



HALF YEAR REPORT 2024

And unaudited financial statements
for the six months ended 31 December 2023



**Stronger Connections. Hononga Whaikaha.
Better New Zealand. Oranga mō Aotearoa.**

Connected to our customers and
the future needs of their businesses.

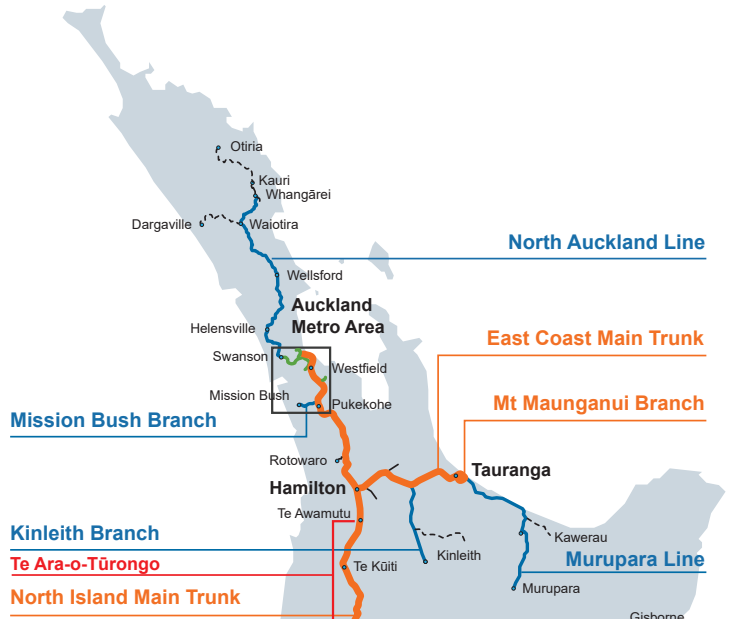
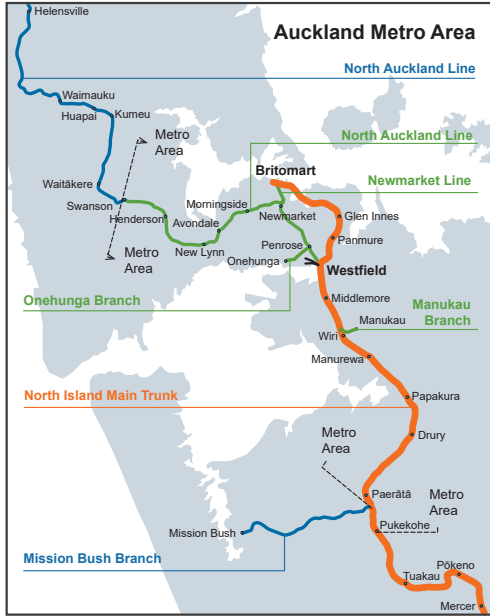
Connected to the communities we
serve and operate in.

Connected to each other,
for the good of the country.

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The New Zealand rail network



Marton - New Plymouth Line

Stillwater - Ngakawau Line

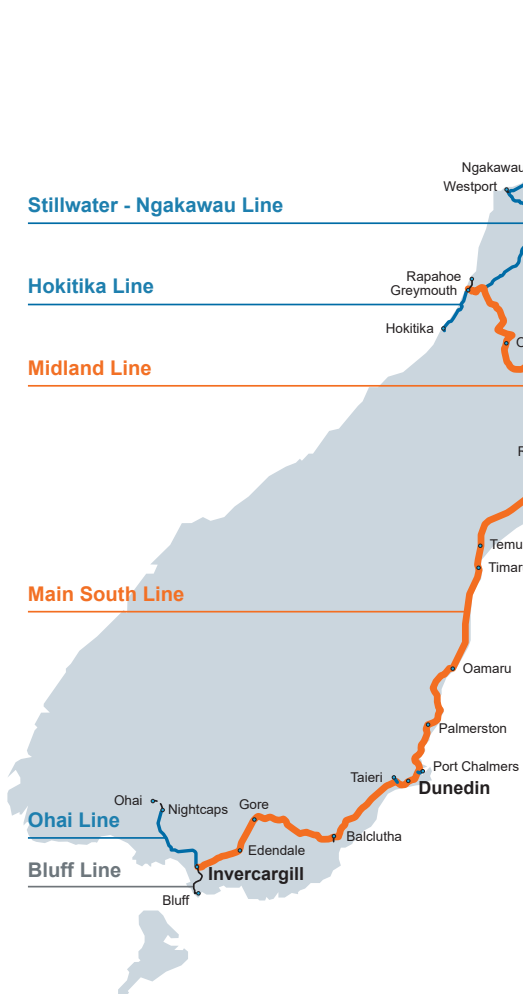
Hokitika Line

Midland Line

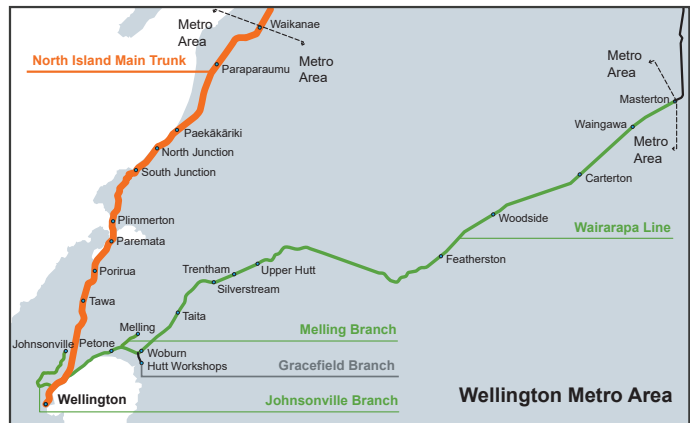
Main South Line

Ohai Line

Bluff Line

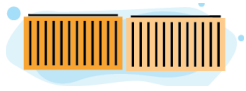


- Priority Line (Freight or Scenic)
- Metro Priority Line
- Secondary Line
- Tertiary Line
- ⋯ Interislander Ferry Service
- - - Unused or Mothballed Lines



Overview of the business

Freight



Moves around 18 million tonnes of freight each year

Freight customers



Connecting more than 300 customers' freight supply chains

Sustainability

Reduces heavy vehicle impact by more than 1 million truck journeys per year
Every tonne of freight carried by rail delivers a 70% emissions saving over road

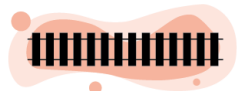
Great Journeys New Zealand

Offers tourism experiences connecting Auckland, Wellington and Christchurch with regional New Zealand

Freight services

Operates 40,400 mainline freight departures each year
240 locomotives and shunts

Track



Operates and maintains 3700km of track, including 6 million sleepers, of which 63% are concrete

Freight task



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

Our team



4900 employees
20.5% women
19.5% under 30 years old
More than 80% unionised

Commuters

Operates Te Huia and Capital Connection, and manages the metro networks supporting more than 22 million metro commuter trips each year

Property

Manages a portfolio worth \$4.3 billion with more than 18,000 hectares of land leased from New Zealand Railways Corporation
Owns more than 900 buildings
Manages 10,000+ leases, licences and grants

Interislander

Operates three ships making 3300 sailings per year, providing around 600,000 passenger trips

Community

Strong public support for a modern, efficient rail and ferry network
Public recognition of rail and ferries as critical infrastructure
Efficient movement of people and goods underpins the economy

Exports and imports

Transports around 19% of New Zealand exports and imports

Value

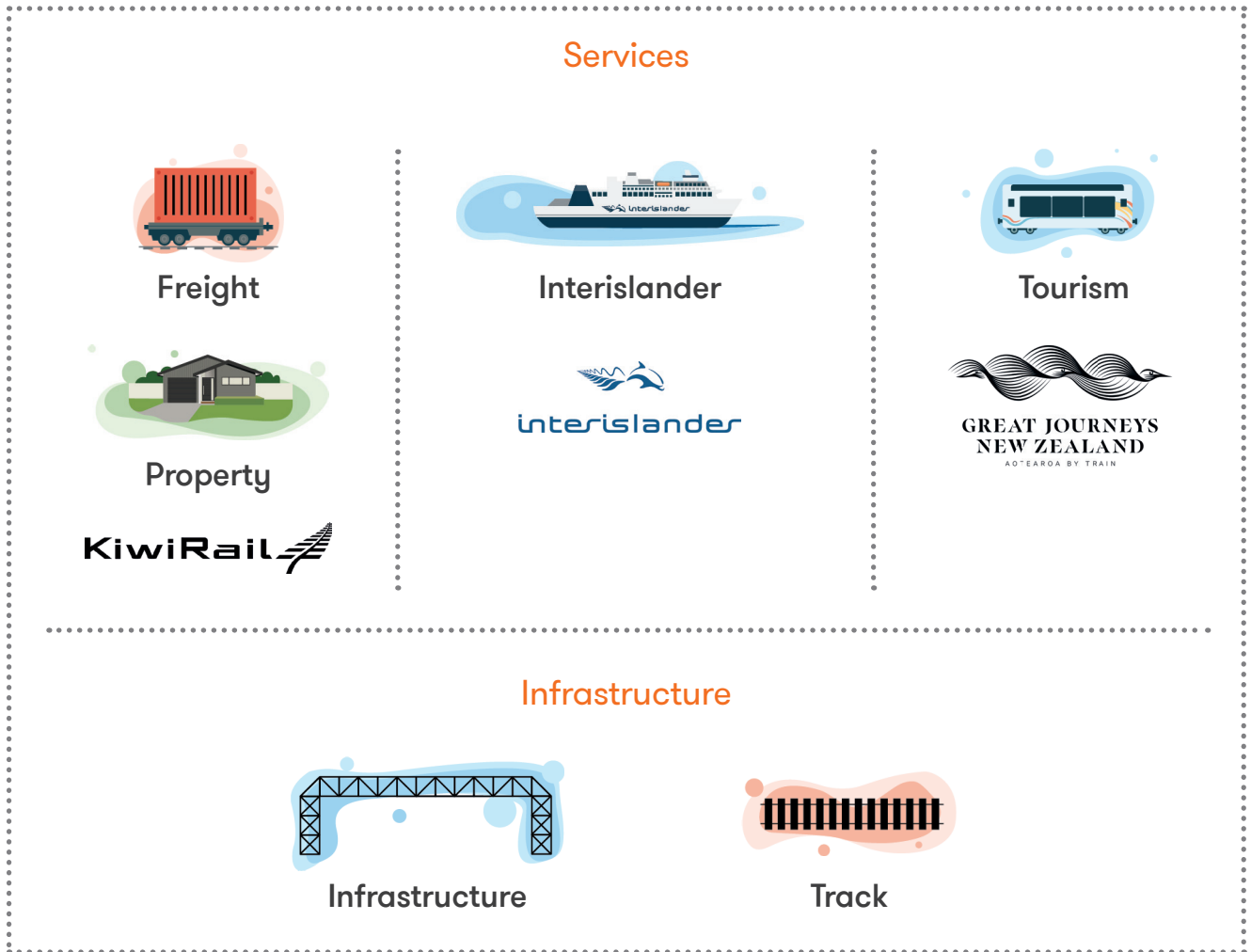
The total value of rail to New Zealand's economy is approximately \$1.7-\$2.1 billion every year¹

Infrastructure

3106 signals
1447 public level crossings
106 tunnels
1367 bridges

1- The Value of Rail in New Zealand - EY 2021 New Zealand – EY 2021

We operate an integrated services and infrastructure business



The Services business provides:

- Rail logistics services to freight markets
- Ferry services to rail and road freight markets, and for passengers and private vehicles
- Passenger rail services for public transport (commuter) and tourism (Great Journeys New Zealand) markets
- Property management and development for rail operations and third-party land use

The Services business is charged with becoming self-sustaining. It is funded through operating

cash flows, external borrowings, and a shareholder investment programme to renew commercial assets to improve performance.

The Infrastructure business provides:

- Infrastructure expertise, delivering our core maintenance, renewals and improvements programme for the rail network for all rail users

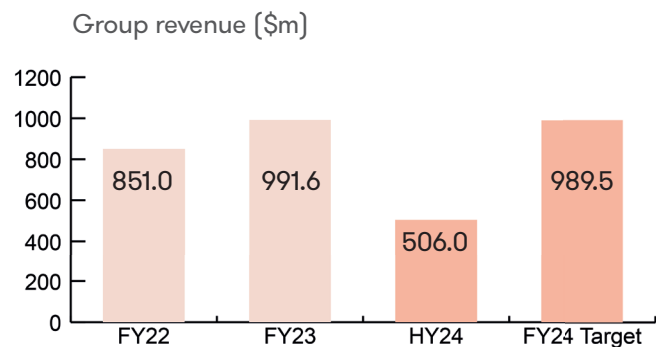
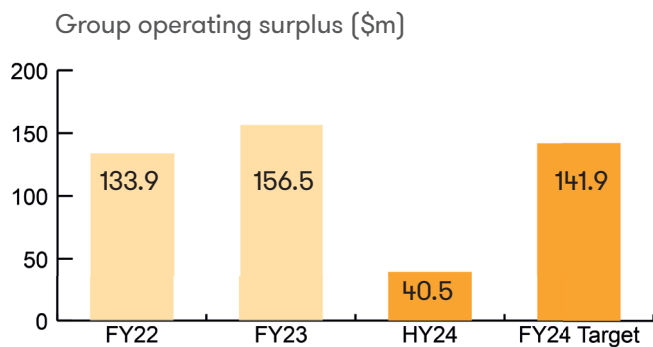
The Infrastructure business is funded primarily by the Government, with the Rail Network Investment Programme (RNIP) funded through the National Land Transport Fund (NLTF) and major improvement projects through specific funding such as the New Zealand Upgrade

Programme (NZUP). The principal source of funding for RNIP is the NLTF, administered by NZ Transport Agency. The NLTF funding is supplemented with direct Crown contributions, track access fees paid by rail users, and a track user charge paid by KiwiRail.

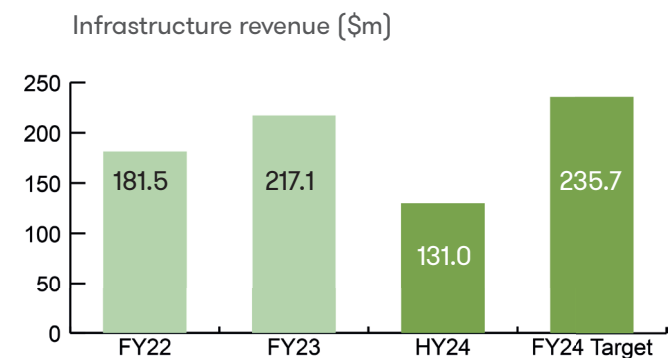
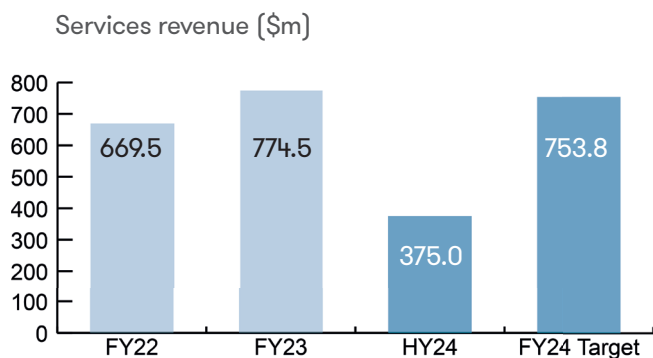
The Services and Infrastructure businesses are both supported by shared corporate services including a specialist Zero Harm team, finance, legal, human resources, ICT, policy and funding, communications and strategy. Both of these businesses contain programme delivery teams delivering major asset renewals and improvements programmes.

Overview of Services and Infrastructure performance

	\$m		
	Group	Services business	Infrastructure business
Operating revenue	506.0	375.0	131.0
Operating expenses	(465.5)	(334.5)	(131.0)
Operating surplus	40.5	40.5	-
Capital expenditure	707.3	237.7	469.6



Group revenue and Group operating surplus in FY23 exclude \$1.1m impact of non-recurring items.



GROUP PERFORMANCE HEADLINES:

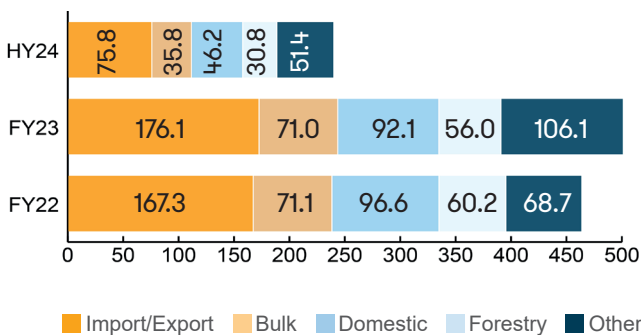
- Operating surplus of \$40.5m for the six months ended 31 December 2023
- \$707.3 million invested in assets and capital projects
- Launched Toitū Te Mauri Programme to lift our safety performance
- Freight volumes of 1.8 billion net tonne kilometres, resulting in 117,000 fewer tonnes of CO₂ emissions than if that same freight had moved by truck, 43.1m litres
- of fuel savings and less wear and tear on the roads
- Staff diversity measures tracking above target with 20.5% women and 19.5% under 30 years old at half year
- Six new members on the Board as of February 2024.

SERVICES PERFORMANCE HEADLINES:

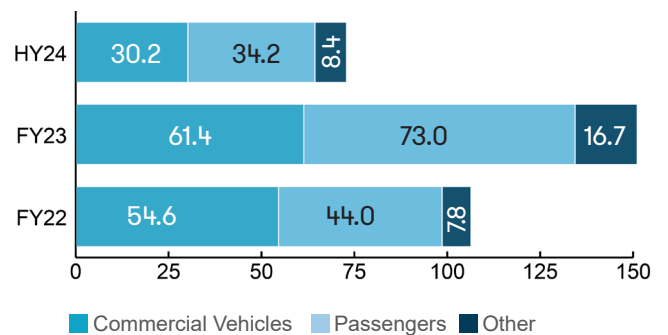
- Freight volumes impacted across all sectors due to softening markets in a weakening economy, particularly import volumes, lower export demand, competitive pricing from road freight forwarders, and the impact of the North Auckland Line outage
- Significant number of rolling stock contracts executed with 9 further DM locomotives, 450 further CFT wagons and 24 yard shunt locomotives procured
- Tourism market outlook continues to be positive with passenger volumes for start of the peak period up on previous year by 15% and vehicle volumes up by 11%, representing a return to around 70% of the pre-Covid levels

- Refurbished Capital Connection carriages introduced
- Waltham (Christchurch) mechanical hub operational. Progressed Hillside (Dunedin) mechanical workshops and Fairfield freight hub (Ashburton) – all expected to be operational in Q3
- DL locomotives: All 10 new locomotives are now in service
- Confirmation of Kmart moving its freight onto rail at the newly commissioned Ruakura Freight Hub
- Work is underway on a siding extension for Coca-Cola in Auckland
- Valentine vessel sale completed 18 September
- Kaiarahi dry dock completed successfully, returned to New Zealand on time and within budget
- International maritime experts (DNV) engaged to assist Interislander asset management
- Great Journeys New Zealand launched Scenic Plus on Coastal Pacific in December
- Commenced a refresh of our enterprise wide risk and asset management processes
- The iReX project is being wound down, including redevelopment of the terminals and two new ships. This follows a Government announcement that it has decided not to provide further funding for the project. We will work with the Government, our customers, ports and other stakeholders on an alternative, suitable long-term solution.

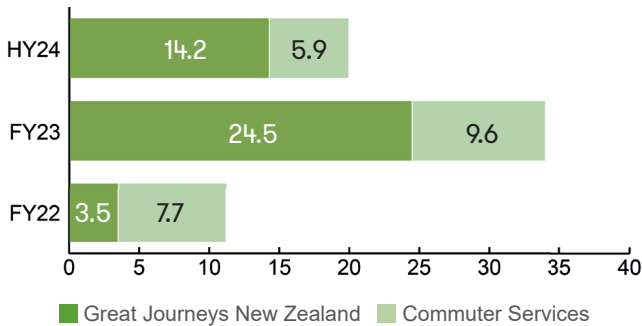
Freight revenue (\$m)



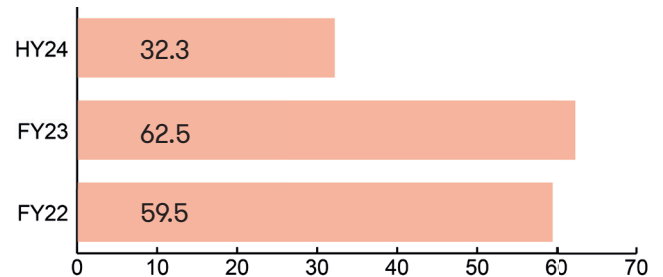
Interislander revenue (\$m)



Great Journeys New Zealand and Commuter revenue (\$m)

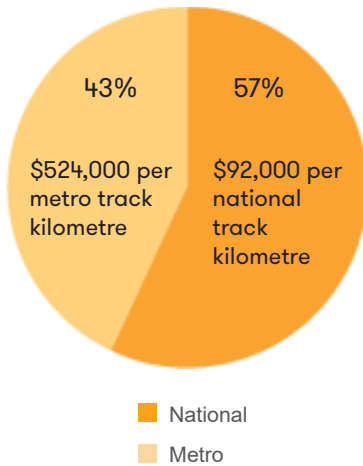


Property revenue (\$m)

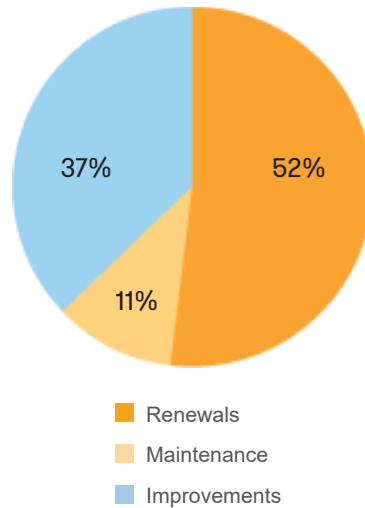


Infrastructure rail network

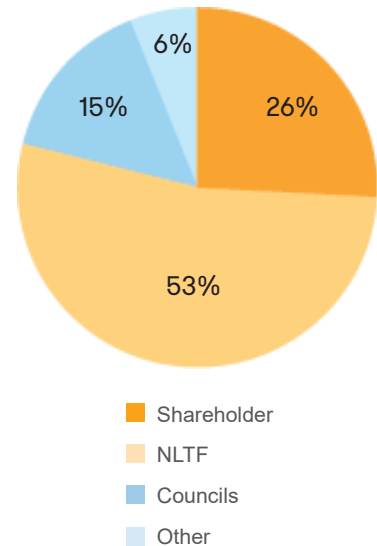
HY24 Infrastructure spend by business segment



HY24 Infrastructure spend by type



HY24 Infrastructure spend by funding source



INFRASTRUCTURE PERFORMANCE HEADLINES:

- Operating expenses (funded primarily through the NLTF and recoveries from Auckland and Wellington metros) for HY24 were \$131.0m
- RNIP delivery levels remained high in year 3 of the approved programme and tracking ahead of plan, with spend ~20% higher than the same time in FY23
- Track replacement complete between Whangārei and Kauri. 20,000 sleepers installed and 13km of rail replaced
- Practical completion granted to construction contractor of the Auckland Rail Operations Centre in Eilerslie
- Funding secured for cyclone and flood recovery programme
- Napier line to Hastings reopened in September following reinstatement of a bridge which was destroyed by Cyclone Gabrielle 7 months earlier
- NZ Upgrade Programme (NZUP): Drury Rail Stations – detailed design for Drury Central and Paerātā finalised, Drury trackside piling commenced
- Following significant planning, major maintenance, renewals, and improvements progress occurred over the Christmas and New Year block of line to lift the network quality for commuters in Auckland and Wellington. This included 8.9 kilometres of drainage works in the Remutaka Tunnel, ready for track replacement next Christmas. Wider work saw continued progress in Auckland's Rail Network Rebuild and Wellington's Rail Upgrade Programme.

Net result

The net deficit after taxation for the six months ended 31 December 2023 (HY24) was \$407.0m, compared to \$65.1m in the previous corresponding half-year (HY23). After adjusting for

impact of iReX (new Interislander ferries and terminals) project costs of \$442.0m and impairment for the periods, the net result is slightly unfavourable (\$12.4m) to HY23.

Chair and Chief Executive report

KiwiRail has a critical role to play as part of our transport system, moving freight and people for New Zealand, a role we continue to deliver on.



Great Journeys New Zealand revenues have continued their bounce-back after Covid

We shift 12 per cent of our nation's freight, 25 per cent of the country's exports, 50 per cent of the New Zealand's largest port volumes, and every tonne we shift emits 70 per cent less carbon than by road. Our metro network enables more than 22 million metro commuter trips each year, and our tourism services welcome around 800,000 people every year.

Like many other organisations, KiwiRail faced a challenging half year, but continued to build its business to support improved reliability for passengers and freight customers, reduce emissions, and support New Zealand's productivity and economic growth.

KiwiRail achieved an operating surplus in its service operations of \$40.5m¹ for the half-year ended December 2023. We had anticipated a significant drop from the prior year, but this result reflects weaker than expected economic activity. Rail freight volumes were down by 15 per cent on a net tonne kilometre basis largely through

reduced import container volume and the flow-on impact to lower domestic freight transport demand. Our Freight revenue reduction of 4.2 per cent reflects a favourable freight mix in the first half year and price management discipline.

While pleased with the significant progress that was made in service reliability for customers, improved tourism operations and strong momentum in delivering key infrastructure projects, the trading environment in the New Zealand market was challenging.

New Zealand's softening domestic economy, extreme weather events, soft export log pricing and the disrupted shipping sector all impacted adversely on rail volumes in the first half of this financial year.

Most domestic sectors are reporting lower levels of demand, in particular construction, manufacturing and retail, which has impacted import container volumes and domestic freight transportation. Inflation-driven increases in supply chain and labour

costs were experienced in the first half but these are now easing.

The softer domestic economy accounted for half of the reduction in freight carried on our rail network. The lower import flows, as reported by ports, as a result of softening demand and destocking of warehouse inventories had a natural flow on to the movement of domestic freight volumes throughout New Zealand.

Weather events also played a role, impacting lines in both islands and contributed to 13 per cent of the volume fall. In the North Island, the North Auckland Line between Helensville and Whangārei remains closed following January 2023 weather events and is not expected to reopen until later in 2024.

The Palmerston North to Wairoa line was reopened to Port of Napier in October following the bridge wash out in Napier during cyclone Gabrielle. In the South Island, the Buller Gorge on the West Coast (October/November) and Southland's Ohai (September) were both impacted by weather events

1- Operating surplus represents earnings before depreciation & amortisation, interest, impairment, capital grants, fair value changes and tax.

which impacted the movement of coal volumes to customers.

The forestry sector in the Lower North Island impact saw an 8 per cent reduction in export log volumes as demand reduced because of lower commodity prices, and volumes converted from rail to road as the roading sector reduced rates to protect their transport fleets.

As the economy improves, lines are fully reopened and new capacity is made available, we expect volumes to rebound.

Our Scenic tourism business provided a highlight, with a return to 70 per cent of pre-Covid passenger levels. Forward bookings are above expectations, as we introduce additional capacity and higher value tourism packages on our three tourism rail routes.

Revenue from Scenic tourism was up 53 per cent on HY2023, to \$14.2m. Our TranzAlpine, Coastal Pacific and Northern Explorer train trips are widely recognised globally as 'must-do' experiences, and the new offering of multi-day trips has just been recognised by The New York Times which featured them in its '52 places to go in 2024'.

Despite the tough environment, KiwiRail continues to build for future growth with the substantial investment in infrastructure, metro networks and rolling stock assets. This will ensure we play a vital part in the growth of commuter services, particularly in Auckland and Wellington, as well as the decarbonisation of the country's land transport system, contributing to productivity and economic growth.

The six months to 31 December saw \$707.3m of capital expenditure across the full range of KiwiRail's activities, split between Services (\$237.7m) and Infrastructure (\$469.6m). This included investment in new rolling stock, the completion of track replacement between Whangārei and Kauri in Northland, and the practical completion of the Integrated Rail Management Centre in Auckland, which controls rail traffic on the busiest part of our network.

Solid progress was also made on a new purpose-built mechanical maintenance building at Waltham yard in Christchurch and the redevelopment of the Hillside Workshop in Dunedin. Waltham is expected to be completed by the end of the year, and Hillside in mid-2024.

KiwiRail's determination to deliver was on display as we reopened the rail line to Napier just seven

We are committed to delivering reliable services and a continual focus on customer service in conjunction with our many partners across our integrated rail and ferry system

months after it was badly damaged in Cyclone Gabrielle, particularly around Awatoto where the bridge was badly damaged. Re-opening the line allowed rail freight to again flow to Napier Port, a vital link in New Zealand's supply chain.

In Northland, work on more than 200 damage sites along the NAL between Swanson and Whangārei – including overslips, slumps, washouts and underslips – has been slower but good progress has been made with repairs completed on more than 50 kilometres of line north of Swanson to near Makarau.

Work also continues on the major upgrades to the Auckland and Wellington commuter networks, with significant progress made over the holiday blocks of line. It was pleasing to successfully complete the upgrade of Auckland's eastern metro rail network in advance of City Rail Link opening in 2025.

With the investment in asset capacity, we are seeing new opportunities to grow freight and passenger volumes with core customers.

It was pleasing to secure major freight volume on rail with Kmart, who moved their national distribution centre to the Tainui Ruakura freight hub in late 2023. A balance of capacity, carbon and price were key reasons for rail being the preferred mode.

We also signed an agreement with Coca Cola Europacific Partners to extend its current siding to enable increased use of rail and lower its carbon footprint.

In December, the Government advised our Board it had decided not to provide further funding for the Inter-Island Resilient Connection (iReX) project to build two new ferries and associated landside and port infrastructure.

We are in the process of winding down the current new ship project and reviewing options for the Cook Strait connection. We will work with the Ministerial Advisory Group, our customers, ports, iwi and other stakeholders on options for maintaining a safe and reliable service across Cook Strait.

KiwiRail is continuing to strengthen our leadership capability, as well as our commitment to safety and service reliability for customers.

That commitment was shown by the Interislander team in its determination to move on following the Kaitaki incident early in 2023. The safe and reliable operation of the Interislander service is an absolute non-negotiable requirement for KiwiRail. Since this event, we have conducted a full review of all our asset management practices, using global maritime experts (Det Norske Veritas) to ensure we are operating the Interislander to world's best practice standards, based on the age and condition of our existing fleet.

During December – one of our busiest months – Interislander ferries operated with 100 per cent asset reliability and 94 per cent on-time performance. For the six months, the reliability figure was 97 per cent. Those are levels that exceed even the best operators in the global aviation industry, and we are proud of the significant work that our Interislander team has invested to lift service reliability for customers over the past six months.

We are taking a similar disciplined asset management approach with our rail assets. On-time performance for our premier freight services improved six per cent to 88 per cent.

More than 22 million passenger journeys are made on public transport trains each year, and major advancements this decade like City Rail Link and Wellington's new trains are going to boost this. We are partnering with Auckland Transport and Greater Wellington Regional Council to help build reliable public transport networks that provide choice for commuters, ease congestion and reduce emissions.

Outlook

Trading conditions for the second six months of the financial year remain challenging for many New Zealand exporters, importers and freight transport providers, and KiwiRail is no exception.

We continue to focus on safety performance, customer service, improving asset utilisation, and controlling the total cost of operations to improve financial performance.

The next six months will see us take some big steps in our strategy to build

a reliable, safe network as a platform for growth for customers. This includes the handover of the first two new DM class locomotives for commissioning testing, the opening of our Auckland Train Control centre where we'll work alongside Auckland Transport, and our new maintenance centre in Christchurch for our South Island rolling stock.

We are conducting a strategic review of our operations in partnership with external expertise to accelerate growth, support operational excellence and deliver financial sustainability.

Like the New Zealand Transport Agency and councils, KiwiRail prepares a Rail Network Investment Programme that aligns with the Government Policy Statement on land transport. We look forward to working with the Government as the next Programme is prepared. There is a challenge for how New Zealand funds its infrastructure, and we will be working with Ministers, agencies and our customers to ensure the benefits of rail and trade-offs across transport investments drive productive and efficient outcomes for New Zealand.

The first six months have been challenging, but our people have fronted up to meet these challenges

with significant pride and commitment to deliver for New Zealand.

We also want to acknowledge the ongoing commitment of our customers to our rail, ferry and property services, and to the hundreds of thousands of passengers who use commuter rail. We want to assure them that we are committed to delivering reliable services and a continual focus on customer service in conjunction with our many partners across our integrated rail and ferry system.

Our purpose drives us to build stronger connections for a better New Zealand – delivering safe, reliable and efficient services to help our customers and our country grow and succeed.



David McLean
Chair



Peter Reidy
Chief Executive



KiwiRail teams moved quickly on repairs after weather events devastated parts of the network

Financial Statements

KiwiRail Holdings Limited and subsidiaries

Statement of Comprehensive Income

For the six months ended 31 December 2023

GROUP	Note	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
		\$m	\$m	\$m
Operating revenues	2	506.0	497.2	992.7
Operating expenses	3	(465.5)	(415.6)	(835.1)
Operating surplus		40.5	81.6	157.6
Capital grants	4	246.6	248.7	589.1
Depreciation and amortisation		(58.8)	(78.2)	(143.7)
Foreign exchange and commodity gains/(losses)		7.0	0.3	(0.9)
Impairment		(211.0)	(323.5)	(1,425.4)
Insurance proceeds		4.7	0.7	51.8
Movement in value of investment properties		-	-	(3.8)
Net finance income	5	7.7	5.3	8.6
Other income		0.2	-	1.6
Other costs	6	(443.9)	-	(5.5)
Net (deficit) before taxation		(407.0)	(65.1)	(770.6)
Income tax expense		-	-	-
Net (deficit) after taxation		(407.0)	(65.1)	(770.6)
Other comprehensive income/(loss)				
<i>Items that can be reclassified into net surplus/deficit:</i>				
(Losses)/gains from cash flow hedges		(51.0)	(28.0)	11.3
<i>Items that cannot be reclassified into net deficit/surplus</i>				
Asset revaluation		(0.1)	-	39.6
Loss on share investment		(0.1)	(0.1)	-
Total comprehensive (loss)		(458.2)	(93.2)	(719.7)

The accompanying notes form part of these financial statements.

KiwiRail Holdings Limited and subsidiaries
Statement of Financial Position
As at 31 December 2023

GROUP	Note	31 Dec 2023	31 Dec 2022	30 June 2023
		(Unaudited)	(Unaudited)	(Audited)
		\$m	\$m	\$m
Current assets				
Cash and cash equivalents		283.6	331.5	246.2
Short-term deposits		60.0	170.0	40.0
Trade and other receivables		186.0	175.3	283.8
Inventories		173.4	146.3	163.3
Financial assets		13.4	9.8	24.4
Asset held for sale		-	-	18.9
		716.4	832.9	776.6
Non-current assets				
Property, plant and equipment		1,532.7	1,646.2	1,357.8
Right-of-use assets		108.8	50.8	114.8
Investment property		107.3	99.3	106.4
Intangible assets		15.9	18.4	-
Financial assets		40.3	52.5	60.1
Trade and other receivables		243.4	245.8	271.5
		2,048.4	2,113.0	1,910.6
Total assets		2,764.8	2,945.9	2,687.2
Current liabilities				
Trade and other liabilities	7	346.4	363.6	363.2
Employee entitlements		129.2	127.3	117.6
Financial liabilities		31.0	24.6	22.5
Provisions	12	71.7	11.9	10.3
		578.3	527.4	513.6
Non-current liabilities				
Trade and other liabilities	7	123.9	-	65.9
Employee entitlements		40.3	42.5	41.8
Financial liabilities		134.2	83.9	128.0
		298.4	126.4	235.7
Total liabilities		876.7	653.8	749.3
Equity				
Share capital		4,751.1	4,044.6	4,324.8
Retained earnings		(2,946.7)	(1,809.3)	(2,521.8)
Asset revaluation reserve		55.6	17.0	55.7
Cash flow hedge reserve		28.4	40.1	79.4
Share valuation reserve		(0.3)	(0.3)	(0.2)
		1,888.1	2,292.1	1,937.9
Total liabilities and equity		2,764.8	2,945.9	2,687.2



David McLean
Chair
27 February 2024



Bruce Wattie
Chair of the Risk, Audit and Assurance Committee and Director
27 February 2024

The accompanying notes form part of these financial statements.

KiwiRail Holdings Limited and subsidiaries
Statement of Movements in Equity

For the six months ended 31 December 2023

GROUP	Note	Share Capital	Retained Earnings	Asset Valuation Reserve	Cash Flow Hedge Reserve	Share Revaluation Reserve	Total
		\$m	\$m	\$m	\$m	\$m	\$m
As at 30 June 2022 (Audited)		3,470.5	(1,739.8)	17.0	68.1	(0.2)	1,815.6
Net deficit for the period		-	(65.1)	-	-	-	(65.1)
Other comprehensive loss		-	-	-	(28.0)	(0.1)	(28.1)
Total comprehensive (loss)		-	(65.1)	-	(28.0)	(0.1)	(93.2)
Transactions with owners							
Capital investment		574.1	-	-	-	-	574.1
Crown appropriation - land transactions	10	-	(4.4)	-	-	-	(4.4)
As at 31 December 2022 (Unaudited)		4,044.6	(1,809.3)	17.0	40.1	(0.3)	2,292.1
Net deficit for the period		-	(705.5)	-	-	-	(705.5)
Other comprehensive income		-	0.9	38.7	39.3	0.1	79.0
Total comprehensive (loss)/income		-	(704.6)	38.7	39.3	0.1	(626.5)
Transactions with owners							
Capital investment		280.2	-	-	-	-	280.2
Crown appropriation - land transactions	10	-	(7.9)	-	-	-	(7.9)
As at 30 June 2023 (Audited)		4,324.8	(2,521.8)	55.7	79.4	(0.2)	1,937.9
Net deficit for the period		-	(407.0)	-	-	-	(407.0)
Other comprehensive loss		-	-	(0.1)	(51.0)	(0.1)	(51.2)
Total comprehensive (loss)		-	(407.0)	(0.1)	(51.0)	(0.1)	(458.2)
Transactions with owners							
Capital investment		426.3	-	-	-	-	426.3
Crown appropriation - land transactions	10	-	(17.9)	-	-	-	(17.9)
As at 31 December 2023 (Unaudited)		4,751.1	(2,946.7)	55.6	28.4	(0.3)	1,888.1

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the six months ended 31 December 2023

GROUP	Note	6 months ended	6 months ended	Year ended
		31 Dec 2023 (Unaudited)	31 Dec 2022 (Unaudited)	30 June 2023 (Audited)
		\$m	\$m	\$m
Cash flows from operating activities				
Receipts from customers		475.5	447.2	854.7
Receipts from the National Land Transport Fund		70.2	80.7	156.2
Receipt of Holiday Act Remediation		-	-	1.1
Appropriation				
Interest received		10.0	4.5	16.5
Payments to suppliers and employees		(587.7)	(428.3)	(867.5)
Payments for interest on borrowings		0.7	(0.1)	(0.1)
Payments for interest on leases		(2.9)	(1.6)	(7.5)
Net cash from operating activities	9	(34.2)	102.4	153.4
Cash flows from investing activities				
Sale of property, plant and equipment		24.7	0.3	2.4
Capital grant receipts		126.9	106.7	245.6
National Land Transport Fund receipts		222.4	122.4	277.7
Insurance proceeds		4.7	3.0	1.8
Purchase of property, plant and equipment and investment properties		(665.7)	(546.0)	(1,208.6)
Purchase of intangibles		(19.4)	(10.7)	(39.2)
Purchase of short-term deposits		(20.0)	(160.0)	(30.0)
Net cash used in investing activities		(326.4)	(484.3)	(750.3)
Cash flows from financing activities				
Crown capital investment		426.3	574.1	728.8
Payment for NZRC land acquisitions		(17.9)	(4.4)	(12.3)
Repayment of loans		-	(4.0)	(4.0)
Lease payments		(10.4)	(12.5)	(29.6)
Net cash from financing activities		398.0	553.2	682.9
Net increase/(decrease) in cash and cash equivalents		37.4	171.3	86.0
Cash and cash equivalents at the beginning of the period		246.2	160.2	160.2
Cash and cash equivalents at the end of the period		283.6	331.5	246.2

The accompanying notes form part of these financial statements.

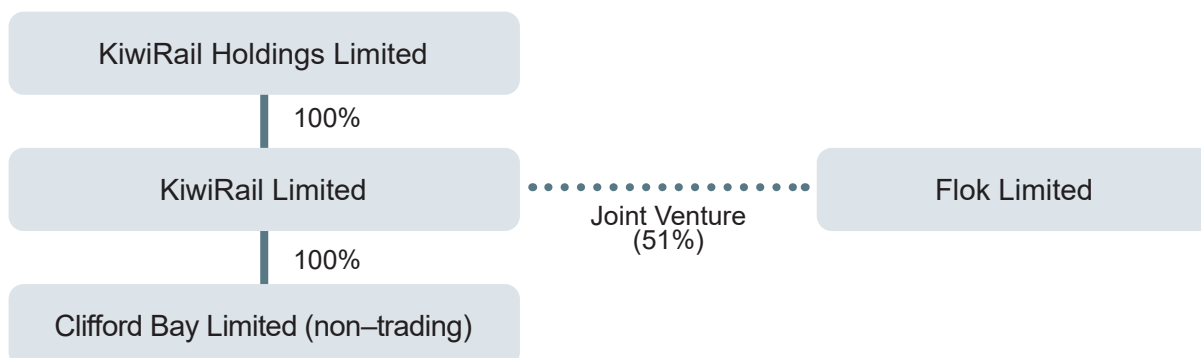
KiwiRail Holdings Limited and subsidiaries

Notes to the Financial Statements

For the six months ended 31 December 2023

1. REPORTING ENTITY

KiwiRail Holdings Limited (“KiwiRail”, “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 freight transport supply chain services that connect customers with global and domestic markets
- 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 international 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 2023 (“the interim financial statements”) and were authorised by the Board of Directors on 27 February 2024.

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 2023 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 2023.

Notes to the Financial Statements

For the six months ended 31 December 2023

2. OPERATING REVENUES

	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
	\$m	\$m	\$m
Freight	240.0	264.5	501.3
Interislander	72.8	72.1	151.1
Property	32.3	32.1	62.5
Scenic & Commuter	20.1	13.6	34.1
Other	9.8	13.2	25.5
National Land Transport Fund	82.5	63.1	139.7
Infrastructure	48.5	38.6	77.4
Holiday Act Remediation Appropriation	-	-	1.1
Total operating revenues	506.0	497.2	992.7

3. OPERATING EXPENSES

	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
	\$m	\$m	\$m
Salaries and wages	342.6	276.0	587.1
Restructuring	0.6	1.4	1.5
Employer contributions	11.3	9.9	20.3
Other employee expenses	10.9	10.8	15.4
Total employee expenses	365.4	298.1	624.3
Amount capitalised	(145.1)	(102.8)	(235.6)
Total employee costs expensed	220.3	195.3	388.7
Materials and supplies	81.4	71.0	152.9
Fuel and traction electricity	65.1	77.5	141.2
Lease and rental costs	18.7	12.4	24.6
Incidents and insurance	25.0	16.9	36.5
Contractors' expenses	5.3	3.6	9.8
Audit fees	0.3	0.2	0.6
Impairment of/(recovery from) receivables	0.1	-	(0.2)
Directors' fees	0.2	0.2	0.4
(Gain)/loss on disposal of property, plant and equipment	(1.0)	0.3	(1.4)
Other expenses	50.1	38.2	82.0
Total operating expenses	465.5	415.6	835.1

4. CAPITAL GRANTS

	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
	\$m	\$m	\$m
Ministry of Transport	0.2	16.7	2.5
National Land Transport Fund	136.6	131.2	295.0
Local and Regional Councils	31.7	47.4	109.3
Auckland Transport	56.0	33.2	127.1
City Rail Link	19.9	11.3	43.7
Ministry of Business, Innovation and Employment	0.2	5.5	5.8
NZTA	2.0	3.4	5.5
Other	-	-	0.2
Total capital grant income	246.6	248.7	589.1

KiwiRail Holdings Limited and subsidiaries
Notes to the Financial Statements

For the six months ended 31 December 2023

5. NET FINANCE INCOME/(EXPENSES)

	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
	\$m	\$m	\$m
Finance income			
Interest income on bank deposits	10.6	6.9	17.2
	10.6	6.9	17.2
Less finance expenses			
Interest expense on borrowings	-	(0.2)	(0.2)
Interest expense on leases	(2.9)	(1.5)	(7.5)
Net change in fair value of derivatives	-	0.1	(0.9)
	(2.9)	(1.6)	(8.6)
Net finance income	7.7	5.3	8.6

6. OTHER COSTS

	Note	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
		\$m	\$m	\$m
iReX project write-off	12	442.0	-	-
Impact of weather events		1.9	-	5.5
		443.9	-	5.5

7. TRADE AND OTHER LIABILITIES

	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
	\$m	\$m	\$m
Trade payables	122.2	103.6	149.5
Goods and services tax payable	-	4.4	-
Unearned revenue	232.6	197.0	173.9
Accrued interest	0.3	0.2	0.3
Related party payable	-	-	0.5
Other payables and accruals	115.2	58.4	104.9
Total payables	470.3	363.6	429.1
Current liabilities	346.4	363.6	363.2
Non-current liabilities	123.9	-	65.9
	470.3	363.6	429.1

Notes to the Financial Statements

For the six months ended 31 December 2023

8. CAPITAL AND OTHER COMMITMENTS

The Group has capital commitments for procurement of new rolling stock, network upgrades, infrastructure renewal materials, refurbishment costs relating to rolling stock and purchases of plant and equipment.

	31 Dec 2023 (Unaudited)	31 Dec 2022 (Unaudited)	30 June 2023 (Audited)
	\$m	\$m	\$m
Capital and other expenditure commitments:			
Not later than one year	1,004.9	539.5	657.7
Later than one year but not later than five years	662.4	947.6	840.6
	1,667.3	1,487.1	1,498.3

9. RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	6 months ended 31 Dec 2023 (Unaudited)	6 months ended 31 Dec 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
	\$m	\$m	\$m
Net (deficit) taxation	(407.0)	(65.1)	(770.6)
Add/(deduct) items classified as investing or financing activities			
(Gain)/loss on sale of assets	(1.0)	0.3	(1.4)
Fair value movement in derivatives	1.8	4.0	7.3
Capital grant receipts	(126.9)	(106.7)	(245.6)
National Land Transport Fund receipts	(222.4)	(122.4)	(277.7)
Insurance proceeds	(4.7)	(3.0)	(1.8)
	(760.2)	(292.9)	(1,289.8)
Add/(deduct) non-cash items			
Depreciation and amortisation	58.8	78.2	143.7
Movements in provisions	59.9	0.3	(2.1)
Impairment of non-financial assets	211.0	323.5	1,425.4
Movement in fair value of investment properties	-	-	3.8
Other costs – iReX project write-off	263.5	-	-
	(167.0)	109.1	281.0
Add/(deduct) movements in working capital			
(Increase) in trade receivables	(14.0)	(3.7)	(2.4)
Decrease/(increase) in other receivables	108.8	14.2	(95.5)
(Increase) in inventories	(10.1)	(26.0)	(43.1)
(Decrease)/increase in trade payables	(26.8)	17.2	63.1
Increase/(decrease) in other payables	74.9	(8.4)	(49.7)
Net cash flows from operating activities	(34.2)	102.4	153.4

Notes to the Financial Statements

For the six months ended 31 December 2023

10. 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 New Zealand Railways Corporation (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.

For the period ended 31 December 2023, the total net proceeds from land sold/land swaps was nil (31 December 2022: \$nil; 30 June 2023: \$nil) and the total net land acquisitions was \$17.9m (31 December 2022: \$4.4m; 30 June 2023: \$12.3m). These were treated as transactions with owners in the Statement of Movements in Equity.

11. IMPACT OF WEATHER EVENTS

North Island Floods and Cyclone Gabrielle weather events in January and February 2023 resulted in significant damage to the Group's infrastructure assets.

Loss and damage caused by weather events is insured under the Group's Operational Infrastructure and Consequential Loss Policy and Auckland Rail Corridor Infrastructure and Consequential Loss Policy.

While no claim was made for the six months ended 31 December 2023, the Group has notified the underwriters of its intention to make claims under both policies. As at 31 December 2023, it is not practicable to estimate the full extent of the insurance recovery and therefore no receivable for insurance proceeds has been recognised in the interim financial statements.

12. INTER-ISLAND RESILIENT CONNECTION PROJECT

The purpose of the Group's Inter-island Resilient Connection (iReX) project was to replace the Interislander ships and upgrade the ferry terminal infrastructure at Picton and Wellington. In December 2023, the Government declined the Group's request for funding to meet the increasing cost of the terminal infrastructure. The Board subsequently determined that it could not proceed with the project and it would be wound down. Wind down has commenced and is expected to be substantially completed by 31 March 2024.

As a result, project expenditure of \$327.5m that was previously recognised as assets under construction and project expenditure of \$54.5m that was previously recognised as non-current prepayments have been written off in the interim financial statements as at 31 December 2023. In addition, a provision of \$60.0m has been recognised at 31 December 2023 for estimated costs to complete the wind down for a total of \$442.0m (refer to Note 6 Other Costs). This provision excludes settlement costs relating to termination of the vessel contracts.

Refer to the following table for an overview of the iReX project costs as at 31 December 2023.

Notes to the Financial Statements

For the six months ended 31 December 2023

12. INTER-ISLAND RESILIENT CONNECTION PROJECT (continued)

	Capital Write-off 31 Dec 2023	Provision 31 Dec 2023	Property, Plant & Equipment 31 Dec 2023	Operating Costs 31 Dec 2023	Lease Costs 31 Dec 2023	Total 31 Dec 2023
	\$m	\$m	\$m	\$m	\$m	\$m
Capital expenditure:						
iReX project capital expenditure	327.5	-	-	-	-	327.5
Vessel deposit	54.5	-	-	-	-	54.5
Assets under construction	-	-	27.6	-	-	27.6
Assets capitalised in prior periods	-	-	7.0	-	-	7.0
Operating expenditure	-	-	-	5.7	-	5.7
Lease costs expenditure	-	-	-	-	1.9	1.9
Project expenditure as at 31 December 2023	382.0	-	34.6	5.7	1.9	424.2
iReX project wind down provision	-	60.0	-	-	-	60.0
Project expenditure as at 31 December 2023	382.0	60.0	34.6	5.7	1.9	484.2

13. CONTINGENT LIABILITIES

INTER-ISLAND RESILIENT CONNECTION PROJECT EXIT

The Group is party to contracts to purchase two new Cook Strait ferries. The need to purchase these ships was the driver of the iReX project. Termination of the iReX project has required the Group to cancel the contracts for the ships. Potential costs, over and above the provision recognised in the interim financial statements, that may be incurred in reaching a settlement with the counterparty to contracts cannot be estimated with any certainty at present.

The Group is working with its shareholder on the full exit of the iReX project. This includes the potential for funding for costs that may be incurred in settling the ships contracts. The amount of this funding cannot be estimated with any certainty at present.

Key Performance Measures

Statement of Corporate Intent Comparisons*

SERVICES KEY PERFORMANCE MEASURES	6 months ended 31 Dec 2023 Actual	30 June 2024 Target
Revenue (\$m) ¹	339	734-758
Rail Freight revenue (\$m) ¹	198	426-439
Interislander freight and passenger revenue (\$m) ¹	64	143-154
Scenic and Commuter revenue (\$m)	20	38-48
Property revenue (\$m)	32	61
Operating surplus (\$m)	41	127-147
Operating margin (%)	11	17-19
Freight net tonne kilometres carried (million)	1,768	4,050
On-time performance - Freight Premier (%)	88	90
Availability - Locomotives (%)	84	76
Availability - Wagons (%)	91	90
On-time performance - Interislander - arrival within 15 mins of scheduled time (%)	85	90
Reliability - Ship services to advertised sailings (%)	97	98
Number of Rolling Stock & iReX programme milestones completed	5 (45%)	11 (100%)

INFRASTRUCTURE KEY PERFORMANCE MEASURE	6 months ended 31 Dec 2023 Actual	30 June 2024 Target
Auckland metro reliability - Percentage of scheduled services delivered without network issues	98%	97%
Wellington metro reliability - Percentage of scheduled services delivered without network issues	98%	97%
Overall Track Quality Index (average TQI) for Auckland metro	30.4	35.0
Overall Track Quality Index (average TQI) for Wellington metro	27.2	40.9
Number of Network Condition KPIs within target	6 (43%)	14 (100%)
All temporary speed restrictions (average TSRs) within target(s) for priority routes	20% within targets	100% within targets
All Heat 40s (average Heat 40s) within target(s) for priority routes	80% within targets	100% within targets
Track Quality Index (average TQI) within target(s) for priority routes	100% within targets	100% within targets
Number of NZUP programme milestones delivered	1 (20%)	5 (100%)

1. Revenue excluding Fuel Adjustment Factor

* Refer to Statement of Corporate Intent 2024 to 2026 for definitions of performance measures

KiwiRail Holdings Limited and subsidiaries
Key Performance Measures
 Statement of Corporate Intent Comparisons*

GROUP KEY PERFORMANCE MEASURES	6 months ended 31 Dec 2023 Actual	30 June 2024 Target
Employee Net Promoter Score	n/a	10
Under 30s in the workforce (%)	19.5	19
Women in the workforce (%)	20.5	20
Total Recordable Injury Frequency Rate - TRIFR (number)	24.12	19
High Potential Near Misses (number)	14	44
Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per net tonne kilometer)	28.8	25.9
Truck journeys avoided (million)	0.50	1.07

STATE OWNED ENTERPRISE PERFORMANCE MEASURES	6 months ended 31 Dec 2023 Actual	30 June 2024 Target
Shareholder return measures		
Total shareholder return	n/a	n/a
Return on equity (%)	(21)	6
Profitability/efficiency measures		
Return on invested capital (%)	(23)	6
Operating margin - Services (%)	11	17-19
Leverage/solvency measures		
Debt to EBITDA	(7.8)	(1.7)
Gearing ratio (%)	1	2
Interest cover	39.2	46.9
Growth Measures		
Capital replacement	12.3	12.2
Revenue growth - Services (%)	(5)	6
EBITDA growth - Services (%)	(50)	(7)

* Refer to Statement of Corporate Intent 2024 to 2026 for definitions of performance measures

KiwiRail 