New Zealand
Railways Corporation

ANNUAL REPORT 2025

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Directors' Report

We are pleased to present this annual report for the New Zealand Railways Corporation ("the Corporation") for the financial year ended 30 June 2025.

Over the 12 months ended 30 June 2025, the Corporation has continued to support KiwiRail Holdings Limited ("KiwiRail"), to ensure a sustainable rail business in New Zealand.

As set out in its Statement of Corporate Intent, the Corporation makes approximately 18,400 hectares of railway land available to KiwiRail under a long-term lease ("Core Lease") for nominal consideration. It is not expected to derive any return from the land and is not expected to operate a rail business.

The Core Lease gives KiwiRail a secure leasehold tenure over the railway land until the end of 2070. The Corporation supports KiwiRail's intent to secure a long-term lease over railway land for commercial benefit and allow investment for future growth. In the past year, land acquisitions totalling $13.9m were made to purchase new railway land, in line with KiwiRail's growth strategy.

The audited financial statements attached to this report show that the Corporation's operating costs for the year ended 30 June 2025 have been fully offset by the charge payable by KiwiRail in accordance with the Management Agreement.

Through its unique relationship with KiwiRail, the Corporation continues to perform a key role in securing the future of rail for the benefit of all New Zealanders and protecting the Crown's investment in rail operations in New Zealand.

Board of Directors

Chair, Suzanne Tindal
Sue joined the NZRC Board as Chair in July 2025. She has extensive senior executive and governance experience across financial services, ICT, energy, global freight and logistics, central and local government sectors spanning domestic and international markets. A Fellow of the Certified Practising Accountants of Australia and a Chartered Fellow of the New Zealand Institute of Directors, Sue is the Deputy Chair and Chair of the Risk and Assurance Committee of the New Zealand Infrastructure Commission, Te Waihanga; the Deputy Chair and Chair of the People and Culture Committee of Quotable Value Limited; a Director of Quotable Value Australia Pty Limited; the Independent Chair of the Audit & Risk Committee of Hutt City Council. Before moving into governance, Sue held executive roles as Group Chief Financial Officer of Auckland Council, Director of Consultancy at PwC, Executive Director of the Commonwealth Bank of Australia and Chief Operating Officer of Westpac Asia.

Director, Nicola Greer
Nicola Greer joined the Board in July 2019. Nicola is currently a Director of Precinct Properties, Fidelity Life Assurance, South Port NZ, Vulcan Steel, and is a member of the NZ Markets Disciplinary Tribunal. Prior to her governance career, Nicola had extensive experience in NZ, Australia, and the UK in the banking and finance sectors. This encompassed a range of roles within the financial markets and asset and liability management at ANZ, Citibank, and Goldman Sachs. She also has a significant background in the New Zealand commercial property market, developing and owning commercial property across a variety of sectors.

Director, Angela Edwards
Angela Edwards joined the Board in June 2020. Angela is a Fellow Chartered Accountant and Audit, Assurance and Advisory Partner with BDO New Zealand and leads the National Māori Business sector for the firm. She has extensive experience in relation to the audits of Māori entities, Not-for-Profit and charitable organisations. She has a diverse client base consisting of Runanga, Māori Incorporations, companies, schools, and Not-for-Profit organisations. Angela also provides business and advisory services to a range of clients.

Governance

The Corporation is a statutory corporation constituted under the New Zealand Railways Corporation Act 1981 (NZRC Act) and is not a company, so it does not have shares or shareholders. It is also a state-owned-enterprise listed in Schedule 1 to the State-Owned Enterprises Act 1986 (SOE Act). Its responsible Ministers are the Minister of Finance and the Minister for Rail. Those Ministers are referred to in this report as the "Shareholding Ministers", to reflect the terminology used in the SOE Act. The Board of the Corporation is accountable to the Shareholding Ministers.

The Corporation and KiwiRail are expected to work together and communicate openly, which is assisted by the Chair of the Corporation also being the Chair of KiwiRail. This reflects the expectation of the Shareholding Ministers and the applicable legislation.

Executive management

The Corporation does not have any employees. The Corporation has entered into a Management Agreement under which KiwiRail provides corporate and administrative services to the Corporation for a nominal charge.

The Corporation is required by the NZRC Act to have a General Manager. This role is usually performed by the General Counsel of KiwiRail at no cost to the Corporation.

Statutory compliance

The Board oversees compliance with the Corporation's statutory obligations (with assistance from KiwiRail under the Management Agreement), including the following obligations:

- preparing financial statements and arranging for their audit by the Auditor-General;
- submitting an annual report, half-yearly report and Statement of Corporate Intent to the Shareholding Ministers each year in accordance with the SOE Act;
- dealing with any requests for information made to the Corporation under the Official Information Act 1982 (though most information previously held by the Corporation has been vested in KiwiRail); and
- maintaining adequate records in accordance with the Public Records Act 2005.

General governance

The Board also:

- ensures there are 'no surprises' for the Shareholding Ministers (in accordance with Treasury's Owner's Expectations);
- manages any conflicts of interest;
- monitors the performance of KiwiRail under the Management Agreement;
- arranges for directors' and officers' insurance cover and directors' indemnities, in accordance with section 7A of the NZRC Act; and
- holds Board meetings as it deems necessary to perform its role.

In view of the limited activities of the Corporation:

- there are no standing sub-committees of the Board; and
- the Board meets quarterly, or with such greater frequency as it may determine from time to time.

Activities of the Corporation

Railway land

The Corporation's only significant asset is railway land. That railway land is leased to KiwiRail on terms that give KiwiRail comprehensive rights to enjoy the land and primary responsibility for managing the land. The Corporation therefore has a minimal ongoing role in managing the land (as the Crown's agent). The Corporation continues to have responsibility to include the value of railway land in its financial statements.

In this annual report "railway land" refers to all Crown land held for railway purposes except that which is administered by Land Information New Zealand and is no longer needed for railway purposes.

Under the lease KiwiRail can undertake many activities in relation to the land without requiring the consent or involvement of the Corporation. KiwiRail also carries the legal risks associated with use of the land.

KiwiRail is able to sub-lease railway land for periods of time within the term of the lease. The Corporation expects that KiwiRail will undertake sub-leasing activity that meets KiwiRail's business interests and that complies with the Corporations' statutory obligations regarding railway land.

If KiwiRail requires additional land to conduct its business, it may purchase land in its own name or may require the Corporation to acquire new land. KiwiRail may arrange for the Corporation to purchase new land and lease it to KiwiRail on the same terms as the existing lease. KiwiRail may also request the Corporation to exercise its powers to compulsorily acquire additional land and lease it to KiwiRail. Whenever KiwiRail does exercise such powers under the lease to require the Corporation to purchase additional land:

- the purchase cost of the land (including associated expenses) is funded by KiwiRail and regarded as an increase in equity for the Corporation; and
- the Corporation is required to lease to KiwiRail any land that is acquired on the same terms as the existing lease.

KiwiRail may also identify railway land that should be sold and request the Corporation to sell it, surrender it from the lease and provide the sale proceeds to KiwiRail. When KiwiRail requests that the Corporation sell land, the Corporation:

- relies on KiwiRail to find a prospective buyer and negotiate sale terms conditional on satisfaction of all requisite statutory approvals and clearances for sale (and the Corporation is not expected to evaluate the value of the proposal against any alternatives);
- seeks a report from KiwiRail on the effect of the proposal on the future development of the railway;
- complies with applicable statutory obligations, including obtaining the consent of the Ministers responsible for the NZRC Act;
- seeks confirmation from KiwiRail that all requisite statutory approvals and clearances for sale have been met;
- considers how such a sale would impact upon the Corporation's functions contained in section 12 of the NZRC Act, in particular, its function to arrange for safe and efficient rail freight and passenger transport services in New Zealand; and
- complies with its obligation under the lease to provide to KiwiRail proceeds from the sale of land surrendered from the lease.

The Shareholding Ministers expect that the proceeds from selling any railway land should go to KiwiRail to support its business as the SOE responsible for the financial performance of the Crown's investment in rail operations. As a result of the reduction in the Corporation's asset base, the Corporation will recognise an asset distribution to the Crown equivalent to the net sales proceeds realised from the sale. The Crown will recognise an increase in the equity of KiwiRail for the same amount.

When KiwiRail requires the Corporation to acquire land, and net acquisitions exceed net disposals, the subsequent increase in the Corporation's asset base will mean the

value of the Corporation's net equity will increase. As a result of the increase in the Corporation's asset base, the Corporation will recognise an increase in equity for the cost of land acquired. The Crown will recognise a decrease in the equity of KiwiRail for the same amount.

The Corporation is not expected to consider acquiring or selling railway land when it is not requested by KiwiRail.

Performance and Comparative Information

Section 15(2) of the SOE Act requires that the annual report include a comparison of the performance of the Corporation with its Statement of Corporate Intent.

The following matters are set out in the Corporation's Statement of Corporate Intent as relevant to measuring the performance of the Corporation:

- the Shareholding Ministers do not expect the Corporation to make an operating surplus, make any return on capital, or return a dividend.
- when the Corporation sells land and the sale proceeds of land surrendered from the lease are provided to KiwiRail, the Corporation may make an accounting loss.
- the Corporation shall comply with its obligations under the lease, the SOE Act, the NZRC Act and other relevant legislation.
- the Corporation shall only incur expenditure which it will be able to meet.

By way of comparison to these measures:

- no dividend will be paid to the Crown in respect of the financial year ended 30 June 2025.
- for the financial year ended 30 June 2025 all operating costs incurred by the Corporation were covered by the management fee from KiwiRail, resulting in no operating surplus or loss.
- the Corporation has complied with its obligations under the lease and relevant legislation in all material respects.
- the Corporation has not incurred expenditure that it has been unable to meet when due.

Additional Information

Director Remuneration

Refer to note 9 of the financial statements for the total remuneration paid to the Directors during the financial year ended 30 June 2025.

The Corporation has effected directors' and officers' liability insurance to cover the Corporation's Directors.

The Corporation indemnifies the Directors for liabilities for acts or omission made in their capacity as Directors, to the extent permitted by section 7A of the NZRC Act.

Employee Remuneration

As at 30 June 2025 the Corporation does not have any employees.

Vote Transport

Activities undertaken by the Corporation that are funded through Vote Transport Non-Departmental Capital Expenditure are detailed below.

Rail - New Zealand Railways Corporation Equity Injection (M72)

This multi-year appropriation is limited to equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited.

	2025 Actual	2025 Budget	2025 Supplementary	2025 Final Budget
Amount of appropriation ($000)	13,870	51,000	40,682	91,682
Performance measure:				
Property transactions are carried out in line with agreed outcomes	15% completed with remainder carried forward to 2025/26	-	-	100%

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New Zealand Railways Corporation

Statement of Comprehensive Revenue and Expense

For the financial year ended 30 June 2025

	Note	2025	2024
		$000	$000
Operating revenue	2	193	156
Operating expenses	3	(193)	(156)
Operating surplus		-	-
Net gain on sale of land	4	5	1,198
Net surplus		**5**	**1,198**
Other comprehensive revenue and expense			
Revaluation of property, plant and equipment	5	-	-
Total comprehensive revenue and expense		**5**	**1,198**

The accompanying notes form part of these financial statements.

New Zealand Railways Corporation

Statement of Financial Position

As at 30 June 2025

	Note	2025	2024
		$000	$000
Current assets			
Cash and cash equivalents		1	1
Trade and other receivables		3	-
Prepayments		-	39
Assets held for sale	6	1,228	1,228
		1,232	**1,268**
Non-current assets			
Property, plant and equipment	5	4,304,226	4,290,358
		4,304,226	**4,290,358**
TOTAL ASSETS		**4,305,458**	**4,291,626**
Current liabilities			
Trade and other liabilities		3	-
Unearned revenue		-	39
TOTAL LIABILITIES		**3**	**39**
Equity			
Equity capital		1,532,446	1,532,446
Retained earnings		(1,303,073)	(1,316,944)
Asset revaluation reserve		4,076,082	4,076,085
TOTAL EQUITY		**4,305,455**	**4,291,587**
TOTAL LIABILITIES AND EQUITY		**4,305,458**	**4,291,626**

Nicola Greer
Director
21 August 2025

Angela Edwards
Director
21 August 2025

The accompanying notes form part of these financial statements.

New Zealand Railways Corporation

Statement of Changes in Equity

For the financial year ended 30 June 2025

	Note	Equity Capital	Retained Earnings	Asset Revaluation Reserve	Total
		$000	$000	$000	$000
As at 1 July 2023		**1,532,446**	**(1,346,861)**	**4,076,973**	**4,262,558**
Net surplus for the year		-	1,198	-	1,198
Other comprehensive revenue and expense					
Revaluation of property, plant and equipment		-	-	-	-
Release of revaluation reserve to retained earnings		-	888	(888)	-
Total comprehensive revenue and expense		**-**	**2,086**	**(888)**	**1,198**
Transactions with owners					
Sale and purchase of land	4	-	27,831	-	27,831
As at 30 June 2024		**1,532,446**	**(1,316,944)**	**4,076,085**	**4,291,587**
Net surplus for the year		-	5	-	5
Other comprehensive revenue and expense					
Revaluation of property, plant and equipment		-	-	-	-
Release of revaluation reserve to retained earnings		-	3	(3)	-
Total comprehensive revenue and expense		**-**	**8**	**(3)**	**5**
Transactions with owners					
Sale and purchase of land	4	-	13,863	-	13,863
As at 30 June 2025		**1,532,446**	**(1,303,073)**	**4,076,082**	**4,305,455**

The accompanying notes form part of these financial statements.

New Zealand Railways Corporation

Statement of Cash Flows

For the financial year ended 30 June 2025

	2025	2024
	$000	$000
Cash flows from operating activities		
Proceeds from:		
Receipts from customers from non-exchange transactions	151	151
Proceeds utilised for:		
Payments to suppliers and employees	(151)	(151)
Net cash flow from operating activities	-	-
Cash flow from investing activities		
Proceeds from		
Sale of land	7	2,091
Proceeds utilised for:		
Purchase of land	(13,870)	(29,922)
Net cash flow from investing activities	**(13,863)**	**(27,831)**
Cash flows from financing activities		
Proceeds from:		
Equity injection from Shareholders	13,870	29,922
Proceeds utilised for:		
Equity withdrawal by Shareholders	(7)	(2,091)
Net cash flow from financing activities	**13,863**	**27,831**
Net decrease in cash and equivalents	**-**	**-**
Cash and cash equivalents at the beginning of the year	**1**	**1**
Cash and cash equivalents at the end of the year	**1**	**1**

The accompanying notes form part of these financial statements.

1. CORPORATION INFORMATION

(a) REPORTING ENTITY

New Zealand Railways Corporation ("Corporation") is a statutory corporation established pursuant to the New Zealand Railways Corporation Act 1981 and is included within the First Schedule of the State-Owned Enterprises Act 1986. The Corporation is designated as a Public Sector Public Benefit Entity (PBE) defined as "a reporting entity whose primary objective is to provide goods and services for community or social benefit and where equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders". The Corporation's parent is the New Zealand Crown.

The primary objective of the Corporation is to make available approximately 18,400 hectares of railway land to KiwiRail Holdings Limited to enjoy the commercial benefit of the land for nominal consideration.

The financial statements are for the year ended 30 June 2025 and were authorised for issue by the Board of Directors on 21 August 2025.

(b) BASIS OF PREPARATION

The Corporation's financial information is prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for Public Sector PBEs reporting under Tier 2 of the PBE Standards. The Corporation does not have public accountability and is not large as defined in the Accounting Standards Framework of the External Reporting Board.

The financial information also complies with the New Zealand Railways Corporation Act 1981 and the State-Owned Enterprises Act 1986.

The financial statements have been prepared on a historical cost basis, except for land that is measured at fair value.

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Changes in accounting policies

There have been no changes to accounting policies during the year.

(c) INCOME TAX

The Corporation is exempt from income tax as a public authority.

(d) GOING CONCERN

The financial statements are prepared on a going concern basis. The Board of Directors is not aware of any material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern.

2. OPERATING REVENUE

	2025	2024
	$000	$000
Operating revenues from non-exchange transactions	193	156
Total operating revenue	**193**	**156**

Operating revenue consists solely of management fees charged to KiwiRail Holdings Limited (KHL) under the Management Agreement. In accordance with the Management Agreement any operating costs incurred by the Corporation are charged to KHL as management fees, such that the Corporation makes no operating surplus or deficit.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable by the Corporation and represents amounts receivable for goods and services provided in the normal course of business once significant risk and rewards of ownership have been transferred to the buyer.

3 OPERATING EXPENSES

	2025	2024
	$000	$000
Professional fees	19	-
Directors' fees (refer to note 9)	76	72
Insurance	42	47
Audit fees in relation to the financial statements	52	37
Other expenses	4	-
Total operating expenses	**193**	**156**

4. SALE AND PURCHASE OF LAND

From time to time the Corporation may sell parcels of railway land. Under the lease agreement with KiwiRail Limited (part of the KiwiRail Holdings Limited Group (the Group)) entered into on 31 December 2012, the Group may identify railway land that should be sold and request the Corporation to sell it 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. The Corporation may incur an accounting loss following the sale of railway land because the value of the land is in the Corporation's asset base.

Where land has previously been revalued any gain or loss is based on the valuation and any revaluation reserve relating to the land sold is released through the Statement of Changes in Equity.

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 the Corporation 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 Corporation. The sale of the Corporation's land and the transfer of the proceeds are regarded as a reduction in equity of the Corporation whilst the Group's acquisition of land for the Corporation is treated as an increase in equity of the Corporation.

The following represents the financial impact of land sold and purchased after the vesting date which impacts the current financial year.

	2025	2024
	$000	$000
Net proceeds from land sold	(7)	(2,091)
Cost of land acquisitions	13,870	29,922
Net impact of sale and purchase of land charged to equity	**13,863**	**27,831**

	2025	2024
	$000	$000
Carrying value of land sold	(3)	(893)
Net proceeds from sale of land	8	2,091
Net gain on sale of land recognised in Statement of Comprehensive Revenue and Expense	**5**	**1,198**

5. PROPERTY, PLANT AND EQUIPMENT

	Land
Book value:	$000
Balance at 1 July 2023	**4,261,329**
Additions	29,922
Disposals	(893)
Balance at 30 June 2024	**4,290,358**
Additions	13,870
Disposals	(3)
Balance at 30 June 2025	**4,304,226**

(i) Recognition and Measurement

Property, plant and equipment is recognised on purchase at cost and is subsequently revalued on a class basis to fair value. The Corporation holds one type of asset, land, and land is not depreciated.

Where an asset is acquired for nil or nominal consideration the asset is recognised initially at fair value. Revenue from the non-exchange transaction measured as the amount of increase in net assets recognised by the Corporation is recognised in surplus or deficit.

(ii) Revaluation

Land is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Fair value is determined from market-based evidence by an external, independent valuer. The last valuation was carried out by independent valuers, Jones Lang Lasalle (JLL) as at 30 June 2023, who have relevant qualifications and experience. JLL adopted a market based valuation, using comparable sales evidence, based on the Direct Comparison approach which considers zoning of neighbouring properties, shape, contour and location. No revaluation was undertaken as at 30 June 2025 as it was determined that book value represents fair value. Judgements applied in making this determination included assessment of overall property market with a focus on the industrial land values, recent sales and consideration as to the type of land the Corporation holds.

Valuations are undertaken in accordance with the standards issued by the New Zealand Property Institute with the following bases of valuation adopted:

- *Rail corridor* – land associated with the rail corridor is valued based on adjacent use ('across the fence'), as an approximation of fair value.

Any revaluation increase arising on the revaluation of land is credited to the revaluation reserve of the asset class. If a revaluation decrease for the same asset class was previously recognised in surplus or deficit, the revaluation increase should be recognised as a credit to surplus or deficit up to the extent of the decrease previously charged. Any excess is credited to the revaluation reserve of the asset class.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

A decrease in carrying amount arising on the revaluation of a class of asset is charged as an expense to the net surplus or deficit to the extent that it exceeds the balance, if any, held in the asset class revaluation reserve relating to a previous revaluation of that class of asset.

Other additions between revaluations are recorded at cost.

(iii) De-recognition

Realised gains and losses arising from de-recognition of property, plant and equipment are recognised in the net surplus or deficit in the period in which the transaction occurs. The gain or loss is calculated as the difference between the carrying amount of the asset and the net disposal proceeds received (if any). Any balance attributable to the de-recognised asset in the asset revaluation reserve is transferred to retained earnings.

(iv) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine if there is any indication of impairment. For land that is identified to be contaminated the asset will be tested for impairment by comparing its recoverable service amount to its carrying amount. The recoverable service amount of an asset is the higher of its value in use and its fair value less costs to sell.

If an asset's carrying amount exceeds its recoverable service amount the asset is impaired and the carrying amount is written down to the recoverable amount.

6. ASSETS HELD FOR SALE

Where an asset's carrying amount is to be recovered through a sale transaction rather than continuing use it is classified as held for sale and separately identified as a current asset on the Statement of Financial Position. Assets held for sale are held at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are not depreciated.

As at 30 June 2025, $1,228,000 of assets have been identified as held for sale (2024: $1,228,000). The assets held for sale relate to Treaty Settlements and can take a longer time to transact. The assets continue to be classified as held for sale as agreements relating to the settlement of the sale are being progressed. It is expected that settlement will occur in the financial year ended 30 June 2026. At the point in time where the assets do not meet the requirements of held-for-sale land they will be reclassified as Property, Plant and Equipment.

7. LEASE COMMITMENTS

Operating lease commitments as lessor

Operating leases are defined as leases under which substantially all the risks and rewards of ownership of the applicable asset or assets remain with the lessor. Operating lease payments and receipts are recognised in the operating surplus or deficit in accordance with the pattern of benefits derived or received.

The Corporation has, along with the Crown, granted a long-term lease (the "Core Lease") to KiwiRail Limited (KRL), a company in the Group for nominal consideration, under which KRL can enjoy the commercial benefit of the land. KRL has primary responsibility for administering the land. Under the Core Lease it can undertake many activities in relation to the land without requiring the consent or involvement of the Corporation. The expiry date of the core lease is 31 December 2070.

The Corporation does not have any other operating lease commitments as lessor at 30 June 2025 (2024: nil).

8. CAPITAL AND OTHER COMMITMENTS

The Corporation has no commitments for capital purchases at 30 June 2025 (2024: nil).

9. RELATED PARTY TRANSACTIONS

The ultimate parent of the Corporation is the Crown.

In accordance with the Management Agreement KHL provides corporate and administrative services to the Corporation for a nominal charge.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Corporation would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (including KHL) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Transactions with key management personnel

Key management personnel for the Corporation is defined as Directors. Key management personnel of the Corporation may be directors or officers of other companies or organisations with whom the Corporation may transact. Such transactions are all carried out independently on normal commercial terms.

Other than fees paid to Directors for their role on the Board there were no short-term employee benefits, termination benefits or post-employment benefits paid to key management personnel in 2025 (2024: nil).

Employee remuneration

The Corporation does not have any employees. The full-time equivalent figure for the Board is the number of appointed Board members at balance date. As at 30 June 2025 there are 3 appointed Directors (FY24: 3).

The Directors earned the following fees during the year:

	2025	2024
	$000	$000
Rob Jager	35	-
Nicola Greer	19	18
Angela Edwards	19	18
David McLean	3	36
Total Directors' fees	**76**	**72**

David McLean retired as Chair effective 31 July 2024. Rob Jager was appointed Acting Chair effective 1 August 2024.

10. CONTINGENT LIABILITIES

Treaty of Waitangi claims

Claims lodged under the Treaty of Waitangi Act 1975, in respect of land and other assets currently or previously administered by the Corporation, have not been recognised in these financial statements. Since 1 July 1993 such claims are considered to be the responsibility of the Crown rather than that of the Corporation and administered by the Office of Treaty Settlements, Ministry of Justice. The outcome of these claims is uncertain at this stage and an estimate of financial effect is not practicable.

11. EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events subsequent to balance date.

Independent Auditor's Report

To the readers of the New Zealand Railways Corporation's financial statements for the year ended 30 June 2025

The Auditor-General is the auditor of the New Zealand Railways Corporation (the Corporation). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Corporation on his behalf.

Opinion

We have audited the financial statements of the Corporation on pages 10 to 20, that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information.

In our opinion the financial statements of the Corporation:

- present fairly, in all material respects:
    - its financial position as at 30 June 2025; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 20 August 2025. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Corporation for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Corporation for assessing the Corporation's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Corporation or to cease

operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986.

Responsibilities of the auditor for the audit of the financial statements

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

Other than the audit, we have no relationship with or interests in the Corporation.

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand