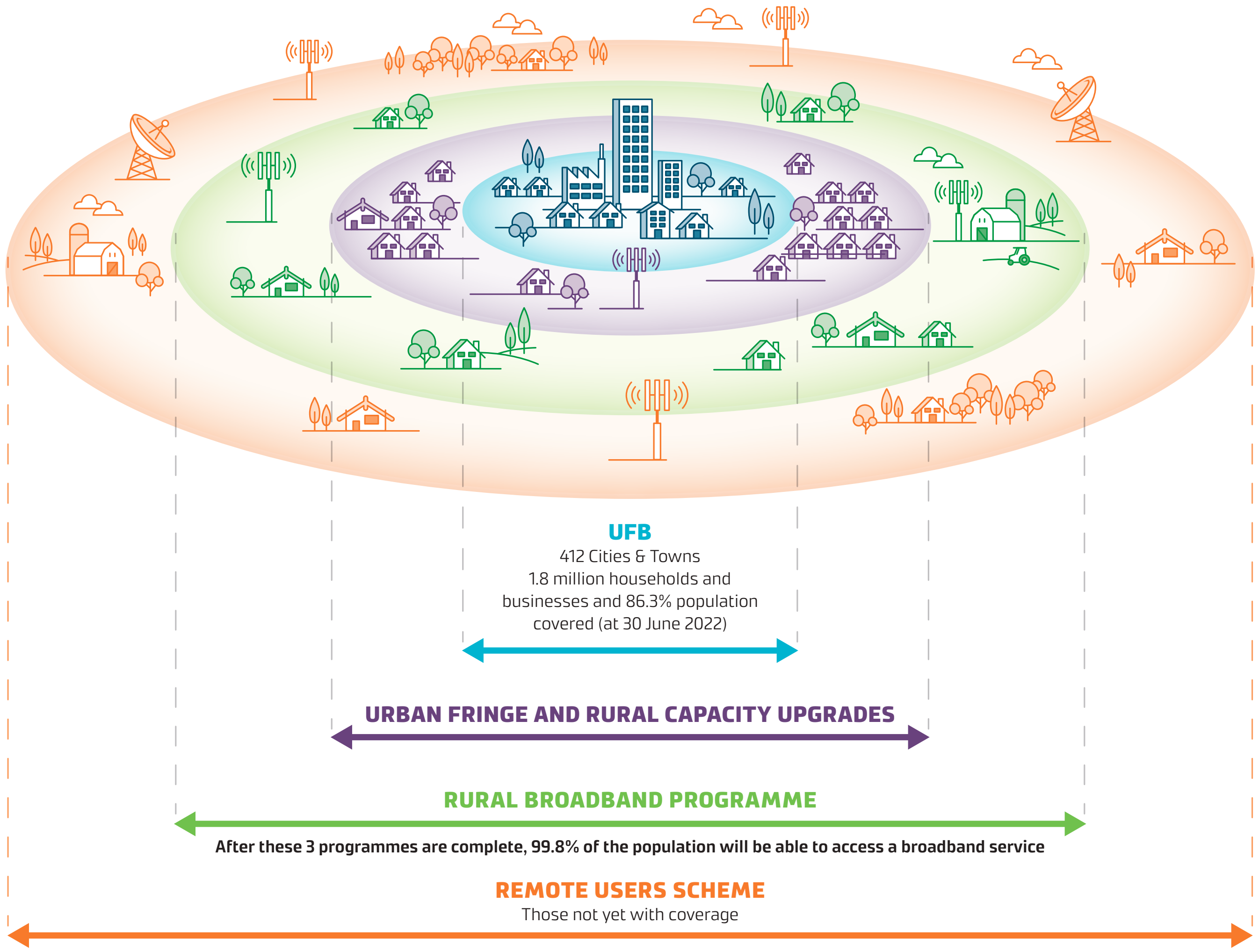
The Government's combined investments across Ultra Fast Broadband (**UFB**), rural broadband, mobile black spots, and broadband capacity upgrades will see 99.8 percent of the population having secure and reliable access to broadband by the end of 2024. This includes in their homes, farms, and businesses as well as mobile coverage on state highways and key tourism locations.

The Remote Users Scheme (**RUS**) was announced in November 2022 to provide solutions for access to broadband for those extremely remote households who are not included in the 99.8 percent coverage.

As of 30 June 2023, CIP has invested $2.1 billion with $127 million invested in 2023 towards Government digital connectivity programmes for communities across Aotearoa, with our rural broadband initiatives on track for completion by 30 June 2024.

The following pages summarise key project milestones across the digital connectivity programmes over FY23.

EXISTING DIGITAL CONNECTIVITY PROGRAMMES



RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES

THE RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES HAVE PROVIDED FASTER BROADBAND COVERING MORE THAN 80,000 RURAL HOUSEHOLDS AND BUSINESSES, MOBILE COVERAGE TO 1,273 KILOMETRES OF STATE HIGHWAYS AND 124 TOURISM LOCATIONS.

88
NEW MOBILE TOWERS INSTALLED OVER FY23

452
MOBILE TOWERS BUILT BY THE RURAL CONNECTIVITY GROUP - 46% UPTAKE

18
PARTNERS SUPPORTING DELIVERY OF RURAL BROADBAND & MOBILE BLACK SPOTS INFRASTRUCTURE

MORE THAN **24,000sq km**
OR 9% PERCENT OF LAND, COVERED THROUGH THE RURAL BROADBAND PROGRAMME

MORE THAN **18,081sq km**
OR 7 PERCENT OF LAND, COVERED THROUGH THE MOBILE BLACK SPOTS PROGRAMME

This broadband and mobile coverage provides enhanced public safety through wider calling areas, and faster emergency service responses. The new coverage also enables civil defence alerts for natural disasters and pandemic notifications, increased network resilience through diverse traffic routes, IoT[1] services built on CIP-funded assets. These long-reach technologies enable remote monitoring and optimisation. Examples include agriculture initiatives and environmental monitoring projects like connected predator traps and river level monitoring.

RURAL BROADBAND - YEAR AT A GLANCE

The Rural Connectivity Group (**RCG**) and Wireless Internet Service Provider (**WISP**) partners have provided more broadband coverage during FY23 to extend the Rural Broadband programme to new and often remote areas including Banks Peninsula, Tairāwhiti, Hawke's Bay, and Marlborough Sounds covering a further 5,693 rural households and businesses.

In FY23, RCG commissioned 88 new mobile broadband towers. Of the more than 450 RCG towers live across the country, 135 were impacted by Cyclone Gabrielle in February 2023. The RCG team worked exceedingly well to get these back online providing vital connectivity to remote communities and were lucky to escape any structural damage to their towers, however many sites were only accessible by helicopter.

SUPPORTING RURAL COMMUNITIES

In addition to the RCG mobile tower network, the WISP partner network is crucial in finding innovative solutions that are fit for purpose in some of the more remote corners of the country. As their networks are regionally based, they know their communities and can provide bespoke solutions for their customers.

Providing high speed broadband, primarily through point-to-multipoint wireless connections, their towers provide connectivity in locations that larger towers cannot economically access.

WISP partners have continued to build their businesses and deploy high-speed broadband services to rural users. Several WISP partners are also providing mobile tower backhaul for the RCG. As of 30 June 2023, 84 percent of WISP sites are complete and 9 WISP partners have completed 90 percent of their build.

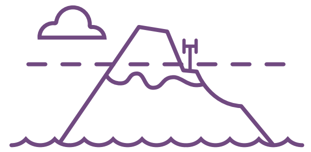
Hawke's Bay, Tairāwhiti and Marlborough Sounds all now have improved broadband connectivity

1 Internet of Things.

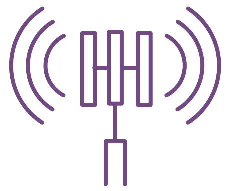
TOWER ABOVE THE SNOW LINE - THE RURAL COMMUNITY GROUP'S 450TH MOBILE BROADBAND SITE

THIS YEAR, WE CELEBRATED RCG'S 450TH RURAL MOBILE TOWER GOING LIVE SINCE THE RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMME STARTED IN 2017.

Mount Olympus, RCG Rural Connectivity Programme



1,620m
METRES ABOVE SEA LEVEL



450th
RCG RURAL MOBILE TOWER GOING LIVE

RCG quite literally went above and beyond to successfully attach a small cell site to an existing building at the Mt Olympus Ski Club in North Canterbury. Located 1,620 meters above sea level, the club has accommodation, a bar, New Zealand's highest hot tub, and now: mobile coverage.

The site, installed in late June 2023, serves the ski club's accommodation and ski slopes, and performs a vital public safety role for this remote outpost.

Its successful installation, like the other 449 sites delivered through this programme, is a testament to the knowledge, innovation, and skill that RCG brings to providing infrastructure solutions that benefit rural New Zealand.

Congratulations to RCG on this programme milestone and to the project's WISP partner Ultimate Broadband, which provided a backhaul link to connect the site.

MOBILE BLACK SPOTS

CIP continues to support public safety by working to close the gap of mobile black spots along state highways and providing mobile coverage at key tourism locations across Aotearoa.

In FY23, additional black spot coverage was completed along the remote Arthur's Pass and Burkes Pass alpine highways. Mobile towers were connected to the new Haast and Milford fibre routes providing essential connectivity for emergency response along these vulnerable roads.

In FY23:

- 214 kilometres of new mobile coverage was added to State Highways bringing the total kilometres covered to 1,273 and the programme 91 percent complete, and
- 29 additional tourism sites competed, bringing the total number of tourism sites with mobile coverage to 124 and the programme is 74 percent complete.

124
TOURISM SITES
HAVE MOBILE COVERAGE
74% COMPLETE

1,273km
OF STATE HIGHWAY
HAVE MOBILE COVERAGE
91% COMPLETE

STATE HIGHWAY	KILOMETRES COMPLETE	% OF CONTRACT COMPLETE
6	235.81 km	83%
35	104.39 km	83%
2	98.7 km	90%
12	78.57 km	116%
8	73.08 km	92%

BaringHead, RCG, Mobile Black Spots programme

MILFORD FIBRE LINK

THE COMPLETION OF THE 118 KILOMETRE SOUTHLAND FIBRE LINK FROM TE ANAU TO MILFORD IN MAY 2023 WAS AN OUTSTANDING ACHIEVEMENT.

This fibre link has increased public safety and amenity on State Highway 94, with the addition of 8 mobile towers covering 38km of the highway, including key tourist spots like Milford Sound.

The final fibre link between Manapouri and Blackmount is now complete, providing resilience to Te Anau, Manapouri, and Milford, and fibre services to properties along the ~30km route.

A total of $20 million will be spent on the above-mentioned fibre links, which are on track and on budget for completion by the end of 2023. This is in addition to the $29.5 million spent on the 247km Fox Glacier to Hāwea fibre link that provided resiliency for the West Coast and connectivity for mobile towers on State Highway 6.

Rock Saw busy laying fibre along SH94 to Milford

Tower at Mirror Lake, SH94, showing the solar panels for the off-grid power supply

Crew laying fibre on SH94

RURAL CAPACITY UPGRADES

A TOTAL OF $104 MILLION OF GOVERNMENT AND CIP FUNDING HAS BEEN ALLOCATED TO SUPPORT BROADBAND CAPACITY UPGRADES IN CONGESTED PARTS OF THE RURAL BROADBAND NETWORK, WHICH REFLECTS THE GROWTH IN BROADBAND USAGE ACROSS THE COUNTRY.

The positive impact on rural households from this upgrade means our rural communities are better able to work from home, provide home schooling, engage in e-commerce, connect with whānau, keep updated on events, and access entertainment.

CIP funds delivery by partnering with the Rural Connectivity Group, WISP partners, local fibre companies, Chorus, and mobile network operators to provide improved broadband capacity for rural households and businesses. This is to ease network congestion, particularly at the urban fringe.

The upgrades include a range of technology types, which are best suited to the rural areas.

23

PARTNERS DELIVERING UPGRADED CONNECTIVITY

$102m

GOVERNMENT INVESTMENT THROUGH THE PROGRAMME

31,155

HOUSEHOLDS AND BUSINESSES HAVE UPGRADED BROADBAND CAPACITY.

21,841 UPGRADED IN 2023

44%

COMPLETE TO 30 JUNE 2023

REMOTE USERS SCHEME

THE REMOTE USERS SCHEME (RUS) IS SET UP TO SUPPORT THE SMALL PROPORTION OF REMOTE RURAL HOUSEHOLDS AND BUSINESSES ACROSS AOTEAROA THAT ARE OUTSIDE OF THE EXISTING TERRESTRIAL RURAL BROADBAND NETWORKS.

The scheme has been allocated $15 million to provide new terrestrial network infrastructure or a connectivity grant for a suitable broadband solution to households and businesses with poor or no broadband connectivity. The grant is a one-off payment of up to $2,000 towards the set up and installation costs of this solution (for example, purchasing broadband equipment or installation of satellite connectivity hardware). Once eligibility has been confirmed, each user can claim a rebate on their broadband connection, typically a satellite service.

Over the past year, CIP has worked with councils, iwi, and community groups to engage with households and businesses across the country that might be eligible for the scheme. As a result, CIP found especially high concentrations of underserved communities in the Far North, Great Barrier Island, and the Marlborough Sounds. These rural households and businesses have been invited to register for the scheme.

Following a request for proposals, CIP is partnering with a number of providers to extend their broadband network to eligible properties identified through the scheme.

CIP'S PARTNERS FOR THE RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES ARE:

Rural Connectivity Group

RCG is a joint venture established to build mobile infrastructure shared by Aotearoa's three mobile network operators (Spark, One NZ and 2degrees).

End Users contracted	38,072
End Users completed	33,500
% complete	**88%**
Km contracted	1,253
Km completed	1,027
% complete	**82%**
Tourism sites contracted	152
Tourism sites completed	108
% complete	**71%**

amuri.net

Canterbury

RURAL BROADBAND	
End Users contracted	564
End Users completed	564
% complete	**100%**

AoNet Broadband

Hawke's Bay, Manawatu-Whanganui, Waikato

RURAL BROADBAND	
End Users contracted	1,158
End Users completed	1,003
% complete	**87%**

evolutionnetworks

Bay of Plenty

RURAL BROADBAND	
End Users contracted	319
End Users completed	260
% complete	**82%**

gisborne.net.nz

Bay of Plenty, Gisborne, Hawke's Bay, Waikato

RURAL BROADBAND	
End Users contracted	1,940
End Users completed	1,705
% complete	**88%**

inspire

Manawatu-Whanganui, Taranaki, Wellington

RURAL BROADBAND	
End Users contracted	2,626
End Users completed	2,431
% complete	**93%**

kiwiwifi

Nelson, Tasman

RURAL BROADBAND	
End Users contracted	545
End Users completed	311
% complete	**57%**

Lightwire

Bay of Plenty, Waikato

RURAL BROADBAND	
End Users contracted	718
End Users completed	668
% complete	**93%**

NZTech

Hawke's Bay

RURAL BROADBAND	
End Users contracted	80
End Users completed	80
% complete	**100%**

PRIMO WIRELESS

Taranaki

RURAL BROADBAND	
End Users contracted	625
End Users completed	625
% complete	**100%**

STRATANET

Auckland, Northland

RURAL BROADBAND	
End Users contracted	1,549
End Users completed	702
% complete	**45%**

thepacific.net

Marlborough, Tasman

RURAL BROADBAND	
End Users contracted	773
End Users completed	408
% complete	**53%**

ultimatebroadband.co.nz

Canterbury, Otago

RURAL BROADBAND	
End Users contracted	1,143
End Users completed	954
% complete	**83%**

Unifone

Otago

RURAL BROADBAND	
End Users contracted	1,168
End Users completed	1,003
% complete	**86%**

Bay of Plenty, West-Coast

RURAL BROADBAND	
End Users contracted	747
End Users completed	515
% complete	**69%**

wizwireless

Wellington

RURAL BROADBAND	
End Users contracted	674
End Users completed	674
% complete	**100%**

Zelan

West-Coast

RURAL BROADBAND	
End Users contracted	386
End Users completed	149
% complete	**39%**

CIP'S PARTNERS FOR THE RURAL CAPACITY UPGRADES PROGRAMME ARE:

2degrees

Canterbury, Manawatu-Whanganui, Northland, Southland, Waikato, Wellington

RCU	
End Users contracted	1,749
End Users completed	1,310
% complete	**75%**

accelerate

Marlborough

RCU	
End Users contracted	1,126
End Users completed	-
% complete	**-**

amuri.net

Canterbury

RCU	
End Users contracted	2,971
End Users completed	1,733
% complete	**58%**

CHORUS

Nationwide

RCU	
End Users contracted	3,215
End Users completed	272
% complete	**8%**

enable fibre broadband

Canterbury

RCU	
End Users contracted	78
End Users completed	78
% complete	**100%**

evolutionwireless

Bay of Plenty

RCU	
End Users contracted	820
End Users completed	-
% complete	**-**

gisborne.net.nz

BOP, Gisborne, Hawke's Bay

RCU	
End Users contracted	2,199
End Users completed	480
% complete	**22%**

kiwiwifi

Nelson, Tasman

RCU	
End Users contracted	1,673
End Users completed	-
% complete	**-**

Lightwire

Auckland, BOP, Waikato

RCU	
End Users contracted	15,295
End Users completed	8,091
% complete	**53%**

matnet

Canterbury, Otago

RCU	
End Users contracted	416
End Users completed	399
% complete	**96%**

Northpower

Northland

RCU	
End Users contracted	30
End Users completed	17
% complete	**57%**

one.nz

Nationwide

RCU	
End Users contracted	5,414
End Users completed	2,491
% complete	**46%**

PRIMO WIRELESS

Taranaki

RCU	
End Users contracted	2,965
End Users completed	1,298
% complete	**44%**

Rural Connectivity Group

Nationwide

RCU	
End Users contracted	1,418
End Users completed	1,367
% complete	**96%**

Spark

Nationwide

RCU	
End Users contracted	15,299
End Users completed	6,527
% complete	**43%**

STRATANET

Auckland, Northland, Waikato

RCU	
End Users contracted	805
End Users completed	1
% complete	**0%**

Tuatahi First Fibre

BOP, Manawatu-Whanganui, Taranaki, Waikato

RCU	
End Users contracted	1,674
End Users completed	1,144
% complete	**68%**

ultimatebroadband.co.nz

Canterbury

RCU	
End Users contracted	8,224
End Users completed	4,249
% complete	**52%**

Unifone

Otago

RCU	
End Users contracted	4,707
End Users completed	1,954
% complete	**42%**

BOP, West-Coast

RCU	
End Users contracted	1,581
End Users completed	-
% complete	**-**

WIRELESS DYNAMICS

Waikato

RCU	
End Users contracted	754
End Users completed	-
% complete	**-**

wizwireless

Wellington

RCU	
End Users contracted	1,023
End Users completed	360
% complete	**35%**

LIGHTWIRE'S RURAL CAPACITY UPGRADE

FOLLOWING MAJOR UPGRADES TO LIGHTWIRE'S TAPP ROAD WIRELESS BROADBAND SITE, 1,122 RURAL PROPERTIES WEST OF HUNTLY NOW HAVE ACCESS TO SIGNIFICANTLY IMPROVED BROADBAND, FUNDED THROUGH THE RURAL CAPACITY UPGRADE PROGRAMME.

Tapp Road tower, Lightwire, Rural Capacity Upgrade Programme

Through the challenging winter months of 2023, Lightwire's Hamilton-based site team, in partnership with local company Industrial Site Services Ltd, poured 20 tonnes of concrete and erected a new 10-meter-tall steel "lattice tower" structure at the Tapp Road high site. This will serve as the foundation for delivering high-speed wireless broadband services to rural households and businesses in the area for years to come. The new lattice tower design also makes for a safer working environment for their technicians as they can now climb within the lattice structure itself when working on equipment mounted at height.

THE TAPP ROAD SITE UPGRADE IS JUST ONE OF 84 LIGHTWIRE SITES BEING UPGRADED AS PART OF THE RURAL CAPACITY UPGRADE PROGRAMME OVER TWO YEARS.

Other upgrades to the site included the provision of a dedicated mains power feed to the site which replaces the existing solar array that was powering the remote site until recently. This provides significantly higher power budget for the site allowing Lightwire to continue upgrading power-hungry radio equipment into the future as demand increases. State of the art lithium battery storage and monitoring has been installed on site to provide reliable power into the future, protecting against mains power outages - such as those suffered by many communication sites across New Zealand during Cyclone Gabrielle - ensuring critical communication resilience to rural communities.

Lightwire has seen more than 150 households already connected to this upgraded site, who are enjoying the benefits of upgraded broadband capacity, reliability, and futureproofing that this upgrade programme set out to deliver.

The towers upgraded as part of the Rural Capacity Upgrades programme will see improved broadband capacity made available to 15,294 rural households and businesses across the Waikato and Bay of Plenty regions by the end of June 2024.

PUBLIC SAFETY NETWORK

THE PUBLIC SAFETY NETWORK IS A LONG-TERM INFRASTRUCTURE INVESTMENT FOR THE BENEFIT OF EMERGENCY RESPONDERS AND THE SAFETY AND WELLBEING OF ALL NEW ZEALANDERS, AND WILL REPLACE AND SIGNIFICANTLY ENHANCE EXISTING COMMUNICATIONS USED BY THE EMERGENCY SERVICES, OF WHICH MANY ARE OBSOLETE OR APPROACHING END OF LIFE.

Next Generation Critical Communications (**NGCC**), a cross-agency unit representing these emergency services, is responsible for the delivery of the programme, supported by CIP as the procurement partner. The Public Safety Network is a significant upgrade to existing emergency services communications, that will help emergency services serve the community and stay safe. Contracts for the delivery of the Public Safety Network were secured in late 2022.

DIGITAL LAND MOBILE RADIO SERVICES

A joint venture between Tait and Kordia will deliver digital LMR services, which will see around 450 LMR towers built across the country and will be among the world's largest single systems, covering the majority of New Zealand's population.

EMERGENCY PRIORITY CELLULAR SERVICES

Hourua, a joint venture between Spark and One NZ, will deliver emergency priority cellular services through a resilient multi-network cellular solution, enabling emergency responders to share information, including data, voice, video, and images.

Cellular roaming services were activated in July 2023 across the Spark and One NZ networks, meaning if one network is not available or fails, users are transferred to the other network to support communications continuity for operations and staff safety. Cellular priority services are anticipated to go live in late 2024 and will enable emergency services' voice and data communications to have priority over other users when cellular networks are congested or degraded.

MARAE DIGITAL CONNECTIVITY

WITH $21 MILLION OF GOVERNMENT AND CIP FUNDING, AND WORKING WITH TE PUNI KŌKIRI, THE MARAE DIGITAL CONNECTIVITY PROGRAMME ENABLES MARAE TO RECEIVE FUNDED BROADBAND CONNECTIONS FOR FIVE YEARS ALONG WITH DIGITAL HARDWARE THAT WILL SUPPORT WHĀNAU AND HAPŪ TO UNDERTAKE ECONOMIC ACTIVITY AND ENHANCE THEIR DIGITAL CAPABILITIES. HAPŪ AND WHĀNAU ARE PROVIDED WITH THE TECHNICAL SUPPORT THEY NEED TO USE THESE SERVICES.

The programme has entered its final stages with 29 marae receiving new broadband connections and digital equipment in FY23. As of 30 June 2023, a total of 624 marae have been connected to broadband and 620 have had digital hardware installed. All 680 applications received for the programme are due to be complete in 2023/24.

Feedback continues to reflect the important role of digital infrastructure; hapū and whānau have reported extensive use of the connectivity including digital hui, digital kapa haka, hapū members using the marae as a business hub, tamariki doing digital homework, and hapū members using the Wi-Fi for everyday activities.

620
MARAE WITH HARDWARE INSTALLED

624
MARAE ARE NOW CONNECTED

WATER INFRASTRUCTURE

THREE WATERS INFRASTRUCTURE STIMULUS PROGRAMME

THE THREE WATERS INFRASTRUCTURE STIMULUS PROGRAMME WAS SUCCESSFULLY DELIVERED IN FY23, ON BEHALF OF TE TARI TAIWHENUA (DEPARTMENT OF INTERNAL AFFAIRS) AND IN PARTNERSHIP WITH 67 COUNCILS ACROSS AOTEAROA. THE PROGRAMME WAS FUNDED BY THE GOVERNMENT ($523 MILLION) AND CO-FUNDED BY COUNCILS ($159 MILLION).

Government funding allowed for much of this work to be brought forward, accelerating projects that might have otherwise taken years to complete, delivering this critical infrastructure for rural and urban communities across the motu. The funding also supported employment of more than 1,900 workers across the regions.

Beginning in November 2020, the stimulus programme delivered a 37 percent year-on-year increase in water, wastewater, and stormwater infrastructure expenditure delivery for the 67 councils. By 31 December 2022, the full allocation of Government funding had been successfully delivered and 98.5 percent had been spent by 30 June 2022. The first half of FY23 was used to finalise and report on the final projects.

Hastings Frimley bore and water tank

291 km
DRINKING WATER PIPES
113% OF PROJECTED 261km

160 km
WASTEWATER PIPES
106% OF PROJECTED 150km

101
WATER TREATMENT PLANT UPGRADES
90% OF PROJECTED 112 UPGRADES

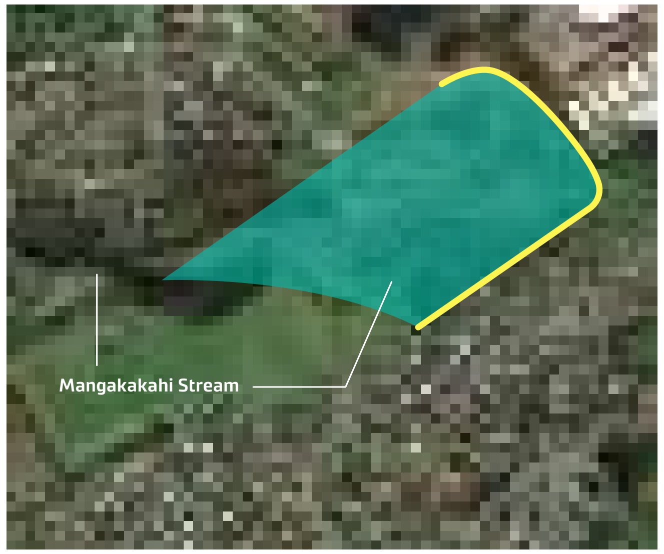
128
WASTEWATER TREATMENT PLANT UPGRADES
112% OF PROJECTED 114 UPGRADES

431
WASTEWATER PUMP STATIONS
113% OF PROJECTED 261km

ROTORUA LAKES COUNCIL

LINTON PARK STORMWATER DETENTION DAM

The stimulus programme contributed $6.8 million of project funding for an upgraded 58,000m³ detention dam to manage stormwater during a 100-year storm event and safely manage flows beyond this. It is designed so that water ponds in the reserve only in large events and will not fill higher than the ground level of surrounding properties. The council contributed $7.3 million in co-funding for the project.



Linton Park detention dam in construction. The new dam provides increased flood mitigation and allow for future development within the community.

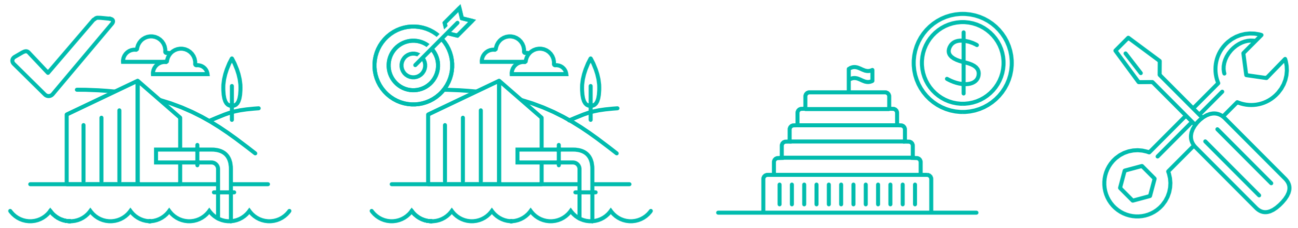
FAR NORTH DISTRICT COUNCIL

KAITĀIA WATER PROJECT

The stimulus programme contributed $3.0 million towards the Far North District Council's $15.3 million Kaitāia Water Project, which includes two bores at Sweetwater, north of Kaitāia, and a 14km pipeline linking the Aupōuri aquifer to the Council's water treatment plant.

Water treatment plant Okahu Road

RURAL DRINKING WATER PROGRAMME



6	50	$30m	5 years
SITES INSTALLED IN 2023	WATER TREATMENT PLANTS TARGETED FOR DELIVERY BY THE END OF FY24	GOVERNMENT FUNDING	OF MAINTENANCE SUPPORT PROVIDED THROUGH THE PROGRAMME

THIS PROGRAMME PRIMARILY SUPPORTS PROVIDING SAFE, AFFORDABLE, AND RELIABLE RURAL DRINKING WATER TO MARAE, TE KOHANGA AND PAPAKĀINGA, AND OTHER RURAL COMMUNITIES THAT ARE NOT CONNECTED TO COUNCIL DRINKING WATER SUPPLY, WITH DRINKING WATER FOR THEIR COMMUNITIES.

After the pilot phase in 2022, the Rural Drinking Water programme is now underway across the motu. It will provide treatment systems, training and maintenance to provide safe drinking water that meets new regulatory requirements from Taumata Arowai.

The programme equips local communities with the necessary knowledge to maintain and operate the treatment plants themselves. Following installation, all equipment will be owned by the rural drinking water supplier.

CIP delivered six initial sites in the pilot programme in partnership with FILTEC who will also deliver the full programme. FILTEC is on track to complete 50 new water treatment plants for communities by the end of FY24.

All existing sites have a range of water sources, including lakes, streams, rivers, springs, and roofs. Very few had any form of water treatment though, meaning communities are drinking untreated and possibly unsafe water.

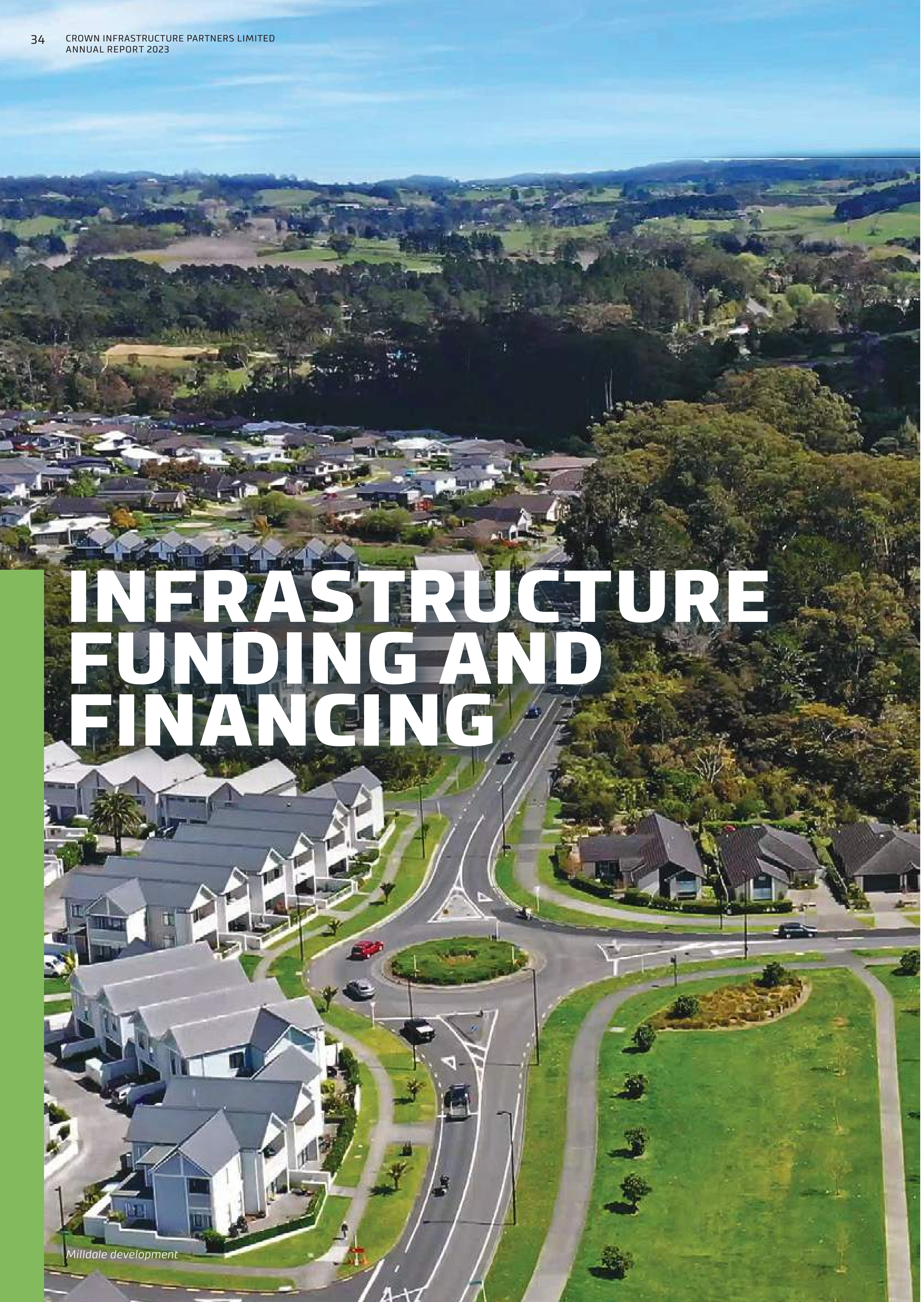
Te Rongopai Wharanui initial site visit

BETTER OFF FUNDING

CIP MONITORS THE $500 MILLION BETTER OFF FUNDING PROGRAMME ON BEHALF OF TE TARI TAIWHENUA (DEPARTMENT OF INTERNAL AFFAIRS). THE PROGRAMME FUNDS 68 COUNCILS TO DELIVER ACTIVITIES AND PROJECTS FOR THE BENEFIT OF THEIR COMMUNITIES.

Funding can be used by Councils to support the wellbeing of their communities, including facilities such as libraries and community centres, investment in public transport, improving infrastructure to protect against extreme weather events, or supporting community groups, iwi and local wards.

As of 30 June 2023, $132.6 million (27 percent) of the $500 million Better Off Funding has been distributed.



INFRASTRUCTURE FUNDING AND FINANCING

Milldale development

FIRST FINANCING TRANSACTION COMPLETED UNDER THE INFRASTRUCTURE FUNDING AND FINANCING ACT

TO CLOSE THE GAP ON NEW ZEALAND'S INFRASTRUCTURE DEFICIT, IT IS CRITICAL THAT FUTURE FUNDING AND FINANCING MODELS ARE AVAILABLE. THEY NEED TO BE DESIGNED TO ACCOMMODATE THE TIME IT TAKES TO BUILD INFRASTRUCTURE AND THE LIFESPAN OF THE INFRASTRUCTURE.

$1.2bn
PIPELINE OF INFRASTRUCTURE FUNDING FOR INFRASTRUCTURE

$177m
SECURED FOR THE TAURANGA TRANSPORT SYSTEM PLAN

$400m
SECURED FOR THE WELLINGTON WASTEWATER TREATMENT PLANT

3
PROJECTS FUNDED USING INFRASTRUCTURE FUNDING AND FINANCING TOOLS

In November 2022, CIP executed the inaugural transaction utilising the Infrastructure Funding and Financing Act 2020 (**IFF**). The transaction will provide $177 million of funding to Tauranga City Council for a package of transport projects within the Western Bay of Plenty Transport System Plan.

The Tauranga Transport System Plan aims to support a projected population of 258,000 residents and 34,000 new homes in Tauranga. The plan consists of 13 projects that will be part funded by the IFF funding. These 13 projects are focused on finding solutions for the challenges related to housing, transport, and urban development. It will enable more than one million extra transport movements every day by 2050, across a range of modes including roads, rail, public transport, freight, walking, and cycling.

CIP raised $198 million of senior 30-year fixed interest rate debt from Westpac and BNZ to provide $177 million of funding to Tauranga City Council to deliver the Tauranga Transport System Plan. CIP can draw down the senior loan over the next five years.

CIP established a special purpose vehicle to raise non-recourse debt that is not recognised on Tauranga City Council's balance sheet. Debt will be fully amortised over the levy period. The special purpose vehicle is empowered by an Order in Council to charge a 30-year levy to all beneficiaries within the Tauranga City rating area.

The transaction included a forward starting, amortising interest rate swap, which fixed base interest rates. At the time, this swap was the longest bank-provided interest rate swap in the New Zealand capital markets.

PIPELINE

Projects which can benefit from the Infrastructure Funding and Financing Act include a mix of large-scale city-wide transport, climate resilience, water, and urban infrastructure developments as well as infrastructure for greenfield or in-fill housing.

CIP has a pipeline of infrastructure projects, to the value of approximately $1.2 billion, that will benefit from using the Infrastructure Funding and Financing model over the course of the next decade.

"WE'RE DELIGHTED TO HAVE SUCCESSFULLY COMPLETED THE FIRST TRANSACTION USING THE IFF ACT - THIS DEMONSTRATES THE LEGISLATION WORKS AND THAT FINDING LONG TERM FINANCE NO LONGER NEEDS TO BE A BARRIER TO PROGRESSING IMPORTANT INFRASTRUCTURE PROJECTS AROUND AOTEAROA NEW ZEALAND."

In August 2023, CIP closed a second transaction that provides $400 million of funding to Wellington City Council for the construction of a large-scale wastewater sludge minimisation facility, that will have significant climate mitigation impacts for Wellington City. It is intended to improve the stabilisation, and reduce the volume of Wellington City's wastewater sludge, reduce carbon emissions associated with the disposal of sludge at the Southern Landfill, and enable future economic and population growth via increased wastewater management capacity.

INFRASTRUCTURE REFERENCE GROUP PROGRAMME

INFRASTRUCTURE REFERENCE GROUP (IRG) PROJECTS CONTINUE TO SHOWCASE THE POSITIVE, INTERGENERATIONAL, AND ENDURING IMPACTS OF THE GOVERNMENT'S INVESTMENT DURING THE COVID-19 PANDEMIC.

There are 222 approved projects and CIP manages the largest 46 of them, with a total project value of more than $2.7 billion. Additionally, CIP monitors the programme. As of 30 June 2023, $1.7 billion in Government funding has been spent on projects across the programme.

Delivered in partnership with councils, iwi, private sector, and non-government organisations, projects support multiple social and wellbeing benefits for communities across Aotearoa - as well as supporting construction employment.

The Kind Foundation's 'Hotel Give' in Christchurch, is a prime example of partnering with the community. It is a social enterprise delivering proven social impact on the communities of Ōtautahi Christchurch. Hotel Give reinvests all profits into programmes and services delivered by the Kind Foundation, including youth development, community programmes and events. The project is in the second phase of its build, with a total of $51 million in IRG investment.

Alongside the Hawke's Bay Regional Aquatics Centre, another five CIP-led projects were complete in FY23, bringing the total of CIP-managed projects that have been completed to 12 and 98 complete across the whole programme.

CIP PROJECTS COMPLETE FROM 01 JULY 2022 - 30 JUNE 2023:

PROJECT	GOVERNMENT FUNDING
Marae digital connectivity	$7 million
Sound Stages Auckland	$30 million
Ruapehu social housing	$2 million
Hawke's Bay Regional Aquatics Centre	$32 million
NZ Campus of Innovation and Sport	$30 million
SH60 Motueka	$7 million

62%
OF GOVERNMENT FUNDING ADVANCED ACROSS 46 PROJECTS

12
CIP-FUNDED PROJECTS COMPLETED

6
CIP-FUNDED PROJECTS COMPLETED DURING FY23

$839m
OF GOVERNMENT FUNDING INTO CIP-MANAGED PROJECTS

Ruapehu social housing

NZ Campus of Innovation and Sport

A WORLD-CLASS SPORTS FACILITY IN CENTRAL HAWKE'S BAY

POWERED BY A COMMUNITY TRUST, LOCAL BUSINESS SUPPORT AND AN EXCELLENT CONSTRUCTION PARTNER, THE OUTSTANDING HAWKE'S BAY REGIONAL AQUATIC CENTRE FACILITY OPENED IN SEPTEMBER 2022.

The vision of the Hawke's Bay Community Fitness Centre Trust (**HBCFCT**) and the determination of the partners involved to bring the centre to life, will benefit the region for decades to come.

CIP supported the HBCFCT with $32 million of IRG funding to work on the construction with build partner Apollo Projects, whose excellent project management and workmanship saw the build and project completed on time and in budget.

The result is a world-class sports and health complex with accommodation and education facilities onsite - enabling events from learn to swim classes through to regional competitions and national swim meets.

The pool in the aquatics centre is designed to be compliant to the highest Federation Internationale de Natation (**FINA**) standards, capable of hosting national and international events including world championships.

Since opening, the centre has already hosted the New Zealand Age Group Swimming Championships, the New Zealand Masters' Swim Championship - and secured a contract for one large event each year - bringing tourism and business to the region alongside regular community programming.

Congratulations to the HBCFCT and Apollo Projects team, which have been recognised with two construction awards for the aquatics centre: Best in Category in the Holmes Group Tourism and Leisure Property Award at the 2023 Property Industry Awards and Gold at the 2023 Master Builders Commercial Property Awards.

Features in the complex include:

- An Olympic sized main pool to allow hosting of long course (50m) and short course (25m) events.
- Depth of 2.2m for deep water sports like water polo, canoe polo, triathlon, and deep-water aqua jogging.
- Permanent seating for 840 people and temporary seating to allow for capacity of up to 1,662 (the largest in New Zealand).
- Hydrotherapy centre for rehabilitation and sports performance analysis including two endless hydrotherapy pools and a hoist with access capability of up to 180kg providing accessibility from the changing room to the pool.

"IT'S INCREDIBLY REWARDING TO SEE THE HAWKE'S BAY REGIONAL AQUATICS CENTRE ALREADY BEING USED BY SO MANY DIFFERENT COMMUNITY GROUPS SINCE IT OPENED. THIS PROJECT EXEMPLIFIES THE CAN-DO ATTITUDE AND COMMUNITY SPIRIT OF PROJECTS MADE POSSIBLE BY GOVERNMENT FUNDING."

Olympic Pool and pump room at Hawke's Bay Aquatic Centre

Otago Polytechnic - He Toki

Middle left: Queenstown Arterials. Middle right: Youth Hub, Christchurch
Bottom: The Kind Foundation, Christchurch

GOVERNANCE

ORGANISATIONAL FORM

CIP was incorporated on 29 October 2009 under the Companies Act 1993. CIP is a Crown-owned company, listed under Schedule 4A of the Public Finance Act 1989. The shareholders in CIP are the Minister of Finance and the Minister for State Owned Enterprises in their capacity as Ministers, and each holds 50% of the issued share capital.

CIP is subject to certain provisions of the Crown Entities Act 2004 and is also subject to the Official Information Act 1982 and the Ombudsmen Act 1975.

CIP is monitored by the Ministry of Business, Innovation and Employment's (**MBIE**) Communications Policy group for connectivity programmes, the Department of Internal Affairs for the Affordable Waters Programmes, the Treasury for the Infrastructure Reference Group (**IRG**) and Infrastructure Funding and Financing (**IFF**) (in addition to the Ministry of Housing and Urban Development (**MHUD**) for IFF), and the Treasury Ownership Monitoring team for shareholding Ministers. CIP also works closely with other relevant portfolio agencies.

CIP's purpose is to implement Government policy, rather than make a financial return, by implementing the Government's objectives in relation to the:

- Rural Broadband and Mobile Black Spots programmes, providing improved broadband coverage and capacity for rural households and businesses, mobile coverage on state highways and tourism 'black spots' where there are currently no mobile services, marae digital connectivity, and fibre links in the West Coast and to Milford Sound;
- Ultra-Fast Broadband (**UFB**) programme, making UFB fibre to the home available to 87% of the population;
- Public Safety Network (**PSN**) programme, supporting network infrastructure delivery;
- Infrastructure funding and financing programmes;
- IRG programme, from the COVID-19 infrastructure recovery fund, encompassing more than 222 approved infrastructure projects; and
- Monitoring and the provision of Government funding for the Government's Affordable Waters programmes.

Accordingly, CIP has designated itself a public benefit entity.

MANAGEMENT OF THE COMPANY

The Board of Directors is responsible for the overall direction of CIP's business and other activities on behalf of Shareholding Ministers in the manner set out in CIP's Constitution, Statement of Intent (**SOI**) and Statement of Performance Expectations (**SPE**).

The Company's purposes as provided for in the Constitution are to:

a. implement, fund, facilitate, monitor, advise or otherwise assist the government with any government objectives in relation to:
   i. radio and telecommunications connectivity and/or services;
   ii. three waters and climate resilience infrastructure and/or services;
   iii. the government's COVID-19 response and recovery infrastructure funding programme

b. implement and/or facilitate funding and financing of infrastructure, including as provided for under the Infrastructure Funding and Financing Act, by:
   i. government investment (including through debt or equity); or
   ii. co-investment with, or facilitating investment from (including securing third-party debt or equity), private sector or other participants, to achieve the government's objectives for funding infrastructure; and
   iii. implement, facilitate, advise or otherwise assist the government with any transaction, or class of transactions, or provide assistance with any other matter, in relation to any Infrastructure Projects that are selected by the government, as agreed from time to time between the Company and the Shareholding Ministers.

BOARD OF DIRECTORS

The Board has established strategic policy for, and guides and monitors the business and affairs of CIP and is committed to a high standard of corporate governance. Responsibility for the operation and administration of CIP is delegated to the Chief Executive, who is accountable to the Board. The Board places emphasis on strategic planning, the implementation of sound administrative systems and procedures, and regulatory compliance.

BOARD MEMBERSHIP

The Board is made up of five non-executive Directors. The Directors' profiles can be read on page 42 of this Annual Report. Directors are appointed by shareholding Ministers following Cabinet approval.

BOARD COMMITTEES

To assist Directors in carrying out their duties, the Board has two standing committees (outlined below). Other ad hoc and standing committees may be formed from time to time.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities by providing recommendations, counsel and information concerning accounting, reporting and responsibilities under legislation. Its Terms of Reference also cover the role of internal audit.

The Committee ensures oversight by the Board of all matters related to the financial accounting, planning and reporting of CIP. The Committee monitors the processes that are undertaken by management and both external and internal auditors. The Committee ensures that the Board meets all financial governance and accountability requirements and responsibilities.

The Crown Entities Act 2004 sets out the specific statutory planning and reporting obligations of CIP, including the requirements for key accountability documents, the SOI, the SPE and the Annual Report. The Committee also monitors and assesses risks to the business.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities by providing advice and recommendations on the appropriate remuneration policies and human resources policies for the Company.

BOARD OF DIRECTORS

DIRECTORS' PROFILES AND INTERESTS HELD

The following profiles include general disclosures of interest given by Board members pursuant to section 140(2) of the Companies Act 1993 and entered into CIP's interests register.

Mr Mark Binns (Chair) was appointed a Director of the Company on 1 June 2018 and Chair on 1 March 2020. His career has seen him involved in many of New Zealand's largest infrastructure projects, including the Wiri Prison public-private partnership, the Waterview Connection, Eden Park, SKYCITY, the Museum of New Zealand Te Papa Tongarewa and the Manapōuri trail race tunnel. For 22 years Mark worked at Fletcher Building and its predecessor, Fletcher Challenge. Mark was Chief Executive of Meridian from 2012 to 2017. Mark is a qualified lawyer. He is currently a Director of Auckland International Airport, Te Pūia Tāpapa, Mercury NZ Limited and a number of other private companies.

Mr Alan Dent, BCA, CA established and led the Deloitte Corporate Finance Wellington practice from 1990 until May 2020. He led the Deloitte New Zealand firm's Financial Advisory Services practice from 2014 until 2020. Alan has provided commercial and financial advice in a broad range of contexts across both the public and private sectors, including mergers and acquisitions, state-owned enterprise/Crown entity establishment, financial reporting and dispute resolution. Alan has been extensively involved in advising on government-initiated sector reform and the related establishment processes. Alan also led the Deloitte water sector team and has delivered multiple projects in the Three Waters sector. Alan is an Associate Member of the Arbitrators' and Mediators' Institute of New Zealand and a Member of the Institute of Directors.

Mr Chris Gudgeon has been involved in property investment, development and construction in New Zealand for more than 25 years. He was previously Chief Executive of Kiwi Property Group and Capital Properties NZ. Chris holds an MBA from the Wharton School of the University of Pennsylvania and a Bachelor of Engineering degree from the University of Canterbury. He is a Director of Argosy Property, a Director of Ngāti Whātua Ōrākei Whai Rawa Limited and the Whai Rawa group of entities, Fellow of the Royal Institute of Chartered Surveyors, and a past President of Property Council New Zealand.

Ms Mei Fern Johnson is a Partner at law firm Russell McVeagh. She has more than 20 years' experience advising on mergers and acquisitions and complex commercial contracting, with particular expertise in investments in the infrastructure, technology, transport and energy sectors. She also works with many public sector agencies and Crown entities and was (Acting) General Counsel for the Accident Compensation Corporation in 2014/15. Mei Fern served on Russell McVeagh's Board from 2018 to 2022.

Ms Bella Takiari-Brame is a Chartered Accountant and has worked in the oil, gas and utilities industries. She has a wealth of global market understanding and governance expertise. She holds many governance positions in Crown, private and iwi entities including Board member of ACC, Independent Director of Braemar Hospital, NZ Health Investments Limited, and Te Ohu Kaimoana. Bella is Chair of The Lines Company and Te Nehenehenui Trust.

REMUNERATION COMMITTEE

At 30 June 2022:
Ms Mei Fern Johnson (Chair - appointed 1 May 2022)
Mr Mark Binns
Mr Chris Gudgeon

AUDIT AND RISK COMMITTEE

At 30 June 2022:
Ms Bella Takiari-Brame (Chair)
Mr Mark Binns
Mr Chris Gudgeon
Mr Alan Dent

DIRECTORS	2022/23			2021/22		
	No. of regular meetings attended	No. of subcommittee meetings attended	No. of special meetings attended	No. of regular meetings attended	No. of subcommittee meetings attended	No. of special meetings attended
MARK BINNS	8	4	2	7	4	0
BELLA TAKIARI-BRAME	7	2	0*	7	3	0
CHRIS GUDGEON	8	3	2	7	3	0
ALAN DENT	8	1	1	0	0	0
MEI FERN JOHNSON	7	2	2	2	0	0
DANELLE DINSDALE (Resigned 30/6/22)	0	-	0	7	1	0
KERRY KNIGHT (Resigned 18/5/22)	0	-	0	5	0	0

** Did not attend due to a conflict of interest*

CIP AS A GOOD EMPLOYER

CIP's purpose is to partner with the private and local government sectors to deliver infrastructure to improve the lives of New Zealanders. CIP takes pride in the value we contribute to the broader community, which we achieve through the dedication and calibre of our team.

CIP places high importance on attracting and retaining an engaged, high-performing workforce to deliver the Government's infrastructure programmes that CIP is funding.

To support these priorities, CIP has put in place policies and practices that comply with the Government's expectations of employment relations and the principles of being a good employer. These policies support CIP to promote ways of working that enable inclusion and support a diverse workforce reflective of New Zealand's society, and includes a wide range of experience, backgrounds and expertise. CIP retains a purpose-driven, stable workforce with low turnover. Twenty seven percent of our people have more than ten years of service, and over 40% have more than five years of service.

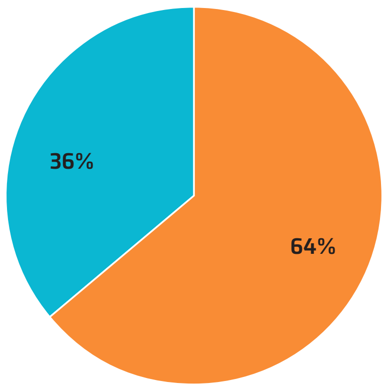
PURPOSE AND WORKING ENVIRONMENT

CIP is committed to creating a supportive working environment to help our people succeed. CIP has further increased the proportion of women in its workforce from last year, shifting from 56% in 2022 to 64% in 2023. CIP offers an inclusive workplace, with optional remote working on Mondays and Fridays and has introduced a new parental leave policy in 2023 to support our employees who become parents. CIP's parental leave policy offers 26 weeks full salary top-up to primary carers and two weeks paid secondary carer leave. The policy also offers additional paid leave to support CIP employees undertaking fertility treatment, those who have pre-term babies and also offers back-to-work transition support.

SAFE AND HEALTHY ENVIRONMENT

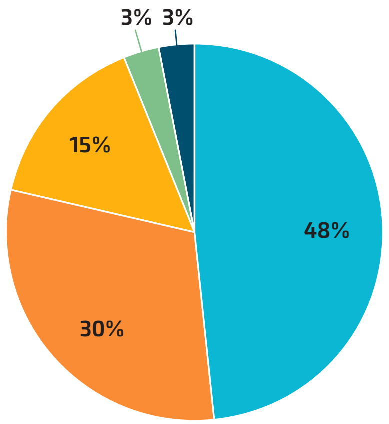
CIP continues to manage the health, safety and wellness of its employees as well as ensuring that our contractors meet their health and safety obligations. Our management systems and risks are regularly reviewed to keep them current, and CIP has developed a new site inspection process to assist onsite inspections, for a more streamlined approach to reporting. This provides CIP a quicker response to the inspection result, that can then be delivered to project partners.

All CIP staff have completed the workplace online ergonomic self-assessments and guidance has been provided internally where required. Additionally, a work from home process has been introduced where staff require an ergonomic assessment for their home workstation. With recent changes to the pandemic



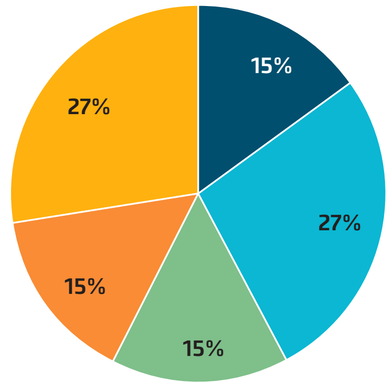
GENDER BALANCE (AS AT JUNE 2023)

- MALE
- FEMALE



ETHNICITY IN THE WORKPLACE

- NZ EUROPEAN
- ASIAN
- OTHER EUROPEAN
- MĀORI
- MIDDLE EASTERN, LATIN AMERICAN, AFRICAN



LENGTH OF SERVICE

- LESS THAN A YEAR
- 1-2 YEARS
- 2-5 YEARS
- 5-10 YEARS
- 10+ YEARS

CIP AS A GOOD EMPLOYER *Continued...*

response, CIP continues to follow best practice and advice from the Ministry of Health and provides guidance on precautionary measures, including reporting to managers if unwell, social distancing where possible and the availability of hand sanitisers and cleaning products for workstations.

CIP oversees the health and safety of telecommunications and infrastructure delivery partners to ensure that a high standard of care is applied to workers involved with the deployment of programmes and specific projects, keeping workers safe from harm or injury. Across all programmes, The Total Recorded Injury Frequency Rate (**TRIFR**) for FY23 was 3.82 versus 3.13 for FY22 with reported incidents decreasing from 16 in FY22 to 8 in FY23.

CIP notes, that with the end of the overall UFB project, and the decrease of hours worked the TRIFR will change over the coming 12 months.

TRIFR result at the end of the UFB programme was 2.41 to 31 December 2022, a further decrease from the previous year which is an achievement given the size of the project, and reaching over 1 million worker hours per month at its peak.

SUSTAINABILITY OUTCOMES

SUSTAINABILITY OUTCOMES

CIP is in the early stages of developing a reporting framework to regularly identify the sustainability outcomes that CIP-funded projects help to support the Government's sustainability objectives.

Key focus areas for CIP include supporting sustainable construction approaches, investing in renewable energy, reducing transport emissions, and supporting methane reduction. Below is a snapshot of CIP-funded projects that support the sustainable objectives of the Government.

Sustainable construction approaches

- The Kind Foundation, Christchurch
- Auckland City Mission
- Youth Hub
- University of Auckland
- Otago Polytechnic He Toki Kai Te Rika

Renewable energy

- Rural Broadband - solar panels and wind used at remote sites

Reducing transport emissions

- Electric ferries
- Busways and multi-model transport infrastructure
- Cycleways

Supporting methane reduction

- Wellington City Council Sludge Minimisation Facility
- New Plymouth City Council Sludge Minimisation Facility

We look forward to providing more information and reporting in the future on this growing area of consideration.

STATEMENT OF PERFORMANCE

CIP's performance targets for the fiscal year 2022/2023, as measured against the Statement of Intent and the Statement of Performance Expectations, relate to UFB deployment, progress of Rural Broadband and Mobile Black Spots programmes, Regional Digital Connectivity progress, the Public Safety Network programme, Infrastructure Funding and Financing, Infrastructure Reference Group measures, the Affordable Waters infrastructure measures and financial and operational efficiency. For reporting against revenue and expense targets, see note 24. This Statement of Performance has been prepared in accordance with Tier 1 Public Benefit Entities (**PBE**) financial reporting standards, which have been applied consistently throughout the period, and complies with PBE financial reporting standards.
The Statement of Performance is reported on pages 41, 45 to 50, 92 and 93. Additional information on pages 2 to 3 and 9 to 40 are not audited and do not form part of the Statement of Performance but provide additional context to Crown Infrastructure Partners group's performance in 2023. Performance for all Reportable Measures is recognised as Achieved, where 100% or more of the target was met, and Mostly Achieved where the target has not been met, but is within 95% or substantially close to plan.

COST ALLOCATION

CIP's primary role is to act as a government delivery and funding agency for a range of infrastructure programmes which are deployed and constructed by third parties such as Local Territorial Authorities, iwi, non-governmental agencies, and the private sector, and as such does not have any independent revenue streams but rather a number of funding sources from government and capital markets for the various Government programmes. CIP does not have any direct Government appropriations itself. The funding source associated with the core outputs/activities of CIP are separately identifiable in the company's financial records. The associated costs of the programmes are allocated to these activities based on CIP's budget allocation principles. Direct costs, such as the actual costs of conducting the activities, are allocated to the outputs/activities in full. Indirect costs, such as those to support the management and oversight of the programmes up to 30 June 2023 were funded from a combination of recycled funds, bank interest and appropriation.

PERFORMANCE MEASURES

The performance measures were selected to cover quantitative and qualitative measurement of progress towards the key goals of CIP in managing the delivery of infrastructure programmes on behalf of the government.

The performance measures in the Annual Report has eight sections, and each section has a set of metrics that have been identified by CIP in consultation with relevant government agencies. This process ensured the selected measures best reflect CIP's strategic outcomes, and are available in a timely and accurate manner.

Some measures are no longer reported where relevant programmes have been completed or the measure has been fulfilled. The performance measures are those of the Group, as the subsidiaries do not have performance measures. There were no significant judgements made on aggregation of performance information. For the Group structure, see page 63.

The table below shows the investment by programme that supports the performance objectives of CIP.

PROGRAMME INVESTMENT	PTD 2022 $000	PLAN 2023 $000	ACTUAL 2023 $000	PLAN 2024 $000	BEYOND 2024 $000	TOTAL $000
UFB PROGRAMME	1,698,760	47,038	44,913	–	–	1,743,673
RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES	265,150	90,537	52,268	122,331	93,045	532,794
INFRASTRCTURE REFERENCE GROUP WORK PROGRAMME	464,314	384,332	382,228	365,834	137,291	1,349,667
AFFORDABLE WATERS INFRASTRUCTURE	–	55,750	50,487	11,293	12,357	74,137
IFF PROGRAMME*	52,568	86,149	37,672	19,980	709,037	819,257

* Total appropriation is $292m investment includes debt raised

Table 1: Performance measures

STATEMENT OF PERFORMANCE *Continued...*

The table below shows the application of grant revenue to grant expences and grant funded loans that supports the performance of objectives of CIP.

REPORTABLE MEASURE	2022/23		2021/22
	ACTUAL $(000)	PLAN $(000)	ACTUAL $(000)
GRANT REVENUE BY PROGRAMME			
RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES	15,000	-	86,947
INFRASTRUCTURE REFERENCE GROUP WORK PROGRAMME	382,228	384,332	312,223
AFFORDABLE WATERS INFRASTRUCTURE	29,618	28,750	28,450
TOTAL GRANT REVENUE	**426,846**	**413,082**	**427,620**
GRANT EXPENSES BY PROGRAMME			
RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES	46,674	46,887	59,777
INFRASTRUCTURE REFERENCE GROUP WORK PROGRAMME	246,379	244,037	220,997
AFFORDABLE WATERS INFRASTRUCTURE	50,487	55,750	866
IFF PROGRAMME*	34,196	-	-
TOTAL GRANT EXPENSES	**377,736**	**346,674**	**281,640**
GRANT REVENUE INVESTED IN LOAN ASSETS BY PROGRAMME			
INFRASTRUCTURE REFERENCE GROUP WORK PROGRAMME	135,851	140,295	86,226
TOTAL GRANT REVENUE INVESTED IN FINANCIAL ASSETS	**135,851**	**140,295**	**86,226**

To be read in conjunction with the Consolidated Statement of Comprehensive Revenue and Expenses on page 56.
* IFF programme is largely funded by debt where the investment is extended in a form of Grant expense and the debt will be repaid via levy received from the home owners.

Table 2: Performance measures

SUCCESSFUL AND TIMELY DEPLOYMENT OF UFB

This class of outputs tracks CIP's progress towards the achievement of the roll-out of the UFB programme, the objective of which was to accelerate the roll-out of UFB to 87% of New Zealanders by 2022. This objective is fully achieved. CIP was established in 2009 to manage this significant programme, and its completion marks a major milestone for CIP. The programme was completed on time and under budget by the end of December 2022.

The two key measures of success were achieving at least 1,450,000 premises which have access to UFB, handed over by the UFB delivery partners for CIP to conduct User Acceptance Testing (**UAT**) on achieving 1,830,000 End Users (such as households and businesses) able to connect to UFB. These measures contribute to the original policy target set in 2009 and updated in 2016. These matters were measured by CIP using a geospatial dataset, as in Table 3.

Note: As the UFB programme was completed in December 2022, it will not be reported on in subsequent years.

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
NUMBER OF UFB PREMISES HANDED OVER BY PARTNERS TO CIP OR THE APPLICABLE LFC UNDER UFB (000'S)[1]	1,457	1,450	Achieved	1,432	Achieved
THE NUMBER OF BROADBAND END USERS (SUCH AS HOUSEHOLDS AND BUSINESSES) ABLE TO CONNECT TO UFB (000'S)	1,836	1,830	Achieved	1,809	Achieved

Table 3: Successful and timely deployment of UFB

1 CIP has a geospatial premises database with more than two million unique premises identifiers. It is based on Land Information New Zealand land parcels and buildings, and Corelogic Terrabase property database.

SUCCESSFUL AND TIMELY DEPLOYMENT OF RURAL BROADBAND AND MOBILE BLACK SPOTS PROGRAMMES

The Government policy objective of the Rural Broadband initiative is to provide access to improved broadband to at least 84,000 under-served rural households and businesses jointly defined as 'End Users'. CIP's performance in terms of the number of End Users able to receive improved rural broadband is based on the number of End Users handed over by delivery partners for CIP to conduct UAT (and therefore available to End Users) using a geospatial dataset.

The policy objective of the Mobile Black Spots programme is to provide mobile coverage to approximately 1,400 km of state highway black spots (for public safety reasons), and 168 tourism locations. For Mobile Black Spots coverage, there are two classes of output that track CIP's progress towards achievement of the Government Policy objective of contracted tourist sites covered, and contracted state highway kilometres covered. This is measured by the number of sites and kilometres of mobile coverage handed over by the Partners to CIP to conduct UAT using a geospatial dataset, as set out in Table 4.

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
RURAL END USERS TO RECEIVE IMPROVED BROADBAND COVERAGE	80,992	80,500	Achieved	75,299	Achieved
MOBILE BLACK SPOT TOURIST SITES COVERED	124	115	Achieved	95	Achieved
MOBILE BLACK SPOT HIGHWAY KILOMETRES COVERED	1,273	1,235	Achieved	1,059	Achieved

Table 4: Successful and timely deployment of Rural Broadband and Mobile Black Spots programmes

REGIONAL DIGITAL CONNECTIVITY PROGRAMME MEASURES

The measures in table 5 track CIP's progress towards the achievement of the Regional Digital Connectivity Government Policy objectives, comprising of the Fibre Links and Rural Capacity Upgrades.

FIBRE LINKS PROGRESS

The Government Policy objective of the fibre links programme is to deploy a fibre backhaul link in Southland from Te Anau to Milford Sound, to improve regional connectivity and resilience. CIP's performance in terms of the fibre links programme is based on progress in the build programme and being delivered on time to meet the end completion date for the Milford fibre link (31 December 2022). Completion of the Milford fibre link is determined by CIP receiving formal handover of the link following user acceptance testing. The Milford fibre link target was mostly achieved as it was substantially close to plan with segments in use at 31 December 2022. Deployment was affected by experiencing harder rock and more difficult terrain than was expected, as well as avalanche, rockfall, and weather risks. The Milford fibre link was fully complete in May 2023.

RURAL CAPACITY UPGRADES PROGRESS

The objective of the Rural Capacity Upgrades programme is to improve rural broadband capacity in areas which are experiencing congestion or are on "stop sell" (i.e. no new rural households or businesses (being End Users) can be connected). In these cases, End Users can access network coverage but cannot achieve a sufficiently usable level of broadband service (or any service in "stop sell" situations). This is the case in many rural and peri-urban areas around the motu, as demand and usage of broadband has increased significantly in recent years. This class of outputs tracks CIP's progress towards the achievement of the rural broadband capacity upgrades. CIP's performance in terms of the capacity upgrades for FY23 is based on improved broadband capacity being available to 29,750 End Users project to date.

STATEMENT OF PERFORMANCE *Continued...*

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
FIBRE LINKS: HAASST AND MILFORD PROGRESS OF FIBRE LINKS	Substantially close to plan	Completion of Milford Fibre Link by 31 December 2022	Achieved	Haast completed 31 March 2022. Milford on track to complete by end of the first Quarter CY23	Mostly Achieved
RURAL CAPACITY UPGRADES: PROGRESS ON RURAL BROADBAND CAPACITY UPGRADES PROGRAMME (INCLUDING ANY FURTHER RURAL CAPACITY/BROADBAND PROGRAMME)	31,155 End Users	Broadband capacity upgraded[2] to 29,750 End Users	Achieved	All contracts in place – build underway to 6,716 rural homes, farms and businesses with increased broadband capacity	Achieved

Table 5: Regional Digital Connectivity Programme measures

PUBLIC SAFETY NETWORK (PSN) PROGRAMME

CIP's role in the PSN programme is to support the lead agency New Zealand Police's Next Generation Critical Communications Unit in the implementation of the PSN. There are two components to the PSN that CIP is involved in – first, deployment of a common national Land Mobile Radio network that all emergency services can use, and second - implementation of priority mobile roaming services. Combined, these support the achievement of the successful implementation of the PSN programme.

CIP's performance in terms of the PSN programme is based the initial Land Mobile Radio pilot site deployment commenced by end of FY23.

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
PROCUREMENT AND CONTRACTING AND IMPLEMENTATION	Initial pilot site deployment commenced early 2023	Initial Land Mobile Radio pilot site deployment commenced by end of FY23	Achieved	Contracting almost complete at 30 June 2022; contracts executed October 2022. Mobilisation has commenced in FY23.	Mostly Achieved

Table 6: Public Safety Network Programme

INFRASTRUCTURE FUNDING AND FINANCING (IFF)

The Infrastructure Financing Government Policy Objective is for CIP's role as facilitator in implementing transactions to support debt-constrained councils to fund infrastructure for a variety of different purposes. The transactions are underpinned by the new financing framework contained in the Infrastructure Funding and Financing Act 2020, and CIP works with a number of government agencies, councils, infrastructure owners and property developers as well as financiers to implement financing transactions. This is measured based on achievement of financial close on at least one focused project by the end of FY23 (see Table 7).

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
ADVANCING TRANSACTION	Tauranga City Council IFF transaction contractually closed November 2022. Financial close January 2003	Achieve financial close on at least one focused project by the end of FY23	Achieved	Tauranga Transport System (TSP) achieved contractual close, by 30 November 2022. MHUD are engaged with the levy proposal, in their role as Recommender.*	Achieved

* In 2022 the plan was: By end of FY22, materially advance the development of the matters that are to be included in the levy proposals for at least one IFF-focused transaction (including engagement with the Ministry of Housing and Urban Development and the Treasury).

Table 7: Infrastructure Funding and Financing

2 Broadband Capacity upgraded means that an End User who was previously experiencing congestion (slower connections at peak times), or is facing 'stop sell' (cannot obtain a service), is now able to access an upgraded broadband service.

INFRASTRUCTURE REFERENCE GROUP (IRG) PROGRAMME

The IRG programme comprises of 222 approved infrastructure projects being managed by various Government agencies, with 47 being directly overseen by CIP. The programme was instigated in early 2020 when COVID-19 was initially causing impacts across world economies and aims to provide economic stimulus and support to the infrastructure and construction sectors.

CIP's performance in terms of the percentage of CIP projects advanced during the year is measured by the amount of Government funding invested versus total Government funding available (at least 60% of Government funding approved at 30 June 2022).

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
PROJECT IMPLEMENTATION	Government funding invested versus total approved Government funding - being 62%	CIP projects advanced during year measured by amount of Government funding invested versus total Government funding (at least 60% of Government funding approved at 30 June 2022)	Achieved	CIP advanced the majority of projects during the year as measured by the amount of Government funding and total funding (including co-funding) invested versus total Government funding and total project cost - being 47%*	Mostly Achieved

** The performance measure in 2021/22 included both Government and co-funding*

Table 8: Infrastructure Reference Group Programme

AFFORDABLE WATERS PROGRAMME

This class of outputs tracks CIP's progress towards the achievement of the Affordable Waters reform programme objectives.

CIP has been engaged to manage the implementation of the rural water supply fund, as part of its Affordable Waters responsibilities. The programme has commenced, with the contracting of the head vendor, and implementation with initial sites underway by the end of FY23. This will be measured by assessing whether such matters have occurred at the end of FY23. In future years, this measure will be the number of premises which will receive safe drinking water.

The $30 million Rural Drinking Water programme aims to improve rural drinking water supplies that are not provided by councils. The programme focuses on kāinga and private rural water suppliers that are not for profit and involves fitting certain water filtration systems so that drinking water is safe and at the required standard set by Taumata Arowai, the water regulator.

CIP has also been engaged to monitor the "Better Off" programme, as part of its Affordable Waters responsibilities. The "Better Off" programme is being implemented by DIA. CIP is providing bi-annual progress reporting to DIA, the Government, and the public. This is measured by assessing whether the reporting was provided and whether it was fit for purpose.

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
RURAL WATER	Head Contractor in place and implementation underway.	Contract head vendors, and commence implementation with initial sites underway by end of FY23	Achieved	Pilot programme commenced, RFP results received as per plan.	Achieved
"BETTER OFF" PACKAGE (BoF)	BoF reporting has not started as programme was delayed, CIP has established a comprehensive system for reporting and managing claims and is in the process of preparing the first 6-monthly report as at 30 June 2023.	Provide bi-annual Government and public reporting on progress that are fit for purpose.	Achieved	Reporting was provided to DIA and public in a timely manner meeting requirements.	Achieved

Table 9: Affordable Waters Programme

STATEMENT OF PERFORMANCE *Continued...*

CIP'S PERFORMANCE TARGETS FOR FINANCIAL AND OPERATIONAL EFFICIENCY

This measure outlines the operational efficiency of establishing and managing the various infrastructure programmes that CIP manages. CIP has made good overall progress towards achieving its performance targets for financial and operational efficiency (Table 10). In turn, the delivery partners have satisfactorily met their contractual obligations for deployment and operations.

CIP is involved in two programmes (being PSN and Affordable Waters Better Off) where CIP is not directly funding the investments but is incurring the management costs. If the investment relating to those programmes is taken into account, CIP's operational efficiency is improved further.

REPORTABLE MEASURE	2022/2023			2021/2022	
	ACTUAL	PLAN	PERFORMANCE	ACTUAL	PERFORMANCE
CIP NET OPERATIONAL COST AS PERCENTAGE OF ANNUAL INVESTMENT/GRANTS	3.5%	5%	Achieved	3.0%	Achieved

Table 10: CIP's Performance Targets for Financial and Operational Efficiency

For more detail refer to 'Consolidated Statement of Comprehensive Revenue and Expenses' – Page 56

PERFORMANCE MEASURES NOT INCLUDED THIS YEAR

The following measures are not included and reported on this year, because the relevant programmes and/or measures have been completed in the prior period:

- Infrastructure Funding and Financing - pipeline of projects (as the pipeline is now in place and is being maintained);
- Infrastructure Reference Group - project implementation (no longer applicable as funding contracts are in place) and reporting (also no longer applicable as reporting is now in place);
- Affordable Waters - delivery plan reviews, review of quarterly reports from Local Territorial Authorities and reporting on the programme (no longer applicable as the programme has been completed);
- Telecommunications Partners Performance Targets section is no longer included in the Annual Report as it is not part of the 2022/2023 SPE; and
- There are measures that are no longer noted in the Statement of Performance Expectations compared to the prior year. These are either nearing completion or are no longer a significant focus.

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2023

IN TERMS OF THE PUBLIC FINANCE ACT 1989, AND PARTICULARLY SECTION 19A, THE BOARD IS RESPONSIBLE FOR THE PREPARATION OF CROWN INFRASTRUCTURE PARTNERS LIMITED'S ANNUAL REPORT, WHICH INCLUDES FINANCIAL STATEMENTS AND A STATEMENT OF PERFORMANCE, AND FOR THE JUDGEMENTS MADE THEREIN.

The Board of Directors of Crown Infrastructure Partners 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 and non-financial reporting for the Company. In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and performance of Crown Infrastructure Partners Limited for the year ended 30 June 2023.

Signed on behalf of the Board.

Mark Binns
Chair

16 October 2023

Bella Takiari-Brame
Director

16 October 2023

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CROWN INFRASTRUCTURE PARTNERS LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Crown Infrastructure Partners Limited Group (the Group). The Auditor-General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Group on his behalf.

OPINION

We have audited:

- the financial statements of the Group on pages 56 to 91, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information which reports against the Group's statement of performance expectations and appropriations for the year ended 30 June 2023 on pages 41, 45 to 50, 92 and 93.

In our opinion:

- the financial statements of the Group:
  - 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 Group'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; and
  - 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 16 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 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 Group for preparing financial statements and performance information that are fairly presented and that 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 is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is 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 liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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 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 Group'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 Group'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 Group'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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 40, pages 42 to 44, page 51, pages 54 to 55 and pages 94 to 95, 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 Group 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 the audit, we have no relationship with, or interests in, the Group.

Wikus Jansen van Rensburg
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Otago Polytechnic - He Toki

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023[1] $000	2022 $000
Income			
Interest income	**14**	77,800	53,026
Grant Income	**2**	426,846	427,620
Receipt of right to statutory levy	**2**	36,149	–
Government Agency Recoveries	**2**	2,195	3,351
Net fair value gains on FVTSD[2] investments	**11**	8,703	–
Net fair value gains on derivatives	**11**	–	600
Total income		**551,693**	**484,597**
Expenses			
Finance costs	**3**	3,842	2,432
Directors' fees	**15**	189	198
Personnel costs	**16**	8,301	7,029
Depreciation expense	**12**	117	110
Professional advisory fees	**17**	6,478	6,249
Other expenses	**18**	2,779	3,268
Grant programme expenses	**7**	377,736	281,640
Non-grant funded programme expenses	**7**	5,594	4,517
UFB contribution – Chorus Debt and Equity Securities	**11**	24,895	43,902
Contribution – loans	**11**	61,269	25,788
Expected credit loss	**6**	1,178	688
Impairment on loan assets	**6**	6,795	2,500
Net fair value losses on FVTSD[2] investments	**11**	–	198,635
Net fair value losses on derivatives	**11**	256	–
Total expenses		499,429	576,956
Surplus/(deficit) before tax		**52,264**	**(92,359)**
Tax expense/(credit)	**19**	–	–
Net surplus/(deficit)		**52,264**	**(92,359)**
Other comprehensive revenue and expense		–	–
Total comprehensive revenue and expense		**52,264**	**(92,359)**

[1] Budget figures and explanations of major variances against the budget are detailed in note 24.
[2] Fair value through surplus or deficit.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023[1] $000	2022 $000
Assets			
Current assets			
Cash and cash equivalents	**20**	230,097	357,442
Short-term investments	**20**	213,602	513,972
Trade and other receivables		2,734	10,737
GST receivables		9,907	6,518
Prepayments		68	64
Total current assets		456,408	888,733
Non-current assets			
Property, plant and equipment	**12**	10,182	5,757
Intangible assets – software	**13**	125	–
Investments in financed infrastructure programmes	**4**	85,416	44,610
Investments in Chorus Debt and Equity Securities	**5**	653,420	578,555
Loan assets	**6**	153,887	80,579
Total non-current assets		903,030	709,501
Total assets		**1,359,438**	**1,598,234**
Liabilities			
Current liabilities			
Creditors and other payables	**21**	55,719	80,965
Employee entitlements		1,221	1,070
Income in advance	**22**	207,021	424,609
Total current liabilities		263,961	506,644
Non-current liabilities			
Borrowings	**3**	91,635	45,810
Income in advance	**22**	–	151,968
Interest rate swap	**8**	66	–
Total non-current liabilities		91,701	197,778
Total liabilities		**355,662**	**704,422**
Net assets		**1,003,776**	**893,812**
Contributed capital	**10**	1,655,200	1,597,500
Retained earnings		(651,424)	(703,688)
Total equity		**1,003,776**	**893,812**

[1] Budget figures and explanations of major variances against the budget are detailed in note 24.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Capital $000	Retained earnings $000	Total $000
Opening balance 1 July 2021	**1,505,400**	**(611,329)**	**894,071**
Comprehensive income			
Net surplus/(deficit)	–	(92,359)	(92,359)
Total comprehensive revenue and expense	–	(92,359)	(92,359)
Owners' transactions			
Capital contribution – Crown (note 10)	92,100	–	92,100
Closing balance 30 June 2022	**1,597,500**	**(703,688)**	**893,812**
Opening balance 1 July 2022	**1,597,500**	**(703,688)**	**893,812**
Comprehensive income			
Net surplus/(deficit)[1]	–	52,264	52,264
Total comprehensive revenue and expense	–	52,264	52,264
Owners' transactions			
Capital contribution – Crown (note 10)[2]	57,700	–	57,700
Closing balance 30 June 2023	**1,655,200**	**(651,424)**	**1,003,776**

[1] Budget figures and explanations of major variances against the budget are detailed in note 24.

[2] The capital contribution made in CIP is represented by 1,655,200,200 fully paid ordinary shares issued at a value of $1.00. For fiscal year 2023, CIP made a total of $57.7m capital calls. The cash received during fiscal year 2023 of $67.7m included $10.0 m receivable from fiscal year 2022. For fiscal 2022, CIP made a total of $92.1m capital calls, of which $82.1m was received in cash and $10.0m was recorded as a receivable at 30 June 2022.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023[1] $000	2022 $000
Cash flows from operating activities			
Interest received		23,044	4,376
Government Grants received		57,527	117,408
Receipts from government agencies		1,825	9,095
Payments to suppliers		(13,049)	(9,501)
Payments to employees		(7,718)	(6,474)
Grant programme payments		(374,072)	(275,125)
Non-grant programme expenses		(3,149)	(10,864)
Goods and services tax (net)		(1,641)	1,467
Net cash inflow/(outflow) from operating activities	**20**	**(317,233)**	**(169,618)**
Cash flows from investing activities			
Net proceeds from sale of short-term investments		298,301	386,546
Purchase of property, plant and equipment and software		(837)	(177)
Acquisition of investments in bulk housing projects		(3,476)	–
Payments received from investment in infrastructure programmes		2,063	1,376
Acquisition of investments in Chorus Debt and Equity Securities		(81,218)	(65,294)
Acquisition of investments in loans		(137,203)	(93,236)
Net cash inflow/(outflow) from investing activities		**77,630**	**229,215**
Cash flows from financing activities			
Capital contribution – Crown[2]	**2**	67,700	82,100
Proceeds from borrowings	**3**	48,141	15,248
Interest paid		(3,596)	(2,179)
Net settlements on derivatives		13	–
Net cash inflow from financing activities		**112,258**	**95,169**
Net increase/(decrease) in cash and cash equivalents		**(127,345)**	**154,766**
Cash and cash equivalents at the beginning of the year		357,442	202,676
Cash and cash equivalents at the end of the year	**20**	**230,097**	**357,442**

[1] Budget figures and explanations of major variances against the budget are detailed in note 24.

[2] The capital contribution made in CIP is represented by 1,655,200,200 fully paid ordinary shares issued at a value of $1.00. For fiscal year 2023, CIP made a total of $57.7m capital calls. The cash received during fiscal year 2023 of $67.7m included $10.0m receivable from fiscal year 2022. For fiscal 2022, CIP made a total of $92.1m capital calls, of which $82.1m was received in cash and $10.0m was recorded as a receivable at 30 June 2022.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The reporting entity is Crown Infrastructure Partners Limited (CIP, the Parent and the Company) and its controlled subsidiaries (the Group). As at 30 June 2023 the controlled entities were CIP (IFF Holdings) Limited, Milldale Holdco GP Limited, Milldale Infrastructure GP Limited, Milldale Holdco LP, Milldale Infrastructure LP, CIP Services Limited, TSP Finance GP Limited, Sludge Finance GP Limited, Sludge Finance 1 Limited and Sludge Finance 2 Limited which are 100% controlled. These controlled entities were established to facilitate accelerated development of bulk housing infrastructure for the Milldale development located at Wainui, Auckland, implementation of the Western Bay of Plenty Transport System Plan in Tauranga, and the Sludge Minimisation Facility in Wellington. CIP is a limited liability company incorporated under the Companies Act 1993, and is a Crown entity as defined by the Crown Entities Act. CIP is listed in Schedule 4A of the Public Finance Act 1989.

The primary purpose of the Company is to carry out the public policy objectives of the government to:

(a) implement, fund, facilitate, monitor, advise or otherwise assist the government with any government objectives in relation to:

(i) radio and telecommunications connectivity and/or services;

(ii) three waters and climate resilience infrastructure and/or services;

(iii) the government's COVID-19 response and recovery infrastructure funding programme;

(b) implement and/or facilitate funding and financing of infrastructure, including as provided for under the Infrastructure Funding and Financing Act, by:

(i) government investment (including through debt or equity); or

(ii) co-investment with, or facilitating investment from (including securing third-party debt or equity), private sector or other participants, to achieve the government's objectives for funding infrastructure; and

(c) implement, facilitate, advise or otherwise assist the government with any transaction, or class of transactions, or provide assistance with any other matter, in relation to any Infrastructure Projects that are selected by the government, as agreed from time to time between the Company and the Shareholding Ministers.

As a consequence of carrying out the Company's primary purpose, the Company may, subject at all times to satisfying the requirements of the Act, repatriate surplus funds by way of distributions to its Shareholders.

CIP's aim is to provide services to the public and implement Government policy, and, as such, the Company is a company named in Schedule 4A of the Public Finance Act. The Company is recognised on Schedule 35 of the Income Tax Act 2007 as a public purpose Crown-controlled (PPC) company. Accordingly, CIP has designated itself as a PPC for the purposes of financial reporting under New Zealand Public Sector PBE Standards (PBE Standards). CIP is a public authority and so is exempt from the payment of income tax. Therefore, no provision has been made for income tax in CIP's financial statements.

The consolidated financial statements of CIP are for the year ended 30 June 2023 and were approved by the Board of Directors on 16 October 2023.

STATEMENT OF COMPLIANCE

The financial statements of the Group have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements are presented and prepared in accordance with Tier 1 PBE Standards and comply with PBE Standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently for all periods presented. The Directors consider that the Group will continue to have sufficient resources, access to unpaid share capital, Crown grant funding, and available debt facilities to pay its debts as they fall due for the foreseeable future, which is not less than 12 months from the date that these financial statements are approved.

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest one thousand dollars ($000). The functional currency of the Company and each member of the Group is New Zealand dollars.

GENERAL ACCOUNTING POLICIES

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Adoption of new and amended financial reporting standards

The Group has adopted all mandatory new and amended standards and interpretations, which have not had any material impacts on the financial statements of the Group. In the current period the Group adopted PBE IPSAS 41 *Financial Instruments*, PBE FRS 48 *Service Performance Reporting,* and *Editorial Corrections to PBE Standards*.

PBE IPSAS 41 *Financial Instruments* replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* and PBE IFRS 9 *Financial Instruments*.

Standards and amendments issued but not yet effective, that have not been early adopted and relevant to the Group are:

Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41) clarifies the accounting for certain public sector specific financial instruments and some instruments with characteristics similar to financial instruments (such as monetary gold). The amendments are effective for annual periods beginning on or after 1 January 2023. The Group will adopt the amendments in the year ending 30 June 2024.

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1) updates the required disclosures for fees relating to services provided by the entity's audit or review firm. The amendments are effective for annual periods beginning on or after 1 January 2024. The Group will adopt the amendments in the year ending 30 June 2025.

2022 Omnibus Amendments to PBE Standards makes minor amendments and clarifications to several of the PBE standards. The Omnibus Amendments are effective for annual periods beginning on or after 1 January 2023. The Group will adopt the amendments in the year ending 30 June 2024.

The above new standards and interpretations have not been early adopted as they are not expected to have material impacts on the recognition or measurement of items in the consolidated financial statements when adopted in the periods in which they become mandatory.

Significant accounting policies in respect of items that do not have specific notes are set out below:

Classification of financial assets and liabilities

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through surplus or deficit (FVTSD).

All the Group's financial liabilities are measured at amortised cost, except for derivative financial liabilities, which are measured at FVTSD.

Impairment of financial assets carried at amortised cost

The Group recognises a loss allowance for Expected Credit Losses (ECL) on financial assets that are measured at amortised cost. The amount of the ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instruments.

The Group recognises the lifetime ECL for trade receivables. In assessing impairment for a portfolio of receivables, the Group considers past experience of collecting payments, as well as any increase in the number of delayed payments in the portfolio past the average credit period of 30 days, and observable changes in national or local economic conditions that correlate with defaults on receivables.

For investments in debt instruments (loans) the Group recognises the lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information.

The lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, the 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on financial instruments that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The carrying amount of an instrument is reduced by the impairment loss directly for all instruments with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. A receivable is considered to be uncollectible when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Significant estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that have the most significant effect on the amounts recognised in financial statements.

- Classification of the Group's right to levy beneficiaries under the Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022 as a statutory receivable measured at fair value through surplus or deficit – Note 4.
- Classification of the interest rate swap under PBE IPSAS 41 as a derivative measured at the fair value through surplus or deficit - Note 8.

The following are the critical estimates that have the most significant effect on the amounts recognised in financial statements.

- Calculation of the fair value of the right to levy statutory receivable – Note 4.
- Calculation of the fair value of the investment in Milldale Bulk Housing Projects – Note 4.
- Calculation of the fair value of the Chorus Debt and Equity Securities – Note 5.
- Calculation of the fair value of the interest rate swap - Note 8.

2. COMPOSITION OF THE GROUP

CONSOLIDATION OF SUBSIDIARIES IN THE GROUP

Determining the nature of the interest in the subsidiaries

The Group holds 100% of the shares in Milldale Holdco GP Limited, Milldale Infrastructure GP Limited, CIP Services Limited, CIP (IFF Holdings) Limited, TSP Finance GP Limited, Sludge Finance GP Limited, Sludge Finance 1 Limited and Sludge Finance 2 Limited and therefore has control over these companies and partnerships. These companies and partnerships are treated as subsidiaries in the consolidated financial statements of the Group.

Milldale Holdco GP Limited is the general partner of Milldale Holdco LP. Milldale Infrastructure GP Limited is the general partner of Milldale Infrastructure LP. CIP owns 100% of the limited partnership interest in Milldale Holdco LP, which in turn owns 100% of the limited partnership interest in Milldale Infrastructure LP. TSP Finance GP Limited is the general partner of TSP Finance LP. Sludge Finance GP Limited is the general partner of Sludge Finance LP. Sludge Finance LP owns 100% of the two subsidiary entities, Sludge Finance 1 Limited and Sludge Finance 2 Limited. CIP (IFF Holdings) Limited, a subsidiary of CIP, owns 100% of the limited partnership interest in TSP Finance LP and Sludge Finance LP. CIP, through CIP (IFF Holdings) Limited has power over TSP Finance LP through its ownership of TSP Finance GP Limited and Sludge Finance LP through its ownership of Sludge Finance GP Limited. CIP has power over the limited partnerships through its ownership of the general partners, exposure to variable benefits through its limited partnership interests, and the ability to use its power to affect the amount of benefits from the limited partnerships through its decision-making rights. Therefore, the Group has control over Milldale Holdco LP Milldale Infrastructure LP, TSP Finance LP and Sludge Finance LP. These limited partnerships are treated as subsidiaries in the consolidated financial statements of the Group.

The Sludge project's contractual close was on the 2nd August 2023. There were no transactions in the Sludge GP Limited, Sludge Finance LP, Sludge Finance 1 Limited and Sludge Finance 2 Limited in the 2023 financial year.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

The financial statements of a subsidiary or partnership are prepared for the same reporting period as those of the Parent and are consistent with the Parent's accounting policies. Adjustments are made to bring into line any dissimilar accounting policy that may exist.

A subsidiary or partnership is consolidated from the date on which control is obtained to the date on which control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

2. COMPOSITION OF THE GROUP (CONTINUED)

RELATED PARTY TRANSACTIONS

Significant transactions with government-related entities

During the current period, CIP received $57.7 million of equity funding from the Crown, all of which was received in cash in addition to $10 million of cash that was recorded as a receivable at 30 June 2022 (2022: $92.1 million of equity funding, $82.1 million of which was received in cash and $10 million was receivable at 30 June 2022) for specific purposes, as set out in its founding legislation and the scope of the relevant Government appropriations.

CIP was provided with $12.9 million in cash from the Crown for IRG loans and grants (2022: nil). CIP has recorded $382.2 million of IRG grant income (2022: $312.2 million of IRG grant income).

CIP was also provided with $44.6 million in cash from the Crown for Digital Connectivity programmes (including the Regional Digital Connectivity Programme and West Coast Fibre Link funded through the Provincial Growth Fund (PGF)) and Affordable Waters programmes. CIP recognised $15 million of grant revenue relating to Digital Connectivity programmes and $29.6 million of grant revenue relating to Affordable Waters programmes.

The Group recognised $36.1 million of revenue for receipt of the right to levy beneficiaries under the Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022. The levies will be used to pay for the costs of financing the grants the Group is providing to Tauranga City Council for designated infrastructure projects and related administration expenses (note 4). The Group recognised $34.2 million of grant expense in the current period for funding provide to Tauranga City Council.

CIP recognised $0.9 million in Government Agency Recoveries from the New Zealand Police for the Public Safety Network programme (2022: $3.1 million). CIP is acting as the telecommunications infrastructure procurement partner for the Public Safety Network.

CIP recognised $0.8 million in Government Agency Recoveries from the Department of Internal Affairs (DIA) (2022: $0.3 million). CIP is supporting the DIA in providing monitoring and review services in respect of the Affordable Waters 'better off' programme for local territorial authorities.

CIP recognised $0.4 million in Government Agency Recoveries from the Ministry of Business, Innovation and Employment (MBIE) for costs to administer the Digital Connectivity Programmes (2022: nil).

Other transactions with government-related entities

In conducting its activities, the Group is required to pay various taxes and levies (such as GST, PAYE and ACC levies and rates) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. CIP and its subsidiaries are exempt from paying income tax.

The Group 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 generally occur within normal supplier or client relationships on terms and conditions no more or less favourable than those that it is reasonable to expect the Group would have adopted if dealing with those entities at arm's length in the same circumstances. The transactions on normal arm's length terms have not been disclosed as related party transactions and are not individually or collectively significant.

As disclosed above, the Group has provided funding to Tauranga City Council for infrastructure projects (note 4).

Key management personnel

Compensation of key management personnel is set out in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

3. BORROWINGS

	2023 $000	2022 $000
Principal	96,756	48,616
Unamortised transaction costs	(5,121)	(2,806)
Net carrying amount borrowings	91,635	45,810
Fixed rate loan from ACC	49,617	45,810
Floating rate facility – Westpac and BNZ	42,018	–
	91,635	**45,810**

ACC loan

Milldale Infrastructure LP, a subsidiary of CIP, has entered into an agreement with ACC to borrow up to $60 million for a 35-year period at a fixed interest rate of 5.37%. The funds obtained from the borrowings are provided as a grant to the developer of the Milldale Bulk Housing Infrastructure Project (see note 4 for information about the investments in the Milldale Bulk Housing Infrastructure Project). The borrowings are secured over the cash inflows of the project, with recourse to the development lot owners through an encumbrance on the land. There is no recourse or guarantee provided by CIP for these borrowings.

During the construction phase of the development, the interest on the borrowings is being funded through further drawdowns on the facility. Repayments of principal begin in the financial year ending 30 June 2027.

Westpac and Bank of New Zealand loan facility

TSP Finance LP, a subsidiary of CIP, has entered into a senior facilities agreement with Westpac New Zealand Limited and Bank of New Zealand to borrow up to $198.4 million for a 7-year period at a floating interest rate calculated using BKBM plus a margin of 1.45%. The funds obtained from the borrowings are provided to Tauranga City Council (TCC) to fund infrastructure projects. The lenders have a security interest in the partnership interests in TSP Finance LP and the shares in TSP Finance GP Limited. There is no recourse or guarantee provided by CIP for these borrowings.

Levies, which will be used to fund the interest cost, principal repayments and other operating expenses for TSP Finance LP will be collected starting 1 July 2024. A portion of the principal will be repaid based on an amortisation schedule in the loan agreement, with payments starting in the year ending 30 June 2027. The balance of the principal is due for repayment on 31 December 2029. TSP Finance LP intends to refinance the facility prior to the maturity date. TSP Finance LP is required to comply with a debt service cover ratio covenant outlined in the senior facilities agreement. TSP has complied with the covenant during the reporting period.

Finance costs

	2023 $000	2022 $000
Effective interest on borrowings	3,746	2,352
Other finance charges	96	80
Total finance costs	**3,842**	**2,432**

Reconciliation of carrying amount of borrowings

	2023 $000	2022 $000
Opening balance	45,810	30,556
Drawdowns	48,141	15,248
Payment of upfront fees and commitment fees	(2,466)	(167)
Interest expense	3,746	2,352
Payments of principal and interest	(3,596)	(2,179)
Closing balance	**91,635**	**45,810**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

3. BORROWINGS (CONTINUED)

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised as a profit or loss in the Statement of Comprehensive Revenue and Expense over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs and included in the effective interest rate. Periodic commitment fees on the undrawn portion of the facility are also included in the effective interest rate of the loan as the loan is expected to be drawn down.

4. INVESTMENTS IN INFRASTRUCTURE FINANCED PROGRAMMES

The Group's investments in infrastructure financed projects include the Milldale Bulk Housing Infrastructure Programme and the right to levy statutory receivable relating to the Western Bay of Plenty Transport Systems Plan Programme.

INVESTMENTS IN MILLDALE BULK HOUSING INFRASTRUCTURE PROJECT

The Group's investments in the Milldale Bulk Housing Infrastructure Project financial assets are set out below:

	2023 $000	2022 $000
Balance at 1 July	**44,610**	**39,668**
Amount paid during the year	3,476	6,907
Interest revenue	3,376	3,215
Fair value gains/losses	268	(3,822)
Repayments received	(2,063)	(1,358)
Balance at 30 June	**49,667**	**44,610**

Investments in Milldale Bulk Housing Infrastructure Project financial assets – key terms

The Group, through its subsidiary Milldale Infrastructure LP, provides funding to the developer to fund construction of bulk housing infrastructure. The developer places a first ranking encumbrance on the land and the Group is entitled to receive infrastructure payments from the developer and subsequent landowners over a 35-year period. The infrastructure payments on a portion of the encumbrances began in July 2019, with the percentage making payments increasing over time to reflect the pattern on which lots are expected to be developed and released to third-party landowners. There are some provisions for either the developer or a subsequent landowner to prepay the remaining balance under the encumbrance.

Accounting policies

The investments in the Milldale Bulk Housing Infrastructure financial assets are classified as FVTSD. These financial assets do not qualify to be measured at amortised cost because the cash flows do not represent solely payment of principal and interest. The investments are recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the investments in Milldale Bulk Housing Infrastructure financial assets are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income – imputed interest is calculated using the effective interest method; and
- Fair value gains/losses on FVTSD investments – all other fair value movements, including impairment, are included in the fair value gains/losses on FVTSD investments line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

4. INVESTMENTS IN INFRASTRUCTURE FINANCED PROGRAMMES (CONTINUED)

Key assumptions

Fair value is determined using a discounted cash flow methodology based on the expected cash inflows from the infrastructure payments. The key assumption is the discount rate set out below, along with information on a reasonably possible change and the potential impacts of such a change on the investment carrying value for the Milldale Bulk Housing Infrastructure financial assets. Management has determined that 100 basis points is a reasonably possible change in the discount rate at 30 June 2023 based on current market volatility and the increasing interest rate environment (2022: 100 basis points was determined to be a reasonably possible change in discount rate at 30 June 2022).

Key assumptions/inputs	2023 Assumption	Possible change	2023 Impact $000	2022 Assumption	Possible change	2022 Impact $000
Discount rate	6.81%	+/-100 bps	-5,492/6,559	6.39%	+/-100 bps	-5,232/6,301

RIGHT TO LEVY STATUTORY RECEIVABLE – WESTERN BAY OF PLENTY TRANSPORT SYSTEMS PLAN PROGRAMME

The Group's investment in the right to levy statutory receivable is set out below:

	2023 $000	2022 $000
Balance at 1 July	**–**	**–**
Revenue for receipt of right to levy	36,149	–
Interest revenue	787	–
Fair value gains/losses	(1,187)	–
Levies received	–	–
Balance at 30 June	**35,749**	**–**

Right to levy statutory receivable – key terms

The Group, through its subsidiary TSP Finance LP, is providing funding to Tauranga City Council for certain infrastructure projects. Under the Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan Levy) Order 2022 ('Levy Order'), TSP Finance LP will be entitled to collect levies from ratepayers in the levy area for periods from 1 July 2024 to 30 June 2054. The levies will fund the financing and operating costs of TSP Finance LP.

Significant judgements

The right to impose a levy on ratepayers arising from the Levy Order is a transaction that is not explicitly covered by PBE accounting standards. In the absence of specific guidance, management is required to use its judgement to develop an appropriate accounting policy, including consideration of the requirements in PBE standards for similar transactions. The Group has determined that the right to levy is a statutory receivable that arises from a binding arrangement with the Crown. Since the receivable is statutory rather than contractual, it is not a financial asset under PBE IPSAS 41 *Financial Instruments* ('PBE IPSAS 41'). However, the Group has determined that it would be appropriate to apply the guidance in PBE IPSAS 41 by analogy to account for the statutory receivable. Applying the guidance in PBE IPSAS 41, the Group has determined that the statutory receivable should be classified as FVTSD as outlined below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

4. INVESTMENTS IN INFRASTRUCTURE FINANCED PROGRAMMES (CONTINUED)

Accounting policies

The Group recognises revenue for receipt of the right to levy statutory receivable from the Crown as it delivers funding to TCC. This is considered to be an exchange transaction. The revenue is recorded at the fair value of the consideration received, being the fair value of the future cash flows to be received through the levies.

The statutory receivable is classified as FVTSD. The statutory receivable does not qualify to be measured at amortised cost because the cash flows do not represent solely payment of principal and interest. The statutory receivable is recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the statutory receivable are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income – imputed interest is calculated using the effective interest method; and
- Fair value gains/losses on the statutory receivable – all other fair value movements, including impairment are included in the fair value gains/losses on the statutory receivable line item.

The imputed interest income is recognised using the effective interest method. The effective interest rate is a rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument at the time of initial recognition.

Key assumptions

Fair value is determined using a discounted cashflow methodology based on the expected cash inflows from the levy payments. The key assumption is the discount rate set out below, along with information about a reasonably possible change and the potential impacts of such a change on the carrying value of the statutory receivable. Management has determined that 100 basis points is a reasonably possible change in the discount rate at 30 June 2023 based on current market volatility and the increasing interest rate environment.

Key assumptions/inputs	2023 Assumption	Possible change	2023 Impact $
Discount rate	5.85%	+/-100 bps	-4,432/5,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

5. INVESTMENTS IN CHORUS DEBT AND EQUITY SECURITIES

The Group's investments in Chorus Equity and Debt Securities are carried at fair value. These are set out below:

	Chorus Equity Warrants $000	Chorus Equity Securities $000	Chorus Senior Notes $000	Chorus Subordinated Notes $000	Total $000
Net investments at 1 July 2021	**416**	**370,667**	**113,639**	**212,612**	**697,334**
Amount paid during the year	–	14,954	10,656	17,279	42,889
Amount payable at balance date	–	11,132	9,786	15,386	36,304
Less UFB contribution	–	(16,219)	(10,198)	(17,485)	(43,902)
Initial investment recognised	–	9,867	10,244	15,180	35,291
Fair value gain/(loss) recognised in surplus or deficit	600	(108,501)	(28,119)	(58,193)	(194,213)
Interest	–	24,157	5,087	10,899	40,143
Net investments at 30 June 2022	**1,016**	**296,190**	**100,851**	**180,498**	**578,555**
Amount paid during the year	–	16,136	12,034	16,744	44,914
Less UFB contribution	–	(10,132)	(6,049)	(8,713)	(24,894)
Initial investment recognised	–	6,004	5,985	8,031	20,020
Fair value gain/(loss) recognised in surplus or deficit	(204)	7,154	(1,061)	3,528	9,417
Interest	–	26,923	5,934	12,571	45,428
Net investments at 30 June 2023	**812**	**336,271**	**111,709**	**204,628**	**653,420**

All fair value gains/losses relate to assets that continue to be held at the end of the reporting period.

Chorus overview

Chorus self-funded the design and build work and carried the risk of any cost overruns in the network build. CIP invested $1.3 billion in Chorus progressively as UFB deployment stages were completed. Chorus is required to repay the Crown for its investment between 2025 and 2036 or earlier. CIP's investment in Chorus is by way of Debt and Equity Securities. These securities were issued progressively by Chorus and subscribed to by CIP on a per-premises-passed basis as stages were completed and satisfied User Acceptance Testing.

Chorus also issued to CIP Equity Warrants to allow CIP to participate in the upside of the financial performance of Chorus (one warrant for each $1 of the CIP Equity Securities). The warrants are not currently considered significant.

Chorus Equity Securities – key terms

The Chorus Equity Securities carry no rights to vote at meetings of ordinary Chorus shareholders, but rank ahead of ordinary shareholders in the event of liquidation. Dividends will become payable on a portion of the Chorus Equity Securities from 2025 onwards, with the portion increasing with time until all the Chorus Equity Securities attract dividends. These dividends are at the discretion of the Chorus Board; however, ordinary Chorus shareholders cannot be paid dividends if the Chorus Equity Securities' dividends are unpaid.

The dividend rate will equal the New Zealand 180-day bank bill rate plus a margin of 6%. It is expected that all Chorus Equity Securities, if not redeemed, will attract dividends by 2036. Chorus can redeem the Chorus Equity Securities in cash or by issuing Chorus ordinary shares (by reference to a formula) at any time.

At 30 June 2023 the Moody's Chorus Credit rating is Baa2 (30 June 2022: Baa2), and Standard & Poor's rating is BBB (2022: BBB). Both credit ratings are investment grade.

The terms of the Chorus Equity Securities do not prohibit the payment of dividends on Chorus ordinary shares. However, provisions elsewhere in the agreements prohibit Chorus, without CIP's approval, paying any distributions on its ordinary shares during any period in which Chorus's credit rating is below investment grade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

5. INVESTMENTS IN CHORUS DEBT AND EQUITY SECURITIES (CONTINUED)

Chorus Debt Securities – key terms

The Chorus Debt Securities are unsecured and carry no interest, but they do have imputed interest shown on the face of the Statement of Comprehensive Revenue and Expense and, like the Chorus Equity Securities, have no voting rights. The principal amount of a Chorus Debt Security consists of a senior portion and a subordinated portion. The senior portion ranks equally with all other unsecured, unsubordinated creditors of Chorus, and has the benefit of any negative pledge covenant that may be contained in any of Chorus's debt arrangements. The subordinated portion ranks above ordinary shares of Chorus. The initial value of the Chorus debt securities is the present value of the sum repayable on the securities.

The repayment profile is based on a similar regime to the dividend rights for the Chorus Equity Securities. The redemption profile is 18.5% in 2025 and 2030, 27.7% in 2033 and the remaining 35% in 2036.

CIP's investment

Any difference on initial recognition between the fair value of an investment in Chorus and the contribution by CIP represents CIP's and the Crown's contribution towards the deployment of UFB in New Zealand. As a result, the UFB transactions are considered, in substance, to be represented by two components, and the Group has:

- recognised the UFB contribution as a form of government grant. A government grant is recognised when Chorus meets the criteria to receive the grant. This is reflected in the UFB contribution line in surplus or deficit; and
- attributed the remaining fair value of the payment made to Chorus to the continuing financial instrument (the Chorus Equity or Debt Securities).

The judgement used in componentising the transactions in this way affects the amount of UFB contributions recognised. There is judgement made on the interest rates used to value the tranches of Chorus Equity and Debt Securities, as these interest rates affect the value recorded in the Statement of Comprehensive Revenue and Expense of the CIP contributions and the fair values of the equity and debt securities on initial recognition.

Accounting policies

The investments in unlisted Equity Securities of Chorus are classified as FVTSD. The investments are recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the Chorus Equity Securities are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income – imputed interest is calculated using the effective interest method to approximate the effect of interest income to CIP on these instruments;
- Dividends – dividends are recognised in surplus or deficit when the Company's right to receive the dividends is established; and
- Fair value gains/losses on FVTSD investments – all other fair value movements, including impairment, are included in the fair value gains/losses on FVTSD investments line item. Indications that Chorus is in significant financial difficulty and late payments are considered to be objective evidence of impairment.

The investments in Chorus Debt Securities are classified as FVTSD. The investments are recognised at fair value on initial recognition and subsequently, with all gains and losses recognised in surplus or deficit.

The fair value movements relating to the Chorus Debt Securities are presented in the following line items in the Statement of Comprehensive Revenue and Expense:

- Interest income – imputed interest is calculated using the effective interest method; and
- Fair value gains/losses on FVTSD investments – all other fair value movements, including impairment, are included in the fair value gains/losses on FVTSD investments line item.

Any difference on initial recognition between the fair value of the investment and the contribution by CIP is reflected in the UFB contribution line in surplus or deficit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

5. INVESTMENTS IN CHORUS DEBT AND EQUITY SECURITIES (CONTINUED)

Key assumptions

Fair value is determined in the manner set out under the Fair Value Measurements section of note 9. The estimates used are based primarily on market-observable data of similar types of instruments; these include corporate bonds that have similar maturity dates, credit risks and industry characteristics.

The key assumptions are set out below, along with information on a reasonably possible change (estimated based on past experience) and the potential impacts of such a change on the investment carrying value for the Chorus Equity Securities and Chorus Debt Securities carried at fair value. Management has determined that 100 basis points is a reasonably possible change in the credit spread inputs/assumptions below at 30 June 2023 based on current market volatility and the increasing interest rate environment (2022: 100 basis points was determined to be a reasonably possible change in credit spread inputs/assumptions at 30 June 2022).

					Equity Securities		Debt Securities	
Key assumptions/inputs	**2023 Assumption**	**2022 Assumption**	**2023 Possible change**	**2022 Possible change**	**2023 Impact $000**	**2022 Impact $000**	**2023 Impact $000**	**2022 Impact $000**
Senior credit spread (BBB (2022: BBB))	155-200 bps	189-256 bps	+/-100 bps	+/-100 bps	NA	NA	-6,859/ 10,787	-8,296/ 9,292
Subordinated credit spread (BBB-/BB+ (2022: BBB-/BB+)	201-247 bps	276-343 bps	+/-100 bps	+/-100 bps	-24,630/ 27,303	-23,837/ 26,596	-15,914/ 15,690	-14,443/ 16,145
Risk-free term structure	4.63% – 5.14%	3.60% – 4.08%	+/-100 bps	+/-100 bps	-24,630/ 27,303	-23,837/ 26,596	-22,324/ 25,924	-22,740/ 25,437

6. INVESTMENTS IN LOAN ASSETS

The Group's investments in loan assets include the IRG loans and the Northpower Fibre Limited 2 (NFL2 loan). These loan assets are carried at amortised cost.

	IRG loans $000	NFL2 loan $000	Total $000
Balance at 1 July 2021	**12,830**	**8,513**	**21,343**
Amount paid during the year	86,329	–	86,329
Less loan contribution	(25,788)	–	(25,788)
Initial investment recognised	60,541	–	60,541
Interest revenue	1,713	441	2,154
Payments received	(271)	–	(271)
Impairment	(2,500)	–	(2,500)
Provision for expected credit loss	(688)	–	(688)
Balance at 30 June 2022	**71,625**	**8,954**	**80,579**
Amount paid during the year	137,203	–	137,203
Less loan contribution	(61,269)	–	(61,269)
Initial investment recognised	75,934	–	75,934
Interest revenue[1]	5,532	464	5,995
Repayments received	(649)	–	(649)
Impairment	(6,795)	–	(6,795)
Provision for expected credit loss	(1,178)	–	(1,178)
Balance at 30 June 2023	**144,469**	**9,418**	**153,887**

[1] The interest revenue is imputed interest of $5.3 million and $0.7 million of cash received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

6. INVESTMENTS IN LOAN ASSETS (CONTINUED)

IRG overview

The IRG was set up to identify infrastructure projects in the private and public sectors that would have an immediate stimulatory effect on the construction industry, its workforce and the economy. Projects needed to show that they could be underway within 12 months from the date of funding being contracted, with material employment benefits, and providing national or regional public benefits.

CIP, and other Crown agencies, are now in the implementation phase with $837.8 million in grants and loans already paid out. CIP's role is to oversee the Government funding of $1.3 billion of IRG projects, and also to carry out a co-ordination role across the other agencies responsible for IRG projects for project approvals and regular reporting. CIP monitors the performance of IRG delivery partners to ensure that contractually agreed milestones are being met.

Most of the funding is being provided in the form of grants, while the remainder will be provided through concessionary loans. It has been determined that CIP is principal to the IRG grants. The Group recognises the IRG grant income in its Statement of Comprehensive Revenue and Expense as it incurs expense for providing the IRG grants to IRG delivery partners.

IRG loans - key terms

Concessionary loans to asset owners are made either interest free or at below market interest rates. The loan agreements generally require the asset owners to provide co-funding for the projects and meet agreed milestones prior to making drawdowns. Repayments are made over a range of periods up to 20 years, from the dates of the agreements or the dates of initial drawdowns. CIP may require early repayment and/or suspend future drawdowns if an asset owner is in breach of the terms of the loan agreement.

CIP's investment in IRG loans

Any difference on initial recognition between the amount loaned by the Group and the fair value of the loan asset represents the CIP's and the Crown's contribution towards infrastructure projects to reduce the economic impacts of the COVID-19 pandemic. As a result, the IRG transactions are considered, in substance, to be represented by two components, and the Group has:

- recorded the loan asset at its fair value on initial recognition; and
- recognised the loan contribution as a form of government grant. A government grant is recognised when the IRG delivery partners meets the criteria to receive the grant. This is reflected in the loan contribution line in surplus or deficit.

The judgement used in componentising the transactions in this way affects the amount of loan contributions recognised. There is judgement made on the interest rates used to value the IRG loans, as these interest rates affect the value recorded in the Statement of Comprehensive Revenue and Expense of the Crown contributions and the fair values of the loans on initial recognition.

Accounting policies

The loan assets are measured initially at fair value and subsequently at amortised cost, less impairment. Any difference on initial recognition between the fair value of an investment and the contribution by CIP is reflected in the Contribution - loans line in surplus or deficit. Interest income is recognised by applying the effective interest method.

Fair value on initial recognition is determined using a discounted cash flow method. The estimates are based primarily on market-observable data of similar types of instruments; these include corporate bonds that have similar maturity dates, credit risks and industry characteristics.

The accounting policy for impairment is set out in the general accounting policies section at the beginning of these financial statements. An impairment review has been performed. The Group has recorded impairment expense of $6.8 million and expected credit losses of $1.2 million (2022: impairment of $2.5 million and expected credit losses of $0.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

7. GRANT EXPENSES AND FUNDING COMMITMENTS

Grant expenses

	2023 $000	2022 $000
Digital connectivity programmes	52,268	64,293
IRG grants	246,378	221,864
Affordable waters infrastructure grants	50,487	-
Infrastructure Funding and Financing ('IFF'') grants	34,197	-
Total grant expenses	**383,330**	**286,157**

In the current period the Group paid $46.7 million in digital connectivity programme grants that were funded by the Crown (2022: $59.8 million), including $9.7 million of Provincial Growth Fund grants (PGF) (2022: $23.7 million), $27.4 million of Telecommunications Development Levy (TDL) grants (2022: $36.1 million), $9.6 million of Rural Connectivity funding (2022: nil), and CIP makes digital connectivity grant payments as Non-grant funded programme expenses $5.6 million (2022 $4.5 million).

Funding commitments

	Planned 2024 $000	Beyond 2024 $000
Digital connectivity programmes	149,750	81,542
IRG grants and loans	387,459	198,398
Affordable waters infrastructure grants	11,293	15,960
Infrastructure Funding and Financing ('IFF'') grants	27,988	136,392
Total grant expenses	**576,490**	**432,292**

CIP is reliant on the shareholder support, IFF is funded by the shareholder and 3rd party debt raised in the capital markets.

Digital connectivity programmes

The digital connectivity programmes include Rural Broadband, Mobile Black Spots, Rural Mobile Tower expansion, Rural Capacity Upgrades. The strategic objectives are to improve rural broadband coverage and capacity for those rural households, marae, and businesses identified as being in need of improved coverage or capacity and mobile coverage on state highways, regional roads, rural settlements and tourist areas.

CIP has contracted with the Rural Connectivity Group (RCG)[1], 21 local Wireless Internet Service Providers (WISPs), and the three Mobile Network Operators (MNOs) and Chorus – "delivery partners". The payments vary between the tower locations and households and businesses covered, and the basis of payment is per tower for RCG, and households and businesses for the WISPs. The TDL funds up to $180 million for the RBI2/MBS programme and the PGF provides for up to a further $40 million of grant funding Rural Connectivity Funding up to $60 million, and 3.5 GHz Rural and Regional Connectivity (3.5GHz) up to $72 million. CIP receives the TDL, PGF and Rural Connectivity Funding, funding from the allocation by the Crown of 5G 3.5GHzspectrum to the three MNOs as a grant from the Ministry of Business, Innovation and Employment, and itself grants the funds to delivery partners. CIP will also fund up to a further $105 million of the RBI2/MBS programmes (of which $71.4 million remains to be paid out at 30 June 2023).

Infrastructure Reference Group ('IRG') Work Programme

CIP made $136.3 million of IRG loans in the current period (note 6) and distributed $246.4 million in IRG grants. CIP is expecting to distribute $387.5 million of grants and loans in the year ended 30 June 2024 and a further $198.4 million in future financial periods. For further information on the IRG programme, please see the CIP website https://www.crowninfrastructure.govt.nz/irg

[1] A joint venture between One NZ, Spark and 2degrees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

7. GRANT EXPENSES AND FUNDING COMMITMENTS

Affordable Waters infrastructure

The Government has appointed CIP to manage and work with the DIA to deliver a $30 million Rural Drinking Water Programme. The programme is to provide communities with treatment systems, training and maintenance to provide safer drinking water to Kāinga and rural users to meet the drinking water regulations. CIP will also assist with the monitoring of the Government's Affordable Water 'Better Off' for local territorial authorities.

Infrastructure funding and financing (IFF)

In the May 2022 Government Budget, the government renewed the IFF appropriation over five years which is used to fund CIP's remaining uncalled capital for bulk housing and other eligible classes of infrastructure, including community facilities, community infrastructure, environmental resilience and natural hazard infrastructure, and transport and water services infrastructure, with a focus on supporting land release for housing supply. To date, CIP has provided $44.1 million in funding to the Milldale developer, and $34.2 million to TCC. These payments have been largely debt funded. The Group records grant expense as TCC incurs eligible expenditure that will be reimbursed to TCC under the funding agreement.

8. INTEREST RATE SWAP

Key terms

The Group entered into a 30-year interest rate swap to receive fixed payments in exchange for floating (NZD-BKBM Bid) payments quarterly based on specified notional amounts outlined in the swap agreement. The notional amounts are based on the expected principal amounts outstanding under the senior facilities agreement with Westpac New Zealand Limited and Bank of New Zealand. The swap was taken out to manage interest rate risk on the floating rate facility.

Accounting policy

The interest rate swap is measured at FVTSD. Changes in fair value are recognised in the 'net fair value gains/losses on derivatives' line in the statement of comprehensive revenue and expense.

Key assumptions

Fair value is determined using a discounted cashflow methodology based on the expected cash inflows and outflows over the 30-year contract period. The key assumptions are the forward interest rate price curves and the discount rate, which reflects the counterparty credit risk. These key inputs are set out below, along with information about a reasonably possible change and the potential impacts of such a change on the carrying value of the interest rate swap. Management has determined that 100 basis points is a reasonably possible change in the discount rate at 30 June 2023 based on current market volatility and the increasing interest rate environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

9. FINANCIAL RISK

CIP's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. CIP has a range of policies to manage the risks associated with financial instruments and seeks to minimise this exposure. These policies do not permit any transactions that are speculative in nature. Investments of a financial nature can only be transacted with New Zealand major trading banks or in government securities.

MARKET RISK

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Group is exposed to fair value interest rate risk on the Chorus Equity Securities, Chorus Debt Securities, Milldale Bulk Housing Infrastructure financial assets, right to levy financial receivable and the interest rate swap which are all accounted for at fair value.

The Group is also exposed to fair value interest rate risk in relation to its fixed-interest-rate financial instruments, including bank deposits, Treasury bills, the NFL2 loan, the IRG loans and the fixed-rate borrowings. However, because these items are not accounted for at fair value, fluctuations in interest rates do not have an impact on the surplus/(deficit) or the carrying amount recognised in the Statement of Financial Position.

The average interest rate on CIP's bank term deposits at 30 June 2023 is 5.34% (2022: 2.37%). The average interest rate on CIP's Treasury bills at 30 June 2023 is 5.45% (2022: 2.31%).

The terms of the Chorus Equity Securities and Debt Securities and the investments in the Milldale Bulk Housing Infrastructure financial assets, right to levy financial receivable and the IRG loans are set out in notes 4, 5 and 6.

The terms of the Group's fixed rate borrowings are set out in note 3.

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. Investments and borrowings issued at variable interest rates expose the Group to cash flow interest rate risk.

The Group has floating rate borrowings as described in note 3. The Group uses an interest rate swap to manage the interest rate risk relating to the borrowings.

The Group also holds term deposits, which are re-priced at maturity.

Sensitivity analysis

In relation to term deposits held on 30 June 2023, if the deposit rate had been 100 basis points higher or lower, with all other variables held constant, the surplus/(deficit) for the period would have been approximately $1.2 million higher/lower (2022: $1.1 million). In relation to Treasury bills held on 30 June 2023, if the interest rate had been 10 basis points higher or lower, with all other variables held constant, the surplus/(deficit) for the period would have been approximately $0.1 million higher/lower (2022: $0.4 million). In relation to the variable-rate borrowings owing at 30 June 2023, if the interest rate had been 100 basis points higher or lower, with all other variables held constant, the surplus/(deficit) for the period would have been approximately $0.4 million lower/higher (2022: nil).

The sensitivities of the Chorus Securities, the Milldale Bulk Housing Infrastructure Project investments, the right to levy financial receivable, and the interest rate swap are set out in the relevant key assumptions sections of notes 4, 5, and 8.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation, causing the Group to incur a loss.

Credit risk arises from the Group's exposure to: the New Zealand Government arising from Treasury bills, banks arising from cash deposits, interest receivable and interest rate swaps; Chorus through its investment in the Chorus Debt Securities; NFL2 through its investment in the NFL2 loan; IRG delivery partners through the IRG loans and loan commitments; the Milldale developer and landowners through the investments in Milldale Bulk Housing Infrastructure financial assets and ratepayers through the right to levy financial receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

9. FINANCIAL RISK (CONTINUED)

The investments in the Milldale Bulk Housing Infrastructure Project financial assets are secured by first-ranking encumbrances The investments in the Milldale Bulk Housing Infrastructure financial assets are secured by first-ranking encumbrances on the land. The credit risk relating to the Milldale investments is deemed to be low due to the first ranking encumbrances. In relation to the right to levy, Tauranga City Council will collect and enforce the levies on behalf of TSP Finance LP as an agent, however TSP Finance LP may step in and enforce payment in some circumstances. The Council, as agent, will impose penalties on late payments for levies in the same manner as for late payment of rates.

The Group invests surplus cash with major registered trading banks. The Group's deposits are currently held with five (2022: five) major banks, which are registered New Zealand banks. CIP's Investment Policy limits the amount of credit exposure to any one institution (no more than $100 million of term deposits with any one bank and subject to each bank having a credit rating of A or better).

The Group obtains guarantees and/or collateral for loans made to other parties as appropriate. The NFL2 loan is guaranteed by Northpower Limited (Northpower) and is secured against Northpower's shares and debt in NFL2 and the assets of NFL2. The credit risk for the NFL2 loans and IRG loan commitments has been determined to be low. CIP has determined that the credit risk for the secured and unsecured IRG loans and loan commitments has not changed during the current period (2022: no change). The Group considers whether the credit risk has increased by evaluating the activities of the entities to which it has lent funds and made loan commitments to determine whether the entities are on target to complete construction projects and whether there are any other events or circumstances indicating that the credit risk of those entities has changed. There are no material overdue assets at 30 June 2023 (2022: nil). Management has performed an Expected Credit Loss (ECL) calculation and reviewed the general terms of impairment and determined that there is a $1.2 million ECL impairment and a $6.8 million impairment relating to IRG loans in the current period (2022: $0.7 million impairment ECL impairment and $2.5 million impairment relating to IRG loans).

CIP's maximum credit exposure is represented by the carrying amounts of the Group's financial assets and the Group's commitment to provide further funding to the Milldale developer, Tauranga City Council and IRG delivery partners.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. CIP's primary mechanism for managing liquidity risk is capital funding from the Crown. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Most of the funding for the IRG loans and grants was received in advance from the Crown. The Group also manages the liquidity risk relating to its borrowings by matching the expected payments with expected cash receipts relating to the investments in the Milldale Bulk Housing Infrastructure Project financial assets and the right to levy financial asset.

The Group holds cash at bank, either in an interest-bearing transactional account or in term deposits. Term deposits are represented as cash and cash equivalents or short-term investments in the Statement of Financial Position depending on whether the maturity dates are more than three months from the origination date. All cash and short-term deposits are held in New Zealand.

Contractual maturity analysis of financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial liabilities. As disclosed in note 3, the Westpac and Bank of New Zealand loan facility is due to be repaid in December 2029, however the Group is likely to refinance under the facility and therefore the borrowings under that facility are expected to be repaid over a longer period, to fiscal year 2054. The interest rate swap, which was taken out to manage the floating rate debt, is in place for 30 years to 2053. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group can be required to pay (and shows the expected cash outflows if the Westpac and Bank of New Zealand borrowings are fully repaid in December 2029). The tables include both interest and principal cash flows in relation to borrowings that have been drawn down at balance date. The Group expects to make additional drawdowns on the Westpac and Bank of New Zealand facility over the next few financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

9. FINANCIAL RISK (CONTINUED)

2023 Financial liability	Less than 12 months $000	Between 1 and 5 years $000	Between 5 and 10 years $000	Greater than 10 years $000
Creditors and other payables	55,719	–	–	–
Borrowings – ACC	2,821	11,588	16,465	79,486
Borrowings – Westpac and BNZ	3,258	10,661	48,111	–
Interest rate swap cash outflows	2,184	26,880	45,433	132,702
Interest rate swap cash inflows	(2,762)	(26,124)	(42,319)	(137,573)
Total cash flows	**61,220**	**23,005**	**32,641**	**158,145**

2022 Financial liability	Less than 12 months $000	Between 1 and 5 years $000	Between 5 and 10 years $000	Greater than 10 years $000
Creditors and other payables	80,965	–	–	–
Borrowings	2,610	13,338	15,043	76,446
Total cash flows	**83,575**	**13,338**	**15,043**	**76,446**

Since the Group expects to refinance the Westpac and Bank of New Zealand loan facility, the following additional table presents the expected cashflows based on those borrowings being repaid over the period to FY 2054.The table includes both interest and principal cash flows in relation to borrowings that have been drawn down at balance date. As noted above, the Group expects to make additional drawdowns on the Westpac and Bank of New Zealand facility over the next few financial years, and the terms of the interest rate swap reflect those additional expected drawdowns.

2023 Financial liability	Less than 12 months $000	Between 1 and 5 years $000	Between 5 and 10 years $000	Greater than 10 years $000
Creditors and other payables	55,719	–	–	–
Borrowings – ACC	2,821	11,588	16,465	79,486
Borrowings – Westpac and BNZ	3,258	10,661	13,062	83,530
Interest rate swap cash outflows	2,184	26,880	45,433	132,702
Interest rate swap cash inflows	(2,762)	(26,124)	(42,319)	(137,573)
Total cash flows	**61,220**	**23,005**	**32,614**	**158,145**

Additional information on CIP's commitment to provide further funding to the Milldale developer, Tauranga City Council and IRG delivery partners is set out in note 7 and note 22.

FAIR VALUE MEASUREMENTS

For the purposes of disclosing information on the fair value of financial instruments, the Group has classified its financial instruments into three categories based on the degree to which the inputs to the fair value measurements are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets measured at fair value, and the movements therein, are set out in notes 4 and 5. These financial assets are all considered to be in level three of the fair value hierarchy. The interest rate swap liability, disclosed in note 8, is considered to be in level two of the fair value hierarchy. There were no transfers between levels in the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

9. FINANCIAL RISK (CONTINUED)

The fair value of financial assets and liabilities is determined using a variety of valuation techniques. CIP uses a discounted cash flow method and makes assumptions that are based on market data and the key characteristics of the instruments. These include, but are not limited to, management's assessments of the cash flows, capital expenditure, profitability and market penetration during the estimated period of the investment.

The Group's fixed rate borrowings (drawdowns of $52.4 million) (2022: $48.6 million) have a fair value of $48.5 million (2022: $44.6 million). The carrying amount of the borrowings of $49.6 million at 30 June 2023 represents drawdowns of $52.4 million net of transaction costs of $2.8 million (30 June 2022: carrying amount of $45.8 million represents drawdowns of $48.6 million net of transaction costs of $2.8 million).

The Group's floating rate borrowings (drawdown amount of $44.4 million) under the Westpac and Bank of New Zealand facility approximates the fair value. The carrying amount of the floating rate borrowings of $42.0 million at 30 June 2023 represents drawdowns of $44.4 million net of transaction costs of $2.4 million (30 June 2022: nil).

The investment in the NFL2 loan (carrying amount $9.4 million) has a fair value of $8.0 million (2022: the carrying amount of $9.0 million had a fair value of $7.0 million).

The investment in IRG loans (carrying amount $144.5 million) has a fair value of $130.6 million (2022: the carrying amount of $74.1 million had a fair value of $65.9 million). This primarily reflects movements in market interest rates since the loans were drawn down.

The fair values of the fixed rate loans and borrowings differ from their carrying amounts, predominantly due to market interest rates moving compared with the amortised cost used in the initial recognition of the instruments.

The carrying amounts of all other financial assets and liabilities approximate their fair values at 30 June 2023 and 30 June 2022.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 41 categories are as follows:

	2023 $000	2022 $000
Amortised cost		
Cash and cash equivalents	230,097	357,442
Short-term investments	213,602	513,972
Trade and other receivables	2,734	10,737
IRG loans	144,469	71,625
NFL2 loan	9,418	8,954
Total financial assets carried at amortised cost	600,320	962,730
Financial assets mandatorily measured at FVTSD		
Investments in Chorus Equity Securities	336,271	296,190
Investments in Chorus Debt Securities	316,337	281,349
Investments in Chorus Equity Warrants	812	1,016
Investments in Milldale Bulk Housing Infrastructure financial assets	49,667	44,610
Right to levy financial receivable	35,749	–
Total financial assets mandatorily measured at FVTSD	738,836	623,165
Total financial assets	**1,339,156**	**1,585,895**
Financial liabilities measured at amortised cost		
Creditors and other payables	55,719	80,965
Borrowings	91,635	45,810
Total financial liabilities measured at amortised cost	147,354	126,775
Financial liabilities mandatorily measured at FVTSD		
Interest rate swap	66	–
Total financial liabilities mandatorily measured at FVTSD	66	–
Total financial liabilities	**147,420**	**126,775**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

10. CAPITAL AND CAPITAL MANAGEMENT

	2023 $000	2022 $000
Opening balance	1,597,500	1,505,400
Capital contribution	57,700	92,100
Balance at 30 June	**1,655,200**	**1,597,500**

Contributed capital represents proceeds from the issue of ordinary shares to the Crown, net of related share issue costs (if any). Distributions paid to the Crown (if any) are deducted from contributed capital.

The Crown investment made in CIP is represented by 1,865,400,200 $1 ordinary shares issued (2022: 1,865,400,200), with 1,655,200,200 being fully paid (2022: 1,597,500,200) and 210,200,000 being unpaid (2022: 267,900,000). The Crown (the Minister of Finance (50%) and the Minister for State-Owned Enterprises (50%)) holds all the issued capital of CIP. All shares have equal voting and dividend rights and share equally in any distribution on wind-up.

Capital management

CIP's and the Group's capital is their equity, which comprises accumulated funds and share capital, and borrowings. Equity is represented by net assets.

CIP and the Group manage their equity as a by-product of prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure that CIP and the Group achieve their objectives and purposes effectively, while remaining going concerns.

11. FAIR VALUE MOVEMENTS ON FINANCIAL INSTRUMENTS

The fair value gains/losses represent the change in the carrying value to the value that CIP believes it would attain in the market as at balance date. CIP uses a discounted cash flow method and makes assumptions that are based on market data and the key characteristics of the instruments.

The gains and losses (excluding interest, which is set out in note 14, and impairment, which is set out in note 9) in each of the PBE IPSAS 41 categories are as follows:

	2023 $000	2022 $000
Fair value gains/(losses) on remeasurement of financial assets at FVTSD		
Chorus Equity Securities – fair value gains/(losses)	7,154	(108,501)
Chorus Debt Securities – fair value gains/(losses)	2,468	(86,312)
Milldale Bulk Housing Infrastructure financial assets – fair value gains/(losses)	268	(3,822)
Statutory receivable – right to levy fair value gains/(losses)	(1,187)	–
Total fair value gains/(losses) on remeasurement of financial assets at FVTSD	8,703	(198,635)
Fair value gains/(losses) on derivatives		
Chorus Equity Warrants – fair value gains/(losses)	(203)	600
Interest rate swap – fair value gains/(losses)	(53)	–
Total fair value gains/(losses) on derivatives	(256)	600
Fair value losses on initial recognition of financial assets at FVTSD		
Chorus Equity Securities – UFB contribution	(10,132)	(16,219)
Chorus Debt Securities – UFB contribution	(14,763)	(27,683)
Total fair value losses on initial recognition of financial assets at FVTSD	(24,895)	(43,902)
Fair value losses on initial recognition of financial assets at amortised cost		
IRG loans – loan contributions	(61,269)	(25,788)
Total fair value losses on initial recognition of financial assets measured at amortised cost	(61,269)	(25,788)
Total recognised in surplus/(deficit)	**(77,717)**	**(267,725)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

12. PROPERTY, PLANT AND EQUIPMENT

	Fibre network assets $000	Information technology $000	Other equipment $000	Total $000
Cost				
Balance at 1 July 2021	5,484	248	144	5,876
Additions during the year	–	79	26	105
Disposals during the year	–	(1)	–	(1)
Balance at 30 June 2022	**5,484**	**326**	**170**	**5,980**
Accumulated depreciation				
Balance at 1 July 2021	–	84	29	113
Depreciation charge for the year	–	92	18	110
Disposals during the year	–	–	–	–
Balance at 30 June 2022	–	176	47	223
Net book value at 30 June 2022	**5,484**	**150**	**123**	**5,757**
Cost				
Balance at 1 July 2022	5,484	326	170	5,980
Additions during the year	4,516	26	–	4,542
Disposals during the year	–	(90)	(6)	(96)
Balance at 30 June 2023	**10,000**	**262**	**164**	**10,426**
Accumulated depreciation				
Balance at 1 July 2022	–	176	47	223
Depreciation charge for the year	–	98	19	117
Disposals during the year	–	(90)	(6)	(96)
Balance at 30 June 2023	–	184	60	244
Net book value at 30 June 2023	**10,000**	**78**	**104**	**10,182**

ACCOUNTING POLICIES

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are included in surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fibre network assets

Chorus has deployed fibre network infrastructure in Milford Sound, Southland and the West Coast of the South Island on behalf of CIP. These assets will support the Government's objective of improving digital connectivity capabilities across local communities, support tourism activity, contribute to public safety and science programmes and contribute to network resilience in the West Coast and Milford Sound areas. Chorus will also provide operation and maintenance services on the network for a period of 25 years. The costs to deploy the infrastructure are capitalised as property, plant and equipment at cost. The network assets will be depreciated over their estimated useful lives starting in the financial year ending 30 June 2024.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the costs of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Information technology	2.5 years (40%)
Other equipment	4-17 years (7% - 30%)

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

Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Group to consider a number of factors, such as the physical condition of each asset, the expected period of use of the asset by the Group, and the expected disposal proceeds from the future sale of the asset.

Impairment

Property, plant and equipment are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amounts might not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Impairment has been considered, and it has been determined there is no impairment (2022: nil).

13. INTANGIBLE ASSETS

	Software $000
Cost	
Balance at 1 July 2022	–
Additions during the year	125
Balance at 30 June 2023	**125**
Accumulated amortisation	
Balance at 1 July 2022	–
Amortisation charge for the year	–
Balance at 30 June 2023	**–**
Net book value at 30 June 2023	**125**

Internally generated software assets are shown at cost, less any accumulated amortisation and impairment losses.
At 30 June 2023, the software assets are not yet available for use and therefore the Group has not recorded any amortisation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

14. INTEREST INCOME

	2023 $000	2022 $000
Interest income		
Amortised cost financial assets		
NFL2 loan	464	441
IRG loans	5,532	1,713
Interest earned on cash balances with financial institutions	15,005	4,216
Interest earned on Treasury bills	7,208	3,298
FVTSD financial assets		
Investments in Milldale Bulk Housing Infrastructure Project financial assets	3,376	3,215
Right to levy statutory receivable	787	–
Chorus Equity Securities	26,923	24,157
Chorus Debt Securities	18,505	15,986
Total interest income	**77,800**	**53,026**

The interest income on the NFL2 loan, investments in Milldale Bulk Housing Infrastructure Project financial assets, IRG loans, the right to levy statutory receivable and Chorus Debt and Equity Securities is the imputed interest calculated to approximate the effect of interest income to CIP on these instruments. For the NFL2 loan and the Chorus Securities, the imputed interest is in effect the write-back of the discount on the investment for the year. The interest on the IRG loans is an imputed interest amount that reflects both the write-back of the discount on the investments and any interest received on the loans.

Interest income is recognised using the effective interest method. The effective interest rate is a rate that discounts estimated future cash receipts (including all fees and points paid or received between the parties, transaction costs and other premiums or discounts) through the expected life of a financial instrument, or where appropriate a shorter period, to the net carrying amount of the financial instrument.

15. DIRECTORS' FEES

	2023 $000	2022 $000
Board member fees during the year were:		
Mark Binns (Chair)	63	63
Alan Dent (appointed July 2022)	32	–
Danelle Dinsdale (resigned June 2022)	–	32
Chris Gudgeon	32	32
Kerry Knight (resigned May 2022)	–	29
Bella Takiari-Brame	32	32
Mei Fern Johnson (appointed March 2022)	32	11
Total Board member fees	**189**	**198**

The Group has Directors' and Officers' liability insurance to cover Directors and Officers. The Group indemnifies the Directors against costs and liabilities incurred by Directors for acts and omissions made in their capacity as Directors to the extent permitted by CIP's Constitution and the Companies Act 1993.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

16. EMPLOYEE ENTITLEMENTS, PERSONNEL COSTS AND KEY MANAGEMENT PERSONNEL

	2023 $000	2022 $000
Salaries and wages	7,874	6,642
Employer contributions to defined contribution plans	41	76
Other staff benefits	386	311
Total personnel costs	**8,301**	**7,029**

CIP has 34 full-time-equivalent employees and 16 contractors as at 30 June 2023 (2022: 33 and 14 respectively).

Key management personnel compensation

	2023 $000	2022 $000
Directors - five individuals (2022: six individuals)	189	198
CEO and senior management (7 individuals) (2022: 7 individuals)	2,859	2,776
Total key management personnel compensation	**3,047**	**2,974**

No significant compensation or termination benefits have been paid during the year (2022: nil).

The remuneration policy for the Company, including the CEO, is based on the following principles:

- To align remuneration, recognition and performance frameworks with the purpose and values of CIP;
- To balance the need to operate competitively in the private sector recruitment market and the need to be mindful of CIP being government owned and funded as a Schedule 4 Company;
- To build an organisation of motivated, engaged and productive employees, who in turn create desired business performance and results;
- To develop and maintain pay and performance systems that enable CIP to attract, retain and motivate suitably qualified staff;
- To develop consistent, transparent and sustainable pay and performance systems; and
- To value and reward staff fairly in relation to:
  - The work they do and their performance in their jobs;
  - The growth of individuals in their positions;
  - Other jobs in the organisation;
  - The market value of their jobs;
  - Remuneration levels in similar organisations and sectors; and
  - Their contributions to the organisation.

The Company remuneration is based on fixed remuneration and an At-Risk Incentive (ARI). Fixed remuneration consists of base salary and other benefits including KiwiSaver. Fixed remuneration for a position is determined by the job size and the corresponding remuneration ranges from our market comparator provided by independent remuneration specialists. The market comparator is selected based on the industry sectors from which CIP recruits. A review and market benchmarking of market data is conducted each year and informs a decision on whether a general increase in fixed remuneration is appropriate. Increases in an individual's fixed remuneration beyond the general adjustment may occur depending on where the individual sits in the remuneration range for their position, the individual's performance and growth in the role and whether the scope of their role has increased. There was a general adjustment to remuneration of 4% in fiscal year 2023 (2022: there were no general adjustments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

16. EMPLOYEE ENTITLEMENTS, PERSONNEL COSTS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

The ARI is the principal method by which CIP recognises and rewards collective performance as a company, as outlined in the Statement of Performance Expectations (SPE), and individual performance against key performance indicators (KPIs). Fifty percent of the ARI is made up of an employee's performance against KPIs as defined annually in their KPI document. Individual KPIs are derived from CIP's SPE targets and are agreed by the individuals and their people managers. The other fifty percent of the ARI is determined by Company performance against targets that are agreed with the CIP Board Remuneration Committee each year.

CEO and executive remuneration for 2023 and 2022 was:

		Fixed remuneration $	Short-term incentive $	% of short-term incentive paid	Total remuneration $
Graham Mitchell	2023	547,469	80,477	98%	627,947
Executive remuneration		2,340,946	214,226	98%	2,555,172
Graham Mitchell	2022	516,480	73,502	95%	589,982
Executive remuneration		1,868,667	271,383	98%	2,186,370

CEO and executive remuneration consist of fixed remuneration and a short-term incentive. The short-term incentive is based 50% on Company performance, as outlined in the SPE, and 50% based on individual KPIs determined by the Board. These measures are reviewed annually by the Board on advice from the Remuneration Committee of the Board. The CEO's Individual Employment Agreement has a three-month notice period and redundancy entitlement of three months' remuneration.

Short-term employee entitlements

Employee entitlements that the Group expects to settle within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. Employee entitlements that are not expected to be settled within 12 months of balance date are measured as the present value of the estimated future cash outflows, in respect of services provided by employees up to balance date.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability for sick leave is recognised based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it is expected to be used by staff to cover future absences.

A liability and an expense are recognised for an at-risk incentive where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Defined contribution superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in surplus or deficit as incurred.

17. PROFESSIONAL ADVISORY FEES

	2023 $000	2022 $000
Accounting	1,378	909
Legal	1,451	1,959
Engineering	898	418
Other	2,751	2,963
Total professional advisory fees	**6,478**	**6,249**

Accounting fees relate to non-audit accounting services provided; legal fees relate to the provision of legal services, and engineering fees relate to the provision of advice and project management on the IRG programme, Affordable Waters infrastructure programmes, Infrastructure Funding and Financing projects and Digital Connectivity programmes. The Other professional advisory fees are predominantly due to the capital raising and specialist fees for the IFF investments. A portion of these fees are recovered at the financial close of the IFF projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

18. OTHER EXPENSES

	2023 $000	2022 $000
Financial statements audit fees - Audit New Zealand	236	180
Contractors	780	1,735
Staff travel and accommodation	168	107
Operating lease expenses	410	397
Information technology	376	324
Other	809	525
Total other expenses	**2,779**	**3,268**

Audit New Zealand, on behalf of the Office of the Auditor-General, is the auditor of CIP and its subsidiaries.

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in surplus or deficit. Lease incentives received are recognised in surplus or deficit over the lease term as an integral part of the total lease expense.

19. TAXATION

	2023 $000	2022 $000
Current income tax expense/(credit) recognised in surplus/(deficit)	-	-
Deferred tax expense relating to tax losses and the origination and reversal of temporary differences	-	-
Total income tax expense/(credit)	**-**	**-**
Reconciliation		
Surplus/(deficit) for the period	52,264	(92,359)
Tax expense/(credit) calculated at 28% (2022: 28%)	14,634	(25,861)
Effect of non-taxable status of the entities in the Group	(14,634)	25,861
Total income tax expense/(credit)	**-**	**-**

CIP is a public authority and consequently is exempt from the payment of income tax, but it is required to show the effective tax at 28% in the reconciliation above. CIP's subsidiaries are also exempt from the payment of income tax.

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is presented as its own line item in the Statement of Financial Position. The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

20. RECONCILIATION OF NET DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2023 $000	2022 $000
Net surplus/deficit after tax	**52,264**	**(92,359)**
Add/(Less) non-cash items		
Interest income	(54,937)	(45,241)
Receipt of right to levy statutory receivable	(36,149)	-
Fair value losses/(gains) on FVTSD investments	(8,703)	198,635
Fair value losses/(gains) on derivatives	256	(600)
Depreciation	117	110
UFB contribution	24,895	43,902
Loan contributions	61,269	25,788
Impairment on loan asset	6,795	2,500
Expected credit loss	1,178	688
Total non-cash items	(5,279)	225,782
Add/(Less) movements in working capital items		
Receivables, GST and prepayments	4,610	(8,502)
Short-term investments	300,370	384,434
Creditors and other payables	(25,248)	14,795
Employee entitlements	151	222
Income in advance	(369,555)	(305,785)
Net movements in working capital items	(89,672)	85,164
Add/(Less) items reclassified as investing or financing		
Movements in trade and other receivables related to financing activities	(10,000)	10,000
Movements in trade and other receivables related to investing activities	-	(18)
Movements in short-term investments relating to investing activities	(298,301)	(386,546)
Movements in creditors and other payables related to property, plant and equipment	(3,830)	73
Movements in creditors and other payables related to Chorus investments and loans	36,304	(13,899)
Interest paid	3,596	2,179
Transaction costs recorded as part of the initial carrying amount of borrowings	(2,315)	6
Net cash from operating activities	**(317,233)**	**(169,618)**

Cash and cash equivalents:

	2023 $000	2022 $000
Deposits with financial institutions*	230,097	357,442
Treasury bills < 3 months	-	-
Total cash and cash equivalents	**230,097**	**357,442**

* Includes $3.2 million of restricted cash that is not available for general purposes (2022: $5.1 million).

Short-term investments:

	2023 $000	2022 $000
Term investments with financial institutions > 3 months < 12 months	115,000	120,000
Treasury bills > 3 months < 12 months	98,602	393,972
Total short-term investments	**213,602**	**513,972**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

21. CREDITORS AND OTHER PAYABLES

	2023 $000	2022 $000
Creditors	55,307	80,287
Accrued expenses	412	678
Total creditors and other payables	**55,719**	**80,965**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore the carrying value of creditors and other payables approximates their fair value.

Purchases of property, plant and equipment are set out in note 12.

22. INCOME IN ADVANCE

Income in advance	2023 $000	2022 $000
IRG income in advance	207,021	576,340
Other income in advance	–	237
	207,021	**576,577**
Income in advance is shown in the Statement of Financial Position as:		
Current	207,021	424,609
Non-current	–	151,968
Total income in advance	**207,021**	**576,577**

IRG income in advance relates to funding received from the Crown to be used for IRG grants and loans in future fiscal years. Delivery partners are required to meet agreed-upon criteria/milestones to be eligible for drawdowns under the funding agreements. The current portion of income in advance represents the funds that CIP expects to disburse in fiscal 2024 to delivery partners that, it is anticipated, will meet the required criteria/milestones.

23. EVENTS AFTER BALANCE DATE

Following 30 June 2023 CIP has received and invested further funds of:

Wellington Sludge had its financial close on the 14th August 2023. This is an IFF structured deal with a total investment of a maximum of $400m to Wellington City Council and 30 year debt to be raised of ~$440million, with $8.6 million of equity provided by CIP. The funding is for the Wastewater Sludge Minimisation Project. The total investment is expected to be progressively made over the next 4-5 years.

CIP has been appointed as Crown Administrator for funding and monitoring the Cyclone Recovery Packages for the North Island Weather Event impacted Councils and Nelson City agreed by the Crown and the Flood Protection Co-investment Fund to a total value of $1.8 billion.

There have been no other significant events since balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

The 2023 budgeted deficit of $180.9 million was approved in the 2022/2023 Statement of Performance Expectations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Actual 2023 $000	Budget 2023 $000
Income		
Interest income	77,800	64,482
Grant income	426,846	413,082
Receipt of right to levy statutory receivable	36,149	–
Government Agency Recoveries	2,195	8,726
Fair value gains on FVTSD investments	8,703	–
Total income	551,693	486,290
Expenses		
Finance costs	3,842	3,867
Directors' fees	189	221
Wages and salaries	8,301	8,722
Depreciation expense	117	620
Professional and advisory fees	6,478	12,230
Other expenses	2,779	3,473
Non-grant project expenses (CIP funding)	5,594	43,650
UFB contributions	24,895	29,546
Loan contributions	61,269	67,069
Grant expense	377,736	346,674
Expected credit loss	1,178	–
Impairment	6,795	–
Fair value losses on FVTSD investments	–	151,155
Net fair value losses on derivatives	256	–
Total expenses	499,429	667,227
Surplus/(Deficit) before tax	**52,264**	**(180,937)**
Tax expense/(credit)	–	–
Net surplus/(deficit)	**52,264**	**(180,937)**

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- The full year Net surplus(deficit) is favourable $233.2 million to budget. The favourable variances primarily due a net fair value gains on CIP's investments against the long-term interest rates as budgeted due to inflationary pressures in the economy resulting in short term interest rate increases, but long-term interest rates largely holding, resulting in a negative yield curve and little impact on CIP's long term financial securities, the timing of claims from build partners in Grant expenses, and IRG loans advanced. In addition, the timing mismatch of Grant income received ($23.6m) and Grant expenses ($12m) for Rural Drinking Water and Vote MBIE.
- The Fair value on FVTSD investments moved from a prior year 8.30% to current period 8.24%, a decrease of 6bps for the year resulting in a net FV gain. The forecast was based on interest rates increasing by ~1% as interest rates were forecast to rise. It is important to note that both investments (UFB and IFF) have different risk and interest rate profiles. Whilst UFB is more exposed to short term rate movement (under 10 years). IFF is exposed to long term interest rates (+10 years). Given the value of investment in UFB is significant ($1.3bn) compared to IFF ($78.3m), UFB investment drives the overall impact on the fair value movement in the year of $6.1m, better than both the forecast and the budget.
- Two of 14 IRG loans have been impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Actual 2023 $000	Budget 2023 $000
Assets		
Current assets		
Cash and cash equivalents	230,097	383,279
Short-term investments	213,602	200,000
Trade and other receivables	2,734	152
GST receivable	9,907	–
Prepayments	68	32
Total current assets	456,408	583,463
Non-current assets		
Property, plant and equipment (excluding fibre assets)	10,182	9,958
Intangible assets - software	125	–
Investments in infrastructure-financed projects	85,416	122,341
Investments in Chorus Equity and Debt Securities	653,420	534,970
Investments in LFC loans and IRG loans	153,887	164,139
Total non-current assets	**903,030**	**831,408**
Total assets	**1,359,438**	**1,414,871**
Liabilities		
Creditors and other payables	55,719	21,709
Employee entitlements	1,221	917
Income in advance	207,021	350,392
Total current liabilities	263,961	373,018
Term liabilities		
Income in advance	–	160,943
Term loan	91,635	87,370
Interest rate swap	66	–
Total term liabilities	91,701	248,313
Total liabilities	**355,662**	**621,331**
Net assets	**1,003,776**	**793,540**
Contributed capital	1,655,200	1,662,187
Retained earnings	(651,424)	(868,647)
Total equity	**1,003,776**	**793,540**

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are:

- There is lower cash and cash equivalents than budget as CIP delayed the draw down of IRG appropriation from the Crown as there was sufficient cash on hand to meet the programme funding requirements and operational expenses. This has a flow on effect on income in advance.
- Investments in infrastructure-financed projects is lower than budget as the TSP project has not drawn down as quickly as forecast.
- Investments in Chorus Equity and Debt Securities reflect the completion of the UFB project and the favourable interest rates to that of budget.
- Creditors and other payables are larger than budget, due to the accruals for IRG, Affordable Waters, Digital Connectivity and West Coast Fibre links, where there has been build handed over, delivery of connectivity to more eligible end users, and other contract obligations fulfilled creating the obligation to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Actual 2023 $000	Budget 2023 $000
Opening equity	893,812	909,790
Total comprehensive revenue and expense	52,264	(180,937)
Capital contribution - Crown	57,700	64,687
Total equity	**1,003,776**	**793,540**

EXPLANATION OF SIGNIFICANT VARIANCES

The key drivers of these variances are set out in the Statement of Comprehensive Revenue and Expense and Statement of Financial Position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Actual 2023 $000	Budget 2023 $000
Cash flows from operating activities		
Interest received	23,044	10,229
Grants received	57,527	60,087
Receipts from government agencies	1,825	8,726
Payments to suppliers	(13,049)	(19,661)
Payments to employees	(7,718)	(8,441)
Non-grant project expenses (CIP funded)	(3,149)	(43,650)
Grant payments	(374,072)	(346,524)
GST (net)	(1,641)	5,907
Net cash inflow from operating activities	**(317,233)**	**(333,327)**
Cash flows from investing activities		
Net proceeds from sale of short-term investments	298,301	-
Purchase of property, plant and equipment and software	(837)	(4,816)
Acquisition of investments in Chorus Equity and Debt Securities	(81,218)	(42,822)
Acquisition of investments in loans	(137,203)	(140,295)
Investments in Milldale Bulk Housing Infrastructure	(3,476)	(86,149)
Receipts of payments from investments in Milldale Bulk Housing Infrastructure	2,063	1,816
Net cash inflow from investing activities	**77,630**	**(272,266)**
Cash flows from financing activities		
Capital contribution - Crown	67,700	64,687
Debt drawdown	48,141	54,003
Interest paid	(3,596)	(3,867)
Net settlements on derivatives	13	-
Net cash inflow from financing activities	**112,258**	**114,823**
Net (decrease)/increase in cash and cash equivalents	**(127,345)**	**(490,770)**
Cash and cash equivalents at the beginning of the year	357,442	1,074,049
Cash and cash equivalents at the end of the year	**230,097**	**583,279**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET (CONTINUED)

EXPLANATION OF SIGNIFICANT VARIANCES

The key variances are set out below:

- Interest received is higher than budget due to the increasing short term interest rates in the period under review and more cash on hand during the year.
- Receipts from government agencies is less than expected, in part due to the timing of the programmes and changes to contractual charging arrangements.
- The Non-grant project expenses (CIP funded) payments are less than expected due to the Digital Connectivity delivery partners being slower to make contractual claims, however the Digital Connectivity build continues to have momentum with the impact of supply chain constraints are being overcome, however this has been offset by the adverse weather events during the year.
- Short term investments matured and not reinvested due to the delay in the draw down of IRG appropriation from the Crown.
- Acquisition of Chorus Equity Securities and Debt Securities reflects the completion of the UFB programme and all stages being handed over and paid for.
- Debt draw down is less than expected due to timing of Milldale infrastructure funding draw, this reflects the continuing flow on impact from COVID-19.

REPORTING AGAINST APPROPRIATION

FOR THE YEAR ENDED 30 JUNE 2023

CIP funding from the Crown is funded from appropriations through the Vote: Business, Science and Innovation and Vote Finance. Reporting against these appropriations is as follows:

MILFORD FIBRE LINK PROJECT

This appropriation is to provide $10 million as capital for funding to meet CIP's financial obligations in relation to the Milford Fibre Link project.

Appropriation for Capital Expenditure	**$000**
Original appropriation	10,000
Current-year expenditure	(10,000)
Balance of appropriation 30 June 2023	**–**

COMMUNICATIONS: RURAL CONNECTIVITY

This appropriation is limited to expenses incurred on network infrastructure investment, customer premises equipment, and other telecommunications capabilities that improve the availability and performance of connectivity services for rural communities.

Appropriation for Rural Connectivity	**$000**
Original appropriation	15,000
Current-year expenditure	(15,000)
Balance of appropriation 30 June 2023	**–**

EQUITY INJECTION

This is a multi-year appropriation which is limited to investment in CIP and is intended to enable Crown Infrastructure Partners Limited to invest in water and roading infrastructure to support the timely increase of housing supply. The funding commenced on 1 July 2022 and expires on 30 June 2026.

Appropriation for Infrastructure	**$000**
Original appropriation	258,883
Current-year expenditure	(57,700)
Balance of appropriation 30 June 2023	**201,183**

SHOVEL READY PROJECT FUNDING

This is a multi-year appropriation is intended to provide grant funding to Crown Infrastructure Partners Limited to fund or deliver 'Shovel Ready' Infrastructure Projects. The funding commenced on 1 August 2020 and expires on 30 June 2025.

Shovel Ready Project Funding	**$000**
Original appropriation	1,264,595
Accumulated spend and adjustments up to 30 June 2022	(980,354)
Appropriation remaining at 30 June 2022	**284,241**
Adjustments 2023	55,750
Current-year expenditure	–
Balance of appropriation 30 June 2023	**339,991**

REPORTING AGAINST APPROPRIATION (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

This appropriation is intended to achieve relieving network capacity pressures detrimental to broadband service performance in rural areas and enabling more users in underserved locations to have access to broadband.

Assessment of performance	**Actual standard of performance 2022/23**	**Budgeted standard of performance 2022/23**
Expansion of network capacity to serve rural broadband users through the deployment of infrastructure as per programme plan	Mostly achieved. Substantially close to plan.	Achieved
Remote Users Scheme milestones achieved as per the programme plan	Mostly achieved. Substantially close to plan.	Achieved

This appropriation is intended to provide grant funding to CIP to fund or deliver 'shovel-ready' infrastructure projects.

Assessment of performance	**Actual standard of performance 2022/23**	**Budgeted standard of performance 2022/23**
Payments are made in accordance with approved grant drawdown requests	Achieved	Achieved

This appropriation is intended to provide grant funding to CIP to fund or deliver 'shovel-ready' infrastructure projects.

Assessment of performance	**Actual standard of performance 2021/22**	**Budgeted standard of performance 2021/22**
Payments are made in accordance with approved grant drawdown requests	Achieved	By the end of fiscal 2022

REPORTING OF EMPLOYEE BANDING

TOTAL REMUNERATION PAID OR PAYABLE FOR THE YEAR

	2023 # staff	2022 # staff
$100,000 - $109,999	1	-
$110,000 - $119,999	1	1
$120,000 - $129,999	-	2
$130,000 - $139,999	1	1
$140,000 - $149,999	4	2
$170,000 - $179,999	2	2
$190,000 - $199,999	3	2
$200,000 - $209,999	3	2
$210,000 - $219,999	3	3
$220,000 - $229,999	2	-
$230,000 - $239,999	1	-
$270,000 - $279,999	1	-
$280,000 - $289,999	-	1
$290,000 - $299,999	-	1
$300,000 - $309,999	1	-
$310,000 - $319,999	-	1
$320,000 - $329,999	1	1
$330,000 - $339,999	1	1
$340,000 - $349,999	1	-
$420,000 - $429,999	-	1
$440,000 - $449,999	1	-
$480,000 - $489,999	-	1
$500,000 - $509,999	1	-
$580,000 - $589,999	-	1
$620,000 - $629,999	1	-
Total employees	**29**	**23**

DIRECTORY

SHAREHOLDERS

The Minister of Finance
The Minister for State Owned Enterprises

REGISTERED OFFICE

c/- Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland Central
Auckland 1010, Aotearoa New Zealand

CONTACT ADDRESS

PO Box 105321
Auckland City
Auckland 1143, Aotearoa New Zealand

Email: info@crowninfrastructure.govt.nz
www.crowninfrastructure.govt.nz
Phone: +64 9 912 1970
Fax: +64 9 368 9201

AUDITOR

The Auditor-General, pursuant to section 15 of the Public Audit Act 2001

SOLICITOR

Bell Gully

BANKERS

ANZ Bank New Zealand Limited
ASB Bank Limited
Bank of New Zealand Limited
Westpac New Zealand Limited
Kiwibank Limited

SENIOR MANAGEMENT

Graham Mitchell, Chief Executive Officer
Dougal Evison, Chief Financial Officer
John Greenhough, Chief Technology Officer
Helen Kerr, General Manager Infrastructure
Kathryn Mitchell, Chief Legal and Risk Officer
Sean Wynne, Deputy CEO - Infrastructure Funding and Financing

BOARD OF DIRECTORS

Mark Binns (Chair)
Allen Dent (appointed 8 July 2022)
Bella Takiari-Brame
Chris Gudgeon
Danelle Dinsdale (retired at 30 June 2022)
Mei Fern Johnson