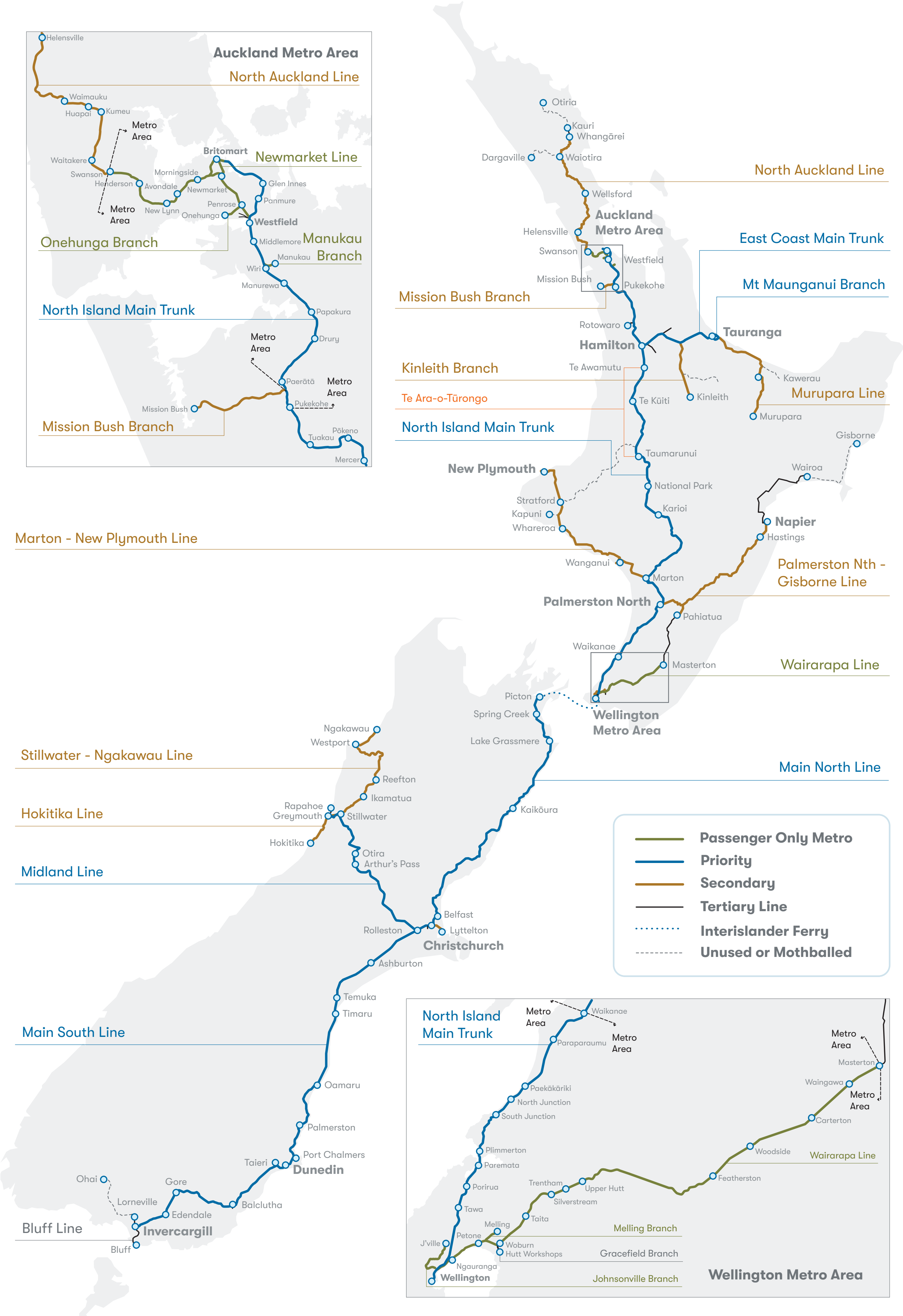
KIWIRAIL INTEGRATED REPORT 2025

NATIONAL RAIL NETWORK



OUR PURPOSE

STRONGER CONNECTIONS. BETTER NEW ZEALAND.
HONONGA WHAIKAHA. 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.

Since the first rail was laid in 1863, railways have been key to New Zealand's development, helping to move people and goods around the motu. KiwiRail is carrying this legacy into the future, delivering connected transport services for economic, social and environmental value to New Zealand.

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STATEMENT FROM THE ACTING CHAIR AND CHIEF EXECUTIVE

- **Operating surplus $111 million against a published target of $110 million**
- **Total freight volumes were up 2.7 per cent to 15.4 million tonnes annually**
- **Completion of significant capital projects with a value of over $1.1 billion.**

It is gratifying to look back on a year in which KiwiRail delivered on its operating surplus target, grew its total freight volumes carried, lifted operational service performance and banked significant savings from the first full year of its strategic change programme, despite economic headwinds and other challenges.

We are pleased to report a result of $111 million which included the impact of $10 million for the restructuring cost of moving to a two-ship Interislander fleet, against a published target of $110 million. The company delivered $40 million in benefits from its strategic change initiatives, and another $32 million in other cost savings as we looked across the business for ways to work more efficiently while improving our delivery for customers.

Behind the headline numbers lies a year of hard work and laying the strategic foundations for growth. The company brought $1.1 billion worth of new assets into service, began to move Interislander towards a two-ship fleet as part of the preparation for new ferries in 2029, retained operating margin against strong headwinds, developed and implemented a revised, more focused strategy and embedded our customers' success as our reason for coming to work every day.

We have achieved all this while maintaining the focus on improving our safety performance and pursuing new commercial opportunities.

We have been focusing on lifting service reliability for our freight customers measured by delivery in full and on time (DIFOT). This is a key performance metric in any transport services business and it is pleasing to see our enterprise-wide approach to improve this for our customers. We ended the year at 87 per cent for overall DIFOT performance, and recent technology, process redesign and terminal service optimisation initiatives with our customers will reset our service platform going forward as we aim to exceed our FY26 DIFOT target of 90 per cent.

Auckland Metro punctuality and reliability lifted strongly during the second half of the year following an intense period of performance improvement and network investment. Capital upgrades in Auckland and Wellington metro networks contributed to our contracted performance reliability lifting to 98.8 per cent in Auckland (up 1.3 per cent compared to FY24) and 99.7 per cent in Wellington (up 0.2 per cent compared to FY24).

The first half of FY25 saw the rail freight business face significant revenue shocks from the closure of the Winstone Pulp International (WPI) mills, the short-term reduction in coal transport capacity resulting from the Tawhai Tunnel closure and remediation near Reefton and the extended temporary closure of the Auckland and Wellington networks over Christmas/New Year (which continued into the second half of the year).

The second half of the year saw the business gain momentum on the back of improved service reliability. With the reopening of Tawhai Tunnel earlier than scheduled plus solid export volumes and the return of some customers to rail, the rail freight business met or exceeded its revenue forecasts each month. Total freight volumes were up 2.7 per cent to 15.4 million tonnes annually. While the bulk market was up 0.5 million tonnes for the year, domestic freight forwarding was flat as a number of our key customers faced another tough trading year. Forestry volumes were down 0.1 million tonnes, with the loss of WPI partly offset by Earnslaw log exports through the Port of Napier.

Our people are the heart of our business, and nothing is more important than their wellbeing.

While we did not achieve all our safety targets, overall safety performance across the business improved with an 18 per cent fall in total recordable injuries, a 19 per cent reduction in the High Potential Near Miss Events, and a 7 per cent reduction in the Total Recordable Injury Frequency Rate. There is more to do, and we are committed to doing what is needed to achieve our goals, including improved training for frontline supervisors, adherence to critical risk controls and enhanced regulatory follow-through.

We are committed to ensuring everyone goes home safely every day and will continue our strong focus on this issue.

Interislander made an excellent recovery from Aratere's grounding in June 2024, and on the back of improved fleet maintenance and reliability, with cancelled sailings reducing by 40 per cent (excluding weather cancellations) from the prior year, customers responded positively, and our share of the competitive Commercial Vehicle Cook Strait market improved.

New freight customer schedules/capacity commitments were agreed for FY26 as we retired Aratere to make way for essential port redevelopment in preparation for the brand-new ships scheduled to arrive in 2029.

The Great Journeys New Zealand (GJNZ) scenic

KiwiRail has been focusing on lifting service reliability for its freight customers.

trains had a standout year. Despite the subdued winter demand there was a lift in annual revenues of 28 per cent (an additional $9.6 million) resulting in an improvement in operating surplus of $7 million year-on-year. New rail tourism products introduced in FY23 to improve our commercial viability, a value-over-volume yield model and careful cost management have all paid dividends. This is significant as international visitor numbers have not returned to pre-Covid levels.

Our Property business delivered another solid financial performance with the addition of new rental agreements, including Team Global Express at Aotea Quay, Wellington. The current market is challenging, with pressure to reduce rental rates. Cost control measures delivered a lift in operating surplus to $50.4 million from $47.2 million in FY24.

The Infrastructure business delivered upgrades including 37.5km of track works, 17 turnouts, 15 track level crossings and three active level crossings and 10km of signals cable replacement under the Rail Network Investment Programme (RNIP).

The benefits of government investment are being felt by our customers and the public.

FY25 saw the completion of significant capital projects with a value of over $1.1 billion. These include the Hillside and Waltham depots which were both completed under budget, the Wiri to Quay Park "third main" line, the electrification of the line between Papakura to Pukekohe, and infrastructure in Britomart and at Wellington Railway Station to improve network performance and resilience.

Securing certainty of the RNIP 2 programme through to FY27 was a major milestone in FY25.

We look to the year ahead confident that we are putting the building blocks in place for KiwiRail to achieve an ambitious $160 million operating surplus in FY26. However, we are conscious that currently market headwinds outweigh tailwinds for most of our customers and for KiwiRail itself. We will continue to strive for the improved on-time performance and delivery that our customers seek. Delivering on our promise is key to achieving greater competitiveness in an industry where road transport pricing continues to be set below long-run sustainable levels.

We will need a relentless focus in FY26 on capitalising on the building blocks developed in FY25, an enterprise-wide evolution of our capability and culture, and good execution of our plans for major operational performance improvement initiatives while managing the downside risk carefully.

We would like to thank KiwiRail's staff for their dedication and hard work through the year, the Government for its continued support and investment, and above all our customers for their recognition of the benefits which rail can deliver to them and the country.

Rob Jager
Acting Chair to 30 June 2025

Peter Reidy
Chief Executive

OVERVIEW OF KIWIRAIL

We operate an integrated services and infrastructure business

VALUE

The total value of rail to New Zealand's economy is $3.3 billion every year*

An estimated 203 serious and minor injuries and 8 deaths on the road are avoided each year by using rail

SUSTAINABILITY

Reduce heavy vehicle impact by more than 1 million truck journeys per year

Every tonne of freight carried by rail delivers on average a 60% emissions saving over heavy vehicles

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

SERVICES

INTERISLANDER

Operated three ships making 3400 sailings in FY25 and provided 600,000 passenger trips

Connects State Highway 1 across Cook Strait

The fleet reduces to two ferries with the retirement of Aratere in August. The fleet will then make 2500 sailings per year

GREAT JOURNEYS NEW ZEALAND

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

Operates, under contracts to their council owners, regional passenger services Te Huia and Capital Connection

FREIGHT

1000 mainline freight movements per week

Transports around 15 million tonnes of freight

Transports around 23% of New Zealand's exports

Connects more than 300 customers' freight supply chains

One freight train can move as much freight as approximately 54 trucks

INFRASTRUCTURE

METRO NETWORKS
Manages the metro networks supporting 24 million metro commuter trips each year

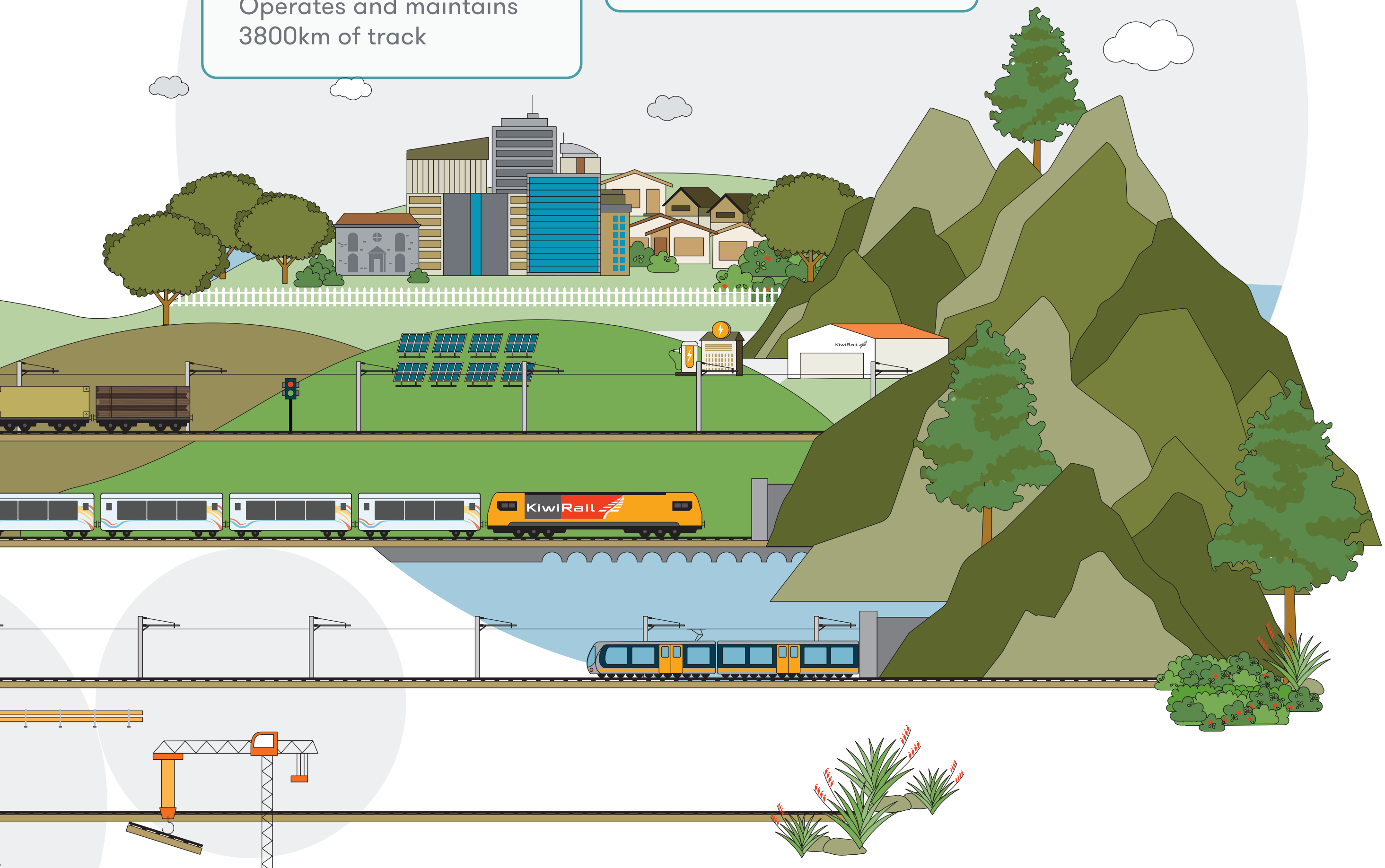
TRACK
Operates and maintains 3800km of track

INFRASTRUCTURE IN USE
2713 signals

1311 public level crossings

105 tunnels

1303 bridges



PROPERTY
Manages a portfolio worth $4.6 billion** with more than 18,000 hectares of land leased from NZRC

Owns 859 buildings and leases out 199

Manages 10,000+ leases, licences and grants

RESOURCES

ROLLING STOCK & FERRIES
4300 wagons

234 locomotives and shunts

3 ferries
(2 ferries from August 2025)

OUR TEAM
4600 employees

19% women

30% under 35 years old

* Australasian Railway Association, The Benefit of Rail to New Zealand - EY 2024.
** New Zealand Railways Corporation FY25 Annual Report

KIWIRAIL VALUES

We Care and Protect: we look after ourselves, our mates and our environment.

We work as One Winning Team: positive, empowered and collaborative.

We are Straight and True: honest, upfront and treating others with respect.

Which helps us deliver Great Customer Experiences as we go the extra mile.

SUSTAINABLE DEVELOPMENT GOALS

We recognise the impacts of our operations and embrace the role we can play in advancing the Sustainable Development Goals. Our Rautaki Whakauka Sustainability Strategy identifies three Sustainable Development Goals that KiwiRail can play a key role in delivering:

- **Goal 8**: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- **Goal 9**: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- **Goal 13**: Take urgent action to combat climate change and its impacts.

Our delivery against these goals is highlighted in relevant sections of this report. We will continue to support the delivery of these goals in line with our organisational strategy and business activities.

REPORTING WHAT MATTERS

This report communicates matters that are important to our stakeholders, our customers and our business, and demonstrates how we create value in the short, medium and long term. During the latter half of FY25, KiwiRail partnered with thinkstep-anz to complete a materiality assessment to help define the social, economic and environmental topics that matter most to our business and stakeholders.

Thinkstep-anz independently completed 26 stakeholder interviews from inside and outside KiwiRail, including senior leaders, freight customers, government partners, iwi, and industry peers. The interviews were based on a set of open-ended questions including key issues facing KiwiRail, emerging issues, what would demonstrate success and what issues KiwiRail should prioritise, when setting targets to measure our impact.

The assessment identified 16 topics that matter most to KiwiRail based on input from our stakeholders and senior leaders.

Our stakeholders care most about safety, performance, long-term planning and KiwiRail's role in shaping a better New Zealand. They expect KiwiRail to lead on climate action, strengthen community and iwi relationships and show a clear direction for the future. Stakeholders want to see KiwiRail succeed: economically, socially and environmentally. They want to see a reliable operator, a forward-thinking employer and a transport provider that helps New Zealand decarbonise.

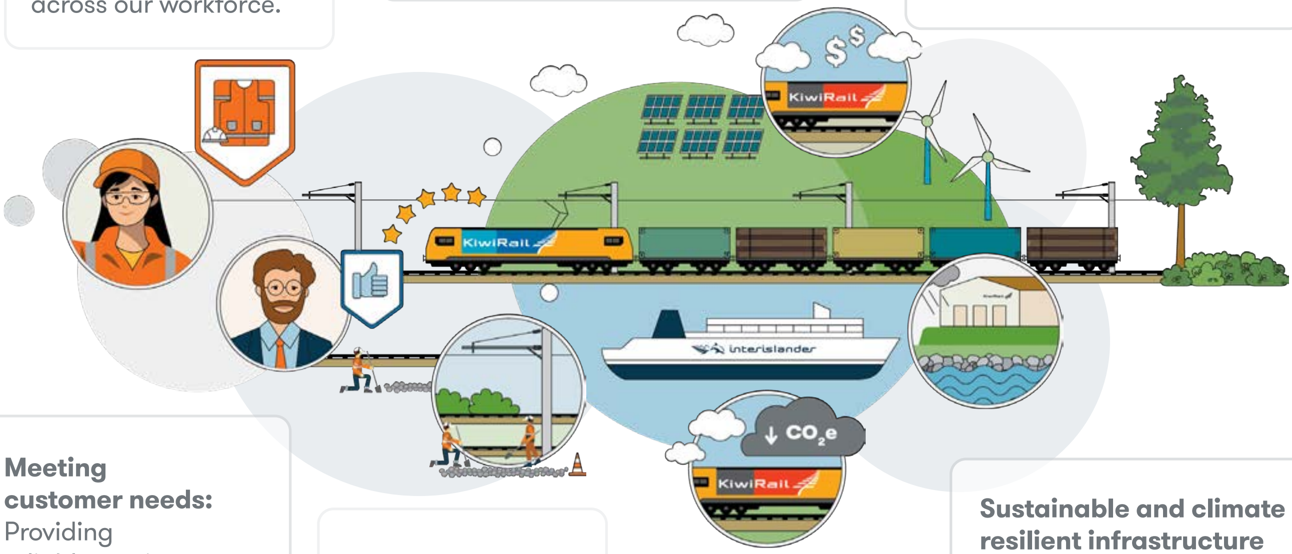
Insights from the interviews conducted during KiwiRail's materiality assessment have been used to inform the foundations of our sustainability strategy and will be used to evolve and strengthen our strategic priorities.

The seven most important topics identified, which align to our strategic priorities, were:

Health, safety and wellbeing: Ensuring KiwiRail's people and the public stay safe and supporting mental and physical wellbeing across our workforce.

Social benefits of rail: Supporting mode shift to rail and demonstrating the wider benefits of reduced congestion, cleaner air and safer roads.

Sustainable financial performance: Building a resilient business that delivers economic value while meeting social and environmental goals.



Meeting customer needs: Providing reliable service, communicating clearly and responding to changing expectations, especially in freight and passenger operations.

Strategic asset management: Taking a long-term approach to maintaining and upgrading our infrastructure to keep pace with future demand and climate risk.

Carbon emissions reduction: Reduction in carbon emissions. Rail as a low-emission transport mode. Energy efficiency - reduction in fuel and energy consumption.

Sustainable and climate resilient infrastructure development: Enhance the resilience of rail infrastructure to climate-related risks and disruptions. Investing in sustainable infrastructure projects that minimise environmental impact and support long-term growth.

STATEMENT OF RESPONSIBILITY

This Integrated Report has been prepared using the IFRS Foundation's Integrated Reporting Framework. The Board acknowledges its responsibility for the Integrated Report. The Board has established processes to ensure the quality and integrity of this Integrated Report and has entrusted management with preparing and presenting it accordingly.

Audit New Zealand has provided an unqualified audit report on the financial statements in this report.

More information on the integrated reporting framework can be found at http://integratedreporting.org

STRATEGY ON A PAGE

Purpose	**Stronger Connections, Better New Zealand**
Vision	**To be our customers' first choice, as a trusted and sustainable partner to move freight & people**
Mission	We are an essential and valued part of New Zealand's freight and passenger transport systems. Our services contribute to efficient supply chains for our freight customers to connect to domestic and global markets, and people to communities.
Our values	
Our Ambition	**Grow value by winning customer loyalty**

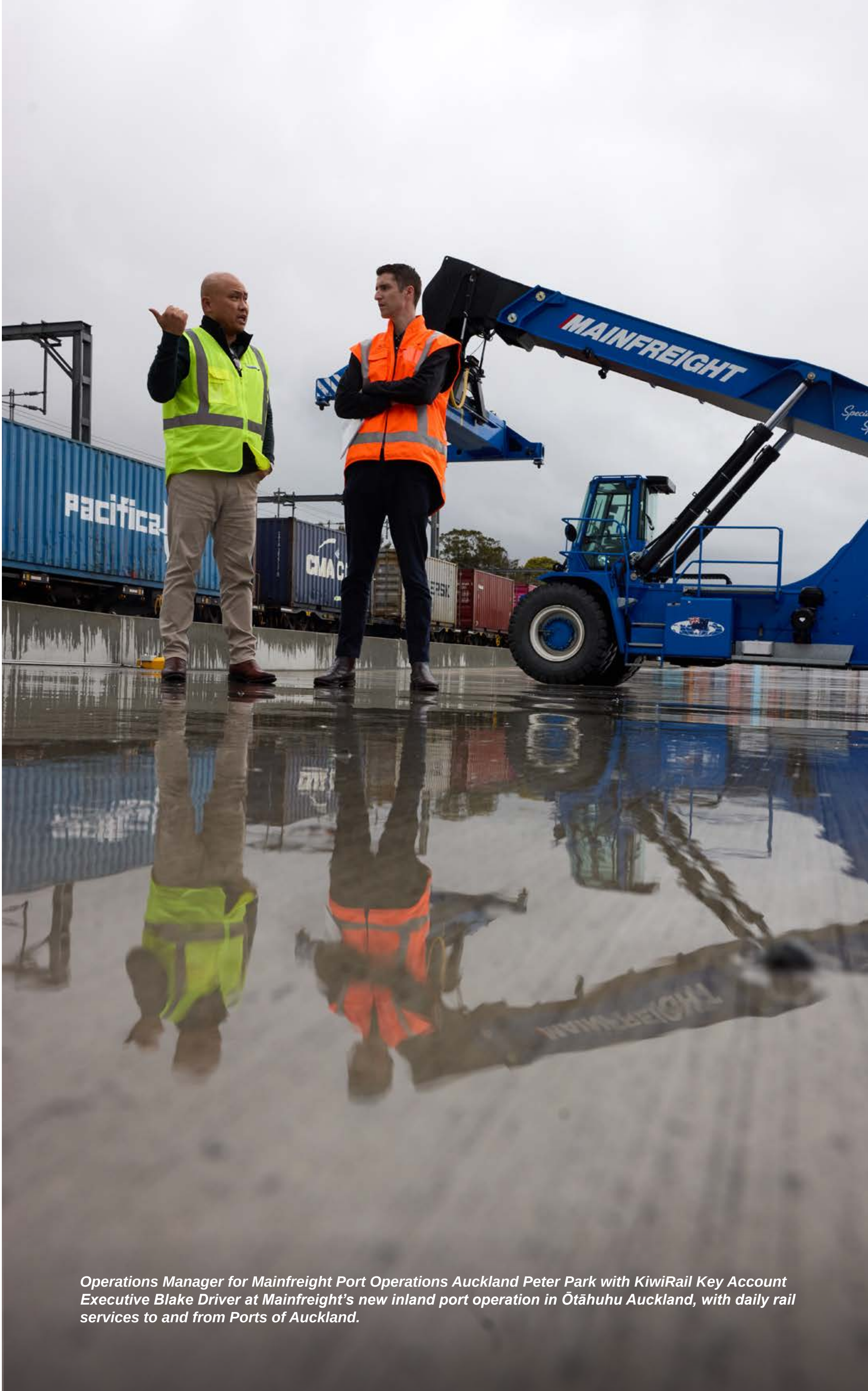
Strategic priorities

FY26 Foundations for growth	FY26-27 Optimise, Partner and Invest	FY26-29 Scale new growth

Relentless safety, health and wellbeing	Reliable, value for money network	Lowest cost, operational excellence	Right products, best customer service	Enable our people to be their best, one team	Simplify our business	Leaders in sustainability

Goals

Safety performance (TRIFR)	Customer Service Delivery (DIFOT)	Benefits of Rail to network investment ratio	Freight Volume (NTK)	Customer Net Promoter Score	Employee Engagement Score	Total cost/ revenue (drive to 65)	Reduce Scope 1 & 2 GHG emissions
<5	**95%**	**3.9**	**4.0bn**	**+20**	**73%**	**65%**	**40%**



Operations Manager for Mainfreight Port Operations Auckland Peter Park with KiwiRail Key Account Executive Blake Driver at Mainfreight's new inland port operation in Ōtāhuhu Auckland, with daily rail services to and from Ports of Auckland.

FINANCIAL YEAR 2025 PERFORMANCE

KIWIRAIL GROUP

Health, Safety and Wellbeing

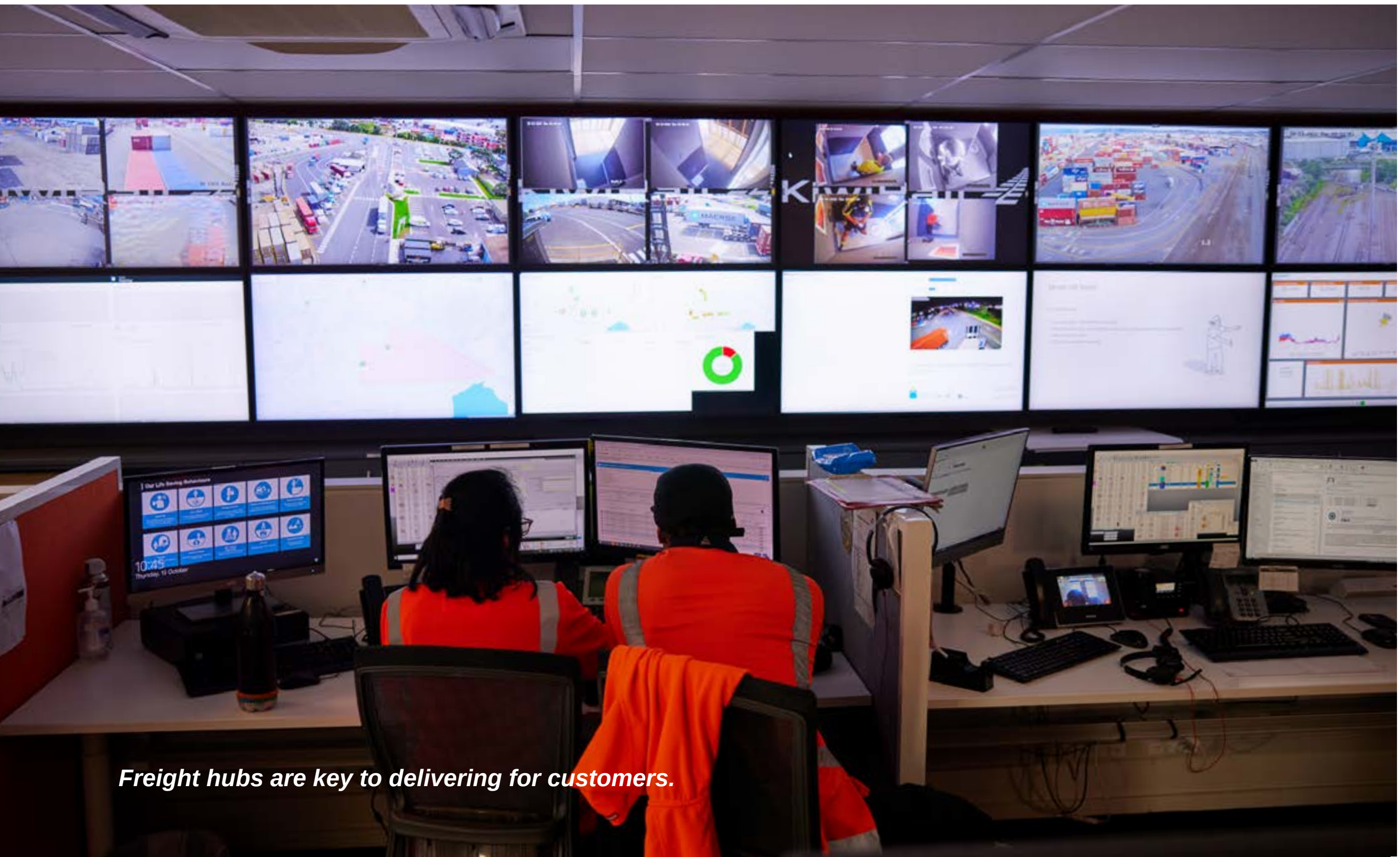
The safety, health and wellbeing of our employees and the public is paramount for KiwiRail. In 2023 we embarked on a multi-year Safety Culture Transformation Programme (Toitū Te Mauri). FY25 safety performance improved compared to FY24. Improving safety is a cultural and behavioural journey supported by a focus on critical risks and consistent field-visible leadership accessing controls in operation with our people. We are on this leadership journey, have invested significantly in safety leadership training for more than 350 senior leaders, adopted a critical risk and control assurance reporting cadence and piloted a front-line safety programme to launch late 2025.

We have seen an 18 per cent reduction in total recordable injuries from the same period last year. Our Total Recordable Injuries Frequency Rate (TRIFR), which is the total number of injuries requiring medical treatment per million hours worked, improved by 7 per cent to 22.3, but fell short of our target of 19.0. However, our high potential critical near-miss events (HiPoFR), which measures the near misses which could have led to a fatality or serious harm per million hours worked, reduced by 19 per cent to 8.1 and was better than target of 10.0. We recently implemented an integrated enterprise oversight programme to further advance system level change as well as initiatives to further increase the focus on safety risks to accelerate our performance to meet targets for FY26.

Our People

As part of our multi-year performance change programme of work, FY25 has seen the delivery of significant people initiatives which saw a headcount reduction of 6 per cent from FY24. This was primarily driven through workforce optimisation, voluntary redundancy, operating model shifts, roster adjustments and capital programme completion. While this activity is focusing on right-sizing our business, it has impacted our people metrics with the percentage of women in the workforce (19 per cent) and percentage under 35 years old in the workforce (30 per cent) both falling below target. As we continue with our strategy delivery programme, our focus will be on delivering against our strategic priority to enable our people to be their best. We will create the conditions for engaged, capable and high-performing teams who feel valued, empowered and connected to our customer-led purpose. We will produce an environment where everyone understands their role, has the skills they need, and works together. Our commitment to providing safe working conditions, quality employment and an inclusive working environment where women and youth can thrive is aligned with Sustainable Development Goal 8, in particular target 8.5: "achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities."

8 DECENT WORK AND ECONOMIC GROWTH



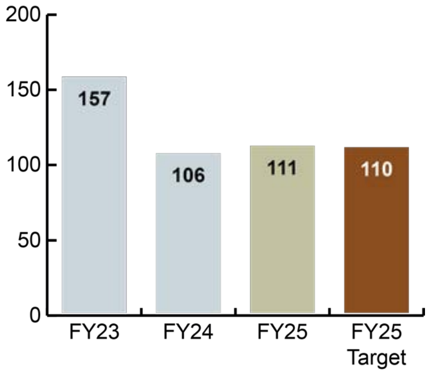
Freight hubs are key to delivering for customers.

Group Financials

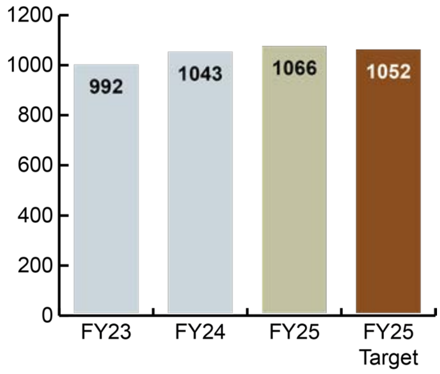
($m)	Group	Services	Infrastructure
Operating revenues	1,066.4	767.2	299.2
Operating expenses	955.2	656.0	299.2
Operating surplus	111.2	111.2	-
Capital expenditure	1,135.4	290.1	845.3

Group operating revenue and funding

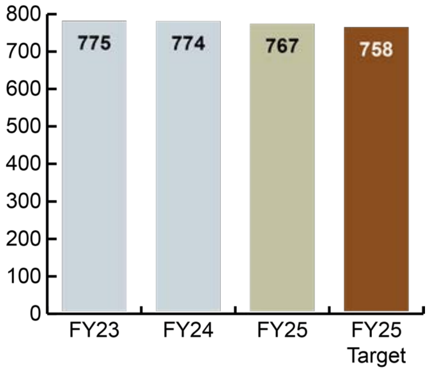
Group Operating Surplus[1] ($m)



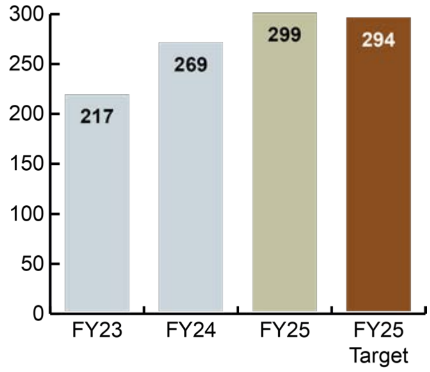
Group Revenue[2] ($m)



Services Revenue ($m)



Infrastructure Revenue ($m)

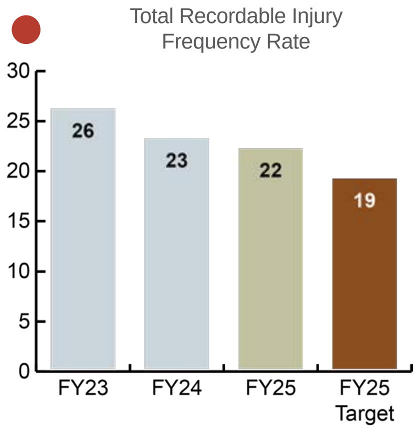


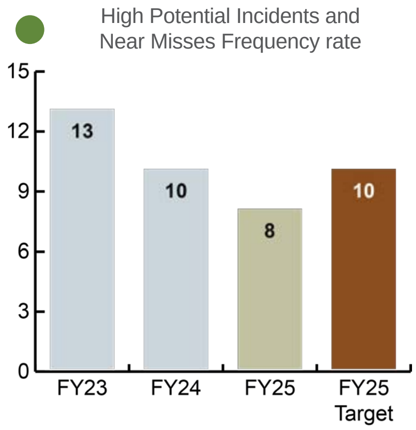
KEY

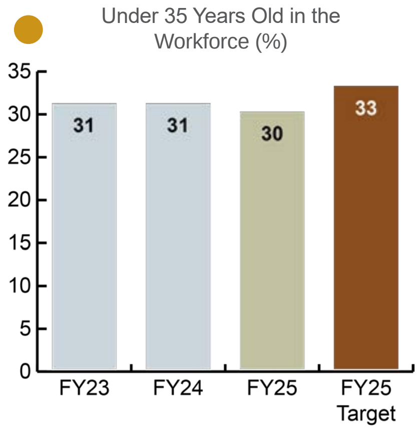
- Achieved target performance
- Within 10 per cent of target
- Below by more than 10 per cent of target

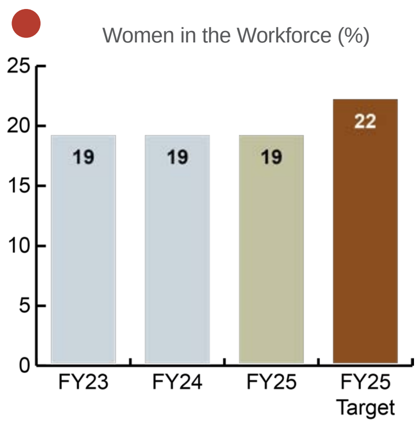
1. Operating surplus in FY23 excludes the $1.1m impact of non-recurring items.
2. Operating revenues in FY23 excludes the $1.1m impact of non-recurring items.

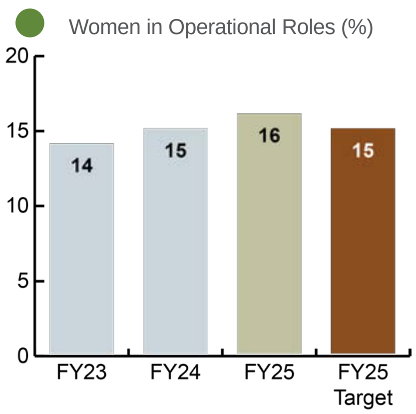
Health, Safety and Wellbeing - People metrics











KiwiRail plays an essential role in New Zealand's land transport and interisland freight system, whether it is supporting many of the country's exporters or managing imports and the transport of freight around New Zealand.

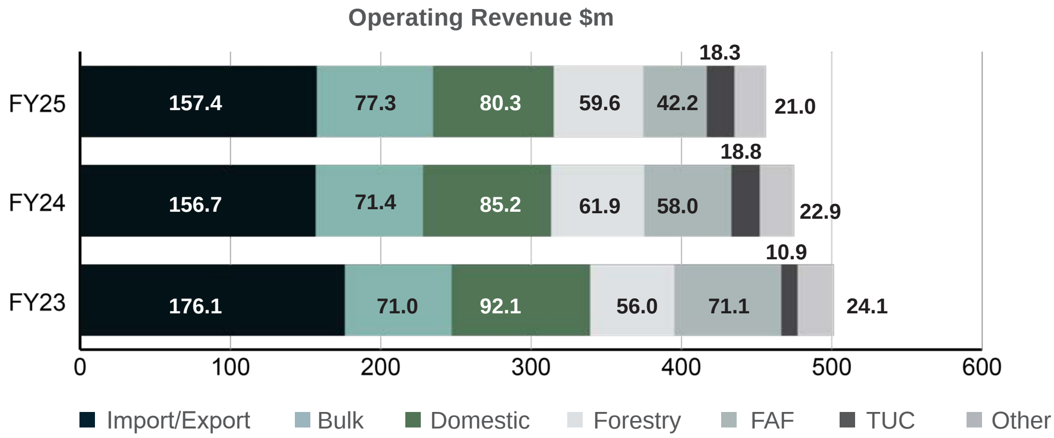
The four main rail freight segments are:

- Imported and exported (Import/Export) goods bound to/from ports
- Bulk goods such as bulk milk, coal and steel
- Timber and forestry products
- Domestic goods being moved between cities.

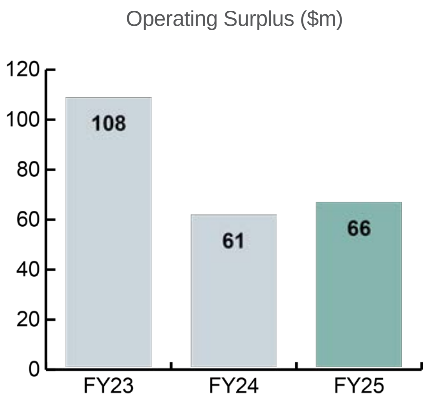
What we did - our performance

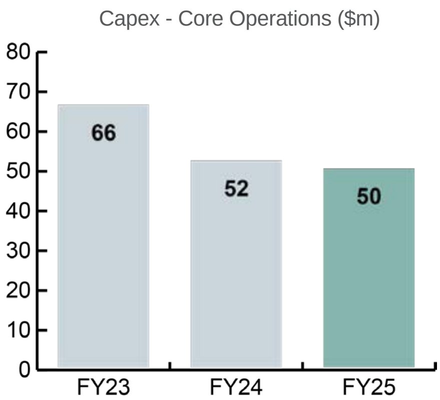
Financials and funding

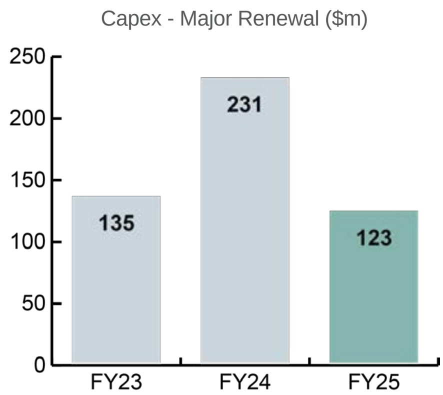
Freight operating revenue totalled $456.1 million, down 4 per cent on prior year. Bulk was up 8 per cent, Import/Export flat and Domestic and Forestry down 6 per cent and 4 per cent respectively.



Key:
FAF – fuel adjustment factor (recovers diesel fuel price increases)
TUC – track user charge

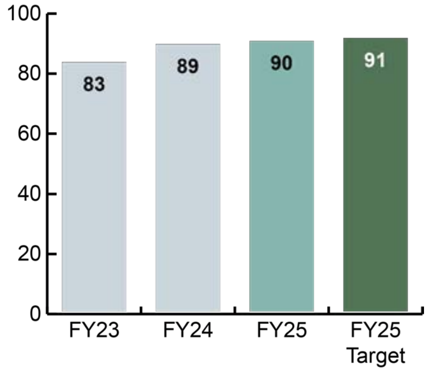




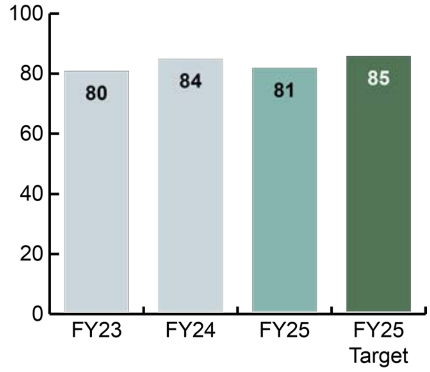


Operational Metrics - Trends

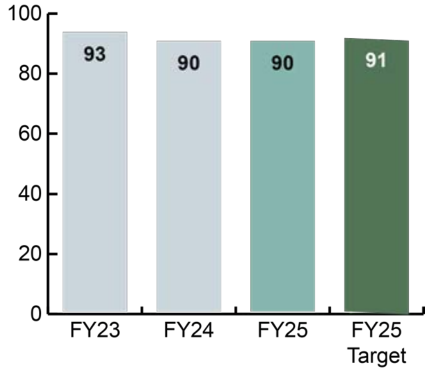
On Time Performance Freight Premier (%)



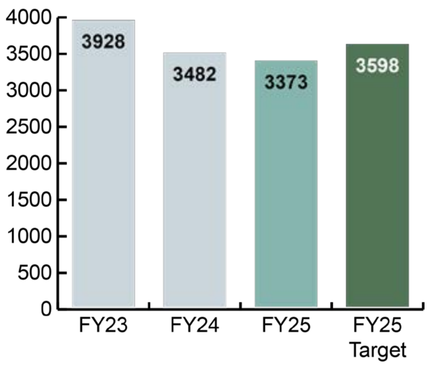
Locomotive Availability (%)



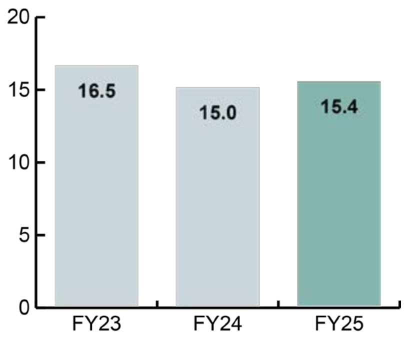
Wagon Availability (%)



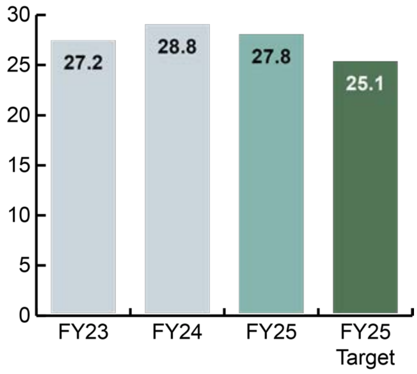
Freight Carried - Net Tonne Kilometres (NTK) (million)



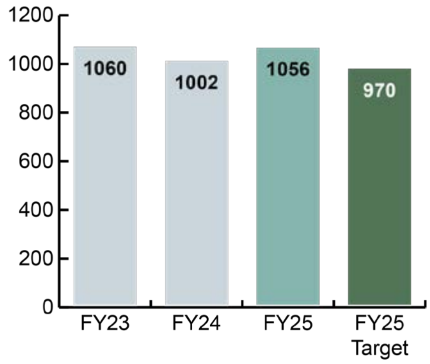
Freight Carried - Tonnes (million)



Rail Freight Carbon Intensity (grams of CO_2 equivalent emissions per NTK)[1]



Truck Avoidance (000s)



KEY

- Achieved target performance
- Within 10 per cent of target
- Below by more than 10 per cent of target

1. FY24 updated from 28.2 in Integrated Report 2024

Performance commentary

FY25 was a mixed year with revenue shocks in the first half due to a key tunnel closure on the West Coast of the South Island, WPI closing their manufacturing plant near Ohakune and the impact of the acceleration of upgrades to Auckland's rail network ahead of the City Rail Link opening which required rail access in and out of Auckland to be significantly restricted. Restrictions to provide access for rail work continue.

The second half saw export volumes increase on the back of reopening the tunnel, improved service reliability and key export markets increasing demand for rail.

The North Auckland Line returned to service in mid-January following a 20-month programme to restore the line after major damage caused by weather events in 2023.

In addition, bulk volumes lifted from electricity generation risk mitigation impacts (which resulted in additional coal imports).

There was a significant 45-point improvement in the freight customer net promoter score (cNPS) over the year.

Our operational focus is on meeting and sustaining customer service delivery (DIFOT) targets. During FY25 we have been laying the foundations to deliver on our service delivery targets. Daily scorecards have been introduced for key customers and through continued focus across our teams, we achieved our target of 87 per cent.

On time performance and wagon availability were close to target. However, locomotive availability was under target, mainly due to EF and DL locomotive failures and delays in the arrival of the new DM locomotives for the South Island due to a force majeure event in Valencia, where they are being manufactured. Due to the soft market conditions, this had minimal impact on our ability to serve our customers. A boost to the preventative maintenance programme for DL locomotives, remedial works for the EF locomotives and the staged commissioning of 12 DM locomotives during FY26 will lift this performance back to acceptable levels.

Our focus on improving customer experience has seen enhancements of the Rail Freight Customer portal, allowing more than 1000 users to onboard via self-service, 170,000 bookings to be created or modified directly on the portal and 3,000,000 TEU (20-foot container equivalent unit) of space to be discovered through a self-service search function.

Key operational achievements included:

- Positive cNPS movement off the back of a focus on customer experience improvement initiatives. Continuous improvement practices introduced to provide the necessary continual focus on this area.
- Single View of the Customer Project Stage 1 delivered
- Demand-led operational planning (IBP) introduced across the business
- Coca Cola siding project completed in September, increasing capacity
- Achieved 87 per cent DIFOT for FY25 in line with SCI forecast.

Capital expenditure

KiwiRail is continuing a major renewals programme for our locomotive and wagon fleet. The multi-year rolling-stock programme is funded through shareholder equity committed in Budgets from 2019 to 2024. This programme will improve service reliability and reduce the risk associated with an ageing rolling stock fleet. The programme was expected to be complete in 2028, but due to the force majeure event in Valencia there has been a delay to the DM locomotive delivery schedule by six to eight months, pushing the completion of the programme out to 2029.

Key achievements included:

- First two (of 11) heavy electric shunts brought into service in June
- First two (of 66) DM locomotives received in October with their commissioning 90 per cent complete at the end of FY25
- First batch of 450 wagons assembly completed at Hillside. Work continues on the next batch of 450 wagons.
- 12 EF locomotive refurbishments completed and three in production (an impact of this is that the absence of some EF locomotives from service during FY25 for refurbishment contributed to our higher rail freight carbon intensity)
- Installation of remote offline switches in 53 DL locomotives to allow the locomotive engineer to be able to switch the trail locomotive offline when it is not needed, saving fuel and emissions
- European Train Control System (ETCS) installed on five DL locomotives, which have been returned to service with ETCS isolated until it is implemented on the network.

Outcomes and benefit

Our customers are looking to KiwiRail to help them meet their own sustainability targets through providing a lower-emissions transport option in their supply chain, while meeting their expectations of operational efficiency.

In FY25 KiwiRail delivered 3.4 billion net tonne kilometres (NTK measures the freight tonnage multiplied by the distance travelled). This was below our target of 3.6 billion NTK but still equates to taking more than 1 million truck trips off the road and avoided over 220,000 tonnes of CO_2e emissions from road freight. While the lower freight volumes supported a reduction in our total (absolute) emissions from rail freight, it made achieving our intensity-based emissions reduction targets more challenging, as trains tend to carry lighter loads when volumes are lower. This showed in our rail freight carbon intensity which was higher, at 27.8g CO_2e/NTK than our target of 25.1g CO_2e/NTK.

This highlights the importance of focusing on rail freight operational efficiencies and working with customers to grow freight volumes to support emissions reductions from New Zealand's freight sector.

Throughout FY25 we maintained a strong focus on achieving carbon efficiencies in our rail freight operations. In addition to the achievements outlined above, we recorded good Driver Advisory (DAS) compliance and utilisation scores. DAS lowers freight carbon intensity, by helping locomotive engineers to drive trains more efficiently.

Our people are central to our future success. We continue to partner with our unions to optimise on-the-job training standards for our locomotive engineers and empower our terminal team leaders to deliver a safe and modern working culture, and to build operational excellence through our asset capacity and reliability to deliver customer value.

Trading conditions outlook

- The domestic economy remains sluggish which is reflected in container import levels that then flow into domestic supply chains. Economic growth remains flat, off the back of weak employment data, declining household savings, net migration and soft gross domestic product
- In the export sector, underlying demand for commodities looks positive but the impact of tariff resets casts a shadow and domestic processors in forestry and the meat sector continue to struggle financially with capital issues and profitability challenges with the impact of volatile energy prices and high input costs and tough offshore competition
- The impact of New Zealand's transformation is uncertain as domestic biofuel production (especially in the South Island) lags and locations (and proximity to rail) remain unclear

We will continue to strive for the DIFOT improvements that our customers expect, while delivering on our promise being key to achieving greater competitiveness in an industry where road transport pricing continues to be set below long-run sustainable levels.

Rigorous testing is part of the commissioning process for the new DM locomotives, which will improve service reliability for customers.

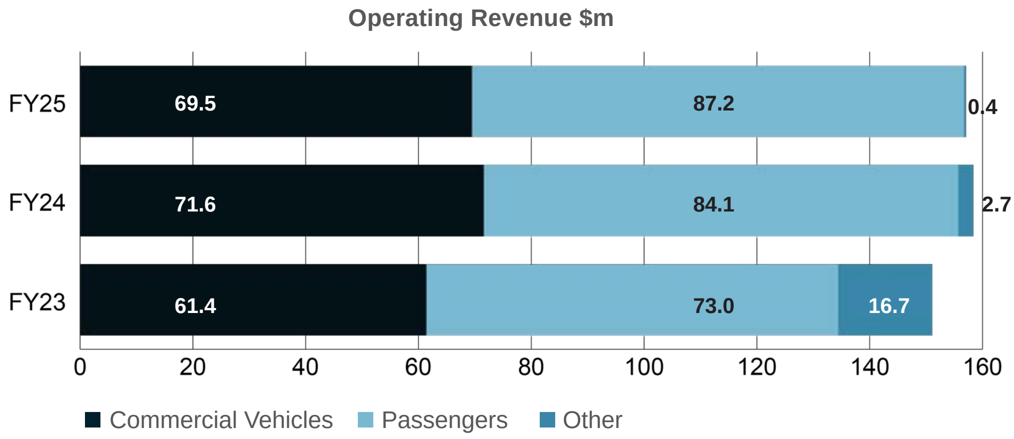
SERVICES BUSINESS | INTERISLANDER

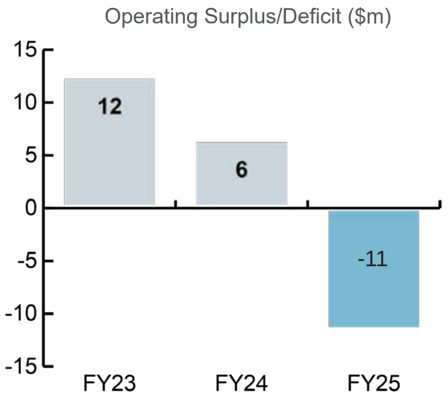
The Interislander operates scheduled sailings 365 days a year carrying freight and passengers across Cook Strait. Our ferries are the link for the national rail network and a critical extension to State Highway 1 between the North and South Islands and therefore a major part of the national transport and freight systems. We pride ourselves on service reliability, support for our Commercial Vehicle customers and our on-board service for passengers, providing a great experience for the New Zealanders and international guests who travel with us.

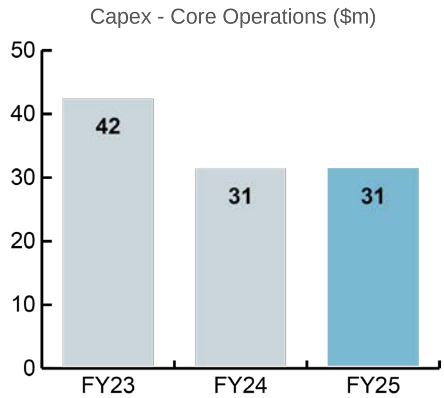
What we did - our performance

Financials and funding

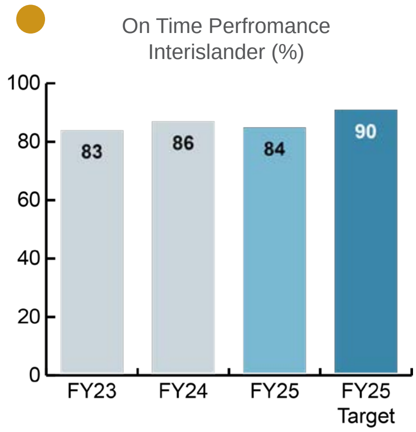
Interislander operating revenue $157.1m - 1 per cent decrease on prior year

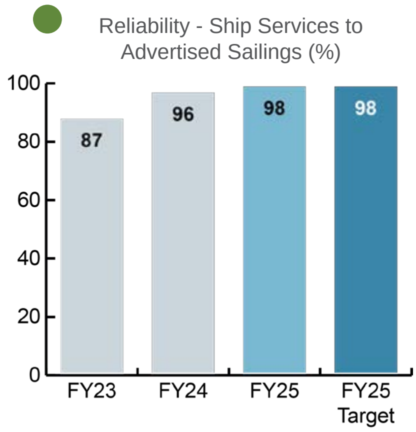


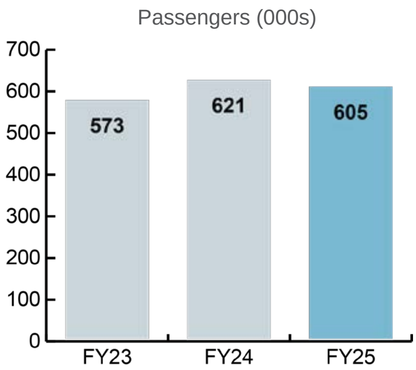


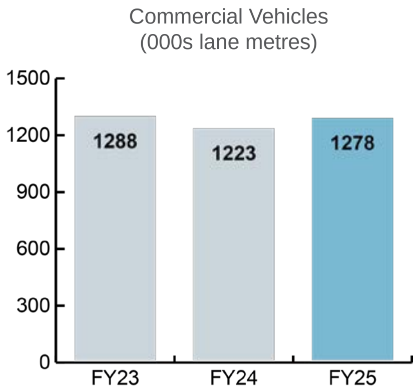


Operational Metrics - Trends



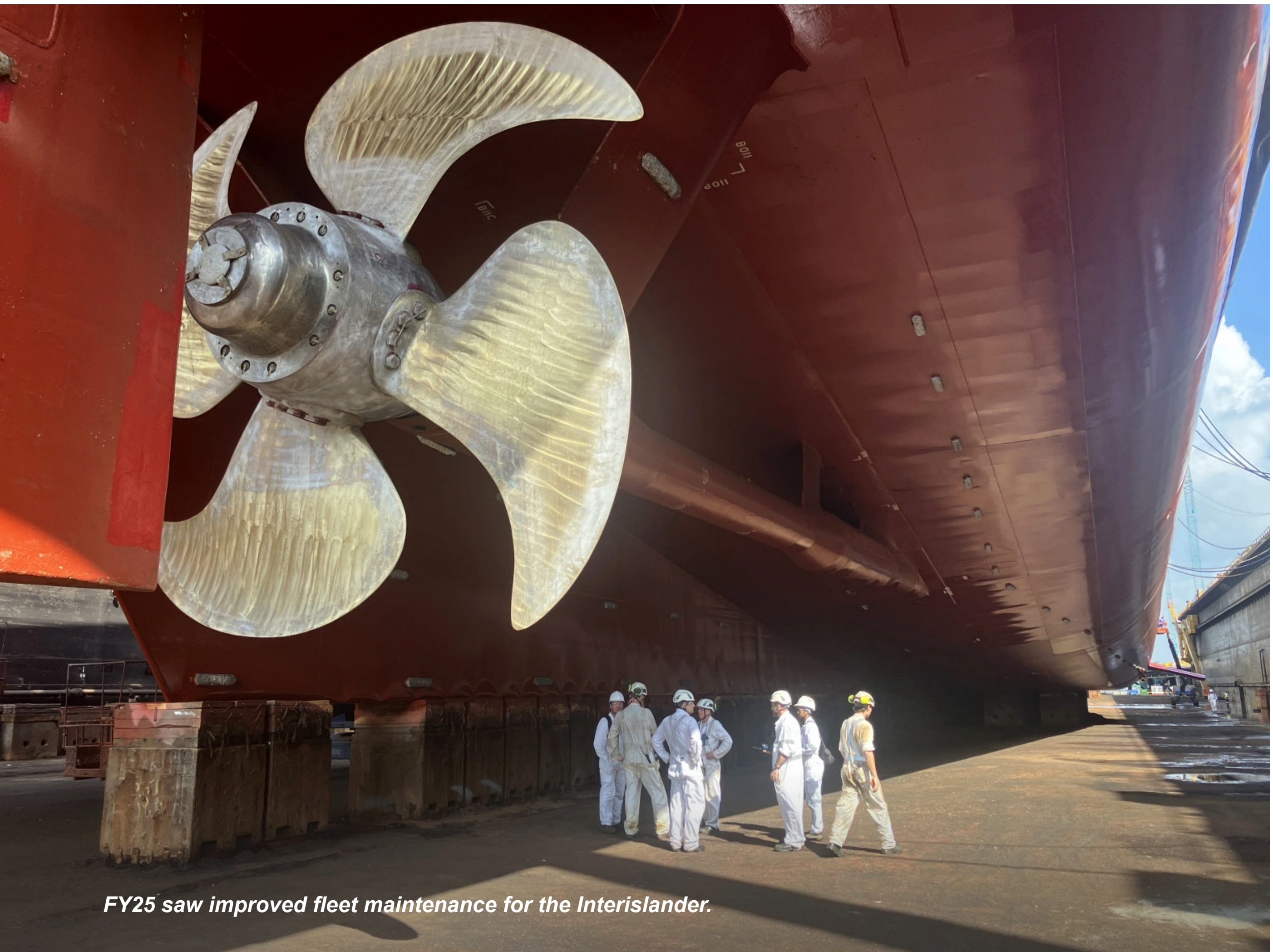






KEY

- Achieved target performance
- Within 10 per cent of target
- Below by more than 10 per cent of target



FY25 saw improved fleet maintenance for the Interislander.

Performance commentary

After a challenging start to the year due to the Aratere grounding in June 2024, FY25 has seen improved fleet maintenance and reliability has lifted to 98 per cent. This has seen an improvement in our commercial vehicle market share of 3 per cent. Cancelled sailings have reduced by 40 per cent year-on-year (excluding weather cancellations) and this, along with targeted initiatives across the end-to-end customer journey, has seen a consistent upward trend in the Customer Net Promoter Score (cNPS) across the year.

Interislander passenger volumes were 3 per cent lower than FY24 with an overall reduction in passenger numbers travelling across the Cook Strait (driven by disruption and lower foot-passenger demand).

In March the Government announced the planned procurement of two new, larger, rail enabled ferries, to arrive in 2029. This decision provides certainty for the Interislander and the transport industry as a whole as it provides a way forward for a vital link between the North and South Islands. We began the move towards a two-ship fleet as part of the preparation for new ferries.

Despite the positive trends in operational metrics, Interislander's operating surplus reflects a year of significant change and incorporates $14 million of restructuring costs including the estimated cost associated with the change to a two-ship fleet.

Key achievements:

- cNPS improvement delivered by our teams despite a large amount of disruption
- Emissions from our Interislander ferry fleet decreased compared to FY24 as a result of work by the Interislander team to optimise the timetable and institute other other measures to deliver more efficient sailings
- Reliability met target at 98 per cent
- Cancelled sailings reduced by 40 per cent year on year (excluding weather cancellations)
- The Kaiārahi lounge was transformed with airline style seating in February, raising passenger capacity from 475 to 550 passengers.

Outcomes and benefits

Road bridging is allowing rail to operate as a single national network pending the arrival of new rail-enabled ferries. The ferries provide a way for people to travel between the islands with their vehicles, and offer an alternative to air travel.

The change to a two-ship fleet is estimated to reduce our emissions by approximately 25 per cent from our ferry footprint.

Outlook

The retirement of Aratere will require Kaiārahi and Kaitaki to operate differently and overall passenger and freight capacity will reduce. We are focused on operational changes to continue to meet our customers' needs. Our asset management programme, designed to maintain strong reliability, is working, and we look forward to continuing to provide a safe and reliable ferry service that New Zealanders can trust and enjoy.

SERVICES BUSINESS | GREAT JOURNEYS NEW ZEALAND AND COMMUTER SERVICES

Great Journeys New Zealand (GJNZ)

We connect New Zealanders and international guests to regional New Zealand and tourism experiences, playing a key role in regional economies. We are motivated to provide a great experience on rail for locals and international tourists. We operate the TranzAlpine, Coastal Pacific and Northern Explorer, and offer end-to-end travel services, including multi-day tours, charters and short-break packages.

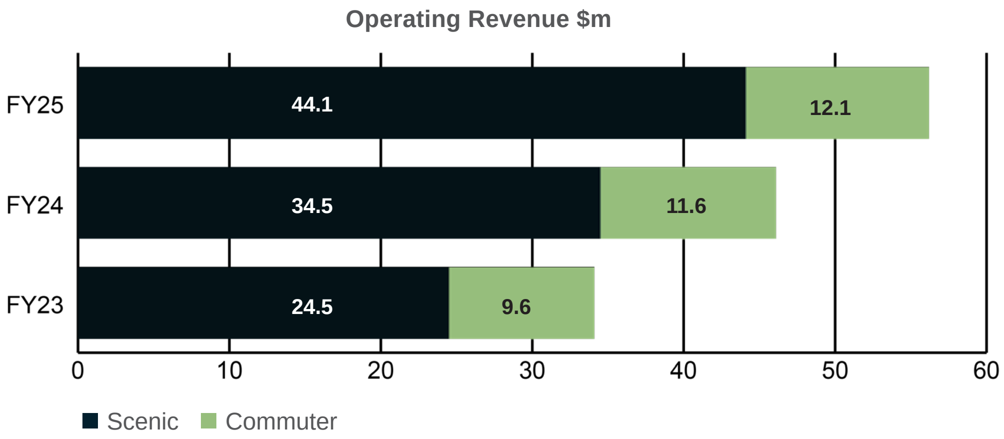
Commuter Services

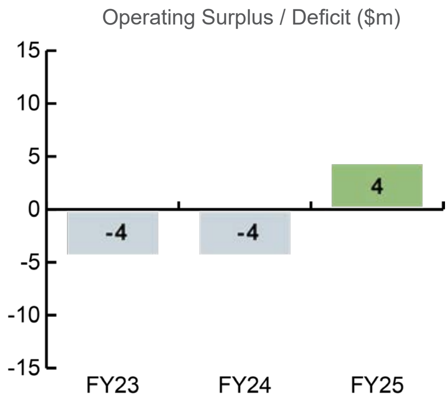
KiwiRail operates the Te Huia (Auckland to Hamilton) and Capital Connection (Wellington to Palmerston North) services under contract to their owners Waikato Regional Council, Horizons and Wellington Regional Council. These services support New Zealanders travelling to and from major urban centres. They are a low-emissions, comfortable transport choice that reduces reliance on car travel. KiwiRail supports passenger rail and encourages engagement in the transport planning processes for any new commuter or regional passenger rail service.

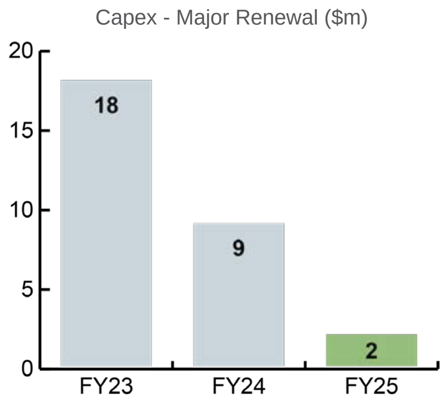
What we did - our performance

Financials and funding

GJNZ and Commuter operating revenue $56.2m - 22 per cent growth on prior year

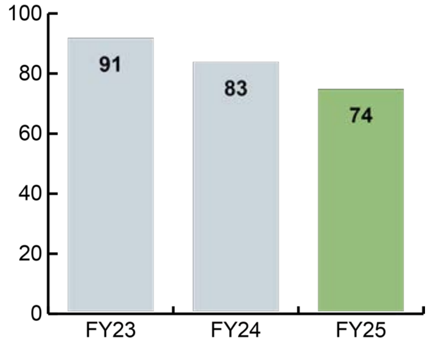




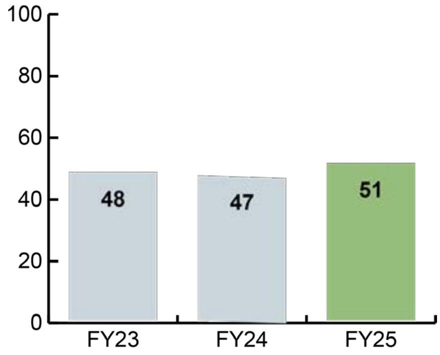


Operational Metrics - Trends

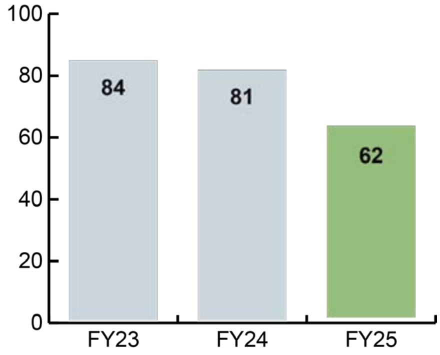
On Time Performance
Coastal Pacific (%)



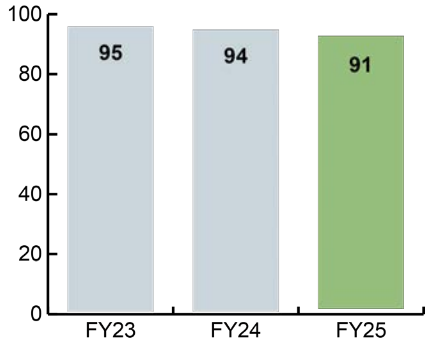
On Time Performance
Northern Explorer (%)



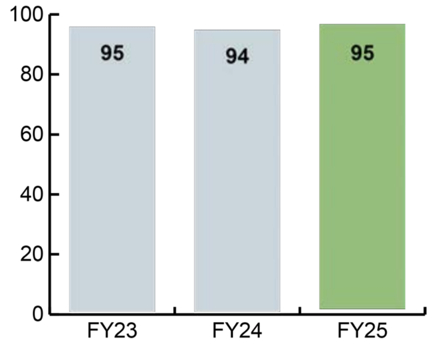
On Time Performance
TranzAlpine (%)



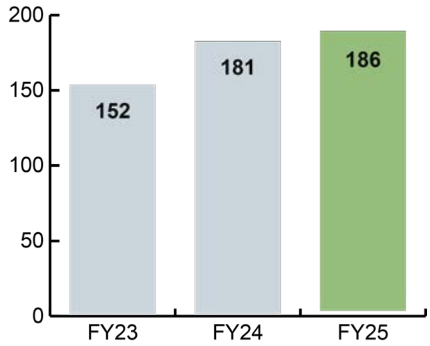
On Time Performance
Capital Connection (%)



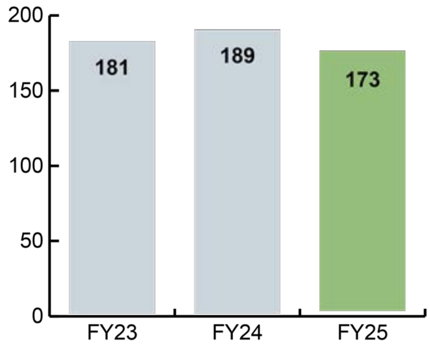
On Time Performance
Te Huia (%)



Great Journeys New Zealand
Passengers (000s)



Commuter Passengers (000s)



GJNZ performance commentary

GJNZ passenger numbers continued to grow in FY25 with a $7 million increase in operating surplus year-on-year. A highlight of the year was the introduction of new products, outlined below, which have delivered additional revenue and driven significant media coverage and interest. On time performance across the services has been impacted by network disruption and mechanical issues with locomotives. Despite the issues with on-time performance, the cNPS of 60 ended the year in line with FY24.

Across the three GJNZ services we carried more than 180,000 passengers, operated more than 1100 trips and travelled approximately 437,000 kilometres during FY25.

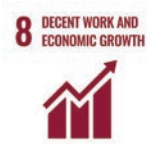
TranzAlpine successfully transitioned from using two locomotives to one, reducing emissions from this service by approximately 18 per cent per journey.

Key achievements:

- Scenic Plus carriage design won gold in the prestigious Best Design Awards in October. These new carriages are part of a service that provides passengers with an elevated rail experience showcasing New Zealand's landscapes, stories and paddock-to-plate flavours.
- New Scenic Plus carriage and kitchen added to Northern Explorer in September
- Introduced new Alpine Luxe 4-day luxury package on the TranzAlpine and the Luxury Marlborough Getaway 3-day tour on the Coastal Pacific providing further support to regional tourism operators
- WOW – 2 night VIP package experiences continued to grow, as guests travelled to the WOW show in Wellington, with departures from both Auckland and Christchurch (including Interislander ferry)
- Special events:
    - Murder mystery live show and dinner on board the Tormore Express (TranzAlpine) in August
    - Southerner rail journeys and packages ran for 4 days in May along the historic route between Christchurch and Dunedin
    - Matariki Rail sold-out experience, journeying Christchurch to Kaikōura in collaboration with Destination Kaikōura and local operators.

Outcomes and benefits

By providing quality and sustainable tourism services that showcase local products and services, we contribute to Sustainable Development Goal 8 – in particular, target 8.9 to "devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and product."



Outlook

International tourist numbers are in line with national numbers at around 85 per cent of pre-Covid levels and are predicted to return to those levels gradually. Growth is being supported by the continuing expansion and market awareness of GJNZ packages, with the recent addition of the premium plus carriages allowing us to offer a high-end experience.

Commuter Services performance commentary

Commuter passenger numbers declined from last year: Capital Connection by 8 per cent, Te Huia by 9 per cent in part a reflection of the impact of line closures for major rail upgrades to accommodate City Rail Link which continue.

Key achievements:

- Te Huia satisfaction rating of 98 per cent for FY25
- Zero injuries (TRIFR) for both Te Huia and Capital Connection

Outlook

KiwiRail is continuously reviewing its role in these services with the service owners as the services look to scale and strategic goals evolve.

GJNZ services carried more than 180,000 passengers.

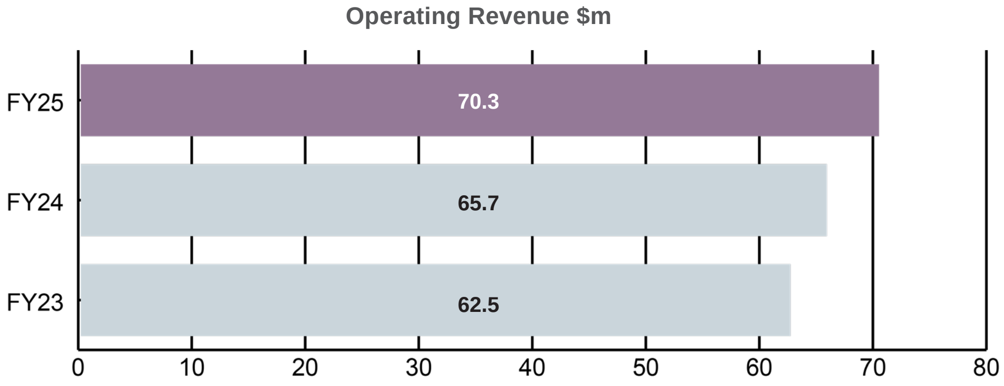
PROPERTY AND FACILITIES

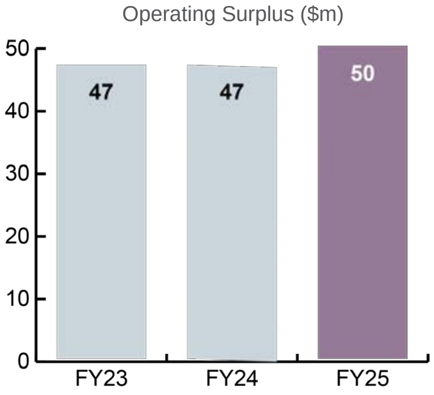
KiwiRail is one of New Zealand's largest landowners and a significant landlord. Customers include freight partners, commercial businesses, councils and residential neighbours. We secure and protect active rail land and manage the operational buildings used by our employees. We are focused on growing our property revenues through rail-enabled, fit-for-purpose developments and intermodal regional freight hubs. This will create efficient conduits for freight movement around the country and support regional economic development.

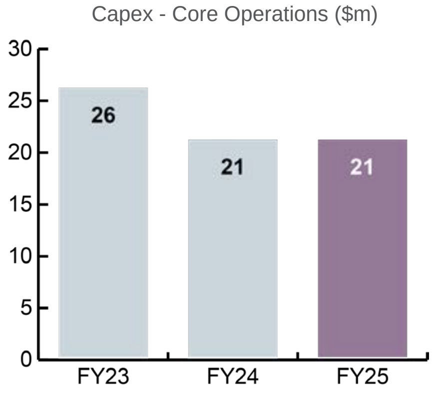
What we did - our performance

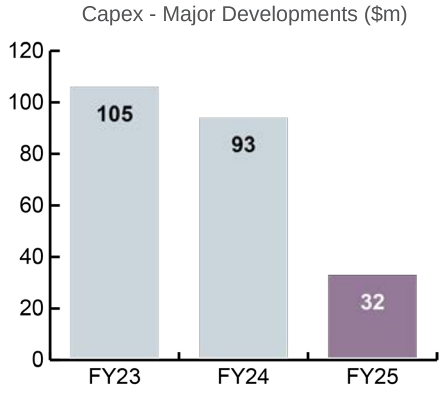
Financials and funding

Property operating revenue $70.3 million - 7 per cent growth on prior year.









Key achievements:

- Strong financial performance with $50 million operating surplus
- $21 million in core capital expenditure on our existing facilities primarily related to capital maintenance
- Major upgrade works completed at Waltham, Hillside and Woburn. These developments are Government-funded
- Our trackside amenities programme has rolled out 20 gender-neutral, single-unit toilets at various locations around the country. Another four are in the delivery phase with a further 19 locations in the pipeline.

Outcomes and benefits

KiwiRail's property team continued to deliver our property portfolio long-term asset management plans and facilities management strategy. We have also developed a 5-year capital plan for the staged improvement of our portfolio, with the fourth year of this work delivered.

Property is also contributing to the company's emissions reductions. The solar panels installed on our Waltham Mechanical Workshop rooftop continue to operate successfully, generating around 426,458kWh of energy in FY25 (48 per cent of our monthly energy use at this site). This is the equivalent to powering an average of 53 homes per month.

Outlook

We are seeking to extend the core lease on rail land by up to 100 years to incentivise investment, improve commercial performance and better align to the long economic lives of the infrastructure we are building and to aid us in building a masterplan to support rail.

A Government-funded major upgrade was completed at Waltham in Christchurch.

INFRASTRUCTURE NETWORK

KiwiRail's Infrastructure Network is funded through the National Land Transport Fund (NLTF) to deliver the Rail Network Investment Programme (RNIP). Other major rail transport investments are also provided directly by the Government. Our focus is on lifting network resilience and reliability, supporting the efficient movement of freight and people and completing major upgrades in the Auckland and Wellington metro networks.

In addition to RNIP we deliver separately funded projects such as the Auckland and Wellington metropolitan upgrades, funded principally through the New Zealand Upgrade Programme as well as through access agreements.

Rail infrastructure includes the track, structures (bridges and tunnels), civil infrastructure (culverts, slope and coastal protection), signals, telecommunications, traction and electrical (overhead line and substations), and level crossings. The condition of the infrastructure is monitored with inspections, and work is prioritised in line with KiwiRail's asset management policies and to reflect customer requirements. The work requires access to the track, which must be safely balanced with freight and passenger train access requirements.

We use specialised rail equipment, including tampers, work trains, ballast and rail wagons, which allows us to complete work safely and keep disruption to freight and passenger flows to a minimum.

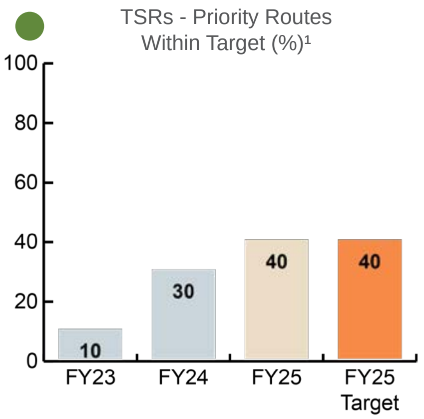
In FY25, KiwiRail commenced the first year of the second RNIP triennium (RNIP 2). The RNIP 2 triennium runs from FY25 to FY27. During FY25 KiwiRail presented a revision of the previously approved RNIP 2 to reflect the Government's objectives of reducing the three-year costs by $200 million and the 10-year forecast to be between $4 billion and $5 billion. This programme will help deliver the operation, renewals, maintenance and improvements required to meet the long-term challenges of the national and metropolitan rail network over time, while contributing to economic growth and productivity of New Zealand.

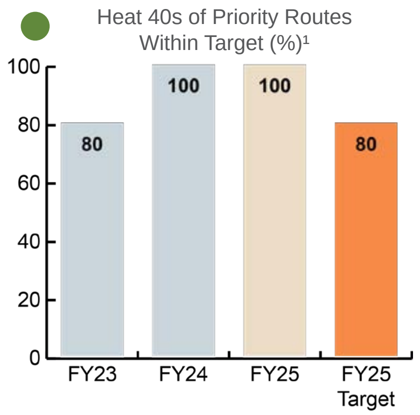
It is incumbent on KiwiRail to stretch every network dollar, as taxpayers expect full value from their investment. A reliable network underpins every rail operator delivering better service to their customers. For more detail on the RNIP refer to https://www.kiwirail.co.nz/assets/Uploads/Our-network/Funding-Our-Network/RNIP-document_2025_Web.pdf

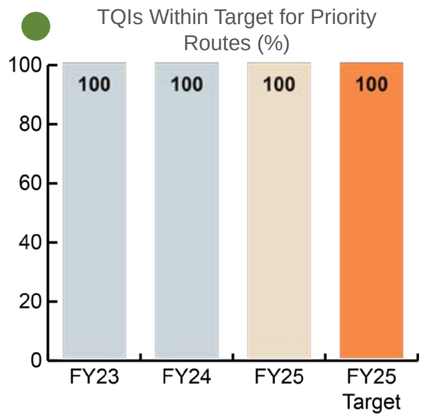
What we did - our performance

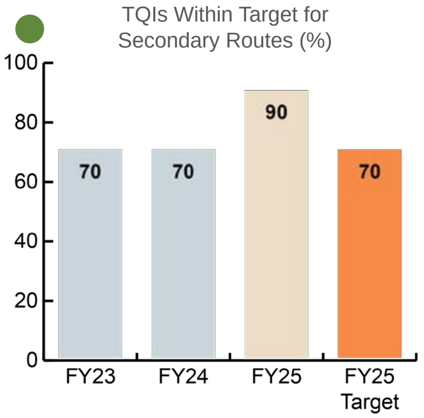
KiwiRail's Infrastructure Business is delivering for New Zealand during a period of challenging economic conditions which have impacted both the transport services and infrastructure markets. In our transformation we are focused on people engagement to deliver savings, growth and improved value.

Rail network (freight and passenger)







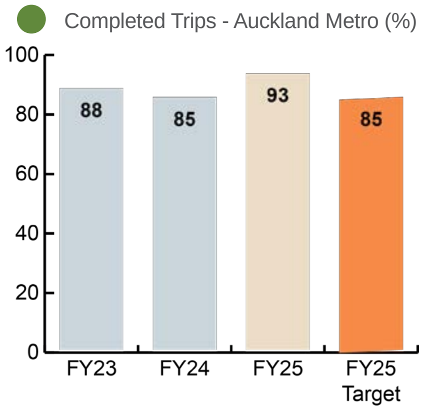


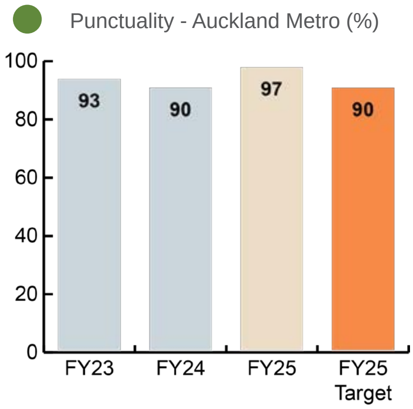
KEY

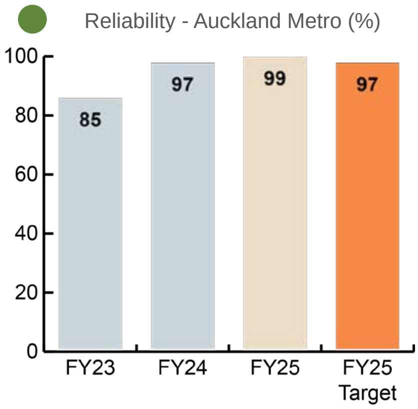
- Achieved target performance
- Within 10 per cent of target
- Below by more than 10 per cent of target

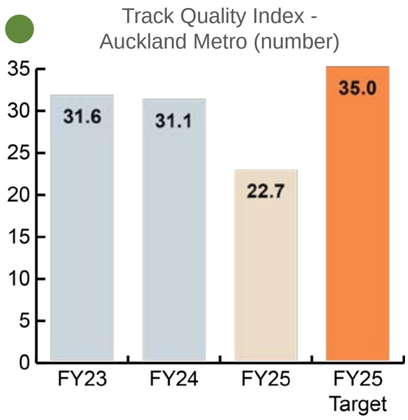
1. Targets have been updated to reflect revised RNIP funding

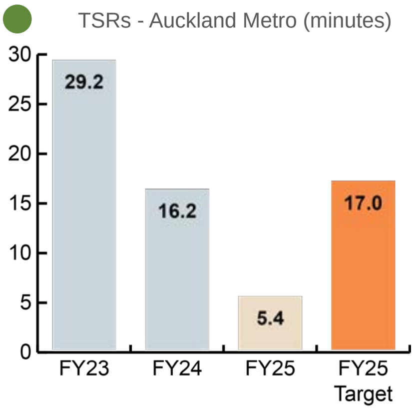
Auckland and Wellington Metros (Contracted Outcomes)

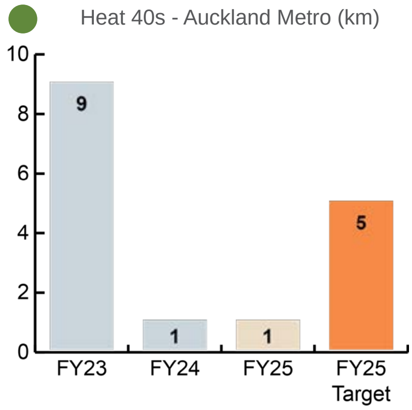


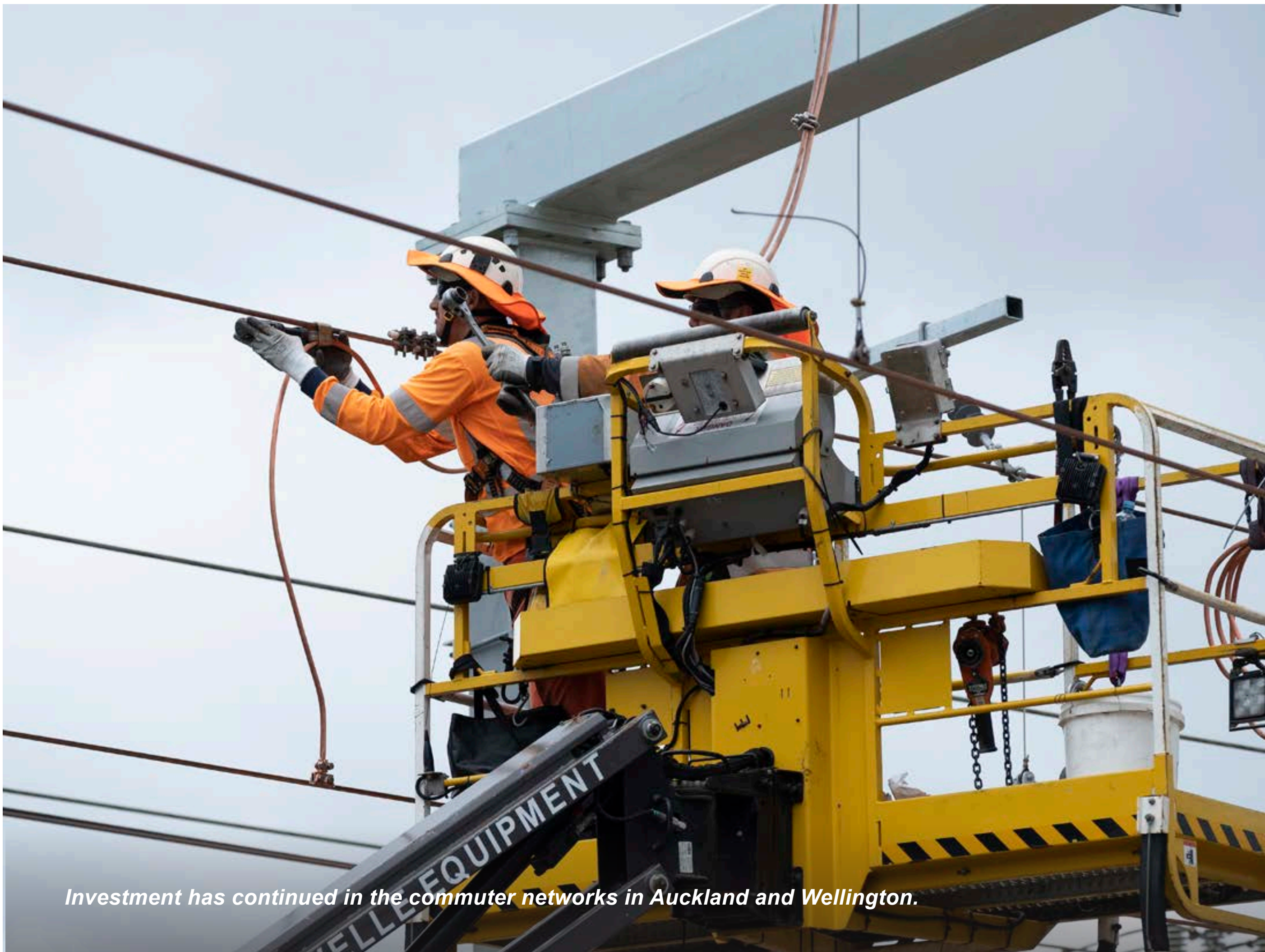






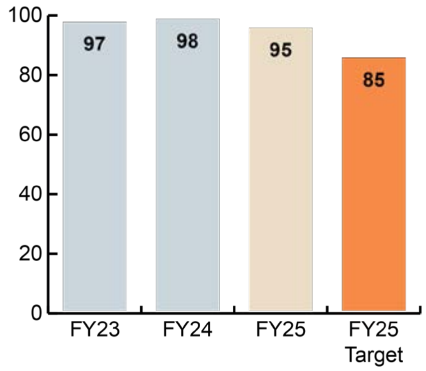




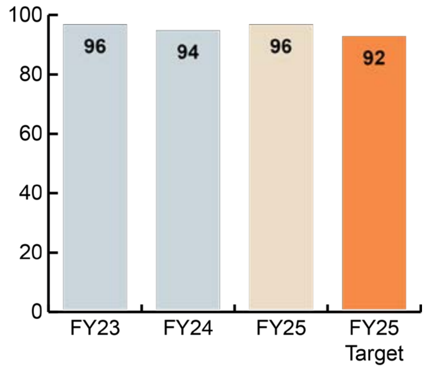


Investment has continued in the commuter networks in Auckland and Wellington.

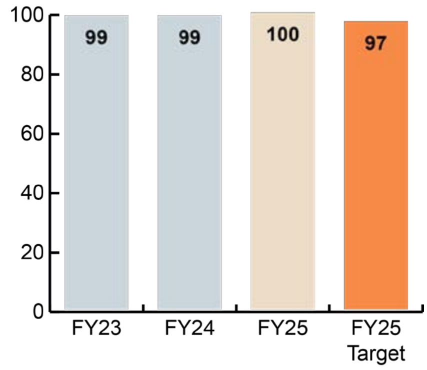
Completed Trips - Wellington Metro (%)[1]



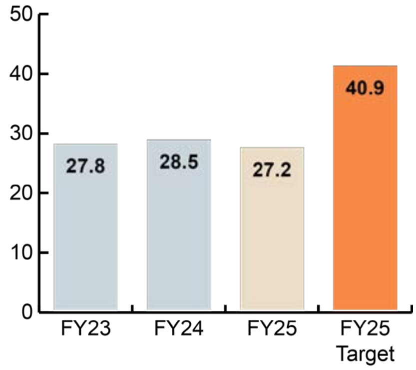
Punctuality - Wellington Metro (%)[1]



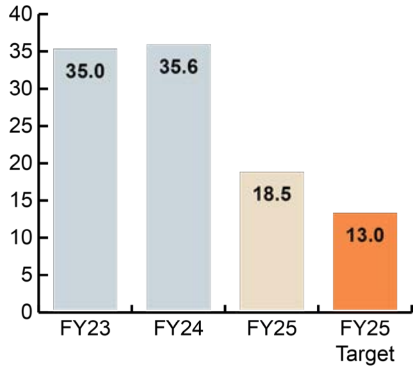
Reliability - Wellington Metro (%)*



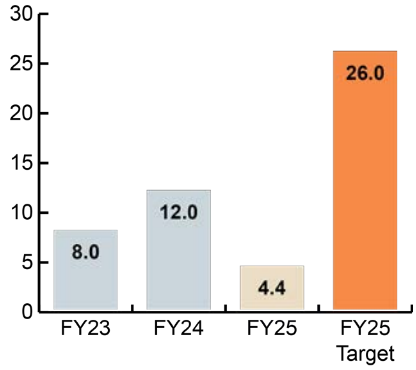
Track Quality Index - Wellington Metro (number)



TSRs - Wellington Metro (minutes)[2]



Heat 40s - Wellington Metro (km)



Measure definitions

- Track Quality Index (TQI) is a measure calculated by our EM80 track-inspection car and provides an indication of track quality. TQI measures the degree to which the track deviates from its intended standard.
- Temporary Speed Restrictions (TSRs) are placed on sections of track to restrict speed due to its condition or while upgrades are taking place to ensure the safe operation of services. KiwiRail has set an acceptable level of TSRs on each route, depending on route-specific factors, such as traffic type and volume. Note: In FY25 40 per cent of priority routes were within their respective TSR target limits, which was in line with the amended RNIP2 target.
- Heat 40s measure the lengths of rail where speed restrictions are implemented when rail temperature reaches the threshold set, to reduce/mitigate risk of buckling. Note: De-stressing continuous welded rail and other track activities will help reduce the risk of buckling and the need for heat restrictions.
- Punctuality measures the percentage of services that are delivered within their planned arrival times
- Reliability measures the percentage of services that were completed vs services planned.

1. Performance measured excludes construction impacts. Note: RNIP reliability and punctuality measures and targets differ from those in metro access agreements.
2. Wellington TSRs are driven both by legacy asset condition, and the disruptive works required to improve that asset condition. Refer to the Metro section on next page for full commentary.

Key achievements

Rail Network

Our teams across our national network have delivered a strong performance with our projects, resulting in favourable outcomes for our key performance measures.

- Achieved or exceeded all delivery metrics across the renewals programme
- 37.5 track kms, 17 turnouts and 15 track level crossings were renewed
- 31.4km of signals and telecoms cable was renewed
- Three active level crossings were renewed
- Four full bridge replacements and multiple major life extensions completed

In FY25 we continued to mature our asset management processes to ensure efficient operations and well-planned maintenance and upgrades to our rail infrastructure assets including work programmes to:

- Restore the partially collapsed Tawhai Tunnel to safe operating condition for coal trains to resume
- Extensive track upgrades as part of the Rail Network Rebuild programme
- Major maintenance on the Johnsonville, Hutt Valley and Kapiti lines, including slope stabilisation, bridge repairs and level crossing upgrades
- Modernise the Wellington signal system in the Wellington Railway Station entry controlling over 2200 train movements a week.

Metros

Significant uplift of our key performance measures on Auckland Metro network.

- 1900 fewer services cancellations, a 55 per cent reduction on FY24, equivalent to four full days of timetabled rail services returned to passengers
- 5800 more services arriving on time, a 48 per cent improvement from FY24, building trust and confidence in our network
- More than 44,000 TSR delay minutes saved, a 25 per cent decrease from FY24

The Wellington renewals programme is yielding good early results with reliability remaining very high.

- 60 fewer services cancellations, a 15 per cent improvement on FY24
- However, delays to services are affecting punctuality to the point it is below KPI levels, mainly on the Wairarapa line with a 37 per cent decrease in on-time arrival. TSRs were 5.5 minutes over target in FY25. Wellington TSRs are driven both by legacy asset condition, and the disruptive works required to improve that asset condition. Funding for the Metro Rail Operating Model, Wellington Metro Upgrade programme renewals and the NZUP Wairarapa Line Upgrade all contribute to addressing these issues. Of note for FY25, the longstanding 3-minute TSR in the 8.8 km-long Remutaka tunnel was removed following complete track replacement.
- Total Heat restriction delay minutes in Wellington of 516 minutes, an 84 per cent reduction on FY24

Refer to the Performance Reporting section for full suite of key performance indicators (KPIs) against the targets set out in the RNIP.

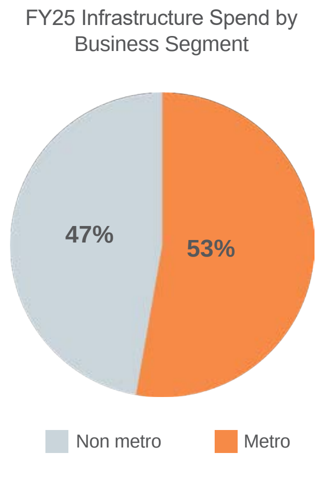
Outcomes and benefits

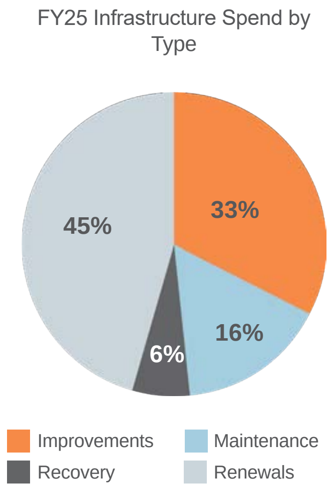
The benefits of investing to achieve a safe and reliable network include reduced travel time and road congestion, reduced air pollution, reduced fuel use, reduced greenhouse gas emissions, reduced road network maintenance and upgrades and improved safety outcomes. A safe and reliable rail network is the foundation on which Auckland and Wellington metropolitan rail networks can achieve emissions reductions by improving their public rail transport services. In addition, a safe and reliable network, combined with KiwiRail renewing its rolling stock fleet, improves the quality of our service to freight customers, enabling mode shift from road to rail, leading to better utilisation of the entire transport network and yielding benefits to the economy.

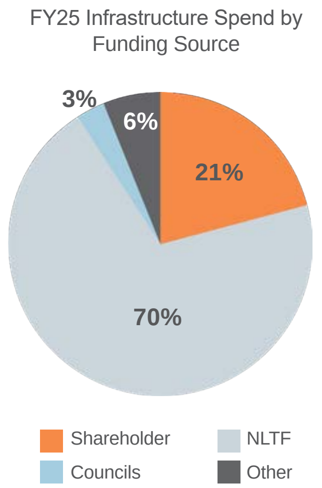
By delivering these infrastructure renewals and improvements we contribute to Sustainable Development Goal 9 - to “build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation”. The improvements to public transport infrastructure we have delivered in Auckland and Wellington will improve New Zealanders access to sustainable transport choices.

Investment programme

Our FY25 Infrastructure operating expenses and capital expenditure of $1.1 billion demonstrates our continued focus on renewing and improving our rail network for both non-metro customers and metro passengers.







Rail network activity class

The benefits of a longer-term funding framework continue to support strong improvement in delivery of the renewals programme. Through our continuous improvement programme, we are making good progress in delivering on our asset management KPIs and increasing our asset management maturity.

Public transport infrastructure (PTI) activity class

KiwiRail has made a commitment to minimise disruption to commuter services by transitioning to mechanised maintenance practices, including the adoption of technology, training, new ways of working to achieve productivity gains, and improve quality/network performance outcomes.

New Zealand Upgrade Programme

KiwiRail is the delivery agency for more than $2 billion of rail transport projects in the New Zealand Upgrade Programme (NZUP), which will enable more people to commute by rail, supporting decarbonisation.

- Papakura to Pukekohe Electrification Project (line reopened for use in February) – $451.2 million to electrify 19km between Papakura and Pukekohe, including installation of overhead equipment, a new traction power feed and signalling upgrades. An additional new traction power feed will also be delivered by the project in 2029/30.
- Wiri to Quay Park (W2QP) – The new line was available for public use in June following major block of line works over Easter and Anzac weekend. Project dimensions: $328.5 million to provide a third rail line to ease the bottleneck between Wiri and Westfield, increase capacity around Westfield Junction and segregate freight and commuter traffic between Port of Auckland and Quay Park
- Drury Rail Stations – Construction of the stations continued through the year with the bulk of Drury station already completed. Drury Central and Paerātā are expected to be available for public use in early 2026. Ngākōroa station is currently in the planning phase with construction completion expected mid-late 2026. Project dimensions: $470.7 million to construct three new passenger rail stations at Drury Central, Ngākōroa Station (Drury West) and Paerātā and the associated bus interchange, park and ride facilities and connector roads.

KiwiRail received its first Infrastructure Sustainability (IS) Rating from the Infrastructure Sustainability Council for the Drury Rail Stations Programme, which was awarded a 'Commended' IS rating for the design phase of the project.

Working alongside our construction partners we are making improvements in our construction practices to reduce our environmental impact. Drury Station is the first KiwiRail project to incorporate low-carbon concrete (LCC) during construction, replacing traditional cement with more sustainable alternatives. LCC has been utilised in both pre-cast stormwater pipes and concrete piling, resulting in a reduction of more than 100 tonnes of carbon emissions. Additional carbon-saving initiatives on the project include the replacement of a conventional diesel generator with a hybrid battery-diesel system. In just six months of operation, this upgrade has saved approximately 7000 litres of diesel and prevented 19 tonnes of carbon emissions.

- Wellington Metro Upgrade Programme – At Wellington the signal installation (including four signal huts) is complete and 15 new turnouts have been installed. On the Wairarapa line, designs for all 30 level crossings and 90 per cent of combined service route works are complete. Civil works for 18 level crossings (60 per cent) have been completed. Project dimensions: $114.3 million to enable a safe and reliable increase in the frequency of train services at Wellington Railway Station and $142.4 million for infrastructure upgrades to the Wairarapa Line to increase capacity and support a planned increase in the frequency of passenger services.

Northland Package:

- Marsden Point Rail Link route design amended and land south of Whangārei purchased to accommodate the new route. Ninety per cent of private land purchase is complete. The Detailed Business Case, which includes options for reopening the mothballed line north of Whangārei from Kauri to Otiria, was submitted to Ministers for decisions on next steps.
- Improvement works on the line between Whangārei to Kauri including upgrade to 18-tonne axle load, upgrade of the Whangārei Yard and tidy up works in the Otiria Yard are now substantially complete with fencing work at Otiria expected to be complete in early FY26.

Metropolitan Rail Network Upgrade Programmes

Key achievements for the year are (in addition to those noted under NZUP):

- Wellington Station re-signalling and re-spacing upgrade commissioned in January.
- The Remutaka Tunnel track rebuild was completed in April allowing a long-standing speed restriction to be removed and eliminating a risk of major failure of the infrastructure.
- Major programme overdue renewals funded under RNIP commenced in FY25 with $75 million in track, civil infrastructure, structures and signalling upgrades delivered over the course of the year. Funding for FY26 and FY27 also secured.

KiwiRail works closely with its customers to deliver their products.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MAERSK

INVESTMENT PROGRAMME SUMMARY

Programme	Encompasses	2024/25 Spend ($m)	Total programme value ($m)	Funded by
Rail Network Investment Programme	Rail Network Activity Class • Network maintenance and operations management • Network renewals • Network improvements • Weather events recovery	471	6,274[1]	NLTF
	Public Transport Infrastructure and Investment Management Activity Classes • Auckland metro – improvements • Wellington metro – improvements • Control systems	242	889[1]	
Northland	• Upgrades to rail line between Swanson and Otiria • Land purchase for the Marsden Point Rail Link • Design and business case for the Marsden Point Rail Link	19	683	NZUP, Kānoa
Auckland metro area	• Wiri to Quay Park • Papakura to Pukekohe electrification • Drury stations • City Rail Link readiness • General network enhancement	199	2,043	NZUP, Ministry of Transport, NLTF
Wellington metro area	• Track overhead line replacement • Network renewals • Trentham to Upper Hutt double tracking • Plimmerton turn back and new platform • Wellington approach realignment and safety improvements • Wairarapa passing infrastructure, platforms and signalling	110	731	NLTF, NZUP
Rolling stock	• Locomotive and shunt replacement • Wagon replacement • Train safety enhancement • EF locomotive fleet refurbishment • Capital Connection and Scenic carriage refurbishment	130	1,731	Shareholder, NZUP, Kānoa
Mechanical facilities	• New/rebuild of mechanical facilities at Waltham and Hillside. Depot upgrades at Woburn • Other miscellaneous depot upgrades	21	312	Shareholder, Crown Investment Partners, Kānoa
Resilience works	• Omoto slope stability • Culvert and drainage upgrades	Completed in 2021/22	39	Kānoa, Crown Investment Partners
Freight hubs	• Land purchase for the Central North Island freight hub • Ashburton freight hub	1	45	Kānoa, NZUP
Total		**1,193**	**12,747**	

1. 2021/22-2033/34 approved Rail Network Investment Programme(s), including 13 years for the Rail Network activity class and completed/committed projects only for the Public Transport Infrastructure and Investment Management activity classes.

KiwiRail's ambition is to be the first choice for our customers as a trusted and sustainable partner in moving freight and people. By leveraging rail's energy efficiency and building on our low emissions profile, we aim to decarbonise our own operations and support the decarbonisation of our customers' supply chains and New Zealand's transport sector.

Our Rautaki Whakauka Sustainability Strategy 2022-2025 outlines our vision and objectives for sustainability across the pillars of environment, society and the economy. Through FY25 we have been working to update our strategy for the next three-year period 2025-2028. Part of this work included developing our first Carbon Reduction Plan and Climate Adaptation Plan. These signal our commitment to playing our part in New Zealand's transition to a low-emissions, climate-resilient future, and our commitments to the Climate Leaders Coalition.

Supporting New Zealand's decarbonisation

We are nearing completion of a business case looking in detail at electrifying more North Island rail lines including the Golden Triangle – the network that connects Auckland, Hamilton and Tauranga - which carries around 30 per cent of all rail freight in New Zealand. Electrifying the Golden Triangle would make a significant contribution towards New Zealand meeting its carbon emission reduction commitments, delivering an estimated 49 per cent reduction in our operational emissions from rail freight on that part of the network by 2035 and 100 per cent by 2050 (compared to 2025 levels). The business case will inform future investment decisions for decarbonising the transport system.

As we have assessed our climate risks and opportunities, we have shared our data and insights with the Ministry for the Environment, the Climate Change Commission, and other key stakeholders, to help inform the next National Adaptation Plan. We submitted on New Zealand's second Emissions Reduction Plan and participated in an open letter from WasteMinz encouraging the adaptation of a container return scheme to support recycling.

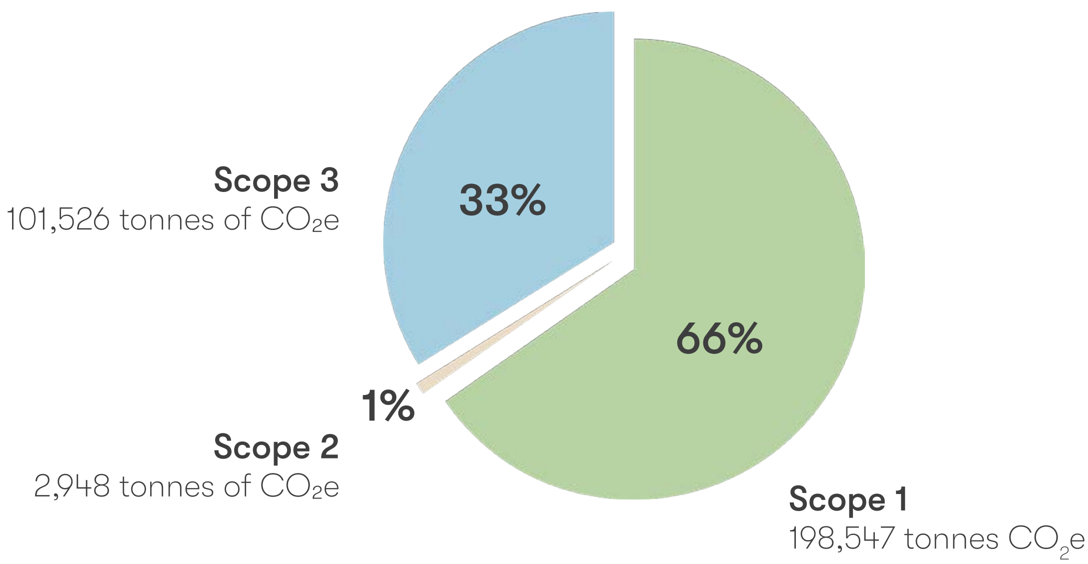
Measuring our carbon footprint and including Scope 3 emissions

KiwiRail measures our carbon emissions (CO_2e) on a gross basis for the organisation, and an intensity basis for our rail freight operations. This year is the first time we have published our Scope 3 (operational) emissions footprint.

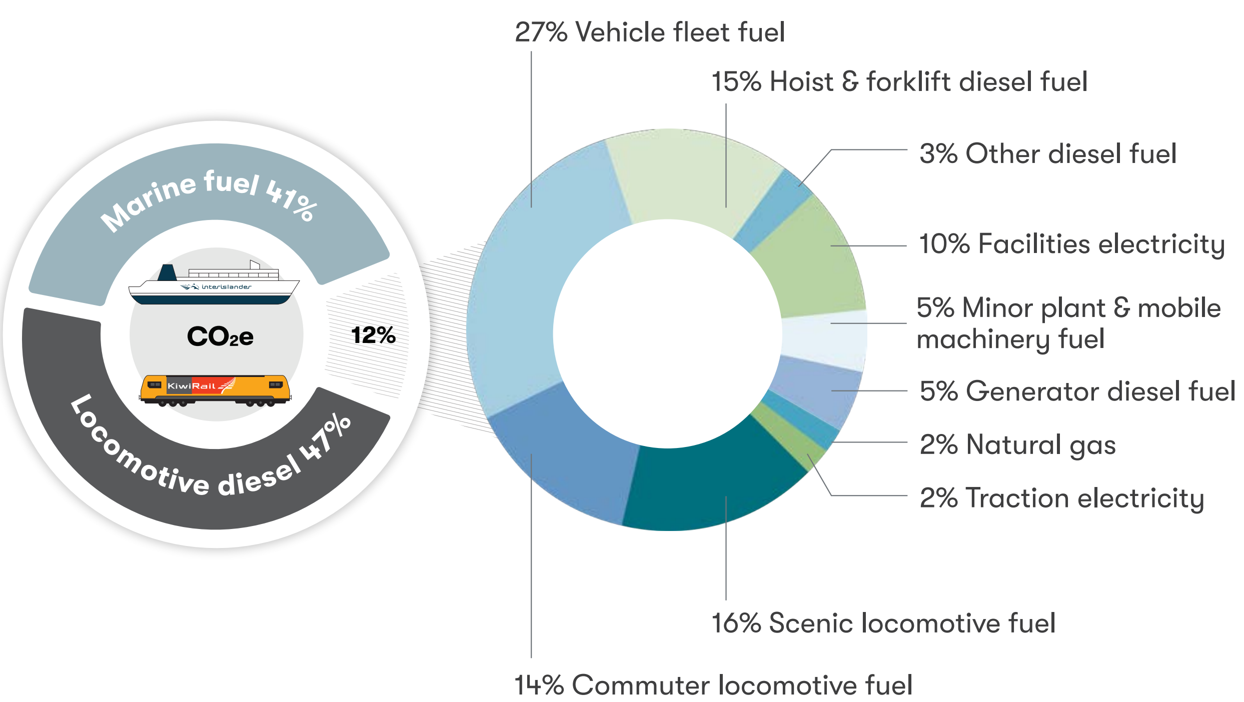
Our FY24 emissions were externally verified as part of our FY24 Greenhouse Gas (GHG) inventory by Toitū Envirocare as our assurance provider. FY24 has been used as the base year for our new target of reducing Scope 3 operational emissions by 30 per cent by 2035.

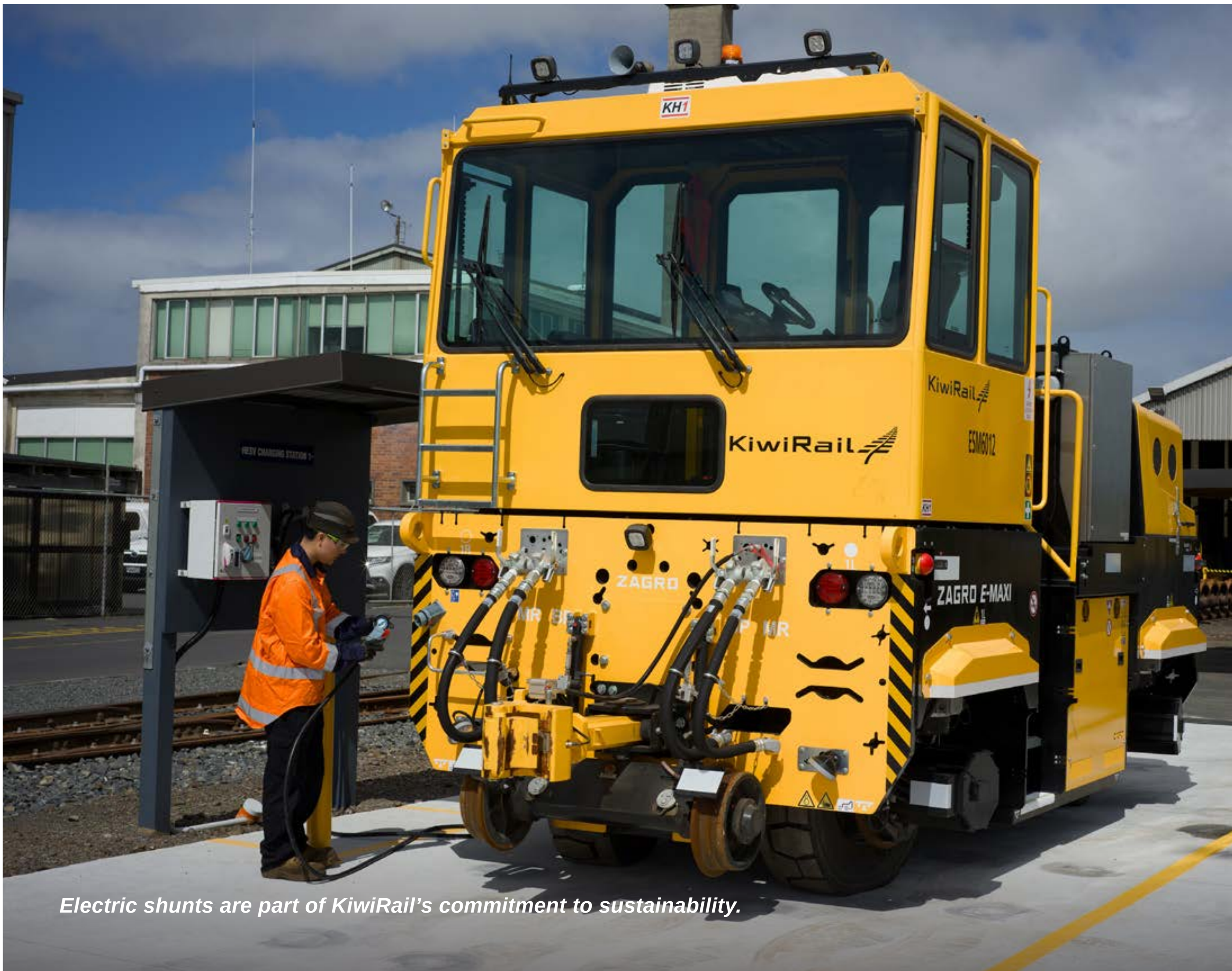
FY25 Carbon Footprint – 303,021 t CO_2e

Includes Scope 1, 2 and 3 operational emissions



Scope 1 and 2 only – 201,494 t CO_2e





Electric shunts are part of KiwiRail's commitment to sustainability.

	2018/19	2020/21	2021/22	2022/23	2023/24[1]	2024/25
Rail Freight Carbon Intensity (grams CO_2e per net tonne kilometre)	27.06	26.72	26.61	27.22	28.77	27.79
Carbon footprint – Scope 1 and 2 emissions only (tonnes CO_2e)	240,177	233,104	210,863	219,644	206,373	201,495
Scope 3 operational emissions (upstream)					100,676	87,240
Scope 3 operational emissions (downstream)					12,450	14,286
Carbon footprint – Scope 1, 2 and 3 emissions					319,450	303,021

Scope 3 emissions from our capital goods[2] activities were 93,254 tonnes of CO_2e in FY25. These were not verified as part of our FY24 GHG inventory and have been excluded from our total emissions footprint. In FY25 we set a new target and identified some opportunities for emissions reduction to improve our capital goods Scope 3 emissions by 14 per cent on an intensity basis, by 2035 against a 2023/24 baseline.

Our carbon performance

KiwiRail has committed to reducing our gross Scope 1 and 2 carbon emissions by 40 per cent by 2035 against a 2018/19 baseline, as well as a rail freight carbon intensity target of a 46 per cent reduction by 2035 against a 2018/19 baseline. These ambitious but feasible targets support our long-term goal to be net zero carbon by 2050.

We have modelled a pathway to achieve our 2035 target which will be published in our Carbon Reduction Plan. Some of the initiatives, such as electrification of the Golden Triangle, will require major additional investment.

Between FY24 and FY25, our carbon footprint for Scope 1 and 2 emissions decreased (by 4,879 tonnes). This reduction is positive – it represents a 16% reduction from our base year of FY19. It is aligned with our modelled pathway to reach our total emissions reduction target by 2035. However, some of this reduction is due to lower freight volumes rather than efficiency gains. This is reflected in our rail freight carbon intensity, which has improved compared to last year, but is higher than our target level.

Progress towards decarbonising our operations

A key aspect of our Sustainability Programme is our close collaboration with the Energy Efficiency and Conservation Authority (EECA). We have a dedicated management team, our Carbon Zero Steering Group, and three Carbon Zero Teams, that are responsible for progressing initiatives that achieve our carbon reduction targets. Our quarterly Carbon Zero Steering Group meetings are attended by EECA, who provide co-funding and collaboration opportunities, and guidance and advice.

1. Following FY24 verification, corrections were made to the rail freight carbon intensity and Scope 1 and 2 carbon footprint as identified in the audit reviews.
2. For the purpose of setting a Scope 3 target, emissions from KiwiRail's 'Capital Goods' will be reported separately to Scope 3 emissions arising from KiwiRail's other business 'operational' activities. Capital goods is an emissions category identified by the GHG Corporate Value Chain (Scope 3) Accounting and Reporting Standard and are equivalent to "capital assets" as defined in financial accounting. However, unlike financial assets, emissions from Capital Goods are not amortised over their life but are accounted for in the year of their acquisition.

   KiwiRail has interpreted Capital Goods to refer to the emissions associated with the production of rail assets and infrastructure construction. Examples include emissions from the steel used to manufacture rail track, wagons or locomotives, and the delivery of capital projects such as the Auckland Metro Programme. Due to the non-recurring nature of the major capital projects that KiwiRail undertakes every few years, including Scope 3 emissions from this category would distort our emissions reporting. Emissions associated with renewals and the maintenance of the existing network are captured as part of our Scope 3 operational emissions.

Future rolling stock

We have procured 66 new efficient diesel DM locomotives which will replace our ageing locomotive fleet between now and 2029. The new locomotives are more powerful than our current fleet and we expect to see an improvement in our carbon emissions performance.

KiwiRail is committed to reducing our emissions of harmful pollutants that impact peoples' health. In FY25, our estimated emissions to air from rail freight movements included 870 tonnes of nitrous oxide and 50 tonnes of PM2.5. We expect our emissions of air pollutants to improve over the next three years as we replace the oldest DL locomotives in our fleet with these new DM locomotives that meet Euro Stage 5 emissions standards.

We have invested in low emissions shunting technology - 24 hybrid shunt vehicles with staggered arrivals from 2027 to 2030 and 11 electric shunt vehicles will start operating in our yards in 2026. These vehicles will complement the 16 electric shunt vehicles already in service.

Customer and staff engagement

KiwiRail helps its freight customers quantify carbon emissions benefits of choosing rail through a monthly 'Steel Wheels' report, which illustrates the carbon reduction achieved using rail and includes information on fuel savings and truck trips avoided. Over the past year, we have reviewed and refined the methodology, assumptions and inputs, and sought external verification of these.

We know having verified data supports our customers in having credible data for their own GHG reporting and demonstrating their commitment to making lower-carbon choices in their supply chains and connecting to export markets.

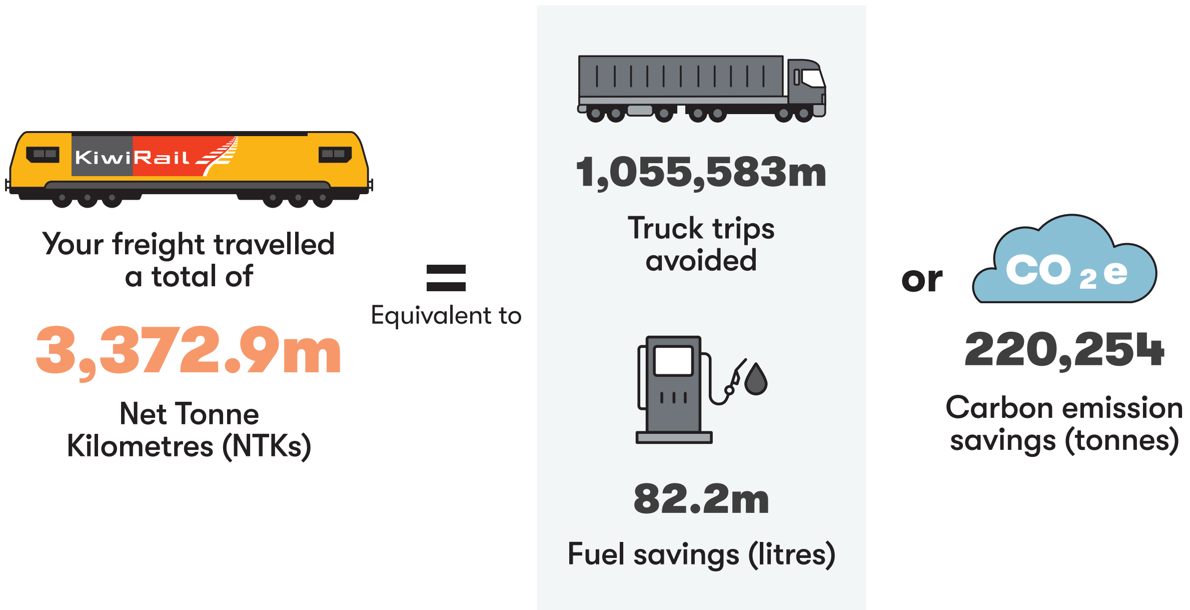
In FY25 we have, for the first time, developed emissions factors for our three scenic services; Northern Explorer, Coastal Pacific and TranzAlpine. These have been externally verified and, along with our improved freight emissions factors and Steel Wheels methodology, will support our Carbon Calculator project which will be delivered in FY26.

Customers want more information to support their own sustainability decisions. KiwiRail is developing a carbon calculator in response to increasing demand from customers, and the public, who want to be able to compare estimated carbon emissions using rail, air or road to inform transport mode decisions. The carbon calculator is being developed for our freight customers (including the ferry crossing where relevant), and Great Journeys New Zealand passengers. It does not cover metro or inter-regional passengers or commercial vehicle customers travelling on the Interislander.

We continue to engage our staff, supporting them to live more sustainably and find opportunities to reduce emissions and minimise waste at work. In FY25, we re-established Team Kākāriki, our volunteer network for staff to act on sustainability and the environment and engage their peers.

KiwiRail Steel Wheels FY25 (between 1/07/24 and 30/06/25)

Your partner in sustainable freight



Climate resilience and adaptation

KiwiRail's operations are already being impacted by various extreme weather events, and we know that these impacts will worsen in the future. In FY25 we cancelled 564 train and ferry services due to weather conditions and impacts such as flooding or slips – around 7 per cent of all cancellations. Our services also experienced around 290 hours of delay, due to weather impacts, such as floods, slips and hot days contributing to temporary speed restrictions. We are responding proactively to these climate risks to reduce their impact on our business and customers.

Some of our key climate risks and opportunities are shown in the diagram opposite. Transitional impacts arise from political, economical, social, technological and legal factors that are affected by climate change.

Highlights from our activity in FY25 included:

- Completing a detailed physical climate risk assessment for our assets. This highlighted that around 30 per cent of KiwiRail's rail track network is exposed to flooding risk, and around 6 per cent to coastal inundation/erosion risks.
- Developing climate scenarios and completing KiwiRail's first climate risk and opportunity assessment. This will help us to factor climate risks and opportunities into our business planning and strategic decisions.
- Drafting our first Climate Adaptation Plan – the plan outlines steps we will take to manage climate risks proactively throughout our assets and operations.
- Delivering upgrades to our infrastructure and improvements to our asset management to enhance our resilience to climate impacts.

Delivering infrastructure works to enhance resilience

Midland River Protection Works - In late 2024, KiwiRail completed a major three-year $15 million project to enhance the resilience of the Midland Line against river erosion. The rail line is now less likely to experience closures or delays after weather events.

Delivering more resilient bridges - We have developed standard bridge designs that are aligned to NZTA's bridge manual and NZ/AUS standards. These designs are more efficient, use less materials, and enable increased bridge resilience to climate change. In FY25 we successfully replaced three bridges, upgrading 212 metres of bridge to our new standards. We also delivered strengthening or partial replacement of bridge elements for a further five bridges.

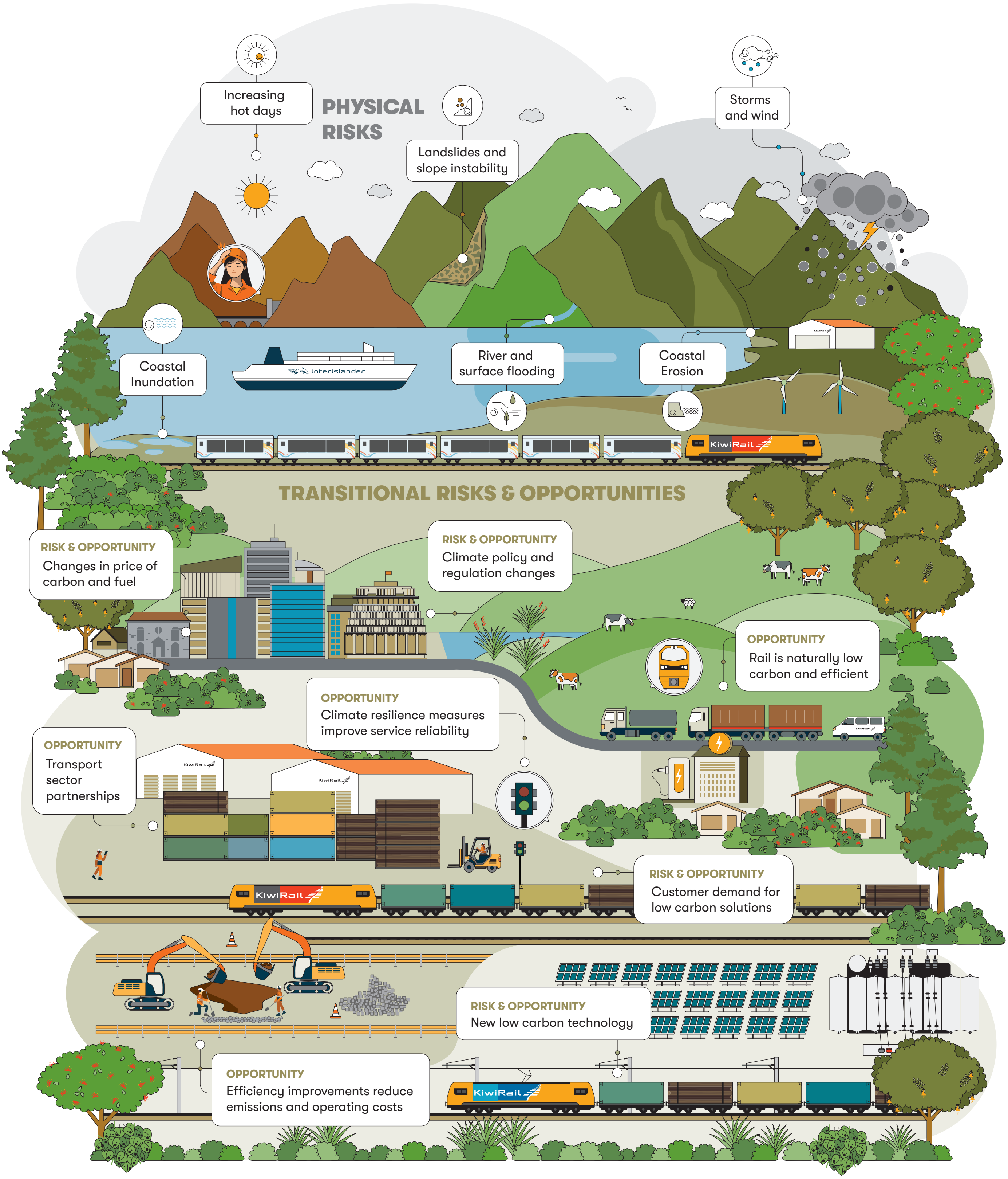
Enhancing our asset management approach

Improving our remote sensor network - We have continued improving the network of sensors which help us to remotely monitor impacts from weather events. We now have 45 landslide sensors across the network monitoring specific slip sites, in high-risk locations such as Kaikōura and Arthurs Pass. We also have 318 weather and rain gauges. This helps enhance our operational response to the more extreme storms associated with climate change.

Using drones to improve our knowledge - We are using our LiDAR-enabled drone to capture rate of change of coastal assets. This innovative approach enables us to identify our higher risk areas and those sections more vulnerable to sea level rise, so we can target our maintenance and renewals.

Sustainable Development Goals - These initiatives which are focused on reducing the carbon from our operations and enhancing the climate resilience of our assets, contribute to Sustainable Development Goal 13: Take urgent action to combat climate change and its impacts.

KiwiRail's Climate Risks and Opportunities



Waste minimisation

We continue to increase recycling of solid and hazardous waste and to identify new opportunities for diversion. To date we have worked with >82 per cent of our eligible "sites" (such as workshops and container terminals) to introduce and update recycling systems in offices, breakrooms and yards. This is an additional 22 per cent compared with FY24.

KiwiRail continues to divert large quantities of scrap metal; 18,000t in FY25, growing from 16,000t in FY24. Metal is carbon emissions intensive to extract and manufacture, so the recovery of scrap metal plays an important role in a successful circular economy.

We will adopt new waste minimisation targets in the new 2025–2028 Strategy. This will include solid waste recycling and construction waste targets. Ninety one per cent of all waste collected by our main national waste providers (including metal) is recycled (by weight). This positive result is mostly driven by the large volumes of heavy scrap metal we recycle. Excluding metal, this recycling rate is 41 per cent.

Our FY25 SCI target focuses on improving our performance in recycling operational solid waste (excluding scrap metals and hazardous waste), as this is one of our biggest areas for improvement. We recycled 18 per cent of these materials in FY25 compared to 15 per cent FY24. To support further improvement we launched an internal waste minimisation hub and a waste-cyclopedia to centralise resources, tools and information.

In FY25 KiwiRail diverted from landfill,

120t of wood

88t cardboard & paper

18,000t scrap metal

32t mixed recycling

4t plastic wrap

21t food & green waste

16t glass

GOVERNANCE

BOARD OF DIRECTORS, AS AT 30 JUNE 2025

Rob Jager ONZM, Director
(Acting Chair to 30 June 2025)
Attendance[1]: 11/11 meetings

Bruce Wattie, Director
Attendance[1]: 11/11 meetings

Liz Ward, Director
Attendance[1]: 11/11 meetings

Sina Cotter Tait, Director
Attendance[1]: 11/11 meetings

New Directors since 1 July 2025

Suzanne Tindal, Chair
Term commenced 1 July 2025

Jeff Kendrew, Deputy Chair
Term commenced 1 July 2025

Scott O'Donnell, Director
Term commenced 1 September 2025

Former Directors since 1 July 2024

David McLean, Chair
Retired effective 31 July 2024

Sue McCormack, Deputy Chair
Term completed effective 30 April 2025

Rachel Pinn, Director
Resigned effective 31 July 2024

Maryan Street, Director
Resigned effective 31 July 2024

For profiles of our Board of Directors members please visit our website at Governance Board | KiwiRail

KIWIRAIL EXECUTIVE, AS AT 30 JUNE 2025

Peter Reidy, Chief Executive

Adele Wilson, Chief Customer and Growth Officer

Duncan Roy, Interislander Executive General Manager

Siva Sivapakkiam, Acting Chief Infrastructure Officer

Paul Ashton, Acting Chief Operations Officer

David Gordon, Chief Capital Planning and Asset Development Officer

Jason Dale, Chief Financial Officer

Sarah McLeod, Acting Chief People and Communications Officer

Vanessa Oakley, Chief General Counsel, Company Secretary and Property Officer

Joanne Black, Chief External Relations Officer

James House, Chief Safety Health and Wellbeing Officer

For profiles of our KiwiRail Executive members please visit our website at Executive Team | KiwiRail

1. Attendance records for standard Board meetings, off-cycle meetings not included.

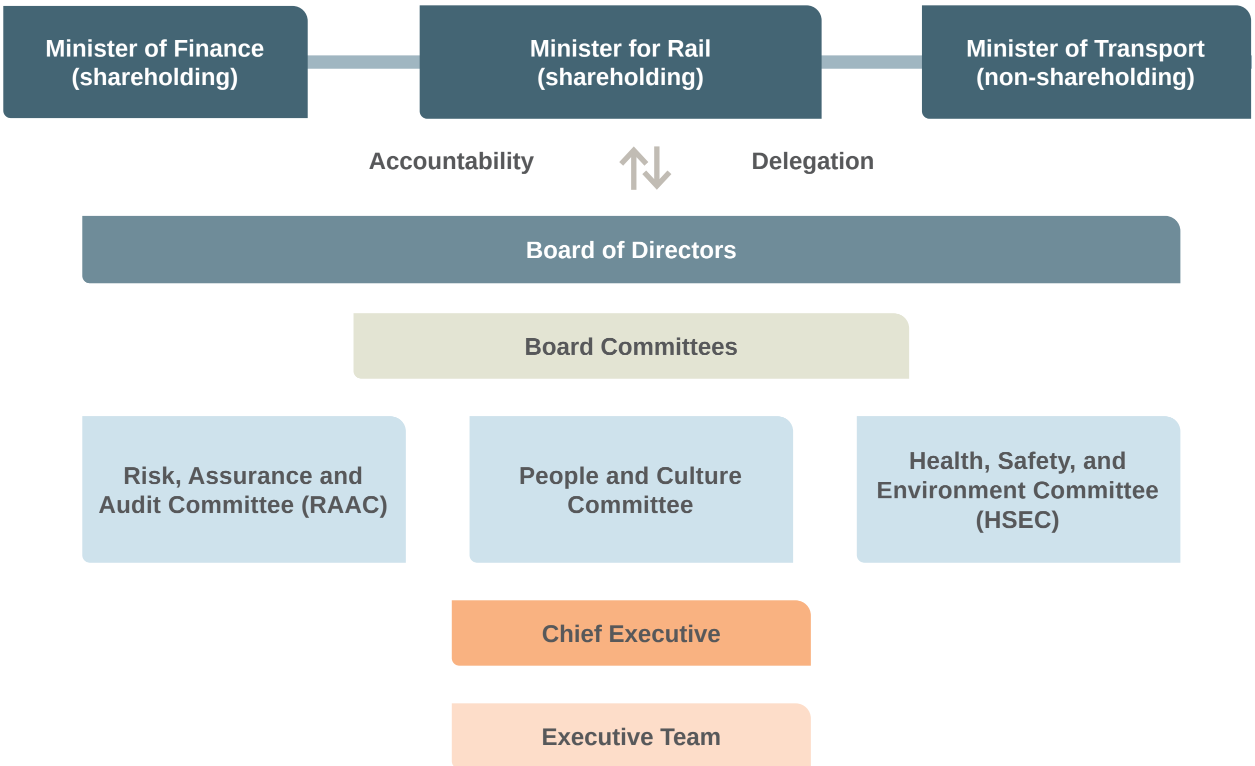
HOW WE ARE GOVERNED

The Board of Directors of KiwiRail is appointed by the Shareholding Ministers and is accountable to the Shareholding Ministers for the performance of KiwiRail. The Shareholding Ministers may jointly remove directors at any time and entirely at their discretion.

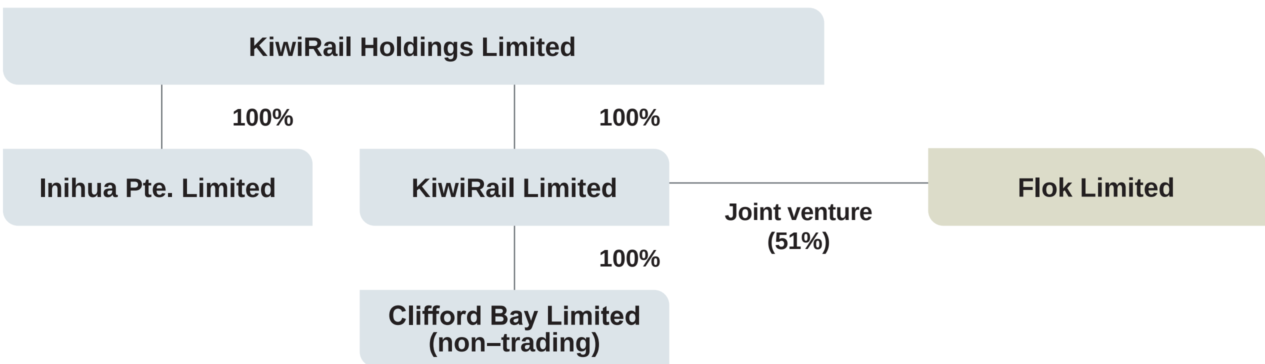
The expectations of the Shareholding Ministers for the governance of KiwiRail are communicated at least annually to the Board via the Letter of Expectations and set out in the 2024 Owner's Expectations document which is administered by the Treasury.

The role of the Board is to guide the strategic direction of KiwiRail and direct and oversee management. The Board establishes objectives and sets strategies to achieve those objectives, as described in the Statement of Corporate Intent. The Board, in the context of the approved policy, risk and compliance framework within which the Group operates, monitors the performance of management and the Group against those strategies. The Board has delegated day-to-day management to the Chief Executive.

Accountability



Subsidiary structure



Commercial mandate

KiwiRail Holdings Limited is a limited liability company incorporated under the Companies Act 1993 and a state-owned enterprise (SOE) under the State-Owned Enterprises Act 1986. As an SOE, all KiwiRail's shares are held by Shareholding Ministers of the Crown. They are held in equal proportions by the Minister of Finance and the Minister for Rail. The principal objective of every SOE is to operate as a successful business and, to this end, to be as profitable and efficient as comparable businesses that are not owned by the Crown. SOEs are also required to be good employers and to exhibit a sense of social responsibility. During the financial year ended 30 June 2025 the Group comprised KiwiRail Holdings Limited, and its subsidiaries as detailed. Inihua Pte. Limited was incorporated on 16 January 2025. It is a licensed captive insurer to carry on general insurance business in Singapore and was established to optimise insurance cost and cover for the Group.

Rail network mandate

KiwiRail leases railway land from the New Zealand Railways Corporation and owns the rail infrastructure and associated assets on railway land. KiwiRail maintains these assets for the benefit of all rail users, in line with the RNIP approved by the Minister of Transport (on advice from NZTA and in consultation with Shareholding Ministers). The RNIP is funded by the NLTF. The NLTF funding is supplemented with direct Crown contributions and track access fees paid by rail users. Also, KiwiRail contributes to the NLTF through paying a Track User Charge.

Board committees

KiwiRail has three Board committees supporting director oversight of the company and its performance. Each committee generally meets four times per year. Committee members detailed below are as at 30 June 2025.

Risk, Assurance and Audit Committee (RAAC)

2024/25 members: Bruce Wattie (Chair), Sina Cotter Tait, Liz Ward, Rob Jager.

Assists the Board with the discharge of its responsibilities in relation to audit, finance, and risk management. The committee monitors the roles, responsibilities and performance of management and the auditors in financial reporting, business risk management systems and internal control systems.

Health, Safety, and Environment Committee

2024/25 members: Rob Jager (Chair), Bruce Wattie, Liz Ward, Sina Cotter Tait

Assists the Board to suitably govern KiwiRail's management and control of safety, health and environment performance and compliance and to assist the Company directors and officers to meet their due diligence obligations under relevant laws.

From September 2025, this Committee was dis-established with Health and Safety now being a key focus of the full Board.

People and Culture Committee

2024/25 members: Rob Jager (Chair), Sina Cotter Tait, Bruce Wattie

Assists the Board in establishing remuneration strategies and policies for the Chief Executive and his direct reports that support an increase in productivity and the retention of staff. Also assists the Chair and the Board to consider the performance and skill set of the Board.

Engagement with Government

The Board is committed to ensuring that KiwiRail's Shareholding Ministers and the Minister of Transport are informed of all major issues and developments affecting the company. Such information is communicated in various ways including Annual/Integrated reports, half-yearly reports, continuous disclosure statements, and regular briefings and updates. We are also continuing to enhance our engagement with government agency stakeholders as we progress our strategic capital investment programme, including NZTA, Ministry of Transport, the Treasury and other monitoring and policy agencies as required.

Enterprise Risk Management Strategy

KiwiRail's approach to risk management is guided by its Risk and Assurance Framework, which aligns with the principles of AS/NZS ISO 31000:2009. This framework supports consistent and proactive risk management practices across the organisation.

The Board has established defined risk appetite levels to evaluate whether risk outcomes align with strategic expectations. These appetite levels are reviewed regularly to ensure they remain consistent with KiwiRail's evolving strategy and organisational objectives.

Oversight of risk management effectiveness is provided by the RAAC, which draws on insights from risk and assurance activities to inform governance. Executive leaders are accountable for managing enterprise-level risks, which are directly linked to operational risks within business units.

A dedicated Risk and Assurance team, in collaboration with a cross-functional Risk Advocacy Group, ensures the consistent application of risk practices throughout the organisation. This integrated structure embeds risk and assurance considerations into decision-making and governance processes, reinforcing KiwiRail's commitment to responsible and resilient operations.

Insurance and indemnity

In accordance with the Companies Act 1993 and the terms of its constitution, KiwiRail indemnifies the members of the Board in respect of liability for conduct that comprises acts or omissions by the Directors in good faith and in the performance or intended performance of KiwiRail's functions and for any costs incurred in defending or settling any claim or proceeding related to liability for such conduct.

KiwiRail has insured the Directors and employees of the Group against any costs or liabilities of the type referred to in section 162(5) of the Companies Act. In addition, KiwiRail indemnifies Directors of its wholly owned subsidiaries against any costs or liabilities of the type referred to in section 162(5) of the Companies Act.

Directors' remuneration

Note 22 of the financial statements sets out the fees KiwiRail Holdings Limited Directors earned during FY25.

KiwiRail Limited, Clifford Bay Limited and Inihua Pte. Limited Directors did not receive any director fees during FY25.

Chief Executive's Remuneration

The People and Culture Committee has a charter that clearly sets out the committee's responsibility with respect to executive appointments and remuneration by "ensuring, based on market data and expert input, that the executive remuneration and incentive settings within KiwiRail provide for the attraction, retention and high performance of the CE and senior executives".

In doing so, the committee ensures that the Chief Executive (CE) and all executive roles (those reporting to the CE) are sized independently by Ernst & Young (EY), executive remuneration advisors. EY have been engaged by KiwiRail as executive remuneration advisors since 2014.

In KiwiRail's case, the market for talent is primarily the transport, logistics and infrastructure sectors, as well as large private sector organisations that are of a similar size and scope (in terms of revenue and asset base as the most relevant metrics for KiwiRail's operations). KiwiRail benchmarks against the organisations in this comparator group as provided by EY.

For executive positions, KiwiRail benchmarks against the median of Total Fixed Remuneration (i.e. base salary plus fixed benefits, allowances and super/KiwiSaver) and typically targets between 85 per cent to 115 per cent of the market median. For the CE and executive roles, KiwiRail also offers at-risk pay through its At-Risk Pay scheme. There are no long-term incentive schemes.

At-Risk Pay

KiwiRail operates an At-Risk Pay (ARP) scheme. The scheme is reviewed annually and may be offered at the Board's discretion to the CE and selected senior leaders in roles with significant accountability and a strong ability to influence business outcomes. ARP schemes are available for senior leaders in other large State-Owned Enterprises such as Transpower and NZ Post.

KiwiRail's scheme was not offered by the Board for the 2023/24, 2024/25 or 2025/26 years to recognise fiscal constraints in the New Zealand economy and KiwiRail.

Chief Executive's remuneration

The details of the CE's remuneration are set out below. Actual amounts are before tax (gross) and include holiday pay paid per New Zealand legislation and KiwiSaver. The current Chief Executive has not received a base salary increase since starting with KiwiRail in August 2022.

Financial Year	Salary and benefits[1] ($)	Pay for performance (relating to previous financial year) ($)	Total remuneration ($)[2]
2024/25	1,267,045	-	1,467,045
2023/24	1,256,204	323,325[3]	1,779,529
2022/23	1,369,284	-	1,369,284
Previous Chief Executive			
2021/22	1,384,177[4]	420,000[5]	1,805,177
2020/21	997,452	-	997,452

- Remuneration market commentary sourced from EY's Executive Remuneration Survey 2025 includes comprehensive remuneration information and insights into general market and executive remuneration policies and practices across NZ businesses.
- CE base salaries increased by a median of 4.0 per cent for the 12 months prior to July 2025, with base salaries increasing by 3.1 per cent for the lower quartile and 5.4 per cent at the upper quartile. KiwiRail's CE did not receive an increase in base salary for this period.
- Organisations are forecasting a median 3.0 per cent increase on base salary for the 12 months to July 2026.

1. According to EY market benchmark information, the CE's current Total Fixed Remuneration is between the lower quartile and median of their advised market data and for 2024-25 the total actual remuneration paid was approximately 1.0 per cent above the lower quartile.
2. Total remuneration paid in the 2024/25 and 2023/24 financial years includes $200,000 in recognition of foregone equity in previous employment. In 2022/23 total remuneration paid included a 'sign-on' payment. This was agreed as part of employment contract prior to Mr Reidy joining KiwiRail in August 2022.
3. Whilst there was no payment of ARP for the 2023/24 financial year the pay for performance of $323,325 was for the 2022/23 financial year but paid out in the 2023/24 financial year.
4. Salary and benefits paid in 2021/22 to previous CE for the period to his resignation effective 24 November 2021 plus contractually entitled 6 months' salary in lieu of notice and unused annual leave.
5. Pay for performance (ARP) relates to previous CE's performance during 2020/21.

Employee remuneration

There were 3067 KiwiRail employees and 268 former employees who received remuneration and benefits in excess of $100,000 (not including Directors) in their capacity as employees during the year ended 30 June 2025.

The number of people earning remuneration and benefits within bands of $10,000 above $100,000 per annum are below. This includes fixed remuneration, employee KiwiSaver contributions, settlement payments and redundancy payments for all permanent employees. It also includes short-term incentive payments made to eligible staff in accordance with KiwiRail's remuneration policies.

Note 22 of the financial statements sets out the payments awarded to key management personnel during the 2024/25 financial year.

The employee information applies to employees of the Group and includes KiwiRail's subsidiaries.

1460000-1470000	1
860000-870000	1
690000-700000	1
650000-660000	1
620000-630000	1
610000-620000	1
600000-610000	2
590000-600000	2
540000-550000	1
490000-500000	2
480000-490000	1
460000-470000	1
450000-460000	1
430000-440000	3
410000-420000	2
400000-410000	1
380000-390000	3
370000-380000	3
360000-370000	2
350000-360000	4
340000-350000	3
330000-340000	8
320000-330000	9
310000-320000	8
300000-310000	10
290000-300000	14
280000-290000	15
270000-280000	14
260000-270000	11
250000-260000	20
240000-250000	21
230000-240000	36
220000-230000	40
210000-220000	44
200000-210000	51
190000-200000	80
180000-190000	112
170000-180000	118
160000-170000	171
150000-160000	216
140000-150000	324
130000-140000	432
120000-130000	460
110000-120000	520
100000-110000	564
Grand Total	**3335**

PERFORMANCE REPORTING

KEY PERFORMANCE MEASURES

Per the FY25-FY27 Statement of Corporate Intent (SCI)

	FY25 Actual	FY25 Plan	FY25 Adjusted Plan*
ZERO INJURIES EVERY DAY			
Total Recordable Injury Frequency Rate - TRIFR	22	19	
Total Lost Time Injury Frequency Rate - LFIFR	13	9	
High Potential Near Misses Frequency Rate - HiPoFR	8	10	
Number of safety interactions per month	377	245	
PROUD, CONNECTED CULTURE			
Employee Net Promoter Score	NA	5	
Under 35s in the workforce (%)	30	33	
Women in the workforce (%)	18.9	21.5	
Women in Operational Roles (%)	16	15	
Gender Pay Gap (%)	6.8	3.6	
SUPERIOR CUSTOMER SERVICE/RELIABILITY AND EFFICIENCY/EASE OF DOING BUSINESS – SERVICES BUSINESS			
Freight Net Tonne Kilometres carried (million)	3,373	3,598	
On Time Performance – Freight Premier (%)	90	91	
Availability - Locomotives (%)	81	85	
Availability - Wagons (%)	89	91	
On Time Performance – Interislander – Arrival within 15 minutes of scheduled time (%)	84	90	
Availability - Ship Services to Advertised Sailings (%)	98	98	
RELIABILITY AND EFFICIENCY – RAIL NETWORK			
Number of Network Condition KPIs within target*	10(63%)	16(100%)	13(100%)
Percentage of priority routes within their respective temporary speed restrictions (average TSRs) limits*	40%	60%	40%
Percentage of priority routes within their respective Heat 40s (average Heat 40s) limits*	100%	100%	80%
Percentage of priority routes within their respective Track Quality Index (average TQI) limits	100%	100%	

*Subsequent to publishing the FY25-FY27 SCI there was variation to RNIP 2 and targets were revised from SCI target.

	FY25 Actual	FY25 Plan	FY25 Adjusted Plan*
RELIABILITY AND EFFICIENCY – METRO NETWORK			
Auckland Metro Meet Completed Trips KPI by year end	93%	85%	
Auckland Metro Track Quality Index (average)	22.7	<35.0	
Wellington Metro Meet Completed Trips KPI by year end	95%	85%	
Wellington Metro Track Quality Index (average)	27.2	<40.9	
Wairarapa Line – TSRs by year end (minutes)	12	<15	
Kapiti Line – TSRs (achieved for 48 weeks) (minutes)	5	<10	
SUSTAINABILITY - ENVIRONMENT			
Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per net tonne kilometre)	27.8	25.1	
Truck Journeys Avoided (million)	1.06	0.97	
Solid Waste Recycled (%)	18	15	
SUSTAINABILITY – FINANCIAL – SERVICES BUSINESS			
Revenue ($m)	767	758	
Rail Freight revenue ($m)	456	451	
Interislander Freight and Passenger revenue ($m)	157	147	
Scenic and Commuter revenue ($m)	56	53	
Property revenue ($m)	70	66	
Operating surplus ($m)	111	110	
Operating margin (%)	14	15	
Operating ratio (%)	86	85	
CAPITAL INVESTMENT – MAJOR MILESTONES			
SERVICES			
Rolling Stock Programme – Achievement of Major Milestones	4	5	
INFRASTRUCTURE - NATIONAL			
Achievement of Major Milestones	0	2	
INFRASTRUCTURE – METRO			
Auckland Metro – Achievement of Major Milestones	4	4	
Wellington Metro – Achievement of Major Milestones	2	2	

REQUIRED INFORMATION

	FY25 Actual	FY25 Target
Shareholder Return Measures		
Total Shareholder Return	n/a	n/a
Return on Equity (%)*	(23)	5
Profitability/Efficiency Measures		
Return on invested capital (%)*	(26)	5
Operating Margin - services business (%)	14	15
Leverage/Solvency Measures		
Shareholder’s Funds to Total Assets (%)	62	80
Debt to EBITDA	(2.7)	(1.7)
Gearing Ratio (%)	-	-
Interest Cover	56.7	31.1
Growth Measures		
Capital Replacement	7.9	9.9
Revenue Growth - Services business (%)	(1)	(2)
Underlying EBITDA growth - Services business (%)	5	6

* Ratio is negative due to net deficit for the year which reflects impairment of KiwiRail’s assets. As the Rail Cash Generating Unit does not generate sufficient cashflows to cover the level of required investment, a large proportion of the accounting value must be written off each year in accordance with accounting standards. The variance between actual and target is due to the difference between actual and forecast impairment.

Consistent with the 2025-2027 Statement of Corporate Intent, KiwiRail will not pay a dividend for the year ended 30 June 2025.

Rail Network Investment Programme measures

Our transport outcomes targets reflect that it will take time to address the backlog of renewals and deliver improvements. A more intense programme of renewals and maintenance requires more track access and will create some additional network disruption in the short term. However, the benefits from the improvements in the network’s resilience and reliability, combined with the arrival of our new rolling stock, will see an improvement in service and associated benefits over time which will far outweigh this initial disruption. Targets are from the Rail Network Investment Programme 2024-27

Outcome measures	Metric	Target	RAG	Status
KIWIRAIL OUTCOMES				
Grow volumes on rail to increase productivity	Freight Net Tonne kms carried	As per KiwiRail Statement of Corporate Intent		See key performance measures
	Metro patronage enabled	As per AT and GWRC Regional Public Transport Plans		Actual result 88% of target. Impacted by changing work patterns and line outages for major upgrade works
Improved KiwiRail commercial performance	Above rail operating surplus Above rail operating surplus ratio	As per KiwiRail Statement of Corporate Intent		See key performance measures
Avoided emissions and harmful pollutants	Reduced emissions/ harmful pollutants	40% reduction in carbon emissions (Scope 1 and 2) by 2035 against FY19 baseline.		4,879 tonne of CO_2e reduction in absolute Scope 1 and 2 emissions Achieved 27.8 gCO_2e/tonnekm versus target 25.1.
Improve the Value of Rail	Value of Rail ($) Truck journeys avoided	Increase from $1.7b in 2020 to $3.5b by 2030 As per KiwiRail Statement of Corporate Intent		Measured tri-annually to support the Rail Plan and GPS development. Current value is $3.3b. See key performance measures
ASSET AND SERVICE LEVEL MEASURES				
Total Recordable Injury Frequency Rate (TRIFR) for Group	19.0	Period to June 2025		Achieved 22.3, influenced by high number of sprains and strains. Initiatives in place to accelerate our performance to meet targets for FY26.
Number of public passive level crossings in service	Number of crossings deceasing	June 2025		Decreased by 1
Number of mainline derailments due to infrastructure defects	Number of derailments less than 5 average per annum	Period to June 2025		2 derailments
Number of Signals Passed at Danger (SPAD B) due to infrastructure defects	Reducing trend as a rolling average over 3 yrs	Period to June 2025		SPAD Bs increased in FY25. Primary causes are theft of copper cables and reliability issues with legacy train control system (this will in part be addressed through transition to new system). Note: SPAD Bs are infrastructure faults that cause a signal to turn red until the fault is fixed. They are an operational as opposed to safety risk.
% On time performance - Freight Premier	91%	Period to June 2025		Achieved

Outcome measures	Metric	Target	RAG	Status
% On time performance - Scenic	85%	Period to June 2025		Achieved 66% impacted by network disruption and mechanical issues with locomotives.
All Temporary Speed Restrictions (average TSRs) within target(s) for priority routes	40% within target(s)	June 2025		Achieved 40%
All Temporary Speed Restrictions (average TSRs) within target(s) for secondary routes	80% within target(s)	June 2025		Achieved 90%
All Heat 40s (average Heat 40s) within target(s) for priority routes	80% within target(s)	June 2025		Achieved 100%
All Heat 40s (average Heat 40s) within target(s) for secondary routes	80% within target(s)	June 2025		Achieved 90%
% On time EM80 assessment	100% within allocated timeframe	June 2025		Achieved 100%
% On time Non-Destructive Testing (NDT) assessment	100% within allocated timeframe	June 2025		Achieved 99%
Track Quality Index (average TQI) within target(s) for priority routes	100% within target(s)	June 2025		Achieved
Track Quality Index (average TQI) within target(s) for secondary routes	70% within target(s)	June 2025		Achieved 90%
Track quality – number of Star (Class 1) faults on priority routes	Reducing trend measured as a rolling average over 3 years	Period to June 2025		Achieved
Track quality – number of Class 1 faults on priority routes	Reducing trend measured as a rolling average over 3 years	Period to June 2025		Achieved
% of condition 5 (very poor) sleepers workbank completed	20%	June 2025		Achieved 30%
% of condition 5 (very poor) rails workbank completed	20%	June 2025		Achieved 20%

Outcome measures	Metric	Target	RAG	Status
% Bridges with one or more critical components in condition 4 (poor) or condition 5 (very poor)	No more than 10%	June 2025		Achieved 20%. Bridges in poor condition are being monitored through a detailed engineering support process and action taken through risk-based renewals. Appropriate mitigations ranging from additional inspections to speed restrictions are in place for all bridges with condition 4 or 5 components.
Number of infrastructure related delay incidents	Reducing trend per month (priority routes)	Period to June 2025		Minor increase
Auckland Metro Meet Completed Trips KPI by year end	85%	Period to June 2025		Achieved 93%
Wellington Metro Meet Completed Trips KPI by year end	85%	Period to June 2025		Achieved 95%
% Reliability - Auckland Metro	97%	Period to June 2025		Achieved 99%
% Reliability - Wellington Metro	97%	Period to June 2025		Achieved 100%
% Punctuality – Auckland Metro	90%	Period to June 2025		Achieved 97%
% Punctuality – Wellington Metro	92%	Period to June 2025		Achieved 96%
TQI within limit for Auckland Metro	<35	Period to June 2025		Achieved 22.7
TQI within limit for Wellington Metro	<41	Period to June 2025		Achieved 27.2
Unplanned infrastructure outages for Metros (total minutes across services)	<1000mins (annual average)	Period to June 2025		Achieved 250 minutes
Off-site overhead (excluding insurance)	10% reduction from FY24	Period to June 2025		$103m compared to $97m
Average nominal unit rate ($/m) for rerail increases by less than CPI - Metro	Metro $447	Period to June 2025		Achieved $440
	Non-metro $422			Achieved $419
Average nominal unit rate ($/m) for relay increases by less than CPI - Metro	Metro $919	Period to June 2025		No activity
	Non-metro $795			Achieved $784
Average nominal unit rate ($/m) for resleeper increases by less than CPI - Metro	Metro $530	Period to June 2025		No activity
	Non-metro $427			Achieved $388

VOTE TRANSPORT

Vote Transport: Non-Departmental Capital and Other Expenditure Activities undertaken by KiwiRail that are funded through Vote Transport Non-Departmental Capital and Other Expenditure are detailed below.

1. Rail - Grants (M72) (A26)

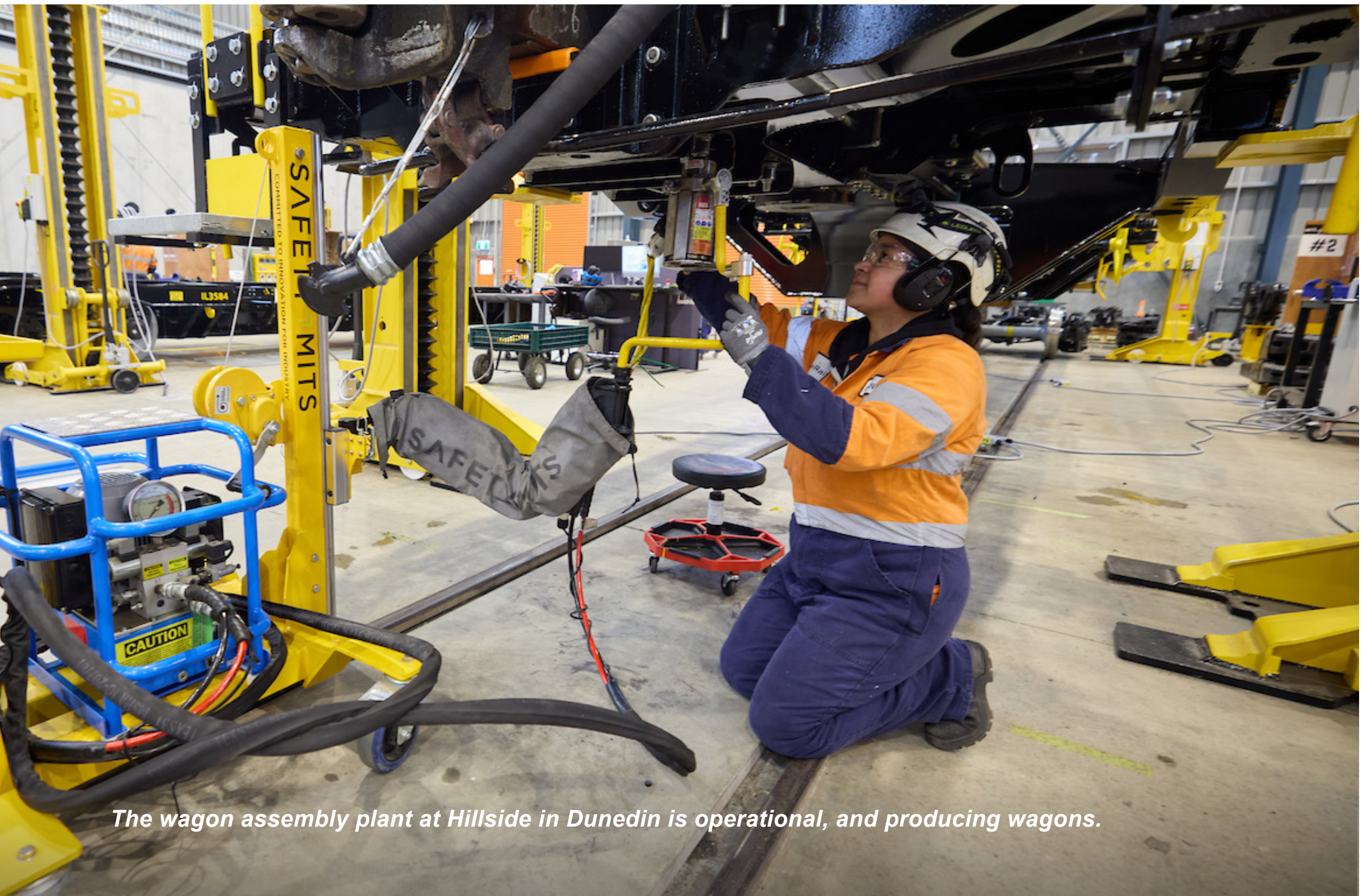
This appropriation is limited to funding for KiwiRail Holdings Limited to undertake non-commercial activities, including public safety works and public policy rail initiatives.

This multi-year appropriation intends to achieve social and environmental benefits from rail, including establishing a local wagon assembly plant in Dunedin to increase employment and youth opportunities and rebuild industry capability, support environment outcomes by maintaining the existing electric locomotive fleet, and improving community safety around railway lines and stations.

	2025 Actual	2025 Budget	2025 Final Budget
Amount of Appropriation ($000)	9,900	13,834	12,072
Assessment of Performance:			
Work is carried out on establishing a local wagon assembly plant in Dunedin in line with the agreed outcomes	100%		100%
A safer railway system and public policy projects are carried out in line with the programme	Achieved		Achieved

Outcome of investment: The wagon assembly plant at Hillside, Dunedin, is operational. Wagon assembly tranche 1 – 449 wagons out of 450 completed

Undertaken public policy projects such as level crossing capital upgrades and improvements, corridor fencing / anti-trespass, vegetation removal throughout the rail network, support of Heritage Rail access, as well as funding of Rail Safety week, Roadshows and Safety marketing.



The wagon assembly plant at Hillside in Dunedin is operational, and producing wagons.

2. Rail - Maintenance and Renewal of the Rail Network (M72) (A26)

This appropriation is limited to expenses incurred for the maintenance and renewal of the rail network including for the approved Rail Network Investment Programme.

This appropriation is intended to give effect to the Rail Network Investment Programme.

Reasons for Change in Appropriation: This multi-year appropriation increased by $1,136.024 million to $1,740.848 million for 2024/25 due to:

- $576.126 million transferred from the ‘Rail - Maintenance and Renewal of the Rail Network’ MYA
- $172.4 million provided for KiwiRail’s Lower North Island Rail Mobility activities
- $164.698 million provided from the National Land Transport Fund to fund approved Public Transport Infrastructure projects and Rail Network Activity class expenditure
- $141 million provided to fund maintenance and operations activity in the third and final year of the Rail Network Investment Programme 2025-27, and
- $111.800 million provided for upgrades to Wellington’s Metro Substations

These increases were partially offset by the transfer of $30 million to the ‘Coastal Shipping Resilience Fund’ appropriation established through the Government Policy Statement on Land Transport 2024-27.

	2025 Actual	2025 Budget	2025 Final Budget
Amount of Appropriation ($000)	742,695	153,300	800,209
Assessment of Performance:			
Work is carried out as per the agreed programme	93%		100%

Outcome of investment: Enabled KiwiRail to carry out network maintenance, management, operation, renewal, and improvement work on the national rail network In line with Rail Network Investment Programme.

Continuation of the rail corridor recovery programme consequent to the damage caused by Cyclone Gabrielle and Auckland Anniversary floods.

3. Auckland City Rail Link - Operating (M72) (A26)

This appropriation is limited to the operating expenses incurred by the Crown for the Auckland City Rail Link project.

This appropriation is intended to achieve successful operational readiness for KiwiRail when the City Rail Link is opened.

Reasons for Change in Appropriation: This appropriation decreased by $4.630 million to $14.450 million for 2024/25 due to:

- $2.969 million funding for 2025/26 transferred into the annual appropriation ‘Auckland City Rail Link - Operating’, and
- $1.661 million transfer of funding to the annual appropriation ‘Rail - KiwiRail Holdings Limited’

In Principle Expense Transfer from 2024/25 to 2025/26 for $0.599 million unspent portion of appropriation to ‘Auckland City Rail Link - Operating’ appropriation.

	2025 Actual	2025 Budget	2025 Final Budget
Amount of Appropriation ($000)	4,064	9,370	4,663
Assessment of Performance:			
Work is carried out as per the agreed programme	85%		100%

Outcome of investment: 11 out of 13 milestones achieved.

4. Rail – KiwiRail Equity Injection (M72) (A26)

This appropriation is limited to equity injections to KiwiRail Holdings Limited offset by property transactions in New Zealand Railways Corporation.

This appropriation is intended to achieve equity injections to KiwiRail Holdings Limited resulting from property transactions by New Zealand Railways Corporation.

Reasons for Change in Appropriation: The appropriation increased by $3.316 million to $7.316 million for 2024/25 due to an expense transfer from 2023/24 to 2024/25 for delays in finalising iwi settlement deeds and ongoing legislation issues.

In Principle Expense Transfer from 2024/25 to 2025/26 for $6.1 million unspent portion of appropriation.

	2025 Actual	2025 Budget	2025 Final Budget
Amount of Appropriation ($000)	8	4,000	7,316
Assessment of Performance:			
Property transactions are carried out in line with agreed outcomes.	0.1%		100%

Outcome of investment: This appropriation reflects property sales by the New Zealand Railways Corporation, the proceeds of which must be paid to KiwiRail Holdings Limited.

Property transactions are challenging to forecast as the settlement process can be very difficult to predict. If a settlement does not occur in a particular year, then it is likely that it will move into the following year.

5. Rail – KiwiRail Holdings Limited (M72) (A26)

This appropriation is limited to a capital injection to KiwiRail Holdings Limited to finance approved capital expenditure on the New Zealand rail system.

This appropriation is intended to achieve capital investment in the New Zealand rail system.

Reasons for Change in Appropriation: This appropriation decreased by $307.035 million to $378.482 million for 2024/25 due to:

- Expense transfers of $308.696 million from 2024/25 to future years for funding projects carried out by KiwiRail, including the New Zealand Upgrade Programme initiative, Future of Rail – Rolling Stock investment, Transport Shovel-ready projects, and capital costs for the Auckland City Rail Link - Be Ready project to align with latest expectations and work progress.
- This decrease was partially offset by $1.661 million in 2024/25 from a transfer of funding from the ‘Auckland City Rail Link - Operating’ MYA.

	2025 Actual	2025 Budget	2025 Final Budget
Amount of Appropriation ($000)	378,380	685,517	378,482
Assessment of Performance:			
Capital is invested in the New Zealand rail system as approved by shareholding Ministers.	100%		100%

Outcome of investment: Renewal and maintenance of core freight and tourism assets including, renewals and refurbishment of locomotives, wagons and carriages; construction and upgrade of mechanical depots and upgrading of Wellington and Auckland metro infrastructure.

6. Tuawhenua Provincial Growth Fund - Transport Projects (M72) (A26)

Rail Projects

This category is limited to a capital injection to KiwiRail Holdings Limited to finance approved rail-related projects that contribute to the outcome of a lift in the productivity potential in the regions.

This appropriation is intended to achieve a lift in productivity potential in the regions through transport related projects that enable regions to be well connected from an economic and social perspective.

Reasons for Change in Appropriation: This appropriation decreased by $9.968 million due to expense transfer from 2024/25 to 2025/26 to align with the expected completion of negotiations with landowners for Marsden Point Rail Link land purchases

	2025 Actual	**2025 Budget**	**2025 Final Budget**
Amount of Appropriation ($000)	662	10,630	662
Performance Measure:			
Work is carried out as per the agreed programme	100%		100%

Outcome of investment: The majority of land acquisitions have been finalised with few minor transactions in progress, along with the Marsden Maritime Holdings Limited acquisition, which has been deferred to FY26. All outstanding matters are expected to be resolved by the agreed variation date in December 2025

KiwiRail Holdings Limited and Subsidiaries

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2025

	Note	GROUP 2025	GROUP 2024 (restated)
		$m	$m
Operating revenues	2	1,066.3	1,043.2
Operating expenses	3	(955.1)	(937.6)
Operating surplus		**111.2**	**105.6**
Capital grants	4	596.1	575.9
Depreciation and amortisation expenses	9(a), 9(b), 20	(144.9)	(149.9)
Foreign exchange and commodity (losses)/gains	5	(0.8)	50.7
Impairment	9(c), 9(d), 20	(946.8)	(1,018.3)
Insurance proceeds		52.6	4.6
Movement in value of investment properties	14	(64.9)	(13.3)
Net finance income	6	7.7	21.7
Other income	27	156.5	47.8
Other costs	7	(188.9)	(267.8)
Net (deficit) before taxation		**(422.2)**	**(643.0)**
Income tax expense	8	-	-
Net (deficit) after taxation		**(422.2)**	**(643.0)**
Other comprehensive income/(loss)			
Items that can be reclassified into net surplus/deficit:			
Gains/(losses) from cash flow hedges	25(d)	27.0	(87.4)
Items that cannot be reclassified into net surplus/deficit:			
Asset revaluation	9(c)	31.8	34.0
Gain on share investment		0.2	-
Total comprehensive (loss)		**(363.2)**	**(696.4)**

The accompanying notes form part of these financial statements.

KiwiRail Holdings Limited and Subsidiaries

STATEMENT OF FINANCIAL POSITION

For the financial year ended 30 June 2025

	Note	GROUP 2025	GROUP 2024 (restated)	GROUP 1 July 2023[1]
		$m	$m	$m
Current assets				
Cash and cash equivalents	10	287.8	232.9	246.2
Short-term deposits	10	10.0	20.0	40.0
Trade and other receivables	11	321.4	211.8	283.8
Inventories	12	131.1	159.1	163.3
Financial assets	13	48.1	21.8	24.4
Asset held for sale	9(d)	26.9	-	18.9
		825.3	**645.6**	**776.6**
Non-current assets				
Property, plant and equipment	9(a)	1,533.0	1,479.2	1,357.8
Right of use assets	20	119.8	135.8	114.8
Investment property	14	119.8	141.9	106.4
Financial assets	13	11.2	37.1	60.1
Trade and other receivables	11	396.1	374.2	271.5
		2,179.9	**2,168.2**	**1,910.6**
Total assets		**3,005.2**	**2,813.8**	**2,687.2**
Current liabilities				
Trade and other liabilities	15	466.2	437.8	363.2
Employee entitlements	16	130.6	129.2	117.6
Financial liabilities	13	40.8	37.7	22.5
Provisions	17	190.3	17.5	10.3
		827.9	**622.2**	**513.6**
Non-current liabilities				
Trade and other liabilities	15	152.3	128.8	65.9
Employee entitlements	16	41.8	43.5	41.8
Financial liabilities	13	122.8	160.8	128.0
		316.9	**333.1**	**235.7**
Total liabilities		**1,144.8**	**955.3**	**749.3**
Equity				
Share capital	23	5,348.6	4,969.6	4,324.8
Retained earnings		(3,722.4)	(3,286.7)	(2,616.1)
Asset revaluation reserve		215.2	183.8	150.0
Cash flow hedge reserve	25(d)	19.0	(8.0)	79.4
Share revaluation reserve		-	(0.2)	(0.2)
Total equity		**1,860.4**	**1,858.5**	**1,937.9**
Total liabilities and equity		**3,005.2**	**2,813.8**	**2,687.2**

Rob Jager
Director
26 September 2025

Bruce Wattie
Chair of the Risk, Assurance and Audit Committee and Director
26 September 2025

1. Refer to Note 28 Restatement of comparatives

The accompanying notes form part of these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY

For the financial year ended 30 June 2025

	Note	Share Capital	Retained Earnings	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Share Revaluation Reserve	Total
		$m	$m	$m	$m	$m	$m
As at 30 June 2023 (as previously reported)		**4,324.8**	**(2,521.8)**	**55.7**	**79.4**	**(0.2)**	**1,937.9**
Impact of comparative restatement	28	-	(94.3)	94.3	-	-	-
As at 30 June 2023 (restated)		**4,324.8**	**(2,616.1)**	**150.0**	**79.4**	**(0.2)**	**1,937.9**
Net (deficit) for the period		-	(643.0)	-	-	-	(643.0)
Other comprehensive income/(loss)		-	-	34.0	(87.4)	-	(51.4)
Revaluation reserve for disposed assets		-	0.2	(0.2)	-	-	-
Total comprehensive income/(loss)		**-**	**(642.8)**	**33.8**	**(87.4)**	**-**	**(696.4)**
Transactions with owners							
Capital Investment	23	644.8	-	-	-	-	644.8
Crown appropriation – land transactions	18	-	(27.8)	-	-	-	(27.8)
As at 30 June 2024 (restated)		**4,969.6**	**(3,286.7)**	**183.8**	**(8.0)**	**(0.2)**	**1,858.5**
Net (deficit) for the period		-	(422.2)	-	-	-	(422.2)
Other comprehensive income/(loss)		-	-	31.8	27.0	0.2	59.0
Revaluation reserve for disposed assets		-	0.4	(0.4)	-	-	-
Total comprehensive income/(loss)		**-**	**(421.8)**	**31.4**	**27.0**	**0.2**	**(363.2)**
Transactions with owners							
Capital Investment	23	379.0	-	-	-	-	379.0
Crown appropriation – land transactions	18	-	(13.9)	-	-	-	(13.9)
As at 30 June 2025		**5,348.6**	**(3,722.4)**	**215.2**	**19.0**	**-**	**1,860.4**

The accompanying notes form part of these financial statements.

KiwiRail Holdings Limited and Subsidiaries

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2025

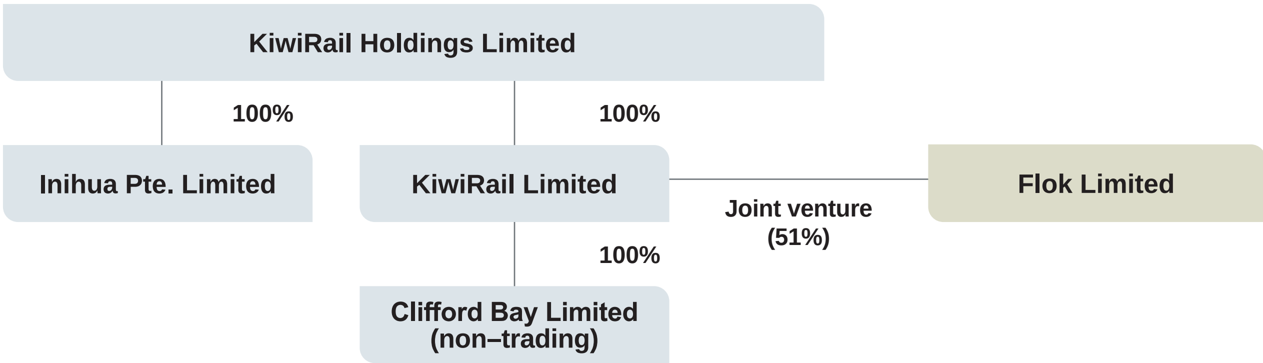
	Note	GROUP 2025	GROUP 2024
		$m	$m
Cash flows from operating activities			
Receipts from customers		885.0	858.3
Receipts from the National Land Transport Fund		180.4	147.9
Operating grants		-	47.0
Interest received		15.9	33.8
Payments to suppliers and employees		(970.8)	(1,059.5)
Payments for interest on borrowings		-	(0.5)
Payments for interest on leases		(7.7)	(11.5)
Net cash from operating activities	21	**102.8**	**15.5**
Cash flows from investing activities			
Sale of property, plant and equipment		3.2	31.7
Capital grant receipts		126.8	281.3
National Land Transport Fund receipts		569.4	478.5
Insurance proceeds		49.1	54.6
Purchase of property, plant and equipment and investment properties		(1,118.8)	(1,407.6)
Purchase of intangibles		(29.2)	(56.2)
Maturity of short-term deposits		10.0	20.0
Net cash used in investing activities		**(389.5)**	**(597.7)**
Cash flows from financing activities			
Crown capital investment		379.0	644.8
Proceeds from NZRC land sales		-	2.1
Payment for NZRC land acquisitions		(13.9)	(29.9)
Repayment of loans		-	(25.0)
Lease payments		(23.5)	(23.1)
Net cash from financing activities		**341.6**	**568.9**
Net increase/(decrease) in cash and cash equivalents		**54.9**	**(13.3)**
Cash and cash equivalents at the beginning of the year		232.9	246.2
Cash and cash equivalents at the end of the year	10	**287.8**	**232.9**

The accompanying notes form part of these financial statements.

1. GROUP INFORMATION

(a) REPORTING ENTITY

KiwiRail Holdings Limited ("KiwiRail", "the Parent", "KHL") 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 (SOE Act). The beneficial shareholder of the Parent is the Crown. The Group comprises KiwiRail Holdings Limited and its subsidiaries as detailed in the diagram below. Inihua Pte. Limited was incorporated on 16 January 2025. It is a licensed captive insurer to carry on general insurance business in Singapore and was established to optimise insurance cost and cover for the Group.



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 financial statements of the Group are for the year ended 30 June 2025 and were authorised for issue by the Board of Directors on 26 September 2025.

(b) BASIS OF PREPARATION

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for for-profit entities and for the year ended 30 June 2024, took into account the reliance on s20 of the SOE Act (Protection from disclosure of sensitive information). They meet the requirements of the SOE Act, the Companies Act 1993 and the Financial Reporting Act 2013.

The 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; and
- on a going concern basis.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Unless otherwise specified, all dollar amounts in these financial statements and accompanying notes are stated in New Zealand dollars and all values are expressed in millions of dollars ($m). The functional and presentation currency is New Zealand dollars.

1. GROUP INFORMATION (continued)

(c) CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements of the Parent and its subsidiaries include the financial statements of subsidiary companies using the acquisition method of consolidation. The acquisition method of consolidation involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Subsidiary companies are those entities that are controlled directly or indirectly by the Parent.

(d) STANDARDS AND INTERPRETATIONS

The material accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

The Group adopted *Disclosure of Fees for Audit Firms' Services* – Amendments to FRS 44 on 1 July 2024. The amendments require enhanced disclosure of fees paid to audit or review firms, including a description of each service under specified categories. Adoption of the amendments did not have a significant impact on the financial statements.

(e) MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses.

The Board of Directors ("the Board") has determined that the Group should be designated as a for-profit entity for the purpose of preparing these financial statements. It has arrived at this position after considering XRB A1 Application of the Accounting Standard Framework (XRB A1).

The Board has used judgement in assessing the indicators in the application guidance of XRB A1, including the objectives of the Group and the nature of the benefits the Group provides. Under the State-Owned Enterprises Act 1986 the principal objective of KiwiRail is to operate as a successful business, including being as profitable and efficient as comparable businesses that are not owned by the Crown. On balance, after consideration of these indicators, the Board concluded that the for-profit designation applies.

As a consequence of the for-profit designation, the Group values its property, plant and equipment on a cash generating basis, which results in substantial impairment (refer Note 9). In the Financial Statements of Government, a public benefit entity, the rail infrastructure assets are valued on a non-cash generating basis using optimised depreciated replacement cost (ODRC) at $13,131m (2024: $12,602m) compared to a carrying value of $191m (2024: $223m) per Note 9(a). The ODRC valuation basis does not require impairment of the Group's rail network assets in these financial statements.

Management's significant judgements, estimates and assumptions are outlined in the relevant notes to the financial statements. These estimates and associated assumptions are based on experience and various other factors that are considered to be reasonable in the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. OPERATING REVENUES

	GROUP 2025	GROUP 2024
	$m	$m
Freight	456.1	474.9
Interislander	157.1	158.3
Property	70.3	65.7
Great Journeys New Zealand & Commuter	56.2	46.1
Other	27.4	29.3
Funding from the National Land Transport Fund	182.3	169.9
Infrastructure	116.9	99.0
Total operating revenues	**1,066.3**	**1,043.2**

Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of goods or services to customers at contracted transaction prices. Control typically transfers to customers on delivery of products or as services are provided. Transaction prices include all amounts that the Group expects to be entitled to net of sales taxes and other indirect taxes, expected rebates and discounts.

3. OPERATING EXPENSES

	GROUP 2025	GROUP 2024
	$m	$m
Salaries and wages	612.8	614.0
Restructuring	25.8	2.8
Defined contribution plan employer contributions	27.7	23.1
Other employee expenses	7.1	9.8
Total employee expenses	673.4	649.7
Amount capitalised	(187.1)	(206.5)
Total employee costs expensed	**486.3**	**443.2**
Materials and supplies	166.6	169.0
Fuel and traction electricity	108.7	125.1
Lease and rental costs	32.0	33.0
Incidents and insurance	43.1	50.8
Contractors' expenses	7.2	9.8
Audit fees relating to the audit of the financial statements	0.9	0.8
Impairment of receivables	0.6	0.1
Directors' fees (Note 22)	0.4	0.4
(Gain) on disposal of property, plant and equipment	(0.7)	(3.9)
Other expenses	110.0	109.3
Total operating expenses	**955.1**	**937.6**

The audit of the financial statements is performed by Audit New Zealand on behalf of the Controller and Auditor-General.

4. CAPITAL GRANTS

	Note	GROUP 2025	GROUP 2024
		$m	$m
Ministry of Transport		11.9	24.7
National Land Transport Fund		438.8	338.8
Local and Regional Councils		48.2	67.9
City Rail Link		41.7	27.0
Auckland Transport		24.7	113.2
Ministry of Business, Innovation and Employment		0.6	1.2
Waka Kotahi		7.0	2.4
Other	27	23.2	0.7
Total capital grant income		**596.1**	**575.9**

The Group primarily receives grants from Government entities for maintaining the railway network and infrastructure. Grants have been received to expand metropolitan services, establish regional commuter services, refurbish the electric locomotive fleet and for property redevelopment.

Grants received for services provided are recognised when the requirements of the relevant grant agreement are met. Funding received as reimbursement for capital projects is recognised as grant income in the same period as the expenditure for which the grant is intended to compensate is recognised. The expenditure may include depreciation or impairment of the assets the capital projects relate to.

The Group's policy is not to adjust the deferred income balance in the current year where there were reversals of impairment. The current year impairment reversals for grant income recorded in the prior year is driven by the judgements made as it relates to the impairment of the cash generating units as disclosed in Note 9(c).

5. FOREIGN EXCHANGE AND COMMODITY GAINS AND LOSSES

	GROUP 2025	GROUP 2024
	$m	$m
Net realised foreign exchange and commodity gains	4.2	26.4
Net change in the fair value of derivatives	(5.0)	(0.8)
Gain arising on foreign exchange contracts designated as hedging instruments reclassified from equity to net deficit	-	25.1
Total foreign exchange and commodity (losses)/gains	**(0.8)**	**50.7**

Foreign exchange and commodity gains on fuel related contracts of $0.6m (2024: $0.5m) are included within 'Fuel and Traction Electricity' in Note 3.

Foreign currency translation

Foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the transaction date.

Monetary assets and liabilities in foreign currencies at balance date are translated at exchange rates ruling at balance date. All exchange rate differences arising on the translation of monetary assets and liabilities denominated in foreign currencies, whether realised or unrealised, are recognised in net surplus or deficit.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured based on historical costs are translated using the exchange rate at the date of the transaction.

6. NET FINANCE INCOME/(EXPENSES)

	GROUP 2025	GROUP 2024
	$m	$m
Finance income		
Interest income on bank deposits	15.6	19.6
Gain on interest rate swaps designated as hedging instruments reclassified from equity to net deficit	-	13.8
	15.6	33.4
Less: Finance expenses		
Interest expense on borrowings	-	(0.2)
Interest expense on leases	(7.7)	(11.5)
Interest expense other	(0.2)	-
	(7.9)	(11.7)
Net finance income	**7.7**	**21.7**

Finance income and expenses

Interest income from call and term deposits and interest expense on borrowings are recognised in net surplus or deficit using the effective interest rate method. Interest income is recognised as it accrues.

7. OTHER COSTS

	Note	GROUP 2025	GROUP 2024
		$m	$m
Project write-off and wind down costs	27	184.5	264.2
Impact of weather events		4.0	3.6
Other		0.4	-
Total other costs		**188.9**	**267.8**

8. TAXATION

Income tax

All members of the Group are subject to income tax. The accounting policies applied are as follows:

Income tax expense comprises both current and deferred tax. Income tax expense is charged or credited to net surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is charged to equity.

(a) Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at reporting date and any adjustments to tax in respect of previous years.

(b) Deferred tax

Deferred tax is provided for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. No deferred tax asset is recognised in the financial statements as it is not probable that future taxable surpluses will be available against which the deferred tax asset can be utilised.

8. TAXATION (continued)

(c) Tax benefit/(expense)

	GROUP 2025	GROUP 2024 (restated)
	$m	$m
Components of tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Tax benefit/(expense)	**-**	**-**
Reconciliation between tax expense and accounting surplus		
(Deficit) before tax	(422.2)	(643.0)
Tax at 28%	(118.2)	(180.0)
Tax effect of:		
Non-deductible expenditure	(74.2)	(5.4)
Other temporary differences	192.4	185.4
Tax benefit/(expense)	**-**	**-**

The Group has unrecognised deductible temporary differences of $3,183.5m (2024: $2,901.8m) and unused tax losses of $2,214.3m (2024: $1,888.6m).

Imputation credits

The Group has formed an imputation group. The Group has access to $nil imputation credits (2024: $1.2m imputation credits).

9. NON-FINANCIAL ASSETS

(a) PROPERTY, PLANT AND EQUIPMENT

2025	Buildings	Railway Infrastructure	Rolling Stock	Ships	Plant & Equipment	Assets Under Construction	Total
	$m	$m	$m	$m	$m	$m	$m
Cost							
Balance at 1 July 2024	**219.3**	**223.3**	**701.9**	**403.0**	**531.9**	**1,704.7**	**3,784.1**
Additions	-	-	-	-	-	1,047.5	1,047.5
Transfers - AUC	56.3	1,415.3	175.1	37.2	43.7	(1,727.6)	-
Disposals	(2.3)	-	(6.5)	-	(6.7)	-	(15.5)
Reclassifications	0.7	-	-	-	-	-	0.7
Revaluation	(7.6)	-	(3.1)	-	-	-	(10.7)
Impairment	(50.2)	(1,447.2)	(60.4)	-	-	-	(1,557.8)
Transfer to asset held for sale	-	-	(26.2)	(141.8)	-	-	(168.0)
Balance at 30 June 2025	**216.2**	**191.4**	**780.8**	**298.4**	**568.9**	**1,024.6**	**3,080.3**
Accumulated depreciation and impairment							
Balance at 1 July 2024	**(1.3)**	**-**	**-**	**(333.6)**	**(421.3)**	**(1,548.7)**	**(2,304.9)**
Depreciation expense	(13.3)	(17.2)	(65.7)	(6.5)	(14.7)	-	(117.4)
Transfers – AUC impairment	(40.1)	(1,216.7)	(23.0)	(11.1)	(7.0)	1,341.8	43.9
Disposals	0.2	-	0.7	-	6.7	-	7.6
Reclassifications	-	-	-	-	-	-	-
Revaluation	11.5	-	36.2	-	-	-	47.7
Impairment	41.5	1,233.9	49.7	(22.4)	(5.8)	(662.2)	634.7
Transfer to asset held for sale	-	-	2.1	139.0	-	-	141.1
Balance at 30 June 2025	**(1.5)**	**-**	**-**	**(234.6)**	**(442.1)**	**(869.1)**	**(1,547.3)**
Net book value							
At 1 July 2024	218.0	223.3	701.9	69.4	110.6	156.0	1,479.2
At 30 June 2025	**214.7**	**191.4**	**780.8**	**63.8**	**126.8**	**155.5**	**1,533.0**

9. NON-FINANCIAL ASSETS (continued)

(a) PROPERTY, PLANT AND EQUIPMENT (continued)

2024 (restated)	Buildings	Railway Infrastructure	Rolling Stock	Ships	Plant & Equipment	Assets Under Construction	Total
	$m	$m	$m	$m	$m	$m	$m
Cost							
Balance at 1 July 2023	**93.2**	**241.4**	**610.6**	**377.9**	**341.1**	**1,980.3**	**3,644.5**
Additions	-	-	-	-	-	1,323.0	1,323.0
Transfers - AUC	185.1	681.2	204.4	25.1	175.7	(1,271.5)	-
Disposals	-	-	(7.3)	-	(4.7)	-	(12.0)
Reclassifications	(1.2)	-	-	-	19.8	0.4	19.0
Revaluation	13.2	-	30.2	-	-	-	43.4
Impairment	(71.0)	(699.3)	(136.0)	-	-	-	(906.3)
iReX write-off	-	-	-	-	-	(327.5)	(327.5)
Balance at 30 June 2024	**219.3**	**223.3**	**701.9**	**403.0**	**531.9**	**1,704.7**	**3,784.1**
Accumulated depreciation and impairment							
Balance at 1 July 2023	**(0.4)**	**-**	**-**	**(296.7)**	**(316.9)**	**(1,672.7)**	**(2,286.7)**
Depreciation expense	(10.4)	(26.4)	(68.8)	(2.8)	(13.9)	-	(122.3)
Transfers – AUC impairment	(17.0)	(513.4)	(41.4)	(8.5)	(62.7)	643.0	-
Disposals	-	-	2.7	-	2.9	-	5.6
Reclassifications	0.1	-	-	-	(6.4)	-	(6.3)
Revaluation	5.4	-	(12.9)	-	-	-	(7.5)
Impairment	21.0	539.8	120.4	(25.6)	(24.3)	(713.6)	(82.3)
iReX impairment write-off	-	-	-	-	-	194.6	194.6
Balance at 30 June 2024	**(1.3)**	**-**	**-**	**(333.6)**	**(421.3)**	**(1,548.7)**	**(2,304.9)**
Net book value							
At 1 July 2023	92.8	241.4	610.6	81.2	24.2	307.6	1,357.8
At 30 June 2024	**218.0**	**223.3**	**701.9**	**69.4**	**110.6**	**156.0**	**1,479.2**

9. NON-FINANCIAL ASSETS (continued)

(a) PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Recognition and initial measurement

Property, plant and equipment is initially recognised at cost when it is probable that its future economic benefits will flow to the Group and can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

(ii) Subsequent measurement

The Group uses the revaluation model for buildings, railway infrastructure and rolling stock. After the initial recognition, these assets are carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. See note 9(a)(iii) for more information about the revaluation.

The cost model is used for ships and plant and equipment. After the initial recognition, these assets are carried at their cost less any accumulated depreciation and impairment losses.

Assets under construction are carried at cost on initial recognition and assessed for impairment at each reporting date.

Where an asset is acquired for nil or nominal consideration the asset is recognised initially at fair value, where fair value can be readily determined. The fair value of the asset less costs incurred to acquire the asset is recognised as income in the Statement of Comprehensive Income.

(iii) Revaluation

Buildings, railway infrastructure and rolling stock are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Refer to Note 24(b)(ii) for the methodology used in the determination of fair value.

Any revaluation increase in the carrying amount of a revalued asset is credited to other comprehensive income in the Statement of Comprehensive Income and accumulated in an asset revaluation reserve in equity, except to the extent that such a revaluation increase reverses a revaluation decrease for the same asset that was previously recognised as an expense in net surplus or deficit. In such situations, the revaluation increase is then credited to net surplus or deficit.

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

If revalued assets were stated under the cost model the carrying amounts would be: Buildings $148.5m (2024: $153.8m); Railway Infrastructure: $191.4m (2024: $223.3m); and Rolling Stock: $632.0m (2024: $582.3m).

(iv) Derecognition

Realised gains and losses arising on the derecognition of property, plant and equipment are recognised in 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 credit balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

(v) Depreciation

Depreciation is charged on a straight line basis at rates that will allocate the cost or valuation of the asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter.

9. NON-FINANCIAL ASSETS (continued)

(a) PROPERTY, PLANT AND EQUIPMENT (continued)

In determining an asset's useful life, consideration is given to its expected usage, its expected wear and tear, technical or commercial obsolescence, and legal or similar limits on its use.

The depreciable lives for major categories of property, plant and equipment are as follows:

Category	Useful life
Railway Infrastructure	
Tunnels and bridges	75 – 150 years
Track and ballast	40 – 50 years
Overhead traction	20 – 80 years
Signals and communications	15 – 50 years
Buildings	35 – 80 years
Rolling Stock and Ships	
Wagons and carriages	5 – 30 years
Locomotives	5 – 25 years
Ships	20 years
Containers	10 years
Plant and Equipment	
Plant and equipment	5 – 35 years
Motor vehicles	5 – 12 years
Furniture and fittings	5 – 12 years
Office equipment	3 – 5 years

Estimation of useful lives of assets

The useful lives and residual values of property, plant and equipment are reviewed annually. Several factors such as physical condition, expected period of use and expected disposal proceeds from any future sale are taken into account when assessing the appropriateness of useful life and residual value estimates of property, plant and equipment.

(b) INTANGIBLE ASSETS

	Note	GROUP 2025	GROUP 2024
		$m	$m
Opening balance		-	-
Additions		26.7	35.2
Amortisation		(1.8)	(0.2)
Impairment	9(c)	(24.9)	(35.0)
Balance at 30 June		-	-

9. NON-FINANCIAL ASSETS (continued)

(b) INTANGIBLE ASSETS (continued)

Intangible assets comprise software applications that have a finite useful life. They are recorded at cost less accumulated amortisation and impairment adjustments. Amortisation is recognised on a straight-line basis over the assets estimated useful lives of 3 to 5 years.

Included in additions are transfers from intangible assets under construction of $17.8m (2024: $23.7m).

(c) IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of Cash Generating Units ("CGUs")

The Group has two CGUs; the Rail CGU comprising the rail operations of the Group, and the Interislander CGU, comprising the Interislander ferry operations.

The following asset classes form each individual CGU:

- Rail – non-leased buildings, railway infrastructure, rolling stock, plant and equipment, right-of-use assets, intangible assets and prepayments, which are progress payments for the acquisition of new rolling stock and plant and equipment.
- Interislander – ships and related plant and equipment, right-of-use assets and intangible assets.

A class of assets is a grouping of assets of similar nature and use in an entity's operations. Management have applied judgement to allocate asset classes that are used together to generate the relevant stream of cash inflows for each CGU.

The two CGUs are assessed for impairment at each reporting date.

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") or its value in use ("VIU"). For revalued assets the impairment is treated as a revaluation decrease (see note 9(a)(ii) above). For assets not carried at a revalued amount the total impairment is recognised in net surplus or deficit.

(i) Rail CGU

The Group has determined the recoverable amount of the Rail CGU to be FVLCD, as it is higher than the VIU.

As at 30 June 2025, the recoverable amount of the Rail CGU was $1,939.0m (2024: $1,859.6m), which was less than the carrying amount. The difference between the recoverable amount and the carrying amount has been recognised as an impairment. See note 24(b) below for the assumptions and judgements applied in determining the FVLCD of the Rail CGU.

9. NON-FINANCIAL ASSETS (continued)

(c) IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

The table below summarises the impairment and revaluation movements recognised for the Rail CGU:

GROUP 2025	2025 Carrying amount before revaluation and impairment	Reversal of/ (Impairment) recognised in net surplus or deficit	Movement recognised in Asset Revaluation Reserve	Carrying amount after impairment
	$m	$m	$m	$m
Rail CGU				
Buildings	219.5	(8.7)	3.9	214.7
Railway infrastructure	404.7	(213.3)	-	191.4
Rolling stock	769.0	(21.3)	33.1	780.8
Plant and equipment	129.9	(4.7)	-	125.2
Right-of-use assets	75.6	-	-	75.6
Assets under construction	816.0	(660.8)	-	155.2
Total property, plant and equipment	2,414.7	(908.8)	37.0	1,542.9
Intangible assets	24.6	(24.6)	-	-
Prepayments	396.1	-	-	396.1
Total Rail CGU	**2,835.4**	**(933.4)**	**37.0**	**1,939.0**

GROUP 2024 (restated)	2024 Carrying amount before revaluation and impairment	Reversal of/ (Impairment) recognised in net surplus or deficit	Movement recognised in Asset Revaluation Reserve	Carrying amount after impairment
	$m	$m	$m	$m
Rail CGU				
Buildings	249.4	(50.0)	18.6	218.0
Railway infrastructure	382.8	(159.5)	-	223.3
Rolling stock	700.3	(15.7)	17.3	701.9
Plant and equipment	130.1	(19.9)	-	110.2
Right-of-use assets	78.0	3.1	-	81.1
Assets under construction	852.0	(701.1)	-	150.9
Total property, plant and equipment	2,392.6	(943.1)	35.9	1,485.4
Intangible assets	35.0	(35.0)	-	-
Prepayments	374.2	-	-	374.2
Total Rail CGU	**2,801.8**	**(978.1)**	**35.9**	**1,859.6**

(ii) Interislander CGU

The Group has determined the recoverable amount of the Interislander CGU to be FVLCD, as it is higher than the VIU.

As at 30 June 2025, the recoverable amount of the Interislander CGU was $109.9m (2024: $129.6m), which was less than the carrying amount. The difference between the recoverable amount and the carrying amount has been recognised as an impairment. See note 24(b) below for the assumptions and judgements applied in determining the FVLCD of the Interislander CGU.

9. NON-FINANCIAL ASSETS (continued)

(c) IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

The table below summarises the impairment movements recognised for the Interislander CGU:

GROUP 2025	2025 Carrying amount before revaluation and impairment	Reversal of/ (Impairment) recognised in net surplus or deficit	Carrying amount after impairment
	$m	$m	$m
Interislander CGU			
Ships	73.3	(9.5)	63.8
Plant and equipment	2.7	(1.1)	1.6
Right-of-use assets	44.2	-	44.2
Assets under construction	1.7	(1.4)	0.3
Total property, plant and equipment	121.9	(12.0)	109.9
Intangible assets	0.3	(0.3)	-
Total Interislander CGU	**122.2**	**(12.3)**	**109.9**

GROUP 2024	2024 Carrying amount before revaluation and impairment	Reversal of/ (Impairment) recognised in net surplus or deficit	Carrying amount after impairment
	$m	$m	$m
Interislander CGU			
Ships	95.0	(25.6)	69.4
Plant and equipment	4.8	(4.4)	0.4
Right-of-use assets	54.7	-	54.7
Assets under construction	17.5	(12.4)	5.1
Total property, plant and equipment	172.0	(42.4)	129.6
Intangible assets	-	-	-
Total Interislander CGU	**172.0**	**(42.4)**	**129.6**

(d) ASSETS HELD FOR SALE

The Group classifies non-current assets held for sale in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell ("FVLCS").

The DX locomotive rolling stock fleet is classified as "held for sale" as at 30 June 2025 based on a sale and purchase agreement in place with a planned exit from service as the new locomotive fleet enters service. The DX locomotives fair value less cost to sell was the carrying amount. The Aratere ferry is classified as "held for sale" as at 30 June 2025 as it will be retired from service no later than 30 August 2025 and sale is expected to occur within one year. Its fair value less cost to sell was less than its carrying amount resulting in an impairment charge of $12.9m, which has been recognised in the Statement of Comprehensive Income. As at 30 June 2024 there were no non-current assets classified as "held for sale".

10. CASH AND CASH EQUIVALENTS

	GROUP 2025	GROUP 2024
	$m	$m
Current accounts and call deposits	287.8	232.9
	287.8	**232.9**

Cash and cash equivalents comprise cash on hand, call deposits and other investments with an initial term of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Call deposits and other investments with a term of greater than three months from acquisition date are classified as short-term deposits. As at 30 June 2025 the Group has short-term deposits of $10m (2024: $20m).

11. TRADE AND OTHER RECEIVABLES

	GROUP 2025	GROUP 2024
	$m	$m
Trade receivables	77.1	92.8
Related party receivables	207.9	31.3
Prepayments	404.6	415.1
Accrued and other receivables	31.3	49.6
Less: Provision for impairment	(3.4)	(2.8)
	717.5	**586.0**
Current assets	321.4	211.8
Non-current assets	396.1	374.2
	717.5	**586.0**

Receivables (excluding prepayments) are financial assets classified as amortised cost. Short-term receivables are recorded at their face value, less any provision for impairment.

The Group applies a simplified business model approach to classify and measure financial instruments after initial recognition. This reflects that financial assets are managed as a group rather than individually.

Related party receivables include $168.9m (2024: $nil) for a reimbursement from the Crown related to the provision for exiting ship building contracts. This expected reimbursement has been recognised because it is considered virtually certain that the reimbursement will received when the provision is settled. Refer to Note 27.

Prepayments include milestone payments for assets that will be classified as property, plant and equipment. These payments have been classified as non-current.

Impairment

The Expected Credit Losses model is used for impairing financial assets. Trade receivables are currently assessed on a quarterly basis, and potential trade receivable impairments are provided for when accounts are over 90 days or when circumstances of potential default become known.

The carrying amount of the receivables is reduced using expected credit losses. When a trade receivable is uncollectible, it is written off against the doubtful debt provision. Subsequent recoveries are credited to net surplus or deficit. Changes in the carrying amount of the doubtful debt provision are recognised in net surplus or deficit.

11. TRADE AND OTHER RECEIVABLES (continued)

All past due trade receivables, including related party trade receivables, have been assessed for impairment at balance date and appropriate provisions applied, as detailed below:

	2025			2024		
	Gross	Impairment	Net	Gross	Impairment	Net
	$m	$m	$m	$m	$m	$m
Not past due	68.4	(1.3)	67.1	110.6	(1.3)	109.3
Past due 1 – 30 days	4.6	(0.1)	4.5	4.3	(0.1)	4.2
Past due 31 – 60 days	2.4	(0.2)	2.2	0.8	(0.2)	0.6
Past due 61 - 90 days	1.2	(0.1)	1.1	0.5	(0.1)	0.4
Past due > 91 days	3.4	(1.7)	1.7	2.3	(1.1)	1.2
Total	**80.0**	**(3.4)**	**76.6**	**118.5**	**(2.8)**	**115.7**

The average credit period on sales of goods and services is 13 days (2024: 18.0 days).

12. INVENTORIES

	GROUP 2025	GROUP 2024
	$m	$m
Operational Activities:		
Fuel	3.8	3.7
Inventory held to maintain rail network	76.5	72.7
Inventory held to maintain rolling stock	56.0	90.5
Inventory held to maintain ships	17.6	16.9
Inventory held for resale	0.6	0.7
Contracting Activities – work in progress	3.3	3.3
Gross inventory	157.8	187.8
Less: Provision for stock obsolescence	(26.7)	(28.7)
Net inventory	**131.1**	**159.1**

Inventory is recorded at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventory to its present condition and location. Cost is calculated using the weighted average cost method.

Write-downs or reversals of write-downs of inventories are recognised in operating expenses in net surplus or deficit, in the period the loss or reversal occurs. During the year, the Group has recognised write-downs in inventory of $0.4m (2024: write-down of $0.6m).

13. FINANCIAL ASSETS AND LIABILITIES

	GROUP 2025			GROUP 2024		
	Current	Non-current	Total	Current	Non-current	Total
	$m	$m	$m	$m	$m	$m
Financial assets						
Commodity forward contracts	-	-	-	0.4	0.1	0.5
Foreign currency forward contracts	48.1	10.6	58.7	21.0	37.0	58.0
Share investments	-	0.6	0.6	0.4	-	0.4
Total financial assets	**48.1**	**11.2**	**59.3**	**21.8**	**37.1**	**58.9**
Financial liabilities						
Commodity forward contracts	0.5	0.2	0.7	-	-	-
Leases (Note 20)	22.3	121.8	144.1	20.9	136.9	157.8
Foreign currency forward contracts	17.9	0.9	18.8	16.8	23.9	40.7
Total financial liabilities	**40.7**	**122.9**	**163.6**	**37.7**	**160.8**	**198.5**

(a) Financial assets

The Group's financial assets designated at fair value are those derivative financial instruments used to manage exposure to fluctuations in foreign exchange rates, commodity prices and interest rates. The accounting policy for these types of financial assets is set out under 'Derivative financial instruments' in Note 24(b)(i).

Financial assets designated at fair value are classified as non-current when the maturity of the hedged item exceeds 12 months.

Share investments are initially recognised at cost, and subsequently revalued to fair value through other comprehensive income. Share investments are not held for trading.

(b) Financial liabilities

Financial liabilities are designated at amortised cost or at fair value through net surplus or deficit. Financial liabilities are classified as non-current when the maturity exceeds 12 months.

Amortised cost is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between the initial amount and the maturity amount.

Interest-bearing liabilities

Interest-bearing liabilities is comprised of loans and leases. These are initially measured at fair value, plus directly attributable transaction costs. Interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method.

Committed standby facility

As at 30 June 2025 the Group had a committed standby facility with Bank of New Zealand of $75.0m (2024: $15.0m) with an expiry date of 1 July 2026. As at 30 June 2025, the facility was undrawn.

13. FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Changes in liabilities arising from financing activities

		Non-cash changes			
	GROUP 2024	Net Cash Flow	Changes in fair values	Others	GROUP 2025
	$m	$m	$m	$m	$m
Leases	157.8	(30.5)	-	16.8	144.1
Total liabilities from financing activities	**157.8**	**(30.5)**	**-**	**16.8**	**144.1**

14. INVESTMENT PROPERTY

	GROUP 2025	GROUP 2024
	$m	$m
Opening balance	**141.9**	**106.4**
Additions	43.8	49.8
Disposals	-	(0.2)
Reclassifications	(1.0)	(0.7)
Fair value loss on valuation	(64.9)	(13.3)
Impairment	-	(0.1)
Balance at 30 June	**119.8**	**141.9**

Investment properties are held to earn rental income or capital gains through the future resale of the property.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses from changes in fair values are recognised in net surplus or deficit in the year in which they arise.

Valuations of leased buildings are undertaken with sufficient regularity to ensure carrying values do not materially differ from fair values. See Note 24(b)(ii) for the methodology used to determine fair value.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in net surplus or deficit in the year of retirement or disposal.

The total rental income generated from investment properties for the year ended 30 June 2025 was $12.0m (2024: $10.1m). The direct operating expenses (including maintenance) incurred from the use of investment properties during the year was $2.6m (2024: $2.1m).

15. TRADE AND OTHER LIABILITIES

	GROUP 2025	GROUP 2024
	$m	$m
Trade payables	119.2	151.2
GST Payable	8.2	5.2
Unearned revenue	84.0	65.2
Deferred revenue	329.9	240.9
Related party payable	0.3	5.7
Other payables and accruals	76.9	98.4
Total payables	**618.5**	**566.6**
Current liabilities	466.2	437.8
Non-current liabilities	152.3	128.8
	618.5	**566.6**

Payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are initially measured at fair value and subsequently measured at amortised cost. Due to the short-term nature of the payables, no discounting is applied, and the fair value is materially similar to amortised cost.

Trade payables are settled on normal commercial terms and the carrying value approximates fair value. No interest is incurred on trade payables unless the amounts fall overdue. Interest is charged at the discretion of the vendor.

Deferred revenue includes deferred capital grant funding received as reimbursement for capital projects, and for the recovery associated with the weather events outlined in Note 26. The deferred income associated with capital projects has been classified as non-current, the deferred income associated with the weather recovery has been classified as current which is aligned to when the funding is expected to be released.

16. EMPLOYEE ENTITLEMENTS

	GROUP 2025	GROUP 2024
	$m	$m
Current		
Short-term employee benefits	38.5	36.5
Annual leave entitlement accruals	85.0	84.8
Retirement and long service leave liability	7.1	7.9
Total current	130.6	129.2
Non-current		
Retirement and long service leave	41.8	43.5
Total non-current	41.8	43.5
Total employee entitlements	**172.4**	**172.7**

Provisions are made for benefits accruing to employees in respect of annual leave, retirement leave (including involuntary retirement as medically unfit) and long service leave when it is probable that settlement will be required and the benefits are capable of being measured reliably. Employee entitlements are accounted for based on NZ IAS 19 *Employee Benefits*.

16. EMPLOYEE ENTITLEMENTS (continued)

Provisions made for employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Short-term employee benefits include the Group's estimated liability for remediation of employee leave entitlements.

Provisions made for employee benefits that are not expected to be settled within twelve months are measured on an actuarial basis by independent actuaries Melville Jessup Weaver ("MJW") at the present value of the estimated future cash payments to be made by the Group for services provided by employees up to the reporting date.

The present value of the retirement and long service leave obligations depend on a number of factors. Two key assumptions used to calculate these liabilities include the discount rate and the salary inflation factor. The assumptions used by the actuaries to calculate the retirement and long service leave liabilities were a salary increase rate range of 2.5% to 2.6% per annum (2024: from 2.5% to 2.82% per annum) and a term specific risk-free discount rate range of 3.14% and 5.99% per annum (2024: between 4.25% and 5.36% per annum).

The discount rate is derived from the yields on Government bonds as at the respective reporting dates, which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns.

Contributions to superannuation plans

Certain employees are members of defined contribution schemes and the Group contributes to those schemes. The contributions are recognised as labour and related costs in net surplus or deficit when they are paid.

17. PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated.

	ACC AEP	Reorganisation costs	Other provisions	Total
	$m	$m	$m	$m
Balance at 1 July 2024	**6.5**	**0.5**	**10.5**	**17.5**
Provisions made during the year	0.9	10.4	169.0	180.3
Provisions utilised or released during the year	-	(0.5)	(7.0)	(7.5)
Balance at 30 June 2025	**7.4**	**10.4**	**172.5**	**190.3**

ACC Accredited Employer Programme

KHL and its subsidiary KiwiRail Limited ("KRL") belong to the ACC Accredited Employer Programme ("ACC AEP"). Companies that belong to this programme accept the management and financial responsibility for employee work-related accidents.

The liability for the ACC AEP is estimated by MJW as the present value of expected future payments to be made for employee injuries and claims up to the reporting date. Any changes in key assumptions used by MJW will not have a material impact on the financial statements.

Other Provisions

This includes a $160.9m provision for full and final settlement relating to exiting the ship building contracts based on an agreement made with Hyundai Mipo Dockyard in August 2025. A receivable has been recognised for a expected reimbursement for the provision for full and final settlement relating to exiting the ship building contracts. Refer to Notes 11 and 27.

18. 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 the 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 for nominal consideration, the Group may identify railway land that can be sold and request NZRC 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.

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 equity of the Crown to the Group whilst the Group's acquisition of land for NZRC is treated as a reduction from the Crown's equity to the Group.

There were no proceeds from land sold/land swaps during the year (2024: $2.1m). The total net land acquisitions during the year was $13.9m (2024: $29.9m). They were treated as transactions with owners in the Statement of Movements in Equity.

19. 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. Capital and other commitments are funded by both KiwiRail and the Government. Government funding is committed for new rolling stock, mechanical depots and major infrastructure projects including the Rail Network Investment Programme.

	GROUP 2025	GROUP 2024
	$m	$m
Capital expenditure commitments:		
Not later than one year	539.6	513.6
Later than one year but not later than five years	441.4	556.6
	981.0	**1,070.2**

20. LEASES

The Group has lease contracts for various items of property, plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 1 and 6 years. The Group's obligations under its leases are generally secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options, which are discussed further below.

The Group applies the recognition exemption for assets when it enters into leases with lease terms up to 12 months. The Group applies the recognition exemption for low-value assets when it enters into leases for the low-value assets.

Determining the lease term of lease contracts with renewal options

The Group has lease contracts that include renewal options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

20. LEASES (continued)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group considers all relevant factors that create an economic incentive for it to exercise the renewal.

Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities when it cannot readily determine the interest rate implicit in its leases. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant & Equipment 1 – 6 years
- Motor vehicles 1 – 5 years
- Property 1 – 25 years

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

2025	Property	Plant and Machinery	Motor Vehicles	Other Equipment	Total
Cost/Valuation	$m	$m	$m	$m	$m
As at 1 July 2024	**112.7**	**7.5**	**9.6**	**6.0**	**135.8**
Additions	5.0	-	3.9	0.8	9.7
Transfer to property, plant & equipment	-	-	-	-	-
Depreciation expense	(16.1)	(1.6)	(5.4)	(2.6)	(25.7)
Impairment reversal	-	-	-	-	-
As at 30 June 2025	**101.6**	**5.9**	**8.1**	**4.2**	**119.8**

2024	Property	Plant and Machinery	Motor Vehicles	Other Equipment	Total
Cost/Valuation	$m	$m	$m	$m	$m
As at 1 July 2023	**84.1**	**15.2**	**8.5**	**7.0**	**114.8**
Additions	44.9	0.3	3.8	2.4	51.4
Transfer to property, plant & equipment	-	(6.2)	-	-	(6.2)
Depreciation expense	(18.0)	(2.1)	(3.7)	(3.5)	(27.3)
Impairment reversal	1.7	0.3	1.0	0.1	3.1
As at 30 June 2024	**112.7**	**7.5**	**9.6**	**6.0**	**135.8**

Lease liabilities

The Group recognises a lease liability at the commencement date of the lease based on the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

20. LEASES (continued)

The Group uses the interest rate implicit in the lease or its IBR, if the rate implicit in the lease is not readily determinable, at the lease commencement date to calculate the present value of lease payments. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term and/or, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

Set out below are the carrying amounts of lease liabilities (included in Note 13) and the movements during the period:

	GROUP 2025	GROUP 2024
	$m	$m
As at 1 July	**157.8**	**122.4**
Additions	9.1	58.5
Accretion of interest	7.7	11.3
Payments	(30.5)	(34.4)
As at 30 June	**144.1**	**157.8**

Group as a Lessor

The Group has certain non-cancellable property leases. The property lease portfolio is made up of a large number of leases with varying terms.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Assets leased to third parties under operating leases are classified as investment properties (Note 14). Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term and is included in revenue in net surplus or deficit due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

	GROUP 2025	GROUP 2024
	$m	$m
Total minimum lease payments receivable:		
Not later than one year	48.3	44.6
Later than one year but not later than five years	166.1	142.0
Later than five years	412.5	346.6
	626.9	**533.2**

For the year ended 30 June 2025, $59.4m was recognised as revenue in net surplus (2024: $55.6m).

21. RECONCILIATION OF NET DEFICIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP 2025	GROUP 2024 (restated)
	$m	$m
Net (deficit) after taxation	(422.2)	(643.0)
Add/(deduct) items classified as investing or financing activities		
(Gain) on sale of assets	(0.7)	(7.1)
Fair value movement in derivatives	5.5	(24.2)
Capital grant receipts	(126.8)	(281.3)
National Land Transport Fund receipts	(569.4)	(478.5)
Insurance proceeds	(49.1)	(54.6)
	(1,162.7)	(1,488.7)
Add/(deduct) non-cash items		
Depreciation and amortisation expense	144.9	149.9
Movements in provisions	171.2	8.9
Impairment of non-financial assets	946.8	823.7
Movement in fair value of investment properties	64.9	13.3
Other costs	-	263.0
	165.1	(229.9)
Add/(deduct) movements in working capital		
Decrease/(increase) in trade receivables	15.7	(8.6)
(Increase)/decrease in other receivables	(157.2)	80.6
Decrease in inventories	4.7	4.3
(Decrease)/increase in trade payables	(32.0)	1.7
Increase in other payables	106.5	167.4
Net cash flows from operating activities	**102.8**	**15.5**

22. RELATED PARTY TRANSACTIONS

Aside from the core lease agreement with NZRC (Note 18), the Group enters into transactions with related parties all of which are on normal commercial terms. Transactions that occur within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those which it is reasonable to expect the Parent or its subsidiaries and associates would have adopted if dealing with that entity at arm's length in the same circumstance, are not disclosed.

Significant transactions with Government-related entities

The Group has been provided with equity from the Crown as disclosed in Note 23 and capital grant funding from Government-related entities as disclosed in Note 4.

The Group also receives operating revenue and purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown in the normal course of business which have not been separately disclosed. The Group is required to pay various taxes and levies (such as GST, FBT, PAYE, ACC levies and Custom duties) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

Transactions with key management personnel

Key management personnel are defined as Directors, the Group Chief Executive and all executive level direct reports of the Group Chief Executive. Key management personnel of the Group may be directors or officers of other companies or organisations with whom the Group may transact. Such transactions are all carried out independently on normal commercial terms.

22. RELATED PARTY TRANSACTIONS (continued)

The compensation paid to key management personnel of the Group was as follows:

	GROUP 2025	GROUP 2024
	$000	$000
Key management personnel compensation		
Short-term employee benefits	6,644	6,416
Termination benefits	565	207
Other	-	833
Total key management personnel compensation	**7,209**	**7,456**

The following Directors earned fees during the period and includes additional fees paid to the Chairs of the sub-committees of the Board:

	GROUP 2025	GROUP 2024
	$000	$000
KHL Directors		
Robert Jager	112	42
Bruce Wattie	62	47
Susan McCormack	59	58
Elizabeth Ward	57	42
Sina Cotter Tait	57	32
David McLean	7	89
Rachel Pinn	4	42
Maryan Street	4	42
Edward Sims	-	47
Mike Williams	-	4
	362	**445**

David McLean retired as Chair effective 31 July 2024. Rachel Pinn and Maryan Street resigned as Directors effective 31 July 2024. Sue McCormack completed her term as Deputy Chair effective 30 April 2025. Rob Jager was appointed Acting Chair effective 1 August 2024. Suzanne Tindal was appointed Chair effective 1 July 2025. Jeff Kendrew was appointed Deputy Chair effective 1 July 2025.

23. SHARE CAPITAL

At 30 June 2025, the Group had issued 5,348,654,272 ordinary shares with no par value (2024: 4,969,612,072), each fully paid. The following rights attach to the ordinary shares issued by the Group:

- the right to one vote on a poll at a meeting of the Group on any resolution, including any resolution to appoint or remove a Director or auditor, alter the Group's constitution, approve a major transaction, approve an amalgamation, and put the Group into liquidation;
- the right to an equal share of dividends approved by the Board; and
- the right to an equal share in the distribution of the surplus assets of the Group.

Reconciliation of number of shares	GROUP 2025	GROUP 2024
	$m	$m
Opening balance	**4,969.6**	**4,324.8**
Shares issued	379.0	644.8
Balance at 30 June	**5,348.6**	**4,969.6**

24. FAIR VALUE

(a) Classification of Financial Instruments

The classification of each category of financial instruments is set out below:

	GROUP 2025	GROUP 2024
	$m	$m
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents and short-term deposits	297.8	252.9
Trade and other receivables (excluding prepayments)	316.3	173.7
	614.1	**426.6**
Fair value through net surplus or deficit		
Derivative financial assets	**36.6**	**47.6**
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other liabilities	196.4	255.3
Interest-bearing liabilities	144.1	157.8
	340.5	**413.1**
Fair value through net surplus or deficit		
Derivative financial liabilities	**16.4**	**21.9**

The carrying amounts of the financial assets and financial liabilities approximate their fair value.

(b) Fair Value Hierarchy

Fair values are allocated to a fair value hierarchy based on the following:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

24. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Group does not have any Level 1 and/or Level 3 financial instruments (2024: nil).

The Group uses valuation techniques such as present value calculations, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants for financial assets not quoted in active markets.

(i) Derivative financial instruments

Financial instruments Net Asset/(Net Liability)	**GROUP 2025**	**GROUP 2024**
	$m	$m
Level 2		
Commodity forward contracts	(0.7)	0.5
Foreign currency forward contracts	40.0	17.3
	39.3	**17.8**

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into (the trade date). Any transaction costs are expensed immediately. The derivative financial instruments are subsequently re-measured to fair value and are designated at fair value through net surplus or deficit.

The Group uses discounted cash flow techniques to estimate the fair value of its financial instruments. Inputs for the discounted cash flow calculations are derived from market observable data or where such data is not available, from information provided by banking counterparties. A Credit Value Adjustment is made to the underlying interest rate swap curve to adjust for counterparty credit risk.

(ii) Non-financial assets

Non-financial assets	**GROUP 2025**	**GROUP 2024**
	$m	$m
Level 2		
Investment property	119.8	141.9
Buildings	214.7	218.0
Railway infrastructure	191.4	223.3
Rolling stock	780.8	701.9
	1,306.7	**1,285.1**

NZ IFRS 13 *Fair Value Measurement* (“NZ IFRS 13”) requires that the fair value measurement of non-financial assets takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible. It is determined from the perspective of market participants, even if the Group intends a different use. For assets measured using the revaluation model under NZ IAS 16 *Property, Plant and Equipment* (“NZ IAS 16”), valuations are carried out with sufficient regularity to ensure that the carrying values do not materially differ from their fair values.

24. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

The fair value of assets to which NZ IAS 40 *Investment Property* ("NZ IAS 40") applies is measured at each reporting date.

The valuation techniques used to determine the fair value of non-financial assets are:

- *Investment property*
  Investment property is measured at fair value under NZ IAS 40. The most recent valuations were carried out as at 30 June 2025 by an independent valuer who has recognised and relevant qualifications.

  Investment properties are valued using the capitalisation of net income and direct comparison approaches. Market derived assumptions used in the valuations include comparable rental and sales evidence, capitalisation rates and land values.

  The independent valuer has used valuers familiar with the local property market relevant to each property. This ensures local inputs are factored into the valuations.

  The capitalisation rates used in the valuation range from 6% to 15%.

- *Buildings*
  Buildings are properties held to carry-out the Group's entity-specific operations and hence are classified as property, plant and equipment and measured using the revaluation model under NZ IAS 16. The most recent valuation of buildings that form part of the Rail CGU was carried out as at 30 June 2025 by an independent valuer who has recognised and relevant qualifications.

  In carrying out the valuation, the valuer considered the likely sale price of the property and assumed that the highest and best use is the properties' current use. Valuations are undertaken in accordance with the standards issued by the New Zealand Property Institute, NZ IAS 16 and NZ IFRS 13 using the capitalisation of net income, discounted cash flow and direct comparison approaches.

  Market derived assumptions used in the valuations include comparable rental and sales evidence, capitalisation rates and land values.

- *Railway infrastructure*
  Railway infrastructure is measured using the revaluation model under NZ IAS 16. The most recent valuation of railway infrastructure included in the Rail CGU was carried out as at 30 June 2025 by an independent valuer who has recognised and relevant qualifications.

  In carrying out the valuation, the valuer assumed an orderly liquidation of the assets to derive a scrap value. The scrap value is determined by the realisable value of the materials used to construct the asset. Market values such as steel prices, scrap metal rates and sleeper pricing are considered. Some asset classes within railway infrastructure are assigned a scrap value of zero on the basis the cost to remove the asset would exceed any scrap material value.

- *Rolling stock*
  Rolling stock is measured using the revaluation model under NZ IAS 16. The most recent valuation of rolling stock included in the Rail CGU was carried out as at 30 June 2025 by an independent valuer who has recognised and relevant qualifications.

In carrying out the valuation, the valuer assummed an orderly liquidation of the assets to derive a net realisable and scrap value for each asset. The net realisable value is determined by replacement cost information based on quotes, recent capitalised costs, discussions with manufacturers, cost to capacity analysis and research. Market values such as steel prices and scrap metal rates are considered in determining the scrap value. The higher of the net realisable value or scrap value is adopted as fair value.

24. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

- *Other non-financial assets*
  As discussed within note 9(c) above, FVLCD is the measurement used for impairment testing. To determine the FVLCD of the assets held at cost, being ships, plant and equipment, assets under construction, right-of-use assets, intangible assets and prepayments, they were fair valued within the CGU's using both Level 2 and Level 3 inputs as at 30 June 2025.
  - *Ships (Level 2)* held as property, plant and equipment are measured based on the most recent valuation of the ship fleet undertaken by an independent international ship broker who has recognised and relevant qualifications. In carrying out the valuation, the valuer used a market approach and factors considered include worldwide shipbuilding capacity and second-hand tonnage availability.
  - *Plant and equipment (Level 2)* is evaluated by the Group to determine whether its carrying amount represents fair value or that fair value is nil. Factors considered in making this determination include the nature of the plant and equipment and available pricing for the same or similar assets.
  - *Assets under construction (Level 2)* are evaluated by the Group to determine whether the carrying amount of assets under construction relating to the renewal and refurbishment of existing assets or the acquisition of new assets represents fair value or that fair value is nil. Factors considered in making these determinations include fair value information available for the same or similar assets, the presence of a market for the assets under construction, future cash flows, project business case and stage of completion.
  - *Right-of-use assets (Level 2)* are evaluated by the Group using the present value calculation of the forecast lease payments for the remaining lease term at the reporting date. Inputs to this calculation are interest rates for timeframes that reflect the lease terms and the Group's current borrowing margin for operating lease arrangements.
  - *Intangible assets (Level 3)* are evaluated by the Group and determined to have nil fair value. Judgement applied in making this determination is that there is no second hand market for the Group's computer software applications which are largely bespoke and designed for their specific purpose.
  - *Prepayments (Level 2)* that are progress payments for the procurement of new assets within the Rail CGU are not impaired as their carrying value is assumed to represent fair value. Factors considered in making this determination include the stage of completion, project business case, current market conditions and the nature of the payments.
- *Assets held for sale*
  As discussed within note 9(d) above, assets held for sale are measured at the lower of their carrying amount or FVLCS. They were fair valued using Level 2 inputs as at 30 June 2025.
  - *Rolling stock* is measured based on the most recent valuation of rolling stock undertaken by an independent valuer who has recognised and relevant qualifications. In carrying out the valuation, the valuer considered the sale and purchase agreement in place for the DX locomotive fleet. Additional factors evaluated by the Group to determine FVLCS include the costs to sell.
  - *Ships* are measured based on the most recent valuation undertaken by an independent international ship broker who has recognised and relevant qualifications. In carrying out the valuation, the valuer applied a scrap value and factors considered include comparable transactions and market demand. Additional factors evaluated by the Group to determine FVLCS include the costs to sell.

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, interest-bearing liabilities, trade and other liabilities and derivatives.

The Group manages its exposure to key financial risks, including market risk, credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

(a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i. Foreign Exchange Risk or Currency Risk

Foreign exchange risk is the risk of cash flow volatility caused by movements in foreign exchange rates to which the Group may be exposed. The Group is exposed to foreign exchange risk from operating transactions and capital purchases.

The Group's Treasury Management Policy requires foreign currency risks arising from future transactions and liabilities to be managed by using Board approved foreign exchange hedging instruments.

The New Zealand Dollar notional principal amounts of outstanding forward foreign exchange contracts as at 30 June 2025 were $955.4m (2024: $1,086.0).

The Group has hedged 100% (2024: 100%) of committed foreign currency capital purchases.

Financial instruments foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's equity and profit to a 10% strengthening or weakening in the value of the New Zealand Dollar.

	GROUP 2025		GROUP 2024	
In NZ $m	**Equity**	**Profit**	**Equity**	**Profit**
Foreign currency sensitivity analysis				
Impact of a 10% strengthening of the NZD	(87.6)	(26.4)	(93.2)	(31.0)
Impact of a 10% weakening of the NZD	107.1	32.3	114.0	38.0

ii. Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

Fuel Price Risk

The Group seeks to recover increased costs caused by increased fuel prices from its customers in the form of a fuel surcharge or fuel adjustment factor. The Group purchases its fuel at floating market rates and so is exposed to fuel price risk to the extent that it is unable to fully recover fuel price increases from its customers through the fuel surcharge. Accordingly, the Group's Treasury Management Policy allows Board approved hedging instruments to be entered into to manage this exposure.

The Group is party to commodity forward contracts for fuel oil and gas oil. As at 30 June 2025 the total notional principal amount of outstanding commodity forward contracts is $10.6m (2024: $10.9m).

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(b) Credit Risk

Credit risk is the potential loss from a transaction in the event of default by a counterparty during the term of the transaction or on settlement of the transaction. The primary financial instruments that subject the Group to credit risk are cash and cash equivalents, trade and other receivables and commodity and foreign currency forward contracts.

The Group is exposed to counterparty risk when entering into investment and hedging instruments with individual counterparties. The Group's Treasury Management Policy requires counterparties to have a minimum long-term rating of A (Standard & Poor's) or A2 (Moody's) or Fitch equivalent. If there is an actual or expected change or downgrade of a counterparty's credit rating then an impairment assessment is undertaken as at the reporting date to identify if there has been a significant increase in risk.

While the Group could incur losses up to the contract value of the instruments in the event of default by its counterparties, it does not expect such losses to occur. On-going credit evaluation is performed on the financial condition of accounts receivable and customers' compliance with credit terms.

The Group's Treasury Management Policy does not require collateral support for financial instruments subject to credit risk, although personal guarantees may be obtained in support of the financial performance of certain customers.

Concentration of credit risk

The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics due to the large number of customers included in the Group's customer base. The credit risk on cash and cash equivalents and foreign exchange dealings is limited as the Group spreads its business among several counterparties with a Standard & Poor's rating of A or higher.

Credit quality of assets not impaired or not yet due

The Group has a large number of customers so does not rate its individual debtors. The incident of default on financial assets not impaired or not yet due has been minimal. The Group has no historical significant exposure to credit risk from financial assets not impaired or not yet due.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet financial commitments as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Group accesses funds via Crown appropriations for specified capital projects.

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(c) Liquidity Risk (continued)

Exposure to liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the relevant interest rate at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

GROUP 2025	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
	$m	$m	$m	$m	$m	$m
Financial Liabilities						
Trade and other payables	196.4	196.4	196.4	-	-	-
Net settled derivative liabilities	19.4	19.5	18.4	1.0	0.1	-
Leases	144.1	207.7	30.1	29.9	54.5	93.2
Total	**359.9**	**423.6**	**244.9**	**30.9**	**54.6**	**93.2**

GROUP 2024	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
	$m	$m	$m	$m	$m	$m
Financial Liabilities						
Trade and other payables	255.3	255.3	255.3	-	-	-
Net settled derivative liabilities	40.7	41.0	11.3	22.8	6.9	-
Leases	157.8	230.0	29.8	30.3	69.6	100.7
Total	**453.8**	**526.3**	**296.4**	**53.1**	**76.5**	**100.7**

(d) Derivative Financial Instruments and Hedging Activities

The Group uses derivative financial instruments within predetermined policies and limits to manage its exposure to fluctuations in foreign exchange, commodity and interest rate risks. The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

The risk management objectives and strategy for undertaking various hedge transactions is covered by the Treasury Management Policy.

Hedge Accounting

Derivatives are hedge accounted when they are designated into an effective hedge relationship as a hedging instrument. The nature and the effectiveness of the hedge accounting relationship will determine where the gains and losses on remeasurement are recognised. Derivatives are designated cash flow hedges, where the derivative is used to manage the variability in cash flows of highly probable forecast transactions.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of the respective cash flows, reference interest rates, tenors (time to maturity), repricing dates, maturities and notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedge item.

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(d) Derivative Financial Instruments and Hedging Activities (continued)

Derivatives in hedge relationships are designated based on a hedge ratio up to 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and the Group's own hedged item attributable to changes in foreign exchange and interest rates.

Cash flow hedges

The Group uses interest rate swaps to manage the risk of an increase in its current and future finance costs resulting from an increase in interest rates.

To the extent these hedges are effective, the change in fair value of the interest rate swap is recognised in other comprehensive income, while the change in fair value on the ineffective portion is recognised immediately in net surplus or deficit.

The Group enters into forward exchange contracts to hedge forecast foreign currency purchases relating to significant capital projects, which are expected to be made over the next five years. When the forecast transaction occurs, the amount deferred in the cash flow hedge reserve is transferred to the carrying amount of the relevant asset.

At 30 June 2025, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

GROUP 2025	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
	NZD $m	NZD $m	NZD $m	NZD $m
Foreign Currency Risk				
Forward Exchange Contracts				
Net Exposure	291.4	329.2	61.4	-
Average NZD:USD forward contract rate	0.61	0.66	-	-
Average NZD:AUD forward contract rate	0.89	0.91	-	-
Average NZD:EUR forward contract rate	0.53	0.52	0.51	-
Average NZD:CHF forward contract rate	0.53	0.50	-	-

GROUP 2024	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
	NZD $m	NZD $m	NZD $m	NZD $m
Foreign Currency Risk				
Forward Exchange Contracts				
Net Exposure	266.3	339.7	142.8	-
Average NZD:USD forward contract rate	0.68	0.61	-	-
Average NZD:AUD forward contract rate	0.90	0.89	-	-
Average NZD:EUR forward contract rate	0.54	0.53	0.51	-
Average NZD:CHF forward contract rate				
Interest Rate Risk	0.55	0.52	-	-

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(d) Derivative Financial Instruments and Hedging Activities (continued)

A reconciliation of movements in the cash flow hedge reserve is presented below:

	GROUP 2025			GROUP 2024		
	Interest Rate Risk	Foreign Currency Risk	Total	Interest Rate Risk	Foreign Currency Risk	Total
	$m	$m	$m	$m	$m	$m
Opening balance at 1 July	**-**	**(8.0)**	**(8.0)**	**12.6**	**66.8**	**79.4**
Gain/(loss) recognised in other comprehensive income	-	27.0	27.0	-	(27.8)	(27.8)
Amount reclassified to net surplus or deficit – forecast transaction no longer expected to occur	-	-	-	(12.6)	(47.0)	(59.6)
Total recognised in other comprehensive income	**-**	**27.0**	**27.0**	**(12.6)**	**(74.8)**	**(87.4)**
Closing balance at 30 June	**-**	**19.0**	**19.0**	**-**	**(8.0)**	**(8.0)**

Other amounts deferred in equity will be transferred to the carrying amount of the relevant asset when it is recognised, which is expected to occur over the next four years (2024: five years).

The details of the hedging instruments are as follows:

GROUP 2025	Notional amount of hedging instrument	Statement of Financial Position line item	Carrying amount of the hedging instrument		Change in fair value used for calculating hedge ineffectiveness
			Assets	Liabilities	
Cash flow hedges	NZD $m		$m	$m	$m
Foreign Currency Risk					
Forward foreign exchange contracts	682.0	Financial Assets/ Liabilities	22.2	(3.1)	19.2

GROUP 2024	Notional amount of hedging instrument	Statement of Financial Position line item	Carrying amount of the hedging instrument		Change in fair value used for calculating hedge ineffectiveness
			Assets	Liabilities	
Cash flow hedges	NZD $m		$m	$m	$m
Foreign Currency Risk					
Forward foreign exchange contracts	748.8	Financial Assets/ Liabilities	11.0	(18.8)	(7.8)

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(d) Derivative Financial Instruments and Hedging Activities (continued)

The details of the hedge items are as follows:

GROUP 2025	Change in fair value for calculating hedge ineffectiveness	Cash Flow Hedge Reserve
	$m	$m
Cash flow hedges		
Foreign Currency Risk		
Committed foreign exchange transactions	(13.6)	(19.0)

GROUP 2024	Change in fair value for calculating hedge ineffectiveness	Cash Flow Hedge Reserve
	$m	$m
Cash flow hedges		
Foreign Currency Risk		
Committed foreign exchange transactions	9.0	(8.0)

(e) Capital Risk Management

The Group manages its capital structure to ensure it is continues as a going concern while maximising its investment in rail infrastructure and rolling stock assets. The State-Owned Enterprises Act 1986 requires the Group to have a principal objective of operating as successful business, which includes being as profitable and efficient as comparable businesses that are not owned by the Crown.

The capital structure of the Group consists of loans, cash and cash equivalents and equity. Equity comprises share capital provided by the Crown, retained earnings and reserves.

The Board reviews the Group's capital structure as part of it's planning cycle and regular on-going reviews. The reviews include analysis to confirm that the level of capital invested in the business continues to be sufficient to enable it to effectively achieve its objectives and purpose.

26. IMPACT OF WEATHER EVENTS

In January and February 2023 significant weather events caused considerable damage to the Group's infrastructure assets.

The Group has insurance cover in place for loss and damage under two policies. A claim has been submitted for the damage caused by the January and February 2023 weather events. The claim has not been settled as at 30 June 2025. It is not practicable to estimate the full extent of the overall insurance recovery that will result from the claim and so no receivable has been recognised (30 June 2024: $nil). During the financial year ended 30 June 2025 $46m of insurance proceeds were received and recognised in the Statement of Comprehensive Income (30 June 2024: $nil). Insurance proceeds received are not specific to a particular loss or damage, but will be allocated to the claim in due course.

27. INTER-ISLAND RESLIENT 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 costs incurred of $184.5m for the year ended 30 June 2025 include a provision for full and final settlement relating to exiting the ship building contracts based on an agreement made with Hyundai Mipo Dockyard in August 2025. Forward exchange contracts are in place for the foreign currency payment and are in a net financial asset position of $12.5m as at 30 June 2025. The financial asset position of $21.9m and the financial liability position of $9.4m are included in Note 13. As at 30 June 2024 project expenditure of $264.2m was written off. The FY24 project expenditure excluded settlement costs relating to exiting the ship building contracts. Because of the ongoing negotiations at that time for exiting the contracts, which were commercially sensitive, information regarding the settlement was not disclosed in accordance with the concessions in s20 of the SOE Act.

Other Income

A receivable from the Government of $168.9m has been recognised in association with the full and final settlement (2024: $nil). $147.7m is included under ‘Other income’ (2024: $47.0m) and $21.2m is included under ‘Capital grants’ in the Statement of Comprehensive Income.

28. RESTATEMENT OF COMPARATIVES

In previous years the rolling stock revaluation impact was incorrectly calculated at a rolling stock class level rather than at an individual asset level. As a consequence, the retained earnings and asset revaluation reserve have been restated to reflect a gross up of impairment and revaluation impact. There is no impact to the total equity position of the Group.

Impact of restatement: Statement of Financial Position

	As previously reported	Adjustment	As restated
	$m	$m	$m
1 July 2023			
Equity			
Retained earnings	(2,521.8)	(94.3)	(2,616.1)
Asset revaluation reserve	55.7	94.3	150.0
Total equity	**1,937.9**	-	**1,937.9**
30 June 2024			
Equity			
Retained earnings	(3,196.3)	(90.4)	(3,286.7)
Asset revaluation reserve	93.4	90.4	183.8
Total equity	**1,858.5**	-	**1,858.5**

Impact of restatement: Statement of Comprehensive Income

For the year ended 30 June 2024	As previously reported	Adjustment	Asrestated
	$m	$m	$m
Net (deficit) after taxation	(646.9)	3.9	(643.0)
Other comprehensive (loss)	(49.5)	(3.9)	(51.4)
Total comprehensive (loss)	**(696.4)**	-	**(696.4)**

29. EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events subsequent to balance date other than those described in Note 27.

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of KiwiRail Holdings Limited's group financial statements for the year ended 30 June 2025

The Auditor-General is the auditor of the KiwiRail Holdings Limited group (the Group). 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 Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 60 to 98, that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive income, statement of movements 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 Group:

- 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 New Zealand equivalents to International Financial Reporting Standards, taking into account the reliance on the State-Owned Enterprises Act 1986, section 20 (Protection from disclosure of sensitive information).

Our audit was completed on 26 September 2025. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the significant judgements made by the Group in designating the Group as a for-profit entity for financial reporting purposes. 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.

Emphasis of matter – Judgements made in designating the Group as a for-profit entity for financial reporting purposes

Without modifying our opinion, we draw attention to Note 1(e) on page 65 which outlines the Board of Directors' judgement in designating the Group as a for-profit entity for financial reporting purposes, and the factors that the Board considered in forming this view. This includes the principal objective of KiwiRail Holdings Limited under the State-Owned Enterprises Act 1986 to operate as a successful business, including being as profitable and efficient as comparable businesses that are not owned by the Crown. The disclosure outlines the impact of this designation on the carrying value of the Group's property, plant and equipment and the substantially higher value that these assets are reported at in the Financial Statements of the Government because the Government is a public benefit entity for financial reporting purposes.

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 Group for preparing financial statements that are fairly presented and that comply with New Zealand equivalents to International Financial Reporting Standards, taking into account the reliance on the State-Owned Enterprises Act 1986, section 20 (Protection from disclosure of sensitive information).

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 Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than 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 Group 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 Group.

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

COMPANIES ACT 1993 – OTHER REQUIRED DISCLOSURES

Directors' Disclosures

No specific disclosures were given by Directors pursuant to s140(1) of the Companies Act 1993. The following directors have made disclosures of their individual interest with certain external organisations based on them being a Chair, Board member, Trustee, Officer, employee, contractor or holding material securities or shares of those organisations.

KiwiRail Holdings Limited

Director	Interest
Rob Jager	Nil
Bruce Wattie	Shareholder/director, Two Two Eight Limited Trustee and beneficiary, R K Wattie and ZJ Wattie Trusts Chair, New Zealand Institute of Economic Research Director, New Zealand Post Limited Chair, Silvester Clark Limited Chair, Sport New Zealand: National Facilities Strategy Advisory Group Shareholder/Director, Fellows Field Limited
Elizabeth Ward	Director, Ritchies Transport Holdings Ltd Director, Rome NZ Holdco Ltd / Rome NZ Bidco Ltd / Rome NZ Propco Ltd / Coachline Properties Ltd Director, ServiceStream Director, Kaikora Hills Property Ltd
Sina Cotter Tait	Director, Christchurch City Holdings Limited Director, Collective Success Ltd Director, Te Waihanga (The Infrastructure Commission) Trustee, Cotter Tait Family Trust Independent Director, North Otago Irrigation Company Independent Director, Whitestone Contracting Limited Trustee, Ōtautahi Community Housing Trust Director, Indemnity & General Ltd Board member, Consulting Engineers Advancement Society Trustee, Engineering New Zealand Foundation Committee member, Canterbury Kaikoura Lotteries Committee Advisory board member, University of Canterbury Advisory Boards: Building Innovation Partnership Advisory Board, Pacific Peoples Advisory Board Panel member, Christ Church Cathedral Reinstatement Review Panel.

KiwiRail's Corporate Governance function manages information provided to the Board, ensuring that all interests are monitored, including information provided to Directors being redacted where necessary.

Subsidiary companies

Information on directors of subsidiary companies as at 30 June 2025.

KiwiRail Limited

Peter Reidy
David Gordon

Clifford Bay

David Gordon

Inihua Pte. Limited

Bruce Wattie
Jason Dale
Michael Yannakis
Toh Han Nee (Independent Director)

Donations

During the year, the Group made donations of $nil.

DIRECTORY

Bankers

Bank of New Zealand North End Branch,
100 Lambton Quay, Wellington
P.O. Box 1596, Wellington 6140

Auditors

Stephen Lucy, Audit New Zealand
On behalf of the Auditor-General
Level 2, 100 Molesworth Street, Wellington

Registered office

Level 2, KiwiRail Building Millennium Centre, 604 Great South Road,
Ellerslie, Auckland 1051 Private Bag 92138, Auckland Mail Centre

Further information

For assistance, publications or information concerning KiwiRail please visit our website at www.kiwirail.co.nz or contact:

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Email: contactus@kiwirail.co.nz

Front cover photo: David Oakley

KiwiRail