

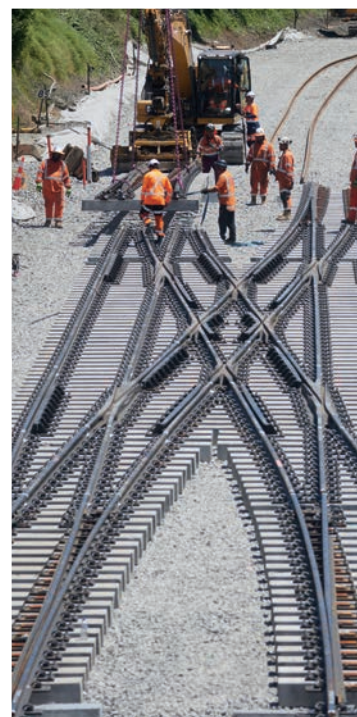


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# HALF YEAR REPORT 2022

AND UNAUDITED FINANCIAL STATEMENTS FOR  
THE SIX MONTHS ENDED 31 DECEMBER 2021

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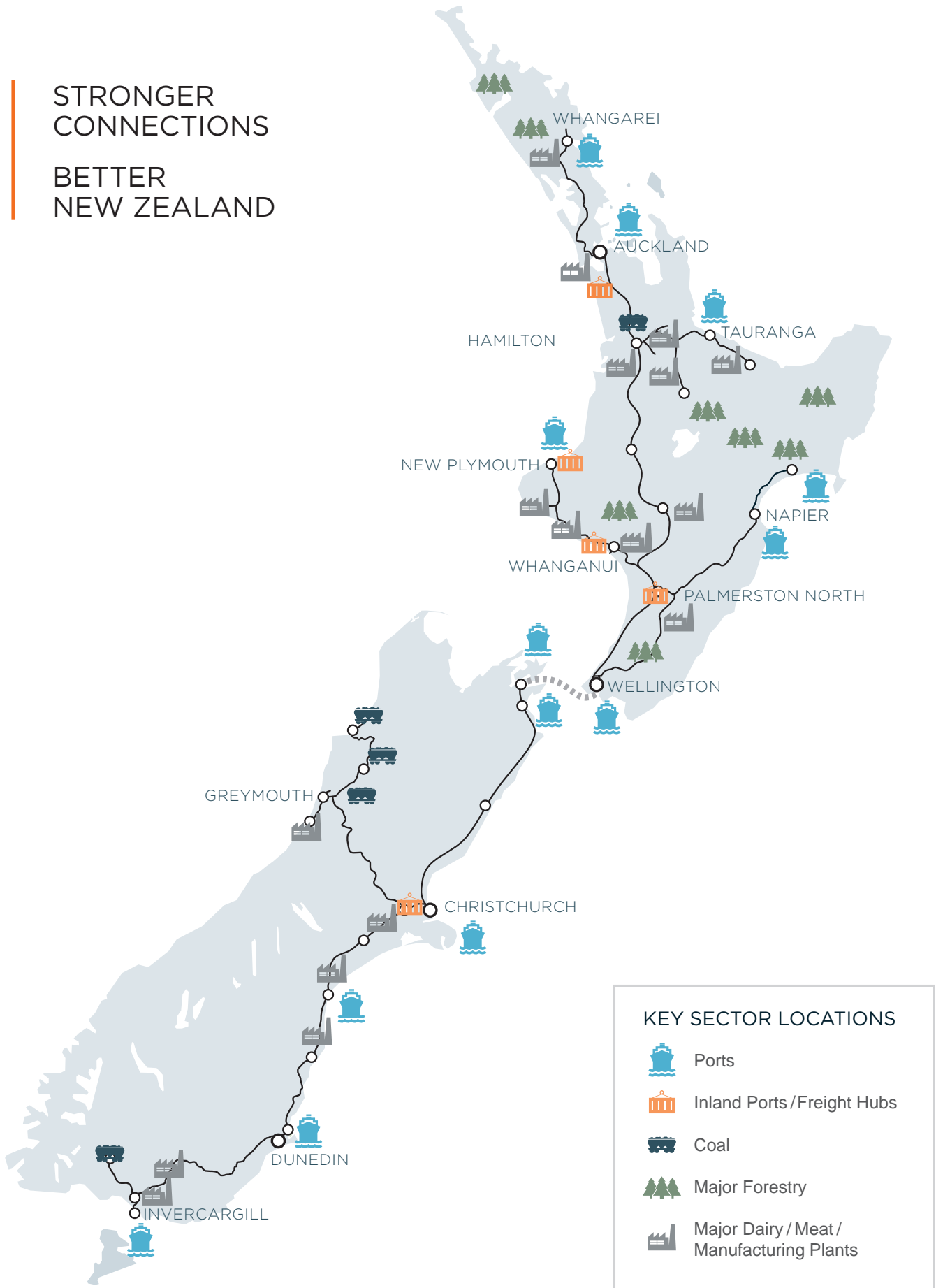


*KiwiRail is working hard to upgrade the Auckland metro rail network.*

# OUR PURPOSE

STRONGER  
CONNECTIONS

BETTER  
NEW ZEALAND



# KEY FACTS



## Freight

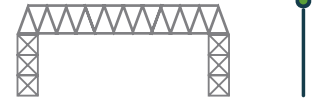
Moves around 19 million tonnes of freight each year



## Freight task

Carries 36% of the New Zealand freight task that is deemed to be available to rail

## Infrastructure



3100 signals  
1500 public level crossings  
106 tunnels  
1344 bridges



## Track

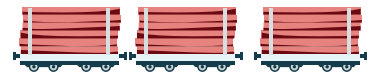
Operates and maintains 3700km of track, including six million sleepers, of which 50 per cent are concrete



## Freight services

Operates 43,000 mainline freight departures each year  
172 mainline locomotives

## Exports and imports



Transports around 20% of New Zealand's exports and imports

## Interislander



Operates three ships making 2900 sailings per year\*



## Value

The total value of rail to New Zealand's economy is approximately \$1.7-\$2.1 billion every year\*\*

## Sustainability



Reduces heavy vehicle impact by more than 1.1 million trucks per year

## Property

Manages a portfolio worth \$3.6 billion with more than 18,100 hectares of land



Owns more than 1350 buildings



## Our team

4500 employees  
18% female  
18% under 30 years old

Every tonne of freight carried by rail delivers a 70% emissions saving over road

Manages 10,000+ leases, licences and grants

\* Forecast sailings for FY22

\*\* The Value of Rail in New Zealand – EY 2021

# OVERVIEW OF ABOVE RAIL AND BELOW RAIL PERFORMANCE



*Renewing the overhead power supply on commuter lines is part of network maintenance.*

## WHAT IS KIWIRAIL

We move freight and people by rail and sea, and we are stewards of the rail network.

We operate a rail freight, ferry, property, and tourism business. We also operate public transport services for local councils. That's our "Above Rail" function – the business. The business is being recapitalised to renew our commercial

assets, supporting our pathway to self-sufficiency from 2024/25.

We own and maintain the national rail network infrastructure. That's our "Below Rail" function – the network. The Rail Network Investment Programme (RNIP) is now funded through the National Land Transport Fund (NLTF), with other investments made through specific

Government initiatives like the New Zealand Upgrade Programme (NZUP).

We're a national employer of 4500 with a presence in communities stretching throughout New Zealand, and we are a proud service provider to many companies. We're part of New Zealand's history, and part of its future.

## THIS HALF-YEAR RESULT IS DIFFERENT TO ANY OTHER IN OUR HISTORY

The HY22 result is the first to be reported under KiwiRail's new funding model, following amendments to the Land Transport Management Act in 2020. These changes enabled KiwiRail to access funding for the rail network through the NLTF based on an

approved RNIP. The new funding model helps to provide clarity between our "Above Rail" business and our "Below Rail" network.

We continue to show our overall Group performance, while showing clearer information about our funding

flows between the business (funded through revenues and a shareholder programme to renew assets) and the network (funded through the RNIP and programmes like NZUP). We'll be expanding on this in our Annual Report later this year.

GROUP SUMMARY	\$m		
	Group KiwiRail	Above Rail The Business	Below Rail The Network
External Revenue	408.7	317.4	91.3
Operating Expenses	(343.8)	(252.5)	(91.3)
Operating Surplus	64.9	64.9	-
Capital Expenditure	600.4	282.4	318.0

The Above Rail Business earned \$317.4m to 31 December 2021 and spent \$252.5m to operate our services. This delivered an operating surplus of \$64.9m in our commercial operations. The Below Rail Network received \$91.3m and spent \$91.3m, as the funds deliver network activities for public benefit.

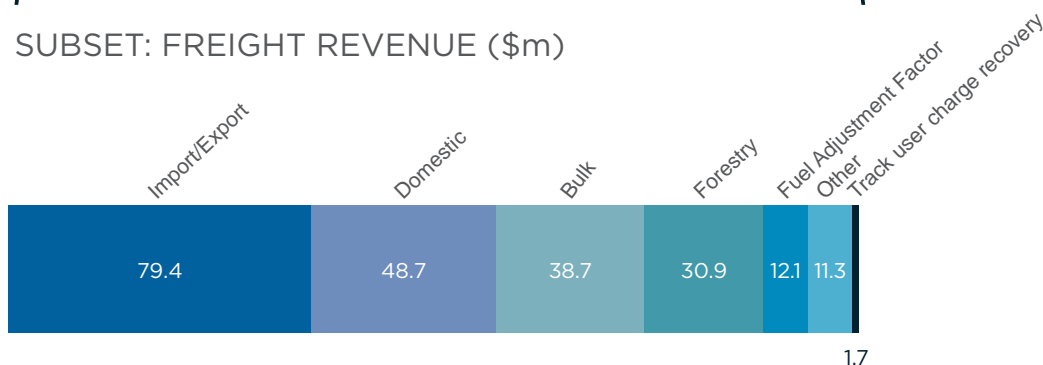
Our Group surplus of \$64.9m forms part of our retained earnings used to fund our Above Rail capital programme. KiwiRail is at the early stages of a multi-year capital programme to re-capitalise our business assets and restore a resilient and reliable network.

ABOVE RAIL

EXTERNAL REVENUE (\$m)

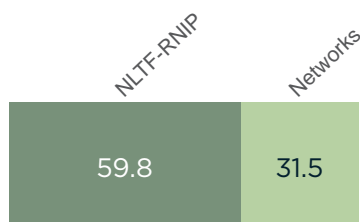


SUBSET: FREIGHT REVENUE (\$m)



BELOW RAIL

EXTERNAL REVENUE (\$m)





## ABOVE RAIL - THE BUSINESS

OPERATING		CAPITAL	
Includes:	Funded by:	Includes:	Funded by:
<ul style="list-style-type: none"> <li>Freight</li> <li>Interislander</li> <li>Scenic</li> <li>Property</li> <li>Commuter Services</li> </ul>	<ul style="list-style-type: none"> <li>Operating revenues</li> </ul>	<ul style="list-style-type: none"> <li>Ferries – procuring and maintaining</li> <li>Rolling Stock – procuring and maintaining</li> <li>Property – maintaining and developing</li> <li>Digital and ICT investment</li> </ul>	<ul style="list-style-type: none"> <li>Retained earnings</li> <li>Crown commercial investment</li> <li>Borrowings</li> </ul>
Financial Metrics:			
<ul style="list-style-type: none"> <li>External revenue: \$317.4m</li> <li>Operating expenses: \$252.5m</li> <li>Operating surplus: \$64.9m</li> <li>Operating margin: 20.4%</li> </ul>		<ul style="list-style-type: none"> <li>Capital expenditure: \$282.4m</li> </ul>	

### Above Rail Performance Headlines:

- Increased import/export revenue - changes to our train schedules enabled us to carry more freight to and from Port of Tauranga
- Increased bulk revenue due to new contracted coal volumes and higher imported coal volumes
- Continued impact of COVID-19 on international and domestic tourism, affecting Scenic services and Interislander ferry passenger numbers
- Interislander ferry freight volumes and passenger numbers were affected by mechanical failures - the ageing ferry fleet is experiencing a period of poor reliability
- We leased an additional freight ferry, Valentine, to provide capacity and resilience on Cook Strait while Kaiarahi repairs are completed
- Inflationary cost pressures, increasing insurance costs and Covid-related compliance expenses have also affected the result
- Signed contract for the delivery of 57 new, state-of-the-art, locomotives for the South Island
- 231 new wagons accepted into service
- \$72m capital expenditure on core assets
- \$210m capital expenditure on strategic projects including rolling stock and iReX





## BELOW RAIL - THE NETWORK

OPERATING		CAPITAL	
Includes:	Funded by:	Includes:	Funded by:
<ul style="list-style-type: none"> <li>• RNIP</li> <li>• Auckland and Wellington Metro Network Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• NLTF - RNIP (\$59.8m)</li> <li>• Auckland and Wellington Metro Authorities</li> </ul> <p>Note: KiwiRail's Above Rail business pays a Track User Charge to NLTF</p>	<ul style="list-style-type: none"> <li>• RNIP (network renewal and maintenance)</li> <li>• NZUP (eg Wiri to Quay Park, Papakura to Pukekohe Electrification)</li> <li>• Provincial Growth Fund (PGF) – Northland Rail Upgrades</li> <li>• City Rail Link (CRL) Be Ready Programme</li> <li>• Auckland Rail Network Growth Impact Management</li> <li>• Wellington Metro Upgrade Programme (eg Trentham to Upper Hutt double tracking)</li> </ul>	<ul style="list-style-type: none"> <li>• RNIP (\$48.8m)</li> <li>• NZUP</li> <li>• PGF</li> <li>• CRL Be Ready contracts (Crown)</li> <li>• Auckland Rail Network Growth Impact Management (NLTF)</li> <li>• Wellington Metro Upgrade Programme (NLTF and Crown)</li> </ul>
Financial Metrics:			
<ul style="list-style-type: none"> <li>• External revenue: \$91.3m</li> <li>• Operating expenses: \$91.3m</li> </ul>		<ul style="list-style-type: none"> <li>• Capital expenditure: \$318.0m</li> <li>• Performance against this spending will be detailed in the Annual Report.</li> </ul>	

### Below Rail Performance Headlines:

- New funding model and RNIP implemented from 1 July 2021
- \$91.3m spent on network maintenance, operations and management including \$59.8m from NLTF
- \$48.8m spent on capital projects - network renewals and improvements as part of the RNIP
- De-stressing of more than 200kms of rail completed, 122 RNIP projects underway, seven track level crossings completed, progress on Ohai Line and successful emergency works to address storm damage
- Completion in November of a two-year project to double track the line between Trentham and Upper Hutt stations
- Omoto project (PGF funded) reached practical completion
- \$217m spent across Auckland and Wellington metro areas as part of large, separately-funded capital upgrade projects such as the NZUP.

## CHAIR'S REPORT

It is a pleasure to present this Chair's Report for the half year to 31 December 2021, although as I joined KiwiRail on January 1 this year, I was not part of the company for the period under review.



Chair David McLean, right, receives a briefing on work to upgrade the Auckland network.

I extend my grateful thanks to Sue McCormack for the tremendous leadership she gave as Acting Chair following the death of our late Chair Brian Corban in May last year. Sue's time as Acting Chair included leading the Board throughout the half year to December 31, 2021, which is the focus of this report. My thanks also to the Board for their support of Sue during that period.

It was a period of change in the senior leadership of KiwiRail and I want to acknowledge with thanks the service of Greg Miller who stepped down in November 2021 after holding the roles of Chair, then Group Chief Executive. I also thank KiwiRail's former Chief Operating Officer Todd Moyle who, on Greg's departure and despite having announced his own departure to a new role at Ngai Tahu, immediately stepped in as Acting Chief Executive to see the company through until 2022. Since early January, David Gordon as Acting Chief Executive and Helen Rogers as Acting Deputy Chief Executive have not only steadied the ship but are capably steering it while the search for a new permanent Chief Executive is underway. I know the company's

senior management and the Board are grateful for Dave and Helen's competent stewardship.

“ Throughout the pandemic, KiwiRail has taken seriously its obligations and responsibility to keep freight moving, while also keeping our customers, staff and communities safe.

Since the threat of Covid became real in New Zealand in early 2020, many have had a heightened awareness of the importance of rail in a well-functioning supply chain. KiwiRail has always understood the vital role it plays in New Zealand's export/import and domestic supply chains, and it is helpful for us all to be reminded of it. No country has been immune from global supply chain disruption since

the Covid pandemic began, and some of the problems originate far from our shores. Throughout the pandemic, KiwiRail has taken seriously its obligations and responsibility to keep freight moving, while also keeping our customers, staff and communities safe. The last week of November saw a record week for revenue from domestic freight as pre-Christmas demand for goods was at its peak.

HY22 is notable for being the first half year of the new funding model which sees the Government fund the “Below Rail” or network costs of rail, through the National Land Transport Fund. This pays for maintenance and renewals, with 122 projects underway by the end of December. Managing inflationary pressures and supply chain uncertainties for all our infrastructure projects are ongoing challenges.

The company is proud of the role it plays in enabling low-carbon commuter journeys. We operate Te Huia and the Capital Connection and maintain the rail networks in Auckland and Wellington on which councils operate commuter services. We remain “open for business” to run further passenger services on regional rail routes where funding is provided.

The HY22 Group operating surplus was \$64.9m. The result is made up of a better than planned performance of rail freight, offset by a disappointing performance of the Interislander caused by breakdowns on the ageing ferry fleet and Covid, impacting passenger volumes. This again highlights to us the continued cost and disruption effects that long-term under-investment in infrastructure and asset maintenance can have. The company is grateful to the Government and shareholding ministers for the financial support in recent years to address some of these legacy issues. Now on order

are two new ferries and 57 new locomotives for the South Island, and we are planning to assemble at least 1500 new wagons once the Hillside workshops redevelopment is ready. These assets will all increase the reliability and resilience of the services KiwiRail offers, but further patience is required until the new infrastructure is built and the new assets arrive, so that these benefits can be reflected consistently in our results.

One of my own areas of focus will be improving our stakeholder relationships. Our shareholders, unions, customers, iwi, and local authorities are our key stakeholders and all are essential to us achieving our objectives, especially with so many large projects underway. I

am keen to grow a deeper shared understanding of our strategies and of our stakeholders' objectives. That includes our pathway to profit, an important objective which will allow KiwiRail to invest more in the company and reduce our dependence on Government funding.

Additionally, all our stakeholders, like KiwiRail itself, have an interest in supporting New Zealand's goal of lowering carbon emissions. KiwiRail's target is to be net zero carbon by 2050 and by 2030 to have reduced greenhouse gas emissions by 30 per cent (compared with an FY12 baseline). Advances in cleaner technology as we retire old assets will be part of achieving this. We have a big role to play in lowering emissions from transport, and the more freight

we can attract to rail, the more New Zealand's emissions can be reduced.

Finally, my thanks to the 4500 KiwiRail staff, many of whom work in all weathers to keep the network operating, and people and freight moving, and who I've already noticed have a real passion for rail. With the Government's financial support, KiwiRail is building strong foundations for growth and all of us at KiwiRail are committed to ensure that investment will be rewarded.



**David McLean**  
Chair



*KiwiRail is progressively preparing Britomart for the opening of the City Rail Link.*

## ACTING CHIEF EXECUTIVE'S REPORT

The ongoing Covid pandemic ensured that for the first six months of the 2022 financial year “the new normal” rather than “business as usual” dominated KiwiRail’s working and commercial environment.



*Acting Chief Executive David Gordon, left, and Transport Minister Michael Wood look over work on the Auckland network.*

The company is now in the third year of adapting to the threat from various strains of the virus and to the changing mitigation requirements, while keeping freight moving, ferries sailing and the rail network operating. It has not been easy and I want to place on record my thanks to our team of 4500 and our union partners for their cooperation and effort.

Aside from Covid, the half year was notable for a busy peak freight season, reflecting increased economic activity and a high demand for consumer goods fuelling many reports of shortages, especially in the run-up to Christmas. Around the country, demand for freight services at times outstripped our capacity to deliver. Sometimes unforeseen events – like a weather-related derailment in Hunterville which closed the North Island Main Trunk Line for several days in December – were contributing factors but an ongoing problem is the age and shortage of rolling stock in our fleet. Put simply, we could carry more freight if we had more trains. The average age of locomotives in our South Island fleet is nearly 50 years, and some are closer to 60.

That situation means we took great pleasure in concluding in September an international procurement process for the supply of 57 new locomotives, which we will use in the South Island. The Spanish-made locomotives will begin arriving in early 2024 and KiwiRail appreciates the investment by the shareholder that made this NZ\$403 million (€228 million) contract possible.

“ Our strategy is to improve the network, our assets and our commercial focus in order to attract more business to rail.

Renewing our commercial assets will improve our reliability for customers, reduce maintenance costs and is key to improving our commercial performance. This will lift our profitability and enable our Above Rail business to be self-

funding and deliver a better carbon outcome for New Zealand.

Despite our rolling stock situation, the half year saw us successfully increase train services to and from Port of Tauranga from the 67 per week that were scheduled to 92, with additional services from time to time. This is beneficial not only for our revenue, but also for supporting domestic and export supply chains by reducing congestion at this important port.

Various factors contributed to us slipping on some of our operational and financial targets in HY22. Outside of Covid, the single biggest factor affecting our financial performance was the mechanical problems in our Interislander fleet, in particular a catastrophic failure of Kaiarahi’s gearbox on August 31. Our ageing ferry fleet is increasingly experiencing breakdowns that hit our schedules, so a decision was made to lease an additional ship, Valentine, to ensure capacity on Cook Strait while Kaiarahi awaits repairs. It has been a testing few months for our customers, passengers and our Interislander team. The arrival of our brand-new ferries - the first is due in 2025 - is eagerly awaited and a large team is at work on the design and preparation for redevelopment of the terminals in Wellington and Picton to accommodate the new ships as part of a \$1.45 billion project.

Like other businesses exposed to the international tourism sector, our Scenic train services and Interislander passenger revenues have been badly affected by closed borders and Covid requirements. We have taken the opportunity to consider alternative routes and offerings, which will be announced in due course but there is little prospect of any material respite for the remainder of this financial year.

From the beginning of this financial year, the Government has taken responsibility for funding the network or “Below Rail” costs of New Zealand’s railway system. This separation – with



*Tailoring replacement sleepers for a bridge on the North Island Main Trunk near Wellington.*

the Government funding the network and KiwiRail funding its commercial operations while paying Track User Charges for use of the network - brings greater transparency to the costs and benefits of the rail network and the services we run.

Among notable network achievements was the completion in November of a two-year project to double track the line between Trentham and Upper Hutt stations. The project served as a pilot for technology that included the use of digital shields during the works to protect people and machines in the rail corridor. This technology received a number of accolades, including Engineering New Zealand's Innovation Award and the Royal Institute of Chartered Surveyors Innovation Award. I congratulate the team on their achievements.

We continue to progress significant projects that will improve the network, particularly in Auckland ahead of the opening of the City Rail Link. These large capital projects, including a third main line between Wiri and Westfield,

and electrification between Papakura and Pukekohe have contributed to an increase in our overall head count which went from 4163 in December 2020 to 4457 a year later. The job market is competitive, especially for people with the technical skills we need. With closed borders, recruitment has often been difficult for some roles. Nevertheless, we continued to make good progress on projects including the rebuilding at Hillside and the completion of works at Omoto, near Greymouth. We had a particularly successful block of line in Auckland over Christmas/New Year, achieving in four weeks what might have taken years to do without the network shutdown.

After a protracted negotiation with the RMTU that included the threat of strike action we arrived at a new collective agreement covering the period from July 1, 2021 to June 30, 2023. The agreement reflects wage inflation pressures and will be a significant cost on the company.

During the six months under review,

we matched our largest customers in introducing a Covid vaccine policy. It is just one aspect of KiwiRail's continuing strong focus on the health and safety of our workforce.

There were significant changes to the management of KiwiRail towards the end of the half year with my appointment as Acting Chief Executive and Helen Rogers appointment as Acting Deputy Chief Executive. Helen and I are committed to an improvement not only in the company's diversity statistics, but in ensuring a supportive workplace for all employees.

Finally, my thanks to Helen and the Executive team for their support, and to the Board for their governance.

**David Gordon**  
Acting Chief Executive

# FINANCIAL STATEMENTS

KIWIRAIL HOLDINGS LIMITED AND SUBSIDIARIES

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

GROUP	Note	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
		\$m	\$m	\$m
Operating revenues	1	408.7	354.4	709.5
Operating expenses	2	(343.8)	(297.9)	(618.4)
<b>Operating surplus</b>		<b>64.9</b>	<b>56.5</b>	<b>91.1</b>
Capital grants	3	232.5	180.3	308.0
Depreciation and amortisation expenses		(79.7)	(67.9)	(140.4)
Foreign exchange and commodity losses		(14.1)	(2.1)	(2.0)
Impairment		(117.6)	(184.5)	(322.6)
Insurance proceeds		-	34.1	93.0
Movement in value of investment properties		-	-	8.6
Net finance expenses	4	(0.4)	(0.5)	(1.2)
Other income		-	9.0	9.0
Other costs – Kaikōura earthquake		-	(0.6)	(1.0)
<b>Net surplus before taxation</b>		<b>85.6</b>	<b>24.3</b>	<b>42.5</b>
Income tax expense		-	-	-
<b>Net surplus after taxation</b>		<b>85.6</b>	<b>24.3</b>	<b>42.5</b>
<b>Other comprehensive income/(loss)</b>				
<i>Items that can be reclassified into net surplus/deficit:</i>				
Gains/(losses) from cash flow hedges		37.6	(54.2)	(38.2)
<i>Items that cannot be reclassified into net deficit/surplus</i>				
Building revaluation		-	-	(0.2)
Loss on share investment		(0.1)	-	(0.1)
<b>Total comprehensive income/(loss)</b>		<b>123.1</b>	<b>(29.9)</b>	<b>4.0</b>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

GROUP	31 Dec 2021 (Unaudited)	31 Dec 2020 (Unaudited)	30 June 2021 (Audited)
	\$m	\$m	\$m
<b>Current assets</b>			
Cash and cash equivalents	315.4	215.8	309.4
Short-term deposits	-	332.8	50.0
Trade and other receivables	156.8	149.6	144.7
Inventories	104.9	97.9	95.8
Financial assets	5.3	1.2	1.9
	<b>582.4</b>	<b>797.3</b>	<b>601.8</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,979.1	1,221.2	1,596.9
Right-of-use assets	88.4	92.0	86.4
Investment property	97.6	88.1	95.4
Investment in joint venture	1.1	1.1	1.1
Intangible assets	16.0	14.6	0.2
Financial assets	27.2	-	6.6
Trade and other receivables	-	0.3	-
	<b>2,209.4</b>	<b>1,417.3</b>	<b>1,786.6</b>
<b>Total assets</b>	<b>2,791.8</b>	<b>2,214.6</b>	<b>2,388.4</b>
<b>Current liabilities</b>			
Trade and other liabilities	263.1	176.5	422.7
Employee entitlements	100.6	80.0	96.6
Financial liabilities	74.6	94.4	88.2
Income taxes payable	-	-	-
Provisions	16.8	9.1	10.7
	<b>455.1</b>	<b>360.0</b>	<b>618.2</b>
<b>Non-current liabilities</b>			
Employee entitlements	45.5	48.2	46.9
Financial liabilities	103.0	127.0	93.7
	<b>148.5</b>	<b>175.2</b>	<b>140.6</b>
<b>Total liabilities</b>	<b>603.6</b>	<b>535.2</b>	<b>758.8</b>
<b>Equity</b>			
Share capital	3,123.1	2,751.1	2,679.7
Retained earnings	(947.9)	(1,031.6)	(1,025.6)
Asset revaluation reserve	17.1	17.4	17.1
Cash flow hedge reserve	(3.9)	(57.5)	(41.5)
Share valuation reserve	(0.2)	-	(0.1)
	<b>2,188.2</b>	<b>1,679.4</b>	<b>1,629.6</b>
<b>Total liabilities and equity</b>	<b>2,791.8</b>	<b>2,214.6</b>	<b>2,388.4</b>



**Sue McCormack**  
Deputy Chair  
22 February 2022



**Bruce Wattie**  
Chair of the Risk, Assurance and Audit Committee and Director  
22 February 2022

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

## STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

GROUP	Note	Share Capital	Retained Earnings	Asset Valuation Reserve	Cash Flow Hedge Reserve	Share Revaluation Reserve	Total
		\$m	\$m	\$m	\$m	\$m	\$m
<b>As at 30 June 2020 (Audited)</b>		<b>2,088.0</b>	<b>(1,045.6)</b>	<b>17.4</b>	<b>(3.3)</b>	<b>-</b>	<b>1,056.5</b>
Net surplus for the period		-	24.3	-	-	-	24.3
Other comprehensive loss		-	-	-	(54.2)	-	(54.2)
<b>Total comprehensive (loss)/income</b>		<b>-</b>	<b>24.3</b>	<b>-</b>	<b>(54.2)</b>	<b>-</b>	<b>(29.9)</b>
<b>Transactions with owners</b>							
Capital investment		663.1	-	-	-	-	663.1
Capital repayment		-	-	-	-	-	-
Crown appropriation - land transactions	7	-	(10.3)	-	-	-	(10.3)
<b>As at 31 December 2020 (Unaudited)</b>		<b>2,751.1</b>	<b>(1,031.6)</b>	<b>17.4</b>	<b>(57.5)</b>	<b>-</b>	<b>1,679.4</b>
Net surplus for the period		-	18.2	-	-	-	18.2
Other comprehensive income/(loss)		-	0.1	(0.3)	16.0	(0.1)	15.7
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>18.3</b>	<b>(0.3)</b>	<b>16.0</b>	<b>(0.1)</b>	<b>33.9</b>
<b>Transactions with owners</b>							
Capital investment		60.6	-	-	-	-	60.6
Capital repayment		(132.0)	-	-	-	-	(132.0)
Crown appropriation - land transactions	7	-	(12.3)	-	-	-	(12.3)
<b>As at 30 June 2021 (Audited)</b>		<b>2,679.7</b>	<b>(1,025.6)</b>	<b>17.1</b>	<b>(41.5)</b>	<b>(0.1)</b>	<b>1,629.6</b>
Net surplus for the period		-	85.6	-	-	-	85.6
Other comprehensive income/(loss)		-	-	-	37.6	(0.1)	37.5
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>85.6</b>	<b>-</b>	<b>37.6</b>	<b>(0.1)</b>	<b>123.1</b>
<b>Transactions with owners</b>							
Capital investment		443.4	-	-	-	-	443.4
Crown appropriation - land transactions	7	-	(7.9)	-	-	-	(7.9)
<b>As at 31 December 2021 (Unaudited)</b>		<b>3,123.1</b>	<b>(947.9)</b>	<b>17.1</b>	<b>(3.9)</b>	<b>(0.2)</b>	<b>2,188.2</b>

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.



## STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

GROUP	Note	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
		\$m	\$m	\$m
<b>Cash flows from operating activities</b>				
Receipts from customers		419.5	358.9	656.7
Receipts from the National Land Transport Fund		71.7	-	-
Receipt of Holiday Act Remediation Appropriation		-	-	27.9
Interest received		1.0	1.9	3.8
Payments to suppliers and employees		(430.2)	(349.8)	(561.0)
Payments for interest on borrowings		(2.9)	(1.8)	(3.3)
Payments for interest on leases		(0.2)	(1.7)	(3.3)
<b>Net cash from operating activities</b>	6	<b>58.9</b>	<b>7.5</b>	<b>120.8</b>
<b>Cash flows from investing activities</b>				
Sale of property, plant and equipment		0.3	0.3	0.5
Capital grant receipts		106.8	174.4	330.1
National Land Transport Fund receipts		68.8	-	-
Transfer from short-term deposits		50.0	-	-
Insurance proceeds		-	7.8	93.0
Purchase of property, plant and equipment and investment properties		(575.3)	(424.1)	(958.4)
Purchase of intangibles		(16.2)	(13.8)	(25.2)
Transfer to short-term deposits		-	(292.8)	(10.0)
<b>Net cash used in investing activities</b>		<b>(365.6)</b>	<b>(548.2)</b>	<b>(570.0)</b>
<b>Cash flows from financing activities</b>				
Crown capital investment		443.4	488.8	549.4
Loans		25.0	-	-
Proceeds from NZRC land sales		-	-	0.1
Payment for NZRC land acquisitions		(7.9)	-	(22.7)
Repayment of loans		(7.9)	(9.1)	(30.8)
Lease payments		(7.9)	(8.2)	(22.4)
Crown capital repayment		(132.0)	-	-
<b>Net cash from financing activities</b>		<b>312.7</b>	<b>471.5</b>	<b>473.6</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6.0</b>	<b>(69.2)</b>	<b>24.4</b>
Cash and cash equivalents at the beginning of the period		309.4	285.0	285.0
<b>Cash and cash equivalents at the end of the period</b>		<b>315.4</b>	<b>215.8</b>	<b>309.4</b>

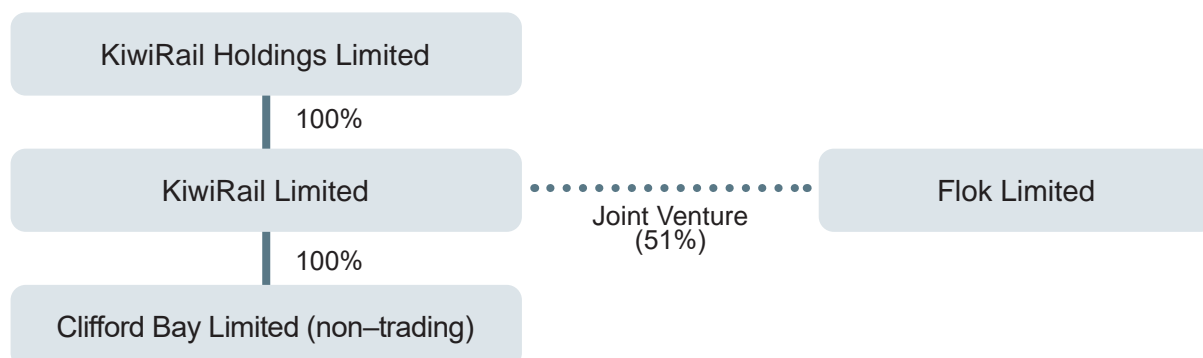
THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

### REPORTING ENTITY

KiwiRail Holdings Limited (“KHL”, “the Parent”) is a company domiciled in New Zealand, registered under the Companies Act 1993 and is included within the First Schedule of the State-Owned Enterprises Act 1986. The beneficial shareholder of the Parent is the Crown. The Group comprises KiwiRail Holdings Limited and its subsidiaries as detailed in the diagram below:



The following activities are carried out by the Group:

- Ownership and operation of the national rail network
- End-to-end transport supply chain services and connect customers with global markets
- Transportation of bulk and consolidated freight
- Ferry services (forming the ‘bridge’ between the North and South Islands) for rail and road freight and for passengers and their vehicles
- Support for rail passenger services in metropolitan areas and long-distance services for both domestic and tourist markets
- Management and development of property for rail operations and appropriate third-party land use

The unaudited, condensed interim financial statements of the Group are for the six months ended 31 December 2021 (“the interim financial statements”) and were authorised by the Board of Directors on 22 February 2022.

### BASIS OF PREPARATION

#### STATEMENT OF COMPLIANCE

The interim financial statements have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. They meet the requirements of the State-Owned Enterprises Act 1986, the Companies Act 1993 and the Financial Reporting Act 2013. The Group is designated as a for-profit entity.

The interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements for the year ended 30 June 2021 included in the Group’s Annual Integrated Report.

The interim financial statements have been prepared on the basis of historical cost, except for certain non-financial assets and derivative financial instruments, which have been valued at fair value.

All monetary amounts are New Zealand dollars and all values are expressed in millions of dollars (\$m).

#### ACCOUNTING POLICIES

All accounting policies have been applied on a basis consistent with those used and described in the audited financial statements for the year ended 30 June 2021.

#### IMPACT OF COVID-19

We have considered the impact of COVID-19 on the Group in preparing the interim financial statements. While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement within those areas. Any adjustments deemed necessary were made in accordance with NZ GAAP.

#### RAIL REVIEW

The first Rail Network Investment Programme (RNIP) came into effect on 1 July 2021 following the passage of the Land Transport (Rail) Legislation Bill in June 2020 and the publication of the New Zealand Rail Plan in May 2021.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

## RAIL REVIEW (CONTINUED)

The RNIP enables the Group to access funding from the National Land Transport Fund to restore and maintain the rail network infrastructure, or “Below Rail” operations, to a resilient and reliable standard. This new funding model has resulted in a substantial change to the Group’s financial results. The principal changes are:

- Funding for operational Below Rail activities:
  - Recognised as an operating grant and disclosed under Operating Revenues (refer note 1)
  - Disclosed under cash flows from operating activities in the Statement of Cash Flows
  - Expenditure relating to Below Rail operational activities is included in Operating Expenses (refer note 2)
- Funding for Below Rail capital expenditure:
  - Recognised as a capital grant and disclosed under Capital Grants (refer note 3)
  - Disclosed under cash flows from investing activities in the Statement of Cash Flows.

## 1. OPERATING REVENUES

	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
	\$m	\$m	\$m
Freight	222.8	191.9	392.9
Interislander	49.1	61.1	129.0
Property	29.5	27.6	56.1
Scenic	4.0	6.0	16.2
Other	11.3	9.8	3.1
Funding from the National Land Transport Fund	60.5	-	-
Networks	31.5	30.1	84.3
Holidays Act Remediation Appropriation	-	27.9	27.9
<b>Total operating revenues</b>	<b>408.7</b>	<b>354.4</b>	<b>709.5</b>

## 2. OPERATING EXPENSES

	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
	\$m	\$m	\$m
Salaries and wages	230.4	205.2	431.2
Restructuring	0.3	0.1	0.1
Defined contribution plan employer contributions	8.6	6.6	14.7
Other employee expenses	10.2	9.1	10.3
<b>Total employee expenses</b>	<b>249.5</b>	<b>221.0</b>	<b>456.3</b>
Amount capitalised	(73.8)	(69.9)	(140.4)
<b>Total employee costs expensed</b>	<b>175.7</b>	<b>151.1</b>	<b>315.9</b>
Materials and supplies	68.7	67.8	137.8
Fuel and traction electricity	42.4	31.3	67.4
Lease and rental costs	9.3	7.0	15.8
Incidents and insurance	16.6	13.7	28.5
Contractors’ expenses	3.5	3.1	6.7
Audit fees	0.3	0.2	0.4
Recovery from impairment of receivables	-	(0.1)	(0.3)
Directors’ fees	0.2	0.2	0.4
Loss/(gain) on disposal of property, plant and equipment	0.5	0.1	(0.7)
Other expenses	26.6	23.5	46.5
<b>Total operating expenses</b>	<b>343.8</b>	<b>297.9</b>	<b>618.4</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

## 3. CAPITAL GRANTS

	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
	\$m	\$m	\$m
Ministry of Transport	22.0	87.5	150.2
National Land Transport Fund	47.4	-	-
Local and Regional Councils	55.0	61.2	93.1
City Rail Link	18.0	7.2	24.7
Auckland Transport	77.3	12.4	22.2
Ministry of Business, Innovation and Employment	2.1	5.7	2.5
Waka Kotahi	1.7	3.6	2.3
Other capital grants	9.0	2.7	13.0
<b>Total capital grant income</b>	<b>232.5</b>	<b>180.3</b>	<b>308.0</b>

## 4. NET FINANCE EXPENSES

	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
	\$m	\$m	\$m
<b>Finance income</b>			
Interest income on bank deposits	1.3	2.1	3.5
Net change in fair value of derivatives	0.4	-	-
	1.7	2.1	3.5
<b>Less finance expenses</b>			
Interest expense on borrowings	(1.2)	(1.7)	(3.0)
Interest expense on leases	(1.5)	(1.6)	(3.3)
Net change in fair value of derivatives	0.6	0.7	1.6
	(2.1)	(2.6)	(4.7)
<b>Net finance expenses</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(1.2)</b>

## 5. CAPITAL AND OTHER COMMITMENTS

The Group has capital commitments for network upgrades, infrastructure renewal materials, and refurbishment costs relating to rolling stock and purchases of plant and equipment. The Group also has capital commitments in relation to strategic projects such as procurement of new rolling stock and ferries.

	31 Dec 2021 (Unaudited)	31 Dec 2020 (Unaudited)	30 June 2021 (Audited)
	\$m	\$m	\$m
Capital expenditure commitments:			
Not later than one year	386.0	192.7	329.6
Later than one year but not later than five years	949.4	50.5	519.1
	<b>1,335.4</b>	<b>243.2</b>	<b>848.7</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

## 6. RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	6 months ended 31 Dec 2021 (Unaudited)	6 months ended 31 Dec 2020 (Unaudited)	Year ended 30 June 2021 (Audited)
	\$m	\$m	\$m
Net surplus after taxation	85.6	24.3	42.5
<b>Add/(deduct) items classified as investing or financing activities</b>			
Loss/(gain) on sale of assets	0.5	0.1	(0.7)
Fair value movement in derivatives	(4.7)	5.4	1.6
Capital grant receipts	(106.8)	(174.4)	(330.1)
National Land Transport Fund receipts	(68.8)	-	-
Insurance proceeds	-	(7.8)	(93.0)
	(94.2)	(152.4)	(379.7)
<b>Add/(deduct) non-cash items</b>			
Depreciation and amortisation expense	79.7	67.9	140.4
Movements in provisions	4.7	(0.2)	0.1
Impairment of non-financial assets	117.6	184.5	322.6
Movement in fair value of investment properties	-	-	(8.6)
	107.8	99.8	74.8
<b>Add/(deduct) movements in working capital</b>			
(Increase)/decrease in trade receivables	(12.5)	6.1	3.6
Decrease/(increase) in other receivables	0.4	(43.0)	(35.4)
Increase in inventories	(9.0)	(10.8)	(8.7)
(Decrease)/increase in trade payables	(27.5)	(22.1)	18.7
(Decrease)/increase in other payables	(0.3)	(22.5)	67.8
<b>Net cash flows from operating activities</b>	<b>58.9</b>	<b>7.5</b>	<b>120.8</b>

## 7. SALE AND PURCHASE OF LAND

On 31 December 2012 there was a restructure of the Crown's investment in rail operations. In accordance with the KiwiRail Holdings Vesting Order 2012 which took effect from 31 December 2012, the KiwiRail business was transferred from NZRC to KHL. All land previously held by KiwiRail was retained by NZRC.

From time to time NZRC may sell parcels of railway land. Under the Group's lease agreement with NZRC entered into on 31 December 2012, the Group may identify land that is no longer required for rail purposes and can request NZRC to sell the land or surrender it from the lease. The sale proceeds are provided to the Group to support its business as the State-Owned Enterprise responsible for the financial performance of the Crown's investment in rail operations.

Similarly, the Group can identify new parcels of land that are required for rail purposes. The Group will fund the acquisition of the land and can transfer it to NZRC to be included within the lease.

The sale and purchase of land are treated as common control transactions as the Crown is the ultimate parent of the Group and the parent of NZRC. The sale of NZRC's land is regarded as an increase in the Crown's equity investment in the Group. The Group's acquisition of land for NZRC is treated as a reduction in the Crown's equity investment in the Group.

The total net proceeds from land sold/land swaps during the year was nil (30 June 2021: \$0.1m). The total net land acquisitions during the year was \$7.9m (30 June 2021: \$22.7m). They were treated as transactions with owners in the Statement of Movements in Equity.

## KEY PERFORMANCE INDICATORS

STATEMENT OF CORPORATE INTENT COMPARISONS\*

## FINANCIAL CAPITAL

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>ABOVE RAIL</b>		
Revenue (\$m)	339	666-682
Freight revenue (\$m)	239	439-445
Tourism revenue (\$m)	22	76-86
Property & Corporate revenue (\$m)	31	59
Operations revenue (\$m)	47	92
Operating surplus (\$m)	65	147-162
Operating margin (%)	19	22-24
Freight Net Tonne Kilometres carried (million)	2,146	4,200
Yield of property revenue (%)	5	8

## RELATIONSHIPS CAPITAL

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>ABOVE RAIL</b>		
Tourist passengers carried (million)	0.08	1
<b>BELOW RAIL</b>		
Commuter journeys enabled (million)	7 <sup>1</sup>	30
<b>ALL OF KIWIRAIL</b>		
Number of new partnerships (number)	1	4

## ASSETS CAPITAL

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>ABOVE RAIL</b>		
Capital Expenditure (Core) (\$m)	72	206.6
On-Time Performance – Freight Premier (%)	86	90
Reliability – Locomotive Mean Distance Between Failures (thousand kms)	55	50
On-Time Performance – Interislander – arrival within 15 mins of scheduled time (%)	64	88
Reliability – Ship services to advertised sailings (%)	72	98
Locomotive availability (%)	77	82
Average age of rolling stock – Locomotives (number)	25.6	25.7
Average age of rolling stock – Wagons (number)	23.9 <sup>2</sup>	20.2

<sup>1</sup> Covid alert levels have significantly impacted commuter journey demand<sup>2</sup> The arrival of 392 new wagons between October to December 2021, coupled with continued retirement of old wagons over the balance of FY2022, will result in the target being met by the close of the financial year

\* Refer to Statement of Corporate Intent 2022 to 2024 for definitions of performance measures

## KEY PERFORMANCE INDICATORS

STATEMENT OF CORPORATE INTENT COMPARISONS\*

**ASSETS CAPITAL (continued)**

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>BELOW RAIL</b>		
Capital Expenditure (RNIP funded) (\$m)	48.8	231.4
All temporary speed restrictions (average TSRs) within target(s) for priority routes <sup>3</sup>	50% within target(s)	80% within target(s)
All Heat 40s (average Heat 40s) within target(s) for priority routes <sup>3</sup>	100% within target(s)	80% within target(s)
Track Quality Index (average TQI) within target(s) for priority and secondary routes <sup>3</sup>	80% within target(s)	90% within target(s)
Sleeper condition rating – 100% of condition five sleepers addressed in priority routes <sup>3</sup>	2 of condition five sleepers addressed <sup>4</sup>	20 of condition five sleepers addressed <sup>4</sup>
<b>ALL OF KIWIRAIL</b>		
Capital Expenditure – Strategic projects (\$m)	471.4	820.3
Achievements of major milestones	Work has continued on the EF refurbishment with the first locomotive due to re-enter service in quarter 4 of this financial year.	First refurbished EF re-enters service
	Turnout completion 53% Rail recovery 24% Activity on AMR reduced in the later part of HY22 to support the other KiwiRail programmes over the Christmas break.	Auckland Metro Recovery workbank completed

**PEOPLE CAPITAL**

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>ALL OF KIWIRAIL</b>		
Employee Net Promoter Score	n/a <sup>5</sup>	30
Grow our younger employee demographic (% of total workforce under 30 years old)	17.8 <sup>6</sup>	16 <sup>6</sup>
Women in the workforce (%)	18.4 <sup>6</sup>	20 <sup>6</sup>
Safety, Health & Environment Work Conversations (number)	9,967	15,000
Critical Control Verifications (number)	2,479	6,000
Safety, Health & Environment Hazard and Near miss reporting (number)	1,130	4,000
Safety, Health & Environment High Risk Events (number)	38	69
Total Recordable Injury Frequency Rate - TRIFR (number)	29.98	25.0

<sup>3</sup> These measures come from the RNIP which can be found here <https://www.kiwirail.co.nz/what-we-do/projects/rail-network-investment-programme/>

<sup>4</sup> This measure is based on addressing the condition five assets identified at the beginning of the RNIP period

<sup>5</sup> The employee net promoter score survey is planned for quarter 4 of the financial year

<sup>6</sup> Excluding casuals

\* Refer to Statement of Corporate Intent 2022 to 2024 for definitions of performance measures

## KEY PERFORMANCE INDICATORS

STATEMENT OF CORPORATE INTENT COMPARISONS\*

## SKILLS AND KNOW-HOW CAPITAL

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>ALL OF KIWIRAIL</b>		
Net digitisation benefits (\$m)	2.8	4.3
E-learning programmes run (number)	22,950	34,000

## ENVIRONMENTAL CAPITAL

KPI	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>ALL OF KIWIRAIL</b>		
GHG emissions per NTK (grams)	27.2	26.2
Truck Avoidance (million)	0.59	1.14

## REQUIRED INFORMATION

	6 months ended 31 Dec 2021 Actual	30 June 2022 Target
<b>SHAREHOLDER RETURN MEASURES</b>		
Total shareholder return	n/a	n/a
Return on equity (%)	4	2
<b>PROFITABILITY/EFFICIENCY MEASURES</b>		
Return on invested capital (%)	4	2
Operating margin – above rail (%)	19	22-24
<b>LEVERAGE/SOLVENCY MEASURES</b>		
Shareholders' funds to total assets (%)	78	83
Debt to EBITDA	(3.9)	(1.5)
Gearing ratio (%)	3	1
Interest cover	53.5	28.0
<b>GROWTH MEASURES</b>		
Capital replacement	7.2	8.1
Revenue growth – above rail (%)	8	3
Underlying EBITDA growth – above rail (%)	(9)	13

\* Refer to Statement of Corporate Intent 2022 to 2024 for definitions of performance measures









**KiwiRail** 