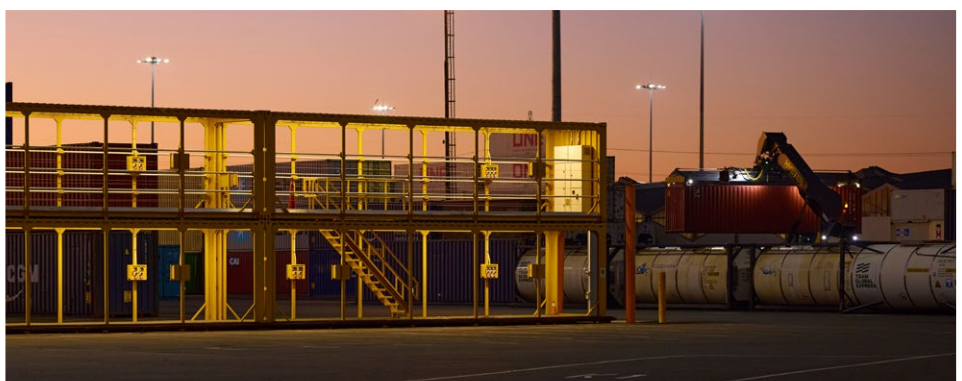
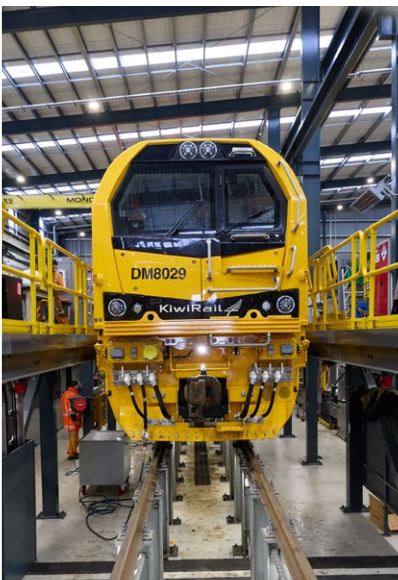
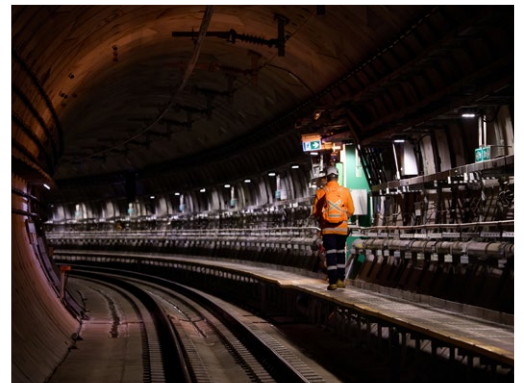




KIWRAIL INTEGRATED REPORT 2026





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 that provide economic, social and environmental value to New Zealand.

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OVERVIEW OF KIWIRAIL

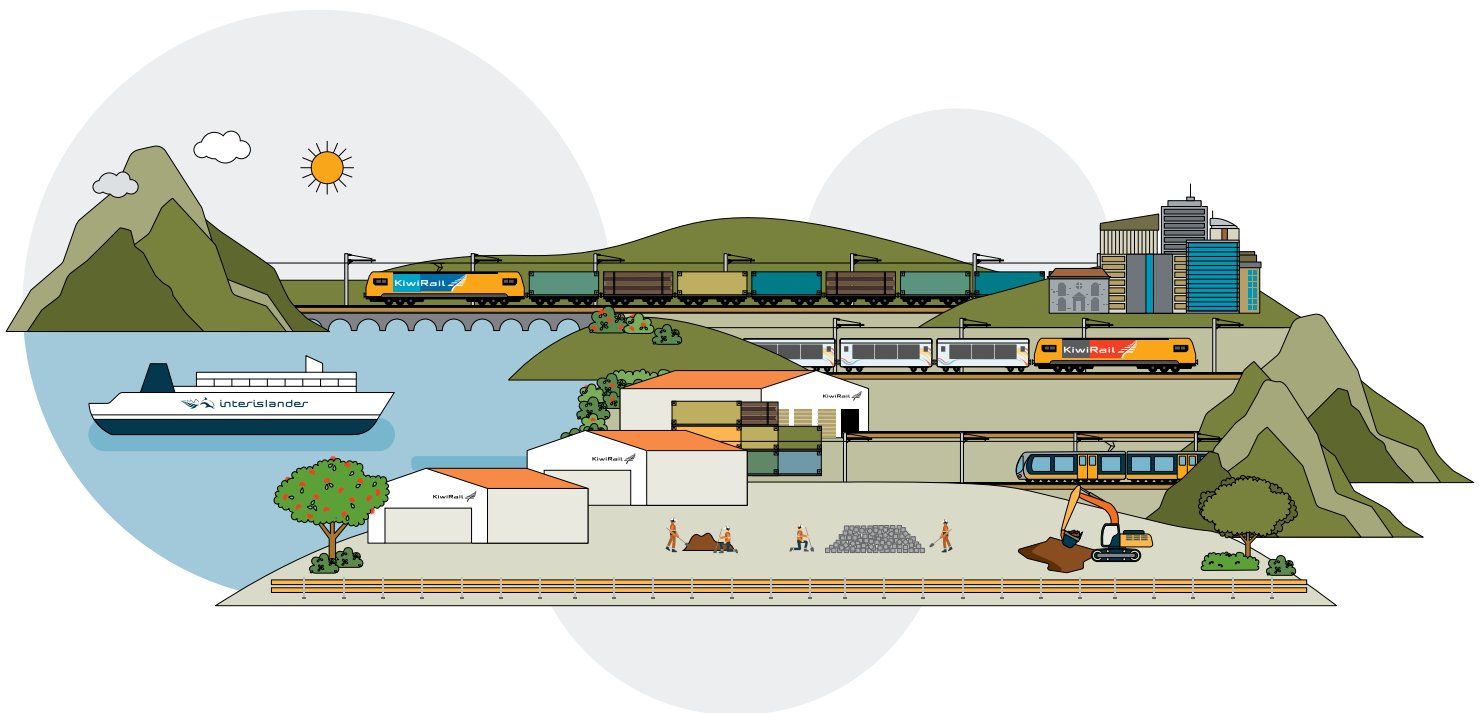
KiwiRail is a vertically integrated rail organisation (“KiwiRail Group”) comprising two interconnected businesses: Services and Infrastructure.

Our Services business operates property, freight, commercial vehicle, passenger tourism and inter-regional passenger services in competitive markets, while our Infrastructure business maintains and renews the national rail network that enables freight and passenger services. Together, they allow KiwiRail to deliver commercial outcomes for customers and long-term public value for New Zealand.

The Services business generates the Group’s commercial operating surplus. It operates in customer-facing markets and is focused on building customer loyalty, strengthening revenue, improving reliability, lifting productivity and making better use of KiwiRail’s assets to support our customers’ growth.

The Infrastructure business operates under a different model. Its role is to build and maintain a nationally resilient essential Infrastructure network to support our customers. This involves designing, maintaining, renewing and improving the national rail network so that freight and passenger services can operate safely and reliably. Infrastructure revenue is largely linked to Government funding arrangements for rail network investment similar to the national highway networks, so its result should be understood as delivery of network stewardship and value-for-money outcomes rather than as a commercial profit measure.

Customer external revenue generated by the Services business supports the operation and growth of customer facing services, while Infrastructure investment provides the network capacity required for those services to operate safely and efficiently.



Services

- Operates in customer-centric competitive transport, logistics, tourism and property markets
- Operates on a commercial basis to achieve commercial self-sustainability

Value created

- Supports customers’ efficient and reliable supply chains and economic activity
- Connects people, regions and tourism destinations

Infrastructure

- Owns, designs, maintains and renews New Zealand’s national rail network
- Primarily funded through Crown investment and rail network funding mechanisms with contributions from local government partners and is focused on delivering long-term public value and value-for-money outcomes

Value created

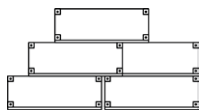
- Maintains a safe, resilient and reliable rail network
- Enables reliable freight and passenger rail services
- Supports national and regional economic productivity
- Provides lower-emission transport infrastructure
- Connects to New Zealand’s integrated land transport system

KIWIRAIL AT A GLANCE

Freight

We move around

16 million
tonnes of freight each year,
including around a quarter of
New Zealand's export freight



Annual revenue of

\$504.4m



We support more than

350 customers'
freight supply chains
across New Zealand



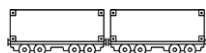
We operate

241 locomotives
and shunt vehicles



and around

4,500 wagons



Contribute

\$3.3bn
of economic value
to NZ economy every year¹



Infrastructure

We operate and maintain an Infrastructure portfolio

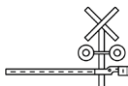
3,800 km
of track



2,691 signals



1,305
public level crossings



105 tunnels



1,274 bridges³



We manage the Auckland and
Wellington metro networks,
supporting more than

24 million
metro passenger journeys each year



Interislander

We connect State Highway
1 across Cook Strait, with
two ships operating around

2,600

sailings a year



Annual revenue of

\$144.8m



People

We have a workforce of approximately

4,500
employees



Women represent around

21% of our workforce



approximately

29% of employees
were under 35 years old



Property

We manage a
land portfolio valued at

\$4.4bn²



Including more than

18,200 hectares
of land leased from
NZRC



Own more than

900 buildings
and manages around
10,000
agreements



¹ Australasian Railway Association, The Benefit of Rail to New Zealand - EY 2024.

² New Zealand Railways Corporation FY26 Annual Report

³ Excludes pedestrian and stock underpasses

STATEMENT FROM THE CHAIR AND CHIEF EXECUTIVE

Total recordable injuries decreased by 12 per cent from prior year.

Operating surplus was \$162 million, ahead of the published target of \$160 million and 45 per cent ahead of prior year.

Total freight volumes were 3.5 billion net tonne kilometres, an increase of 3 per cent over prior year.

Completion of significant capital projects with a value of more than \$1.1 billion.

FY26 showed strong momentum and progress on our customer-led strategic reset plan. We continued to deliver on our strategy to enable our customers' growth by delivering safer operations, stronger service reliability, improved customer loyalty, stronger employee engagement, improved productivity and disciplined financial performance, supported by the commitment of our people and the trust of customers, partners, shareholders and funders.

Safety remains our highest priority. High Potential safety incidents reduced by 52 per cent to 43 incidents. Total recordable injuries reduced by 12 per cent to 214 injuries. These improvements reflect investment in a safety culture focused on care, stronger frontline leadership, critical risk management and critical control assurance. We are encouraged by the progress, but we remain focused on continuing to improve, because the safety of our people, contractors, customers and the public is fundamental to everything we do.

Operating surplus was \$162 million, ahead of the published target of \$160 million. Freight revenue increased by 11 per cent to \$504.4 million, supported by approximately 3 per cent growth in freight volumes and total freight volumes of around 3.5 billion net tonne kilometres. These results demonstrate growing momentum, while recognising there is more to do to sustain consistent performance over time.

KiwiRail plays a critical role in New Zealand's integrated transport system. We move around a quarter of the country's export freight, connect the North and South Islands through Interislander, support more than 24 million metro passenger journeys each year, and contribute an estimated \$3.3 billion of value to New Zealand annually. Our focus is to deliver this role safely, reliably and efficiently, while strengthening the commercial performance of our Services business and maintaining disciplined stewardship of the national rail network through our Infrastructure business.

Customer and operational performance improved across the business. Our freight customer Net Promoter Score stabilised with positive year on year improvement, reflecting stronger customer confidence, improved service reliability and a clearer focus on what customers told us matters most: network reliability, communication, ease of doing business, digital experience and clearer visibility of KiwiRail Freight's strategy. Freight delivery in full and on time for all sectors increased by 3 per cent to 90 per cent, while Interislander reliability, excluding weather, remained strong at 99 per cent through the first full year of operating a two-vessel fleet. These results are internally adjusted measures, prepared on a basis consistent with KiwiRail's performance reporting.

Commercial performance strengthened through a sustained focus on reliability of our core services (underpinned by asset reliability and network maintenance), cost control, labour productivity and customer service. In Rail Freight, we repositioned the MetroPort service between Tauranga and Auckland, helping customers manage capacity and risk while supporting increased container volumes from shipping lines, importers and exporters. MetroPort container volumes increased by 6 per cent over the prior year. We also agreed a long term target for the growth of rail at Port of Auckland to 320,000 TEU. We're proud to support New Zealand Steel's new arc furnace with rail infrastructure. We have also recently introduced Taranaki Connect to deliver import and export containers efficiently to North Island ports and our new Container Link product helps customers to transition empty containers and access storage services between Tauranga and Auckland. Enhancements to the customer portal have made it easier for customers to access information and manage their interactions with KiwiRail. These practical initiatives demonstrate the role rail can play in giving customers more reliable and efficient transport choices within an integrated supply chain.

Partnerships with ports, shipping lines and major customers also supported growth. We progressed our agreement with Port Otago on an inland freight hub in Mosgiel, supported increased volumes by 76 per cent with Port Napier across logs and containers, and worked with Qube Logistics as it increased the share of containers from Ports of Auckland by rail. Great Journeys New Zealand increased revenue by 5 per cent, as it continued to develop its premium tourism offer, higher passenger volumes, improved yield and continued growth in Scenic Plus services.

FY26 was an important year for Interislander. As a result of the new ferries expected in 2029 the business completed the decommissioning and sale of Aratere, and our focus has been maintaining capacity, utilisation, customer service and communications to manage change. We managed capacity to lift utilisation by 10 per cent across passenger and commercial vehicle services which contributed to a strong turnaround of operating surplus from negative \$11 million in FY25 to positive \$16 million in FY26. KiwiRail continued to support the new ferries and infrastructure programme led by Ferry Holdings. We welcomed the confirmation that KiwiRail will operate the two new rail-enabled Cook Strait ferries. KiwiRail will continue to work with Ferry Holdings, port partners and other stakeholders to support the new infrastructure and a smooth transition into service.

Property revenue increased by 4 per cent on the prior year, supported by active management of KiwiRail's



significant property portfolio, strong occupancy across key strategic assets and continued commercial leasing activity. This work supports recurring revenue, protects strategic rail land and helps create future opportunities for rail-connected customers.

Across the Infrastructure business, our focus remained on lifting asset integrity, asset condition network reliability and value for money. KiwiRail invested \$936 million in the national infrastructure network, approximately 63 cents in every infrastructure dollar in maintaining and renewing the rail network, ahead of the level highlighted by the New Zealand Infrastructure Commission as important for sustaining existing assets. This disciplined focus supports the long-term safety, reliability and resilience of the national rail network and helps ensure public funding is directed to the areas that matter most for sustainable performance.

Auckland's metro network was a major focus of investment and operational effort during the year as KiwiRail completed the final push to prepare for the opening of City Rail Link on 13 September 2026. Significant renewal and maintenance activity contributed to marked improvements in network performance, with punctuality and reliability reaching their highest levels in decades, comparable to Metro operations in Melbourne and Sydney and supporting a more dependable service for Auckland passengers. Together with ongoing investment across the Wellington network, these improvements are strengthening network resilience, enabling higher-frequency passenger services, and delivering more reliable outcomes for customers. We also acknowledge the strong support of Ministers, Mayors and regional partners in helping bring City Rail Link to fruition and supporting this final phase of delivery.

These results were achieved through the effort, care and flexibility of our people. During the year employee engagement lifted to 76 per cent, reflecting the pride our people take in serving customers and communities across New Zealand. We thank our teams, customers, partners, shareholder and funders for their ongoing commitment through a period of significant change, and for their continued trust and support.

Strong governance is essential to delivering our strategy. Since FY25 the Board has undergone significant renewal with the appointment of a new Chair, Deputy Chair and new Directors bringing a broad mix of experience across public sector leadership, finance, freight, logistics, digital transformation and technology management and infrastructure. This strengthened governance capability supports KiwiRail's focus on improved performance, value

for money, disciplined stewardship of public assets and meeting Government expectation.

KiwiRail enters FY27 with a strengthened operational platform, focused on customer outcomes and a substantial investment programme underway. Our priorities remain clear: safe operations, stronger service reliability, better asset utilisation, increased labour productivity, continued freight growth for improved asset utilisation, a proud connected team and disciplined delivery of value for money from infrastructure investment.

The strategic reset process achieved over the last two years gives KiwiRail a strong platform for the next stage of its growth strategy and reinforces the important role rail plays in New Zealand's resilience, regional economies and integrated transport system.

FY27 will be about converting that momentum into sustained growth, stronger customer outcomes, improved productivity and the delivery of long-term value for New Zealand. Customers and stakeholders can expect to see continued investment in modernising KiwiRail's assets, including the commissioning of additional Stadler DM locomotives and new freight wagons that will simplify our fleet, improve reliability, provide more consistent service for customers and reduce long-term maintenance costs. We will maintain a practical and disciplined commercial and operational focus on sustained performance while investing in our people, strengthening data integrity, simplifying business processes and significantly improving our operational technology and digital tools to improve efficiency, productivity and organisational agility. Together, these initiatives will help deliver a more productive, reliable and customer-focused railway that is better positioned to support New Zealand's future transport needs.

Suzanne Tindal

Chair

Peter Reidy

Chief Executive

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

The United Nations Sustainable Development Goals (SDGs) are a shared global framework for addressing the world's most significant economic, social, and environmental challenges by 2030. The 17 goals provide a common language for organisations to demonstrate how their activities contribute to sustainable development and long-term value creation.

Our Rautaki Whakauka Sustainability Strategy identifies three key SDGs that KiwiRail can play a meaningful role in contributing to:

- **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.

Further detail and our delivery against these goals is detailed in our Sustainability Report.



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. The material topics presented in the report were identified through a materiality assessment process completed in FY25. This process helped to define the social, economic and environmental topics that matter most to our business and stakeholders.

Stakeholder feedback continues to highlight safety, performance, long-term planning and KiwiRail's role in shaping a better New Zealand. Stakeholders expect KiwiRail to strengthen reliability, support climate action, build community and iwi relationships, and provide a clear direction for the future.

The seven most important topics identified in FY25, 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 Office 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>

KIWIRAIL 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	 CARE & PROTECT  ONE WINNING TEAM  STRAIGHT & TRUE  GREAT CUSTOMER EXPERIENCES MANAKITANGA KOTAHITANGA TŪTŪRU PĀREKAREKA							
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, resilient value for money network	Productivity & reliability 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 (HiPo) <22	Customer Service Delivery (DIFOT) 95%	Benefits of Rail to network investment ratio 3.9	Freight Volume (NTK) 4.0bn	Customer Net Promoter Score +35	Employee Engagement Score ≥76%	Total cost/ revenue (drive to 65) 65%	Reduce Scope 1 & 2 GHG emissions 40%

DELIVERING ON OUR STRATEGY

We will deliver through seven strategic priorities:

Relentless safety, health and wellbeing	Our goal is to have zero injuries every day through a relentless focus on safety, health and wellbeing. We will achieve that by building on the successful Toitū Te Mauri Programme and continuously improving our systems and maturing our culture.
Reliable, resilient value for money network	We will develop and deliver a value for money rail network investment programme that supports our customer-led growth strategy. We will deliver on our reliability targets and modernise and standardise working practices to further drive productivity and efficiency. We will also deliver a step change in metro infrastructure reliability to support patronage and economic growth.
Productivity and reliability operational excellence	We will achieve customer service targets, deliver productivity improvement and provide an excellent customer experience every day by developing and applying best practice standards, processes, procedures and technology. This will create capacity for future freight growth.
Right products, best customer service	KiwiRail's future is first and foremost customer-led. We will work in partnership with our customers to develop the products they want and meet their expectations every day. We will grow volume and access to rail through innovation.
Enable our people to be their best, one team	We will create the conditions for engaged, capable and high-performing teams who feel valued, empowered and connected to our purpose.
Simplify our business	We will reduce complexity, review non-core services and streamline processes, equipment and business areas to increase productivity, and lift customer and employee experience, value and profit.
Leaders in sustainability	We are leaders in low-emission freight transport, and we will continue to decarbonise our operations to reach our net zero target.



FINANCIAL YEAR 2026 PERFORMANCE

KIWIRAIL GROUP

KiwiRail’s FY26 performance reflects the breadth of its role in New Zealand’s transport system and the outcomes that matter most to its stakeholders: safe operations, a capable and engaged workforce, disciplined financial performance, reliable customer services and sustained investment in the national rail network.

This section summarises KiwiRail’s FY26 performance across the outcomes that matter most to our stakeholders. It begins with Safety, Health and Wellbeing and Our People, recognising that safe operations and an engaged

workforce are essential to KiwiRail’s performance. It then outlines Group financial performance and performance across the Services business, including Rail Freight, Interislander, Great Journeys New Zealand and Commuter Services, and Property and Facilities. The section concludes with the Infrastructure business, including the national and metro rail networks and the investment programme that supports safe, reliable and resilient rail services.

SAFETY, HEALTH AND WELLBEING

The safety, health and wellbeing of our employees, contractors, customers and the public remain paramount for KiwiRail. Our work directly affects the people who use, operate and work around the rail network every day, and operating a safe and reliable network remains central to how we lead, plan and deliver our services. Across FY26, we achieved a significant reduction in HiPo (High-Potential) Events, reducing these by 51.7 per cent from 89 events in FY25 to 43 events in FY26. These events are those aligned to our critical risks which have the potential to cause fatality, serious harm, or a significant operational impact if not effectively controlled. We also reduced our total recordable injuries by 11.6 per cent reducing from 242 injuries in FY25 to 214 in FY26.

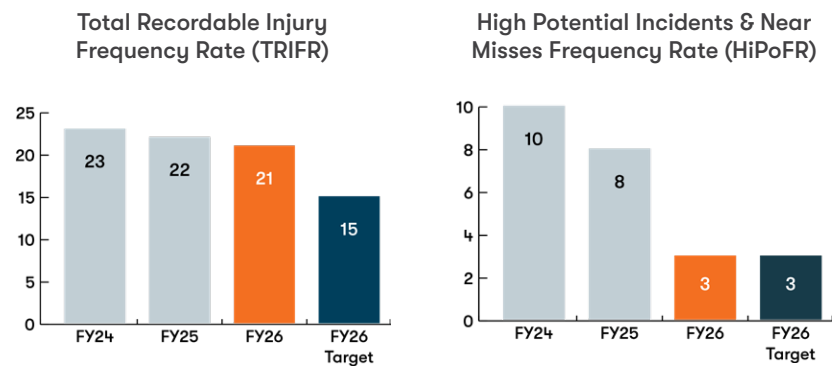
These improvements were achieved through a stronger focus on leadership accountability, critical risk management and frontline engagement. Key actions included Safety Leadership training for line managers, with more than 430 people now trained, and Shifting Mindsets training for frontline leaders, with more than 400 people now trained. These programmes have increased field-visible leadership, strengthened critical control assurance,

and better equipped line leaders to engage with their teams and contractors to drive positive safety change.

This work was supported by practical safety improvements, including engineering controls and equipment upgrades, allowing for safer work practices, with continued investment through the Health and Safety Action Team (HSAT) Critical Risk Fund. We also strengthened safety capability through upgrades to the Locomotive Engineer School curriculum and continued to build a more safety-conscious culture through the annual HSAT Forum, Rail Safety Week, and collaborative rail safety initiatives with major customers, including Fonterra.

KiwiRail was prosecuted in relation to three safety incidents across FY26. We take these events extremely seriously and acknowledge the impact they had on those involved. The findings and recommendations arising from these incidents have informed improvements across our safety systems, training programmes and critical risk controls, with continuous learning and improvement remaining central to our commitment to keeping our people, contractors, customers and communities safe.

Safety, Health and Wellbeing



OUR PEOPLE



Our people are central to KiwiRail's role in connecting New Zealand. In FY26, we continued to build a safe, capable, engaged and sustainable workforce, while aligning our organisation to future business needs. Over the past two years, overall headcount reduced by approximately 9 per cent through workforce planning, organisational redesign and productivity-focused initiatives. At the same time, we continued to invest in critical skills, leadership capability and future talent pipelines.

Employee engagement remained a strength. The People Survey achieved 72 per cent participation and an engagement score of 76 per cent, exceeding our target and providing insights to improve leadership, communication, performance and recognition.

Capability development also remained important. At year end, KiwiRail supported 108 active apprentices, 14 graduate intakes and 16 internship placements. More than 40,000 training instances were completed by employees and contractors, supporting capability across operational, technical and professional disciplines.

We made further progress on workforce diversity. Women represented 20.7 per cent of the workforce, meeting our target, and more than 40 per cent of new starters were women. Employee-led networks continued to support connection, inclusion and employee voice.

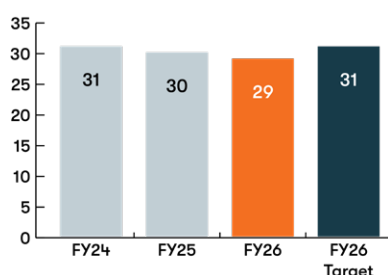
Workforce stability improved, with total attrition reducing to 12.3 per cent and voluntary attrition to 7.7 per cent. This supports retention of skills, experience and institutional knowledge, while reinforcing our focus on succession planning and knowledge transfer.

Throughout the year, we recognised the contribution of our people through long-service milestones and achievements that demonstrated customer focus, innovation and KiwiRail's values in action.

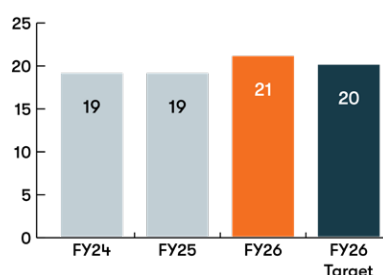
Looking ahead, we will continue to strengthen leadership, workforce planning and future talent pathways, while improving how work is designed and delivered. These priorities will help build a safe, skilled, engaged and future-ready workforce that supports KiwiRail's strategy and the important role rail plays in New Zealand's transport system.

People Metrics

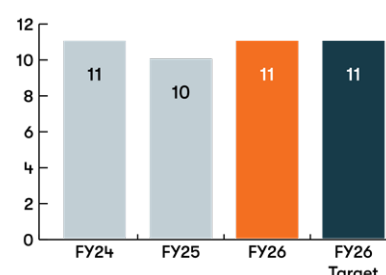
Under 35 Years Old in the Workforce (%)



Women in the Workforce (%)



Women in Operational Roles (%)



GROUP FINANCIALS



KiwiRail's operating surplus reflects revenue earned from customers and the operational costs of running the railway. In FY26, KiwiRail delivered an operating surplus of \$162 million.

Operating Surplus

\$162m

up 45%

Ahead of target \$160m

Revenue

\$1.1bn

up 5%

Ahead of target \$1.0bn

Cash Generated from Operations

\$177m

up 72%

KiwiRail delivered a Group operating surplus of \$162 million in FY26, exceeding its published target. The result was driven by strong performance across its customer-facing businesses, including Rail Freight, Interislander, Great Journeys New Zealand, Commuter Services, and Property, together with disciplined cost management.

The Group recorded a statutory net deficit of \$1.412 billion, largely due to non-cash accounting adjustments rather than underlying operating performance.

The largest adjustment was a \$1.192 billion impairment of City Rail Link (CRL) assets following their transfer to KiwiRail. While CRL will provide significant transport, economic and social benefits for New Zealand, accounting standards require KiwiRail to value the assets based on the commercial returns it is expected to receive. As those returns are lower than the construction cost, an impairment was required.

A further \$556 million impairment arose from the annual review of the value of rail, ferry and related assets. This reflects updated accounting valuations based on expected future commercial cash flows rather than any deterioration in the condition, capability or operational performance of those assets.

The Group also recognised a \$198 million reduction in the value of investment properties, primarily relating to land associated with the Drury Station development. This adjustment reflects an updated fair value assessment and is also a non-cash accounting entry.

These valuation movements do not affect KiwiRail's cash position, liquidity, funding arrangements or day-to-day operating performance. Importantly, New Zealand's rail network and major rail investments are funded by the Crown in recognition of the wider public, economic, environmental and transport benefits they provide. Accounting standards, however, require KiwiRail to value assets based on the commercial returns they are expected to generate for KiwiRail itself. This difference between public funding objectives and commercial accounting valuation requirements can result in significant impairments even where assets remain fully funded, continue to deliver their intended benefits, and are expected to operate as planned.

While the impairments reduce reported profit and accounting equity, they do not diminish KiwiRail's ability to operate, maintain or invest in the network and do not reflect any reduction in Government support for nationally significant rail infrastructure. Rather, they represent the application of accounting standards to long-life assets that deliver benefits extending well beyond the commercial returns available to KiwiRail.

Capital expenditure* of \$1.146 billion supported investment in rolling stock, infrastructure, customer assets, property and ferry readiness programmes. These investments improve safety, reliability and resilience, while positioning KiwiRail to meet future freight and passenger demand.



Opening Equity

\$1,860.4m

Equity at **30 June 2025**

Movement In Equity

\$489.7m

Net increase during **FY26**

Closing Equity

\$2,350.1m

Equity at **30 June 2026**

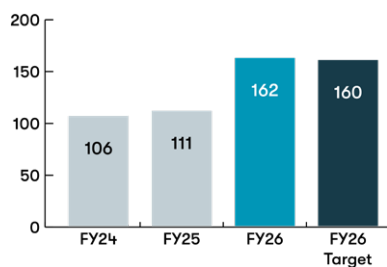
\$m	Services*	Infrastructure*	FY26
Operating revenues	810.8	310.1	1,120.9
Operating expenses	(649.1)	(310.1)	(959.2)
Operating surplus	161.7	-	161.7
Capital grants			305.5
Depreciation and amortisation			(151.9)
Insurance proceeds			209.1
Net finance income and other items			9.8
Fair value movement on investment properties			(197.8)
Impairment			(556.2)
Impairment – City Rail Link assets			(1,191.9)
Net deficit before taxation			(1,411.7)
Income tax expense			(0.2)
Net deficit after taxation			(1,411.9)

* Figures for Services, Infrastructure, and Group Capital Expenditure are presented on a management-reporting basis, consistent with KiwiRail's internal performance reporting. Total Group operating revenue and operating surplus agrees to the FY26 financial statements.

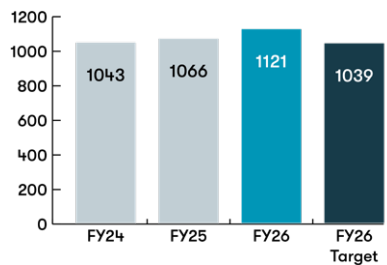


Group operating revenue and funding

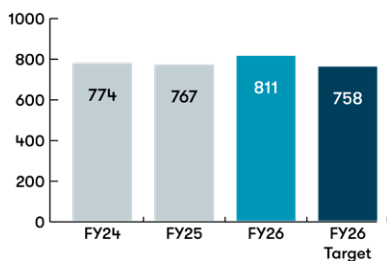
Group Operating Surplus (\$m)



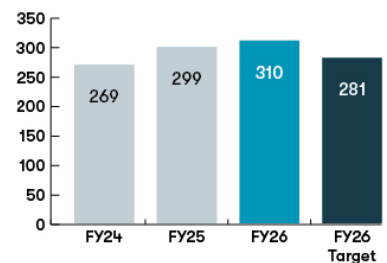
Group Revenue (\$m)



Services Revenue (\$m)



Infrastructure Revenue (\$m)



SERVICES BUSINESS | RAIL FREIGHT

Overview

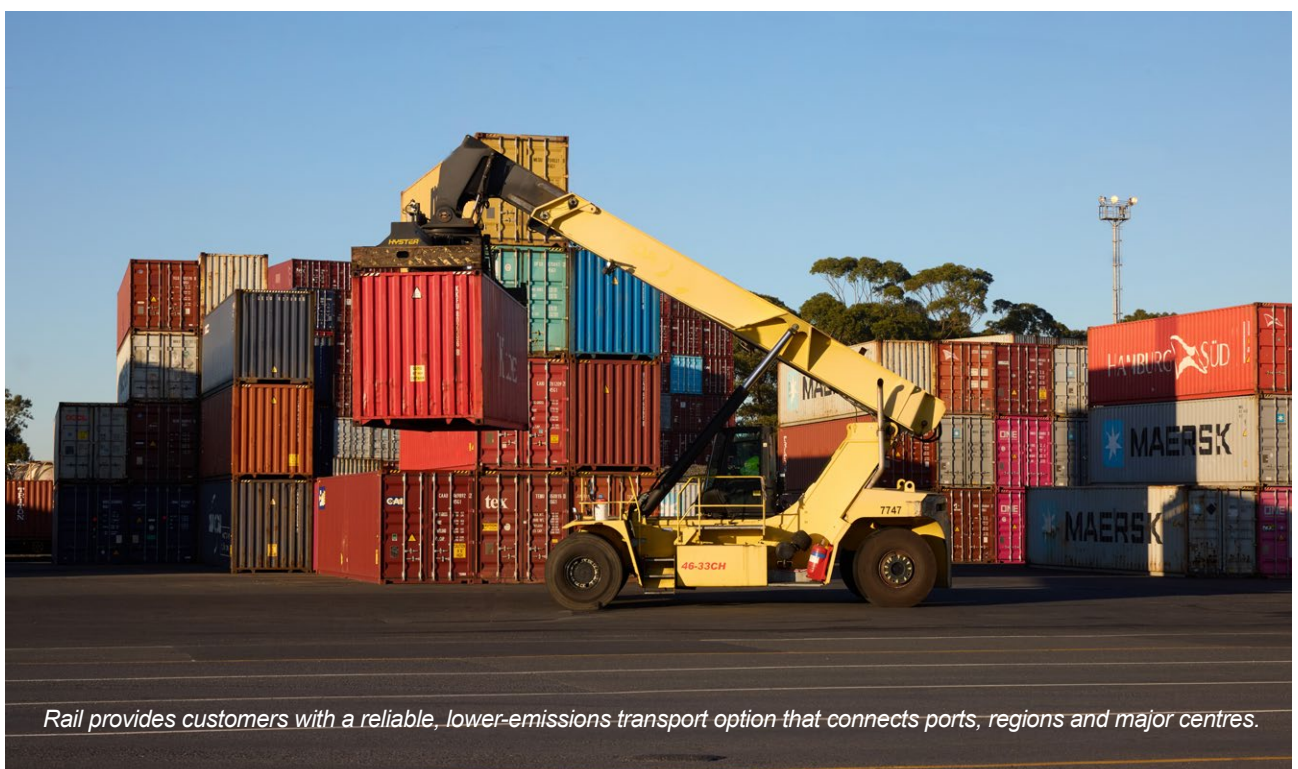
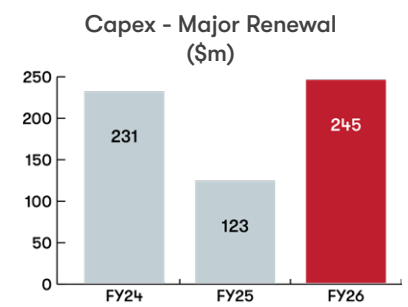
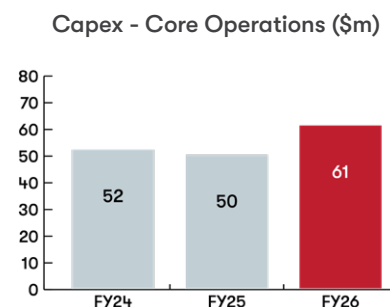
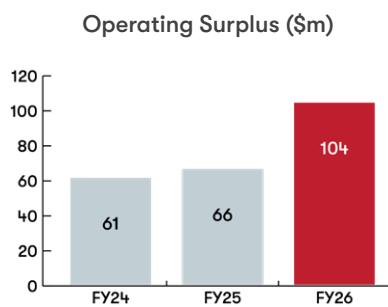
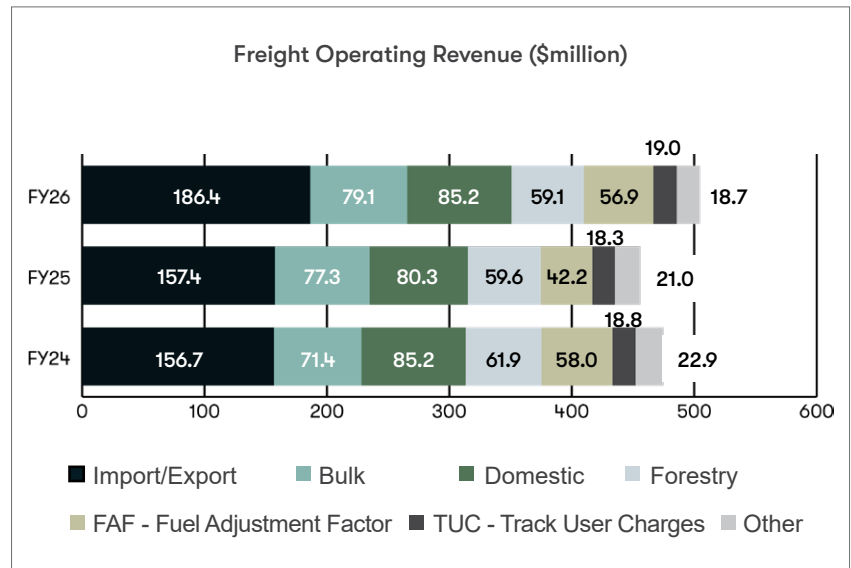
KiwiRail Freight plays an important role in New Zealand's transport system, moving goods for exporters, importers and domestic customers across the country. Rail provides customers with a reliable, lower-emissions transport option that connects ports, regions and major centres as part of an integrated supply chain.

KiwiRail Freight operates across four main segments:

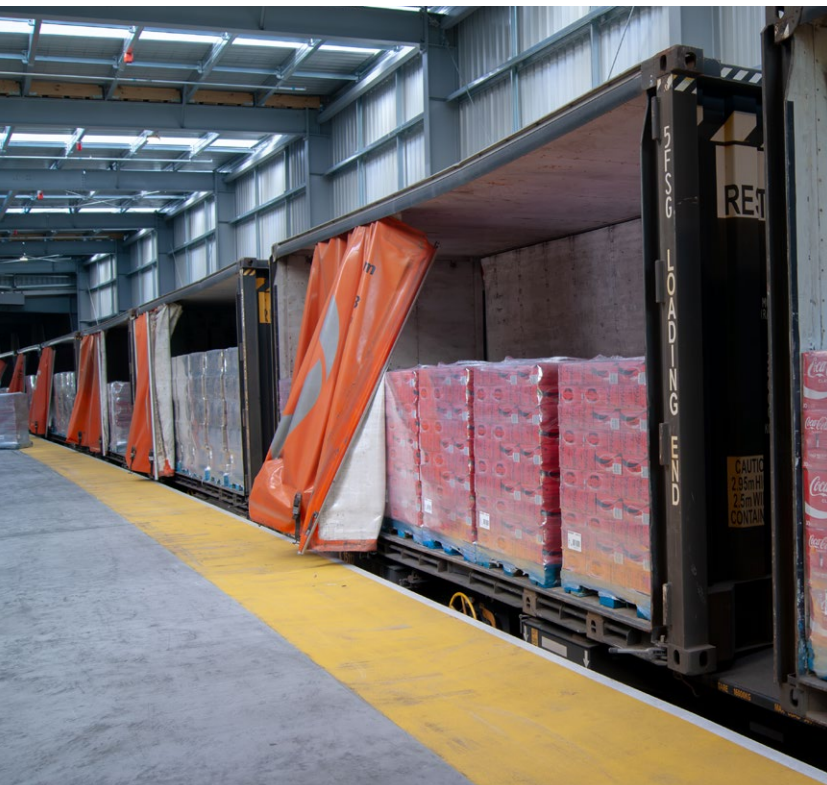
- Import/export goods moving to and from ports
- Bulk goods such as milk, coal and steel
- Timber and forestry products
- Domestic goods moving between cities.

FY26 Performance

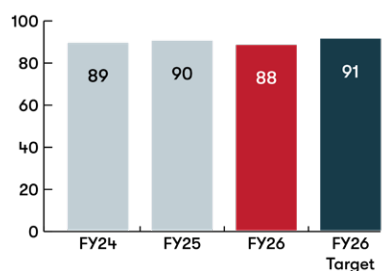
Freight operating revenue totalled \$504.4 million, up 11 per cent on prior year.



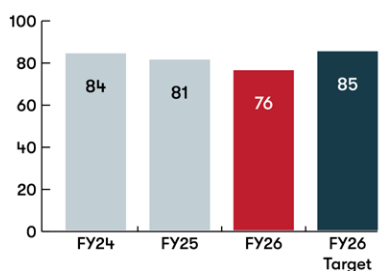
Rail provides customers with a reliable, lower-emissions transport option that connects ports, regions and major centres.



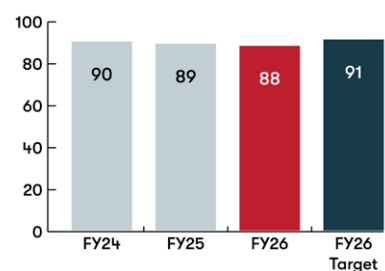
On Time Performance Freight Premier (%)



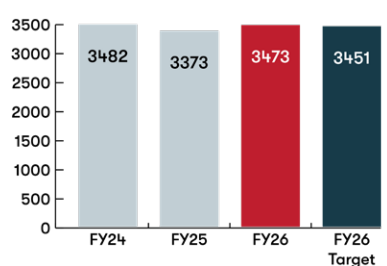
Locomotive Availability (%)



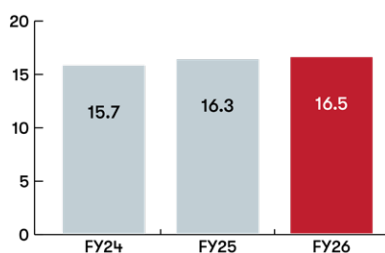
Wagon Availability (%)



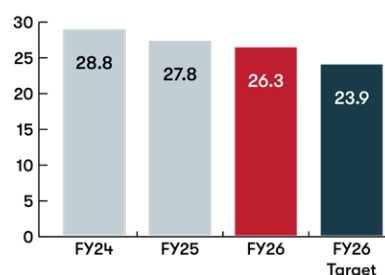
Freight Carried - NTK (million)



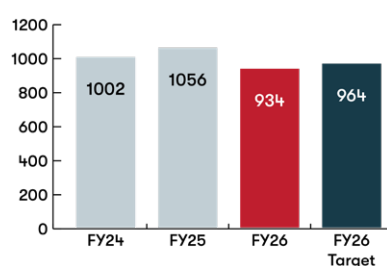
Freight Carried - Tonnes (million)*



Rail Freight Carbon Intensity (grams of CO2 equivalent emissions per net tonne km)



Truck Avoidance (000s)



* Freight Carried - Tonnes have been restated from previously published figures to include all movements which generate external revenue.

PERFORMANCE COMMENTARY

Operating environment

Freight markets remained variable during FY26, with customer demand affected by domestic economic conditions, fuel costs, global supply chain disruption and weather events. Despite this operating environment, revenue strengthened in the second half of the year as network reliability improved and demand recovered from FY25 disruption.

Market and Customers

Revenue growth was strongly weighted to the second half of the year despite the Middle East conflict resulting in short term reductions in export logs.

Freight tonnes carried increased 1 per cent from prior year and Net Tonne Kilometres (NTKs) increased 3 per cent. Segment performance was uneven with a strong uplift in Import/Export, stable growth in Domestic and Bulk, and a structural decline in Forestry.

The Marketing and Customer Experience function was established in early FY26 to support freight growth, heighten awareness of rail, and create a clearer link between customer insight, marketing activity, digital capability and commercial outcomes.

In response to customer feedback, we have clarified KiwiRail's offer, delivering several critical initiatives:

- Statement of products and services
- Refreshed freight branding
- A new website, clearly articulating our offerings
- Brand campaign to increase consideration of rail
- Regular cadence of customer engagement, including quarterly newsletter and regional roadshows.

A key strategic focus is improving our customer experience. KiwiRail Freight NPS improved 2.8 points year-on-year, reflecting stronger customer confidence from our improved service delivery and disruption response.

Following the survey, we established a focused improvement programme on what customers told us was most important to them: network reliability, communication, ease of doing business, digital experience and clearer visibility of KiwiRail Freight's strategy. Progress has included:

- **DIFOT performance:** improved delivery performance, although consistency remains a key focus. We have improved visibility through customer scorecards and reports, enabling more transparent conversations and stronger accountability.
- **Customer reporting:** more regular performance reporting to improve transparency and support better customer conversations.

- **Customer engagement:** a more consistent and timely engagement rhythm, with improved content, through our Operational Pānui (particularly during disruption), quarterly newsletters, and customer roadshows.
- **Digital experience:** Enhancements to the customer portal, freight visibility tools and the new freight website have made it easier for customers to access information and manage their interactions with KiwiRail.
- **Strategic transparency:** regional roadshows to share KiwiRail plans, discuss priorities and build stronger customer understanding of our direction and build trust in the relationship.

The latest survey results indicate that the core areas for improvement remain consistent, reinforcing the focus on initiatives that matter most to customers and support stronger commercial outcomes.

Customer Value capability also strengthened during FY26, with improved governance, reporting cadence and data disciplines across trade corridors, sales pipeline, digital customer experience and customer reporting.

This created a stronger platform to link customer demand, service performance and commercial opportunity, supporting more informed prioritisation and better alignment between growth activity and operational capacity.

Operational Excellence

Operational performance improved through better planning, stronger asset reliability and more consistent reporting. Terminal activities were replanned to better match customer commitments, and new reporting tools improved visibility of service performance and emerging issues.

Fleet reliability continued to improve during the year. Seven additional Stadler DM locomotives entered service in the South Island, and specific reliability programmes for the DL and EF locomotive fleet were undertaken. Across the locomotive fleet, the average distance travelled between unplanned service interruptions increased to approximately 52,000km at 30 June 2026, compared with 27,000km in FY25.

Wagon availability remained ahead of demand, supported by continued production of new 40-foot wagons at Hillside, where 1,000 new wagons have now been assembled. KiwiRail also commissioned a new locomotive training simulator at Te Rapa, strengthening training capability for locomotive engineers.

Key Achievements

Market and Customers

- Metroport (Auckland-Port of Tauranga) volumes up 5.6 per cent from prior year following commercial transfer to KiwiRail in December
- Export coal volumes up 8.5 per cent from prior year supported by a full operational year of Midland line after the reopening of the Tawhai Tunnel
- Dairy tonnes up 2.1 per cent from prior year and NTKs up 5.7 per cent supported by strong rail connections to export ports
- Domestic volumes up 3.1 per cent supported by strong customer partnerships.

Operational Excellence

- DIFOT increased to an average of 90 per cent compared with 87 per cent in FY25
- European Train Control System (ETCS) installed to 40 DL class locomotives, with full implementation on 30 August 2026
- Demand-led operational planning was introduced to better align customer demand, capacity and service delivery
- The roll-out of modern freight wagons to improve capacity, reliability, and long-term asset resilience.

Outlook

Freight demand is expected to remain mixed in FY27. Import container volumes remain consistent and the export outlook, including dairy, is positive for the new season. Forestry is expected to remain under pressure due to weaker demand from China and higher fuel-related shipping costs, while parts of the Bulk segment continue to face structural change as customers transition away from thermal coal.

KiwiRail Freight's focus in FY27 will be on strengthening reliability, improving DIFOT and making rail easier to do business with. Priorities include clearer customer reporting, better corridor performance visibility, live tracking, more proactive customer alerts and continued work to align customer demand with available capacity.



Freight carried (NTK) increased 3 per cent from the previous year.

SERVICES BUSINESS | INTERISLANDER

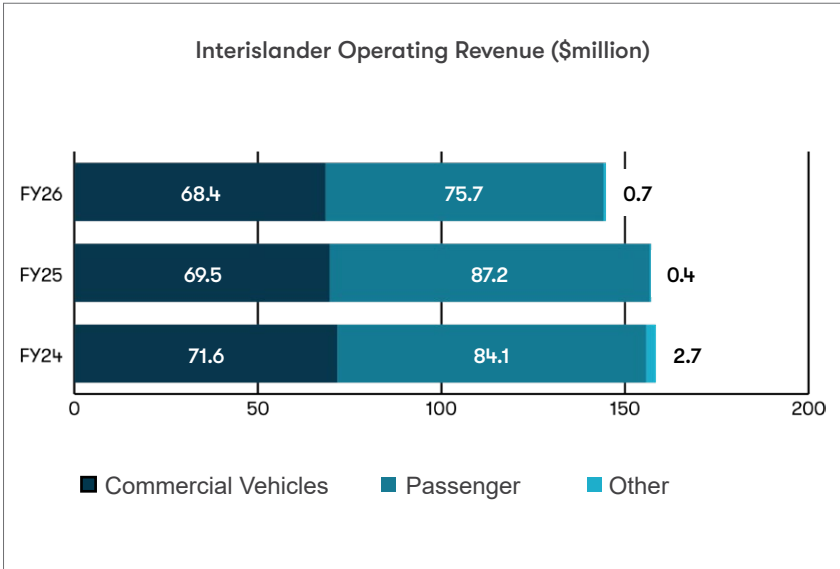
Overview

Interislander connects the North and South Islands across Cook Strait, carrying freight, commercial vehicles and passengers as part of New Zealand’s integrated transport system. The service links State Highway 1 and the national rail network, supporting customers, communities, tourism and supply chains.

Interislander’s focus is on safe, reliable sailings, good customer service and efficient use of available fleet capacity, while preparing for the future ferry operating model.

FY26 Performance

Interislander Operating Revenue totalled \$144.8 million, a decrease of \$12.3 million (7.8 per cent) from FY25 reflecting the change to two ship operating model following the retirement of Aratere.





PERFORMANCE COMMENTARY

Operating Environment

FY26 was a transition and turnaround year for Interislander, with the business operating a two-ship model while continuing to meet customer needs across freight, commercial vehicle and passenger markets. The focus was on maintaining a reliable Cook Strait connection, communicating clearly with customers during periods of constrained capacity, and using available fleet capacity more effectively. Improved coordination between freight and passenger demand allowed unused capacity to be released dynamically, lifting utilisation and supporting better access for customers.

This disciplined operational excellence focus through a period of significant change generating a significant commercial and performance improvement in a challenging period.

Customer outcomes will remain central to the next phase of Interislander's development. With KiwiRail confirmed as operator of the future rail-enabled fleet, the business is using current customer, operational and industry feedback to shape the future onboard product, freight interface, booking experience and disruption response model.

Market and Customers

Revenue and operating surplus performed better than target, supported by careful capacity management, improved utilisation and continued cost discipline. FY26 was the first year of operating with two ships, and the business used this period to better understand customer demand, fleet capacity and service settings under the new model.

Coordination between commercial vehicle and passenger vehicle capacity improved during the year. The dynamic

release of unused freight capacity to passenger services helped lift utilisation from 73 per cent in FY25 to 83 per cent in FY26.

Interislander also continued to support the new ferry programme, with work focused on the future onboard product and customer experience. Operational teams and industry reference groups provided input to help ensure the future service reflects customer expectations and operational requirements.

Net Promoter Score remained broadly in line with the prior year. Customer sentiment temporarily reduced during the March disruption but returned to expected levels after services stabilised.

Operational excellence

FY26 was a year of strong operational performance for Interislander. Reliability increased from 98 per cent in FY25 to 99 per cent in FY26 (excluding weather), exceeding target levels and supporting service continuity through the transition to a two-ship fleet.

Operational capability also strengthened during the year. Key maintenance activities were brought in-house, improving control and reducing reliance on external providers. Investment in engineering training and development initiatives with Maritime New Zealand supported future technical capability.

Interislander also improved purchasing discipline, supplier management and technical oversight. Business continuity plans were completed and communicated to customers ahead of the winter one-ship operating period, supporting clearer expectations and more proactive communication during planned disruption.

Key Achievements

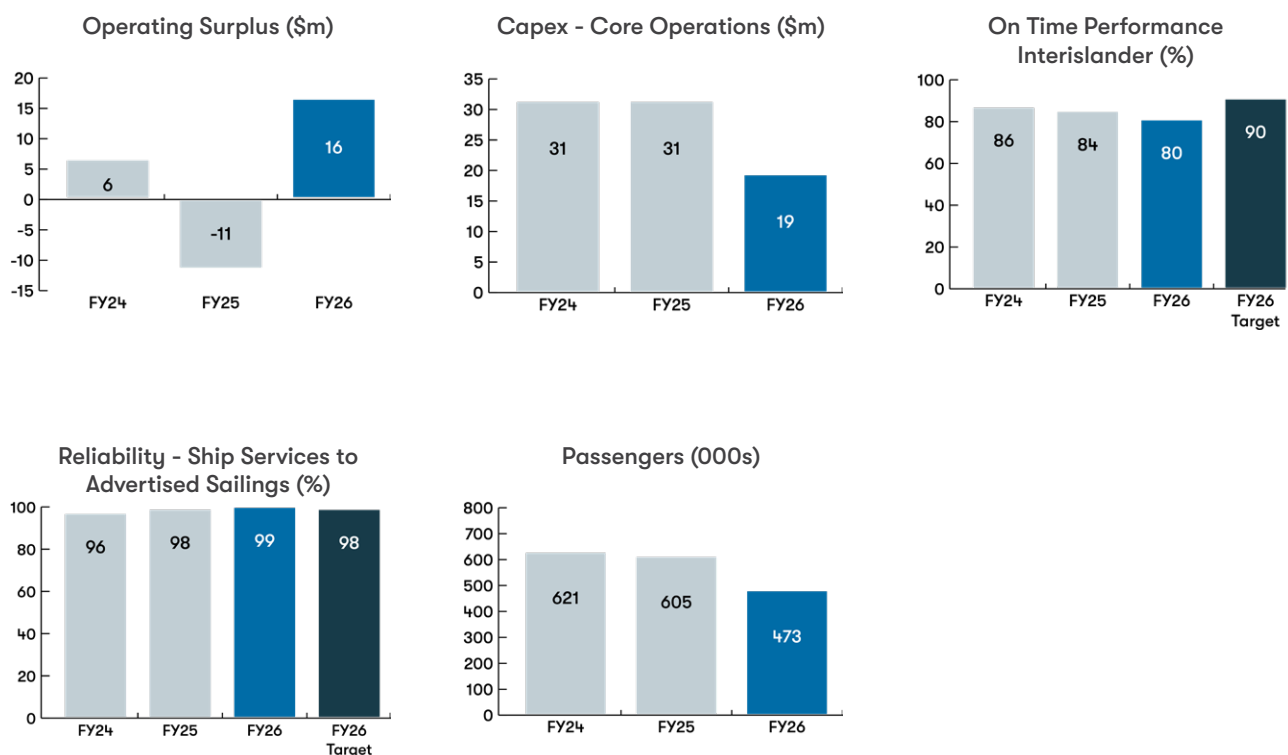
- Carried more than 68,000 commercial vehicles, 175,000 passenger vehicles and 473,000 passengers
- Maintained operational reliability of 99 per cent, up from 98 per cent in FY25
- Completed the transition to a two-ship operating model following the retirement of Aratere
- Improved utilisation from 73 per cent to 83 per cent through better capacity management
- Opened the new Kaiwharawhara baggage claim facility in November 2025.

Outlook

In FY27, Interislander will continue to balance reliable service delivery with careful management of available capacity, particularly during scheduled dry dock periods when the business will operate with one ship. Freight services will remain a priority during these periods, and passenger capacity may be reduced at times. Clear customer communication and careful operational planning will be important to maintaining service continuity.

Port infrastructure upgrades are expected to progress as part of preparations for the new ferries, which are expected to enter service in 2029. Managing these works safely and efficiently will be important to maintaining current services while building future capability.

With KiwiRail confirmed as the future operator of the new fleet, the focus will increasingly shift to operational readiness, customer and stakeholder engagement, and preparation for the future service. The new vessels are expected to improve customer experience, operational capability and network resilience over time.



SERVICES BUSINESS | GREAT JOURNEYS NEW ZEALAND AND COMMUTER SERVICES

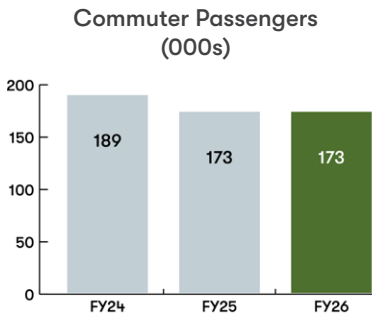
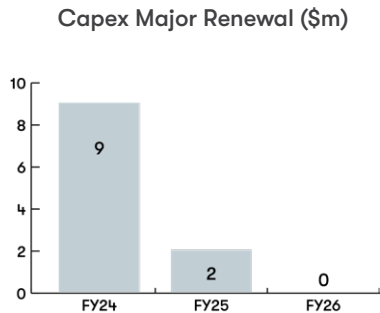
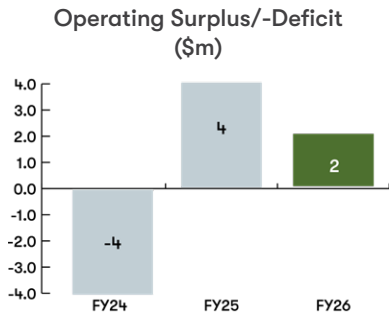
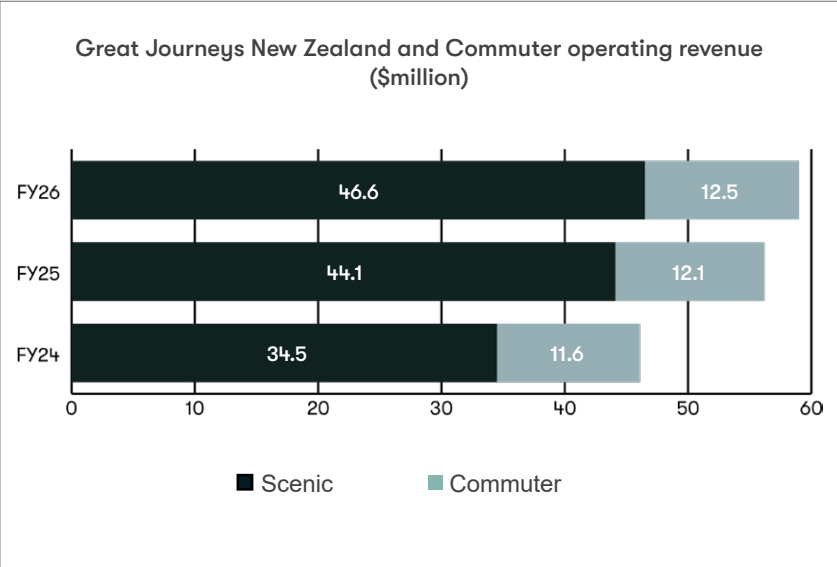
Overview

Great Journeys New Zealand connects domestic and international visitors with regional New Zealand through premium rail tourism experiences. It operates the TranzAlpine, Coastal Pacific and Northern Explorer, and offers multi-day tours, charters, events and short-break packages.

Commuter Services operates Te Huia and Capital Connection under contract to regional councils. These services support regional connectivity into Auckland and Wellington and provide public transport options for people travelling between major centres and surrounding regions.

FY26 Performance

GJNZ and Commuter Operating Revenue was \$59.1 million, 5.2 per cent growth on prior year.



GJNZ PERFORMANCE COMMENTARY

Great Journeys New Zealand continued to reposition its offer around premium rail tourism, focusing on higher-value customer experiences rather than passenger volume alone. Revenue was \$2.5 million ahead of the prior year, although operating profitability reduced due to higher operating costs. Growth in Scenic Plus, multi-day tours and event-based packages helped strengthen yield and broaden the customer proposition for domestic and international visitors. Marketing and public relations activity in key visitor markets increased awareness of New Zealand's scenic rail experiences, while onboard crew training and digital improvements supported a more consistent customer journey.

Customer experience remained a key focus. Onboard service capability was strengthened through crew training, and average Net Promoter Score improved 4 points. Weather-related disruption affected some services during the year, reinforcing the importance of clear customer communication, disruption management and flexible rebooking processes.

The next stage of customer-led growth is to make the experience easier to discover, book and manage. Priorities include improving the digital booking pathway, simplifying refund and rebooking processes, strengthening disruption communication, and building premium tourism partnerships that support higher-yield growth.

Great Journeys New Zealand delivered revenue growth in FY26, supported by increased passenger and higher yield.

GJNZ Key achievements

- Carried more than 190,000 passengers across the TranzAlpine, Coastal Pacific and Northern Explorer, a 3 per cent increase year-on-year
- Operated more than 1,300 trips and travelled approximately 485,000 kilometres
- Delivered 40 multi-day tours between September 2025 and May 2026
- Continued growth in Scenic Plus and packaged tourism products, supporting premium yield
- Delivered successful special-event services, including World of WearableArt, Court Theatre and Southerner packages
- Introduced new customer experiences, including High Tea trains to Timaru.

GJNZ Outlook

Tourism demand is expected to continue recovering in FY27, although market conditions may remain variable due to global economic conditions, geopolitical uncertainty and the cost of travel to New Zealand. GJNZ will continue to focus on yield management, targeted marketing and premium customer experiences to support revenue growth.

Operational priorities for FY27 include improving disruption management, simplifying refund and rebooking processes, strengthening onboard service capability and improving the digital booking experience. These priorities will support GJNZ's premium positioning and help build its reputation as one of New Zealand's leading rail tourism experiences.

COMMUTER PERFORMANCE COMMENTARY

Commuter Services supported regional connectivity by continuing to operate Te Huia and Capital Connection under contract to regional council partners. These services provide customers with public transport options into Auckland and Wellington and support broader regional transport objectives. Te Huia passenger numbers increased during the year, and the service secured a 12-month extension supported by NZTA funding, demonstrating continued demand for regional passenger rail.

Reliability remains the key customer issue. Network constraints, rolling stock reliability and congestion affected delivery performance for both services. In FY27, the focus should be on improving DIFOT, strengthening disruption communication, and working with regional councils, NZTA, network and rolling stock teams to provide customers with a more dependable service.

Commuter Key Achievements

- Continued operation of Te Huia and Capital Connection under contract to regional council partners

- Te Huia passenger numbers increased by 3 per cent year-on-year
- Secured a 12-month extension for Te Huia, supported by NZTA funding
- Continued to provide regional public transport connections into Auckland and Wellington
- Maintained focus on customer service and operational coordination through periods of network constraint and disruption.

Commuter Outlook

In FY27, Commuter Services will continue to focus on safe and reliable delivery of contracted services, working with regional council partners, NZTA and internal network and rolling stock teams. Priorities include improving DIFOT, managing disruption effectively, strengthening customer communication and supporting planning for future regional passenger rail needs.



SERVICES BUSINESS | PROPERTY AND FACILITIES

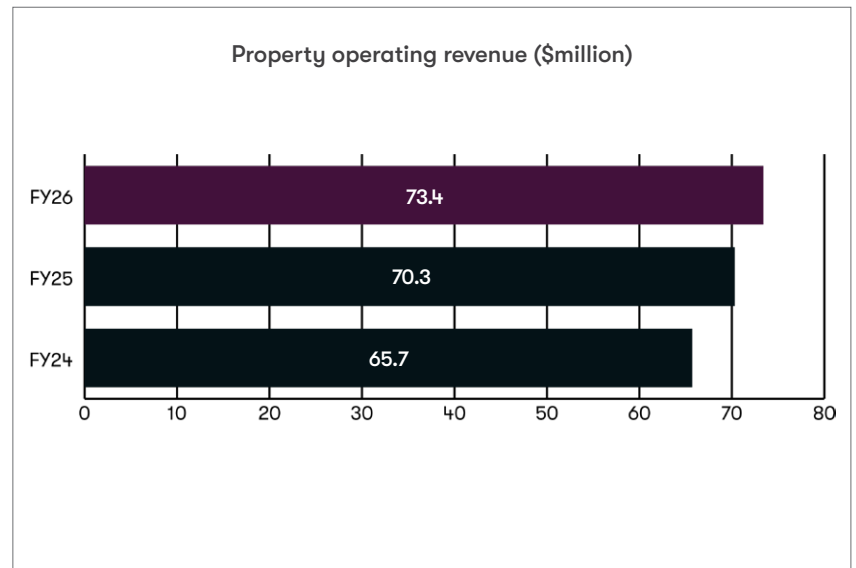
Overview

KiwiRail Property and Facilities manages one of New Zealand's largest transport-related property portfolios, including more than 900 buildings and approximately 18,200 hectares of land leased from the New Zealand Railways Corporation. The portfolio supports rail operations, freight customers, commercial tenants, councils and neighbouring communities.

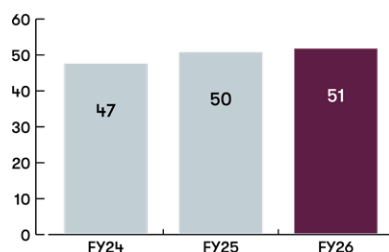
The team's role is to protect strategic rail land, generate sustainable commercial returns and maintain the facilities KiwiRail's people and customers rely on.

FY26 Performance

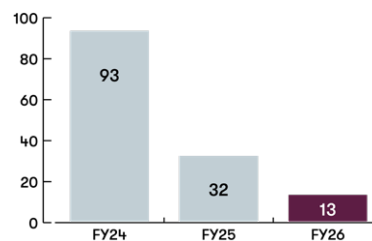
Property and Facilities delivered a strong FY26 result, with revenue of \$73.4 million and operating surplus of \$51 million. Revenue increased by approximately 4.4 per cent.



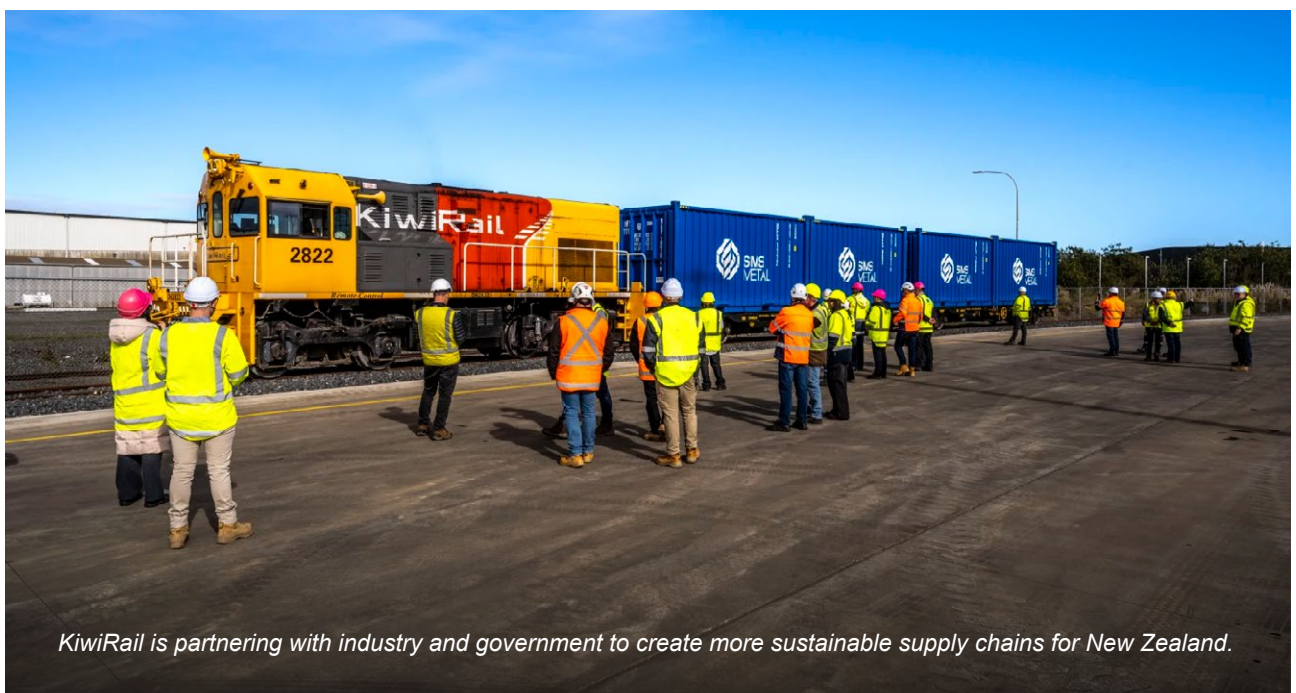
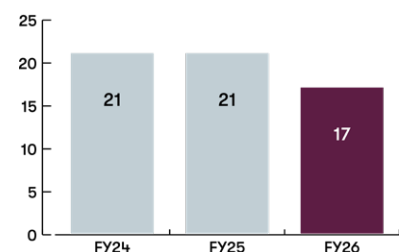
Operating Surplus (\$m)



Capex - Major Developments (\$m)



Capex - Core Operations (\$m)



KiwiRail is partnering with industry and government to create more sustainable supply chains for New Zealand.



PERFORMANCE COMMENTARY

Property and Facilities supports customer outcomes by protecting and making better use of rail-connected land, terminals, depots and facilities. In FY26, active lease management, high occupancy and targeted commercial negotiations strengthened recurring revenue while also supporting freight customers, commercial tenants and operational teams. Rail-connected property remains an important part of KiwiRail's customer proposition because it enables access to the network, supports logistics hub opportunities and preserves land needed for future rail growth.

The next phase should place greater emphasis on long-term customer and network value. Priorities include progressing land tenure and lease settings, improving asset planning, investing in safe and fit-for-purpose facilities, and supporting property opportunities that improve access to rail for customers and protect strategic corridors for future transport needs.

Key achievements

- Delivered revenue of \$73 million and operating surplus of \$51 million
- Maintained strong occupancy across key strategic property assets
- Strengthened recurring revenue through active lease management and targeted commercial negotiations

- Supported freight customers through rail-connected property and logistics hub opportunities
- Invested \$17.1 million in core facilities capital expenditure to maintain safe, functional and fit-for-purpose operational buildings
- Improved asset planning and facilities management to support portfolio resilience and long-term investment decisions.

Outlook

In FY27, Property and Facilities will continue to focus on sustainable commercial returns, protecting active rail land and supporting the facilities needed to run safe and reliable rail operations. The team will also continue to support rail-connected freight opportunities and logistics hub development where these align with KiwiRail's long-term network and customer priorities.

A key priority will be progressing longer-term land tenure, core lease settings and development opportunities to diversify future profit streams. Greater certainty over land and lease arrangements will support better investment decisions, stronger commercial performance and property outcomes that align with the long economic life of rail infrastructure.

Overview

KiwiRail's Infrastructure Network business maintains, renews and improves the national rail network so freight and passenger services can operate safely and reliably. The network includes track, bridges, tunnels, culverts, signals, telecommunications, electrical systems and level crossings.

Because the Infrastructure business is largely funded through rail network investment arrangements, its performance is best understood through safe delivery, asset condition, network reliability, resilience and value for money, rather than commercial profit.

FY26 Performance

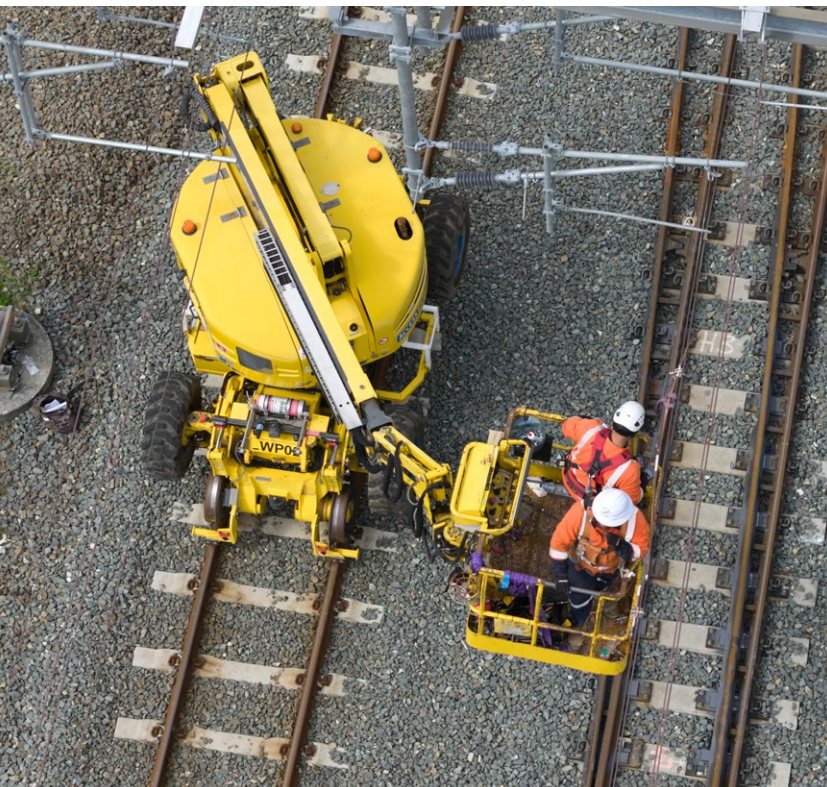
In FY26, Infrastructure delivered a substantial programme of maintenance, renewals and improvement works across the national rail network. The focus was on sustaining critical assets, improving network reliability and resilience, and supporting freight and passenger services across the country.

Investment continued to be directed towards maintaining and renewing the existing network, with approximately 63 cents in every infrastructure dollar invested in asset maintenance and renewals. This supports a more disciplined and sustainable approach to long-term rail network stewardship.

Measure	Definition
Track Quality Index (TQI)	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)	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.
Heat 40s	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.



More than 900 people worked across over 80 sites during Auckland block of line closures to deliver critical network upgrades.



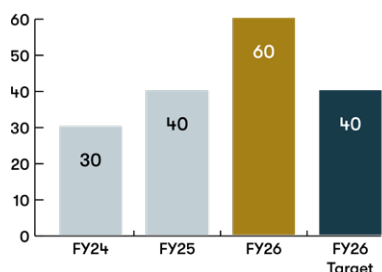
PERFORMANCE COMMENTARY

During FY26, KiwiRail Infrastructure continued to improve the safety, reliability and resilience of the national rail network. This work supports freight customers, metro passenger services and New Zealand's wider transport system.

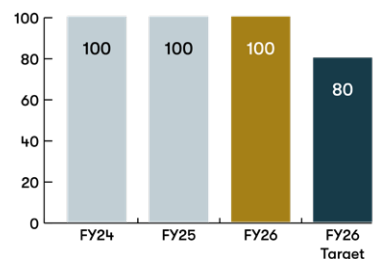
A key focus was making sure investment was directed to the areas that matter most: maintaining and renewing critical assets, reducing network constraints, improving resilience to severe weather and strengthening value for money. This approach helps keep the network available for current services, delivering value for money while preparing the network for future demand.

The New Zealand Infrastructure Commission has highlighted the importance of prioritising maintenance and renewals to sustain existing infrastructure. KiwiRail's investment approach is consistent with that direction, with a significant share of infrastructure expenditure directed to maintaining and renewing the rail network.

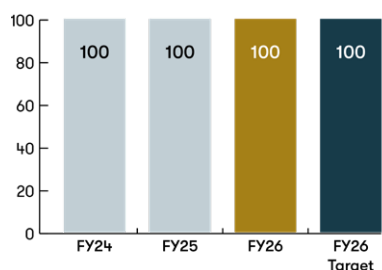
TSRs on priority routes within target (%)



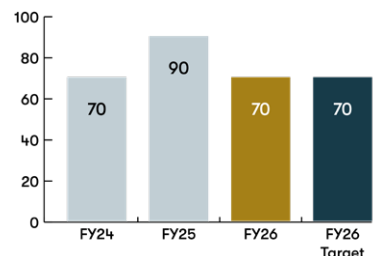
Heat 40s of priority routes within target (%)



TQIs within target for priority routes (%)



TQIs on secondary routes achieved target performance (%)



Key Achievements

Renewals programme

Infrastructure delivered a substantial renewals programme across the national network during FY26, with work focused on sustaining critical assets, improving asset condition and supporting safer, more reliable services for freight and passenger customers including:

- More than 43 kilometres of track renewed
- 5 turnouts renewed
- 31 track-level crossings renewed
- 20.7 kilometres of signals and telecommunications cable renewed
- 4 active level crossings renewed
- 1 full bridge replacement and multiple bridge life-extension works.

Resilience

Resilience remained a priority as the network continued to face severe weather, ageing assets and known route vulnerabilities. Work during the year included bridge preservation, structural strengthening, corridor stabilisation, tree-risk management and formation remediation.

These works help protect critical freight routes, reduce disruption risk and support faster recovery when weather events affect the network.

Reliability

Reliability work focused on reducing restrictions that affect train speeds, journey times and service consistency. Priority routes, including the North Island Main Trunk, Golden Triangle, Midland Line and East Coast Main Trunk, were held within target for most of the year, supporting improved freight delivery performance.

Heat-related speed restrictions (Heat 40s) also reduced year-on-year across major freight routes, helping services operate more consistently during the hottest months.

Expanded use of digital track evaluation, network surveying and LiDAR improved visibility of asset condition and supported better maintenance planning.

Value for money

Infrastructure continued to focus on delivering better value for money from rail network investment. Actions included standardising designs, improving workforce planning, using more in-house engineering and design capability, applying lower-cost technologies such as drone surveying, and strengthening procurement decisions.

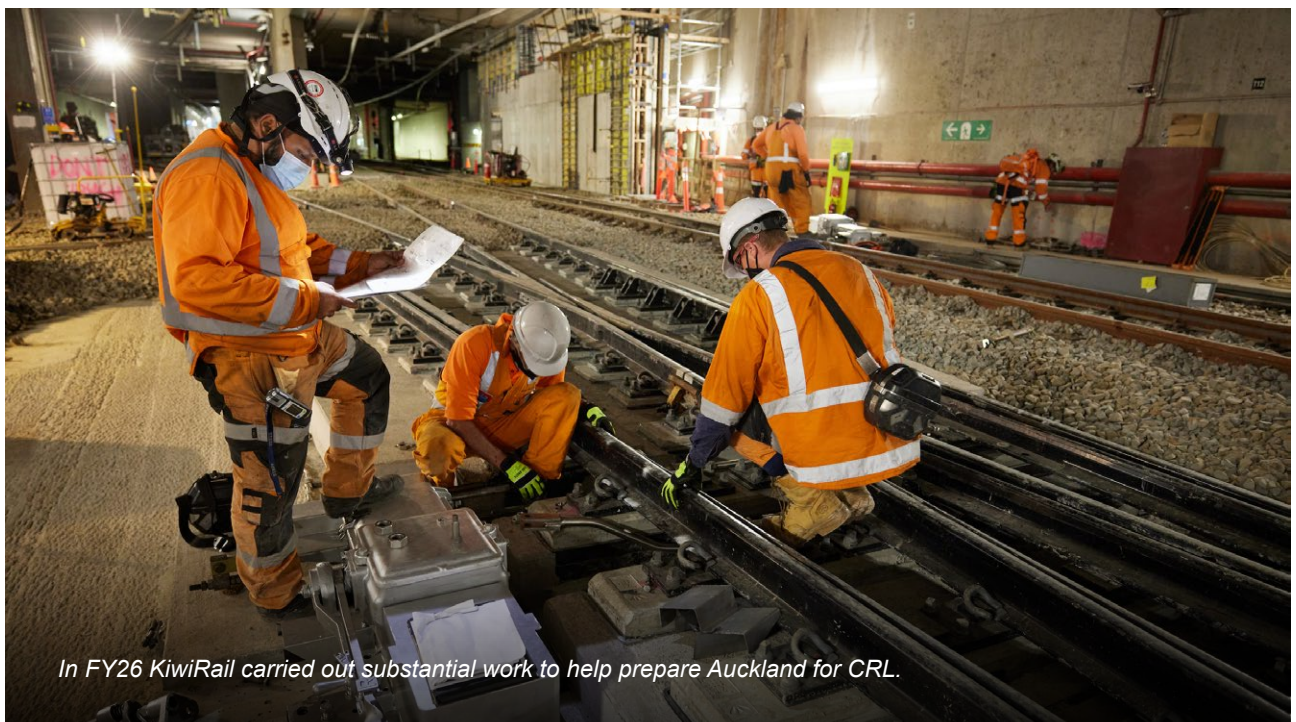
Standardised bridge designs are one example of this approach. Using repeatable designs reduced superstructure construction costs from approximately \$300,000 per metre to \$168,000 per metre, a reduction of around 44 per cent.

Digital tools, including the Asset Criticality Framework, Xerra digital rail twin and a trial of a wagon-mounted track geometry system, also helped improve investment prioritisation and asset inspection.

Outlook

In FY27, Infrastructure will continue to focus on maintaining and renewing the national rail network, improving network reliability, strengthening resilience to severe weather and other disruptions and investing in digital technology and preventative asset management strategies/capability to reduce the cost of operations and improve performance. Priorities include reducing network constraints, improving asset condition, supporting freight and passenger service reliability, and continuing to improve value for money from infrastructure investment.

Ongoing investment in asset data, digital tools, standardised delivery approaches and partnering with NZTA will support better long-term land transport capital investment decisions about where, when and how to invest through an integrated land transport framework. This will help KiwiRail continue to provide a safer, more reliable and more resilient rail network for customers, communities and New Zealand.



In FY26 KiwiRail carried out substantial work to help prepare Auckland for CRL.

Overview

KiwiRail’s Metro Network business maintains, renews and upgrades the Auckland and Wellington metropolitan rail networks. These networks support commuter services, freight movements and the wider public transport systems in New Zealand’s two largest urban regions.

The focus is on providing safe, reliable, efficient and resilient rail infrastructure that supports reliable customer journey time, increased patronage on the Metro networks and prepares the network for future passenger growth.

FY26 Performance

FY26 was a significant year for the metro networks. In Auckland, KiwiRail substantially completed the Auckland Rail Network Rebuild, brought the Third Main Line into operational use, continued to support benefits from Papakura–Pukekohe electrification, and progressed final readiness work for City Rail Link opening.

In Wellington, renewals and improvement works continued across track, structures, tunnels, level crossings and supporting infrastructure. This work supports long-term reliability, resilience and future passenger service growth.

Measure	Definition
Punctuality	Punctuality measures the percentage of services that are delivered within their planned arrival times.
Reliability	Reliability measures the percentage of services that were completed compared with services planned.



City Rail Link is helping deliver more frequent and better-connected rail services across Auckland.



PERFORMANCE COMMENTARY

Investment in the Auckland and Wellington Metro networks strengthened the foundation for safer, more reliable and more resilient passenger rail services. These works also support freight movements through key urban corridors and help the wider transport system operate more efficiently.

In Auckland, the Rail Network Rebuild, Third Main Line, Papakura–Pukekohe electrification and City Rail Link readiness activities were central to preparing the network for higher-frequency services and future growth. In Wellington, renewals and targeted upgrades supported network condition, resilience and readiness for future regional passenger rail improvements.

Reliable metro networks provide customers and communities with more sustainable transport choices, while also supporting lower road congestion, lower emissions and safer movement of people and freight.

Key Achievements

Auckland Metro

- Substantially completed the five-year Auckland Rail Network Rebuild programme, reaching 99 per cent completion by year end
- Progressed final network readiness for City Rail Link opening
- Commenced operational use of the completed Third Main Line, increasing capacity and operational flexibility on one of New Zealand's busiest rail corridors
- Supported network benefits from Papakura–Pukekohe electrification

- Delivered major renewals across the Auckland network, including more than 80 kilometres of rail replaced, 70 kilometres of modern drainage installed, 30 kilometres of formation renewals, 55 kilometres of sleeper renewals and 218 turnouts installed.

Wellington Metro

- Continued track, crossing, bridge and tunnel renewals to support reliability and future service growth
- Progressed infrastructure upgrades to support future Wairarapa and Manawātū fleet expansion
- Delivered major infrastructure renewal programmes during Christmas and summer shutdown periods
- Renewed track, bridges, tunnels, level crossings and supporting infrastructure across priority parts of the network.

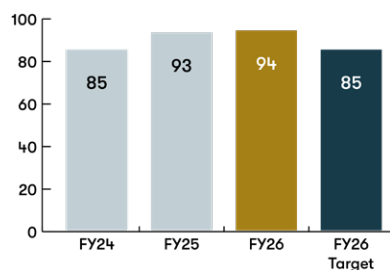
Outlook

In FY27, the Metro Network business will continue to focus on reliable delivery of commuter network services while supporting the next stage of growth in Auckland and Wellington. In Auckland, priorities include supporting City Rail Link go-live, embedding the benefits of the Rail Network Rebuild and continuing to improve network performance reliability and efficiency after a period of major investment and disruption.

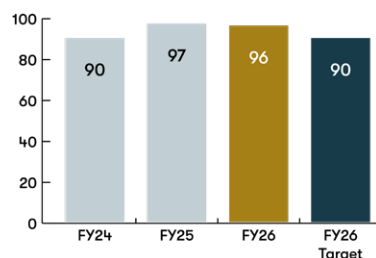
In Wellington, priorities include continuing core renewals, progressing infrastructure upgrades that support future service growth, and improving resilience across key parts of the network. Across both cities, KiwiRail will continue to work with public transport partners to improve reliability, efficiency, manage disruption and support safer, more sustainable transport choices.



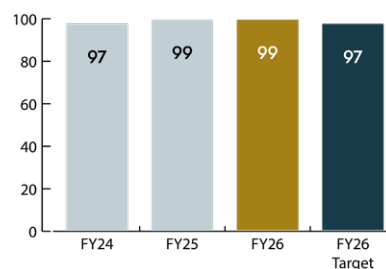
Completed Trips - Auckland Metro (%)



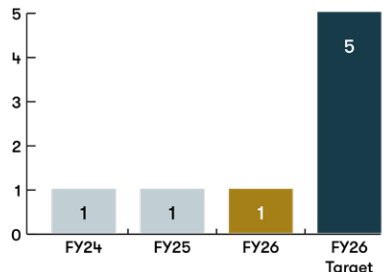
Punctuality - Auckland Metro (%)



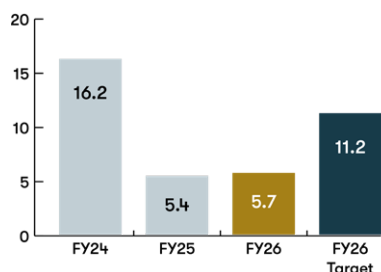
Reliability - Auckland Metro (%)



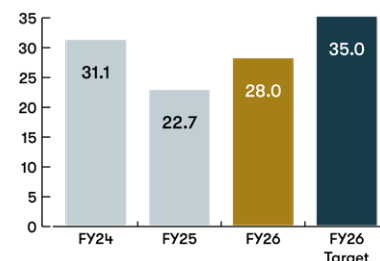
Heat 40s - Auckland Metro (km)



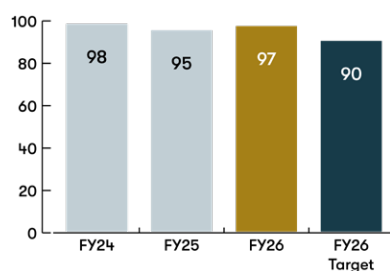
TSRs - Auckland Metro (minutes)



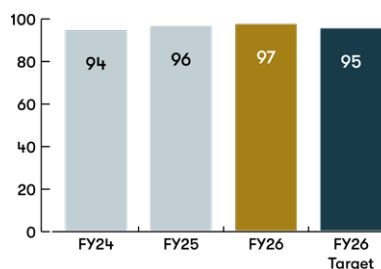
Track Quality Index - Auckland Metro (number)



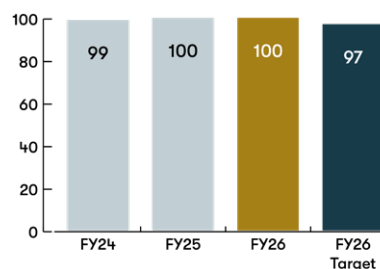
Completed Trips - Wellington Metro (%)



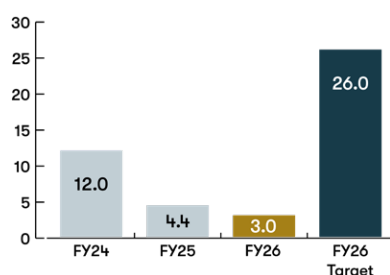
Punctuality - Wellington Metro (%)



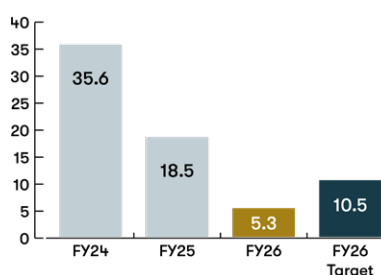
Reliability - Wellington Metro (%)



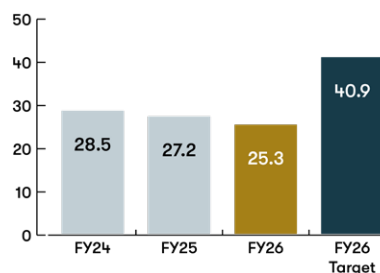
Heat 40s - Wellington Metro (km)



TSRs - Wellington Metro (minutes)



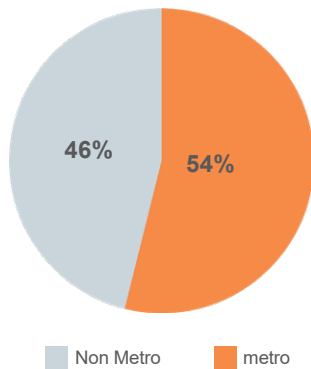
Track Quality Index - Wellington Metro (number)



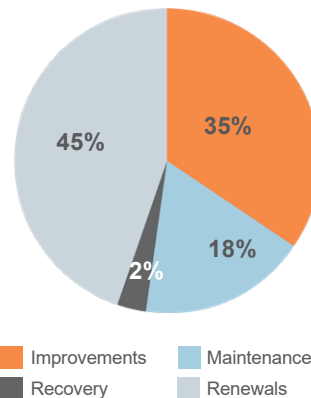
INFRASTRUCTURE BUSINESS | INVESTMENT PROGRAMME

In FY26 KiwiRail invested \$935.8 million in infrastructure operating expenses and capital expenditure, continuing our focus on maintaining and renewing the existing rail network while delivering targeted improvements across the metro and regional networks. This investment supported stronger network resilience, improved public transport reliability, and progressed infrastructure needed to unlock the benefits of wider metro investments, including Auckland's City Rail Link and future service improvements in Wellington.

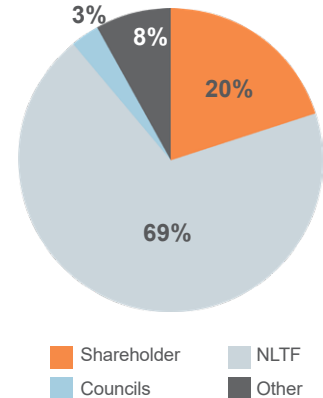
FY26 Infrastructure Spend by Business Segment



FY26 Infrastructure Spend by Type



FY26 Infrastructure Spend by Funding Source



Rail network activity class

The Rail Network activity class continued to deliver a high level of renewal activity across the national network in FY26. Investment was targeted to the busiest and most productive parts of the network, with a focus on improving asset condition, reliability and resilience for freight and passenger services.

Delivery included track renewals, turnout replacements, level crossing works, drainage works, bridge and structures renewals, and telecommunications fibre replacement. Track renewal delivery exceeded the annual target, with more than 43 kilometres completed, 10 kilometres more than budgeted, which will deliver more reliable network operations.

FY26 also showed the benefits of continued asset management improvement and more disciplined delivery planning. Technology, standardised designs and targeted remediation approaches are helping improve efficiency and value for money.

Public transport infrastructure (PTI) activity class

Public transport infrastructure investment in FY26 focused on improving metro network performance and preparing the rail network for increased passenger services in Auckland and Wellington.

In Auckland, KiwiRail substantially progressed the final stages of the Rail Network Rebuild and continued work to prepare the network for the City Rail Link. By year end, the Rail Network Rebuild programme was 99 per cent complete. The Western Power Feed was handed over to

the KiwiRail Network Services team, supporting additional traction power capacity for the Auckland metro network.

In Wellington, investment focused on traction power upgrades needed to support future increases in passenger service frequency. The Wellington Metro Substations programme progressed from design into early delivery, with detailed design completed, civil and overhead line equipment procurement completed, early direct procurement of electrical equipment progressed for new substations at Tawa, Trentham, Pomare, Naenae and North Junction, and construction of the new Naenae substation structure commenced.

Major overdue renewals in Auckland and Wellington continued through FY26, supporting improved network condition and reliability across the busiest passenger rail networks. These works included track, civil infrastructure, structures and signalling upgrades, and form part of the wider catch-up investment required to address historic underinvestment in the metro networks.

Infrastructure works were also progressed on the Manawātū and Wairarapa lines through the Lower North Island Rail Integrated Mobility programme. This included design and enabling work for new and upgraded stabling, loops and associated infrastructure to support planned increased passenger service frequency.

Major Transport Packages

KiwiRail is the delivery agency for major rail transport projects, with investment and national rail projects of more than \$2.0 billion. These projects support increased rail capacity, improved network resilience, and better integration of passenger and freight services across Auckland, Wellington and Northland.

Auckland Package:

The Auckland package continued to progress projects that support growth in rail patronage and network capacity. Physical works for the Drury Central and Paerātā stations were completed, with the stations expected to open for public use in August 2026. Construction of Ngākōroa station is continuing, with completion expected in 2027.

The Papakura to Pukekohe Electrification Project and Wiri to Quay Park third main were completed and opened for use in 2025. Together, these projects extended electrification south to Pukekohe and added capacity through one of the busiest parts of the Auckland network, supporting future growth and improved separation of freight and commuter services.

Wellington Package:

The Wellington package continued to progress infrastructure required to support future passenger service increases and improve network resilience. Enabling works were progressed during the year for the Wairarapa Rail Upgrade Project.

Northland Package:

The Northland package continued to progress planning, enabling and resilience works to support improved rail connectivity in the region. The Marsden Point Rail Link reference design was complete and Otiria Container Terminal stormwater works were complete. Civil inspections and reporting on sections of the North Auckland Line were completed, and targeted culvert and bridge remedial works progressed across the Northland network.



INVESTMENT PROGRAMME SUMMARY

Programme	Encompasses	2025/26 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	419	5,915 ¹	NLTF
	Public Transport Infrastructure and Investment Management Activity Classes - Auckland metro – improvements - Wellington metro – improvements - Control systems	232	1,003 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	8	677	NZUP, Kānoa
Auckland metro area	- Wiri to Quay Park - Papakura to Pukekohe electrification - Drury stations - City Rail Link readiness - General network enhancement	215	1,941	NZUP, MCERT, 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	62	767	NLTF, NZUP
Rolling stock	- Locomotive and shunt replacement - Wagon replacement - Train safety enhancement - EF locomotive fleet refurbishment - Capital Connection and Scenic carriage refurbishment	245	1,732	Shareholder, NZUP, Kānoa
Mechanical facilities	- New/rebuild of mechanical facilities at Waltham and Hillside. Depot upgrades at Woburn - Other miscellaneous depot upgrades	11	300	Shareholder, Crown Investment Partners, Kānoa
Ferry replacement project²	- Operational readiness - Dublin Street overbridge	14	N/A – Programme owned by Ferry Holdings Ltd	Ferry Holdings Limited/ KiwiRail
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	Completed in 2024/25	45	Kānoa, NZUP
Total		1,206	12,419	

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

² KiwiRail's FY26 expenditure relates to operational readiness activities and supporting infrastructure works. The wider ferry replacement programme is owned and managed by Ferry Holdings Ltd and therefore total programme value has not been included.

³ The Investment Programme summary reports total programme expenditure, while the capital expenditure disclosed in the financial statements reflects expenditure recognised as capital assets under accounting standards. Accordingly, the two measures are not directly comparable.

Enhancing our low-carbon, climate-resilient rail system

In FY26 we published our updated *Rautaki Whakauka Sustainability Strategy 2025-2028*, alongside our first Carbon Reduction Plan and Climate Adaptation Plan. Together these documents set out our sustainability priorities, targets and actions across environmental, social and economic outcomes. Further information on progress against these plans will be shared in our first Sustainability Report. Our approach is reinforced through our membership of the Climate Leaders Coalition and the Sustainable Business Council.

Supporting customers and New Zealand's decarbonisation

Rail freight provides customers with a lower-emissions transport option. On average, moving freight by rail produces 60 per cent fewer greenhouse gas emissions than moving the same freight by heavy road transport.

Over the past year we updated the methodology of our Steel Wheels report which provides rail freight customers with information on the emissions produced and avoided by choosing rail. In November 2025, we also launched an online Carbon Calculator for freight customers and Great Journeys New Zealand passengers, enabling users to compare estimated carbon emissions across different transport modes.

In March 2026, both tools underwent independent verification, with Steel Wheels achieving Toitū Envirocare's Carbon Compatible Reporting status for the first time. This provides greater confidence in the emissions information customers use for their reporting and decision-making.

Reducing emissions through our Carbon Reduction Plan

KiwiRail's Carbon Reduction Plan sets out our pathway, including targets and initiatives to support Aotearoa New Zealand's long-term goal to be net zero carbon by 2050. Our targets are to reduce gross Scope 1 and 2 carbon emissions (CO₂e) by 40 per cent by 2035 and reduce rail freight emissions intensity by 46 per cent by 2035, both against an FY19 baseline. We also have targets to reduce key categories of Scope 3 emissions over the same period. FY26 was the second year we reported Scope 3 emissions for operational activities and capital goods.

Scope 1 and 2 emissions

In FY26, Scope 1 and 2 emissions reduced by 18,095 tonnes CO₂e compared with FY25. This represents a 9 per cent reduction compared with last year, and a 24 per cent reduction against the FY19 baseline. While this represents progress towards our long-term targets, emissions remain slightly above the level modelled for FY26, highlighting the need for continued action.

Rail: Our rail freight carbon intensity also improved in FY26 by 5.5 per cent. This was driven by increased utilisation of our refurbished electric locomotives, a continued focus on fuel-efficiency initiatives across our diesel fleet, and higher freight volumes compared to the previous year. Although this represents year-on-year progress, we did not achieve our FY26 target of 23.9 g CO₂e/NTK partly due to lower electric freight volumes compared to what we had modelled.

Interislander: Following the retirement of Aratere in August 2025, Interislander operated a two-ship fleet for most of FY26, resulting in a reduction in gross emissions compared with FY25. We continued to improve the efficiency of the remaining fleet through fuel monitoring, voyage optimisation, hull maintenance, and energy-efficiency initiatives supported by EECA.

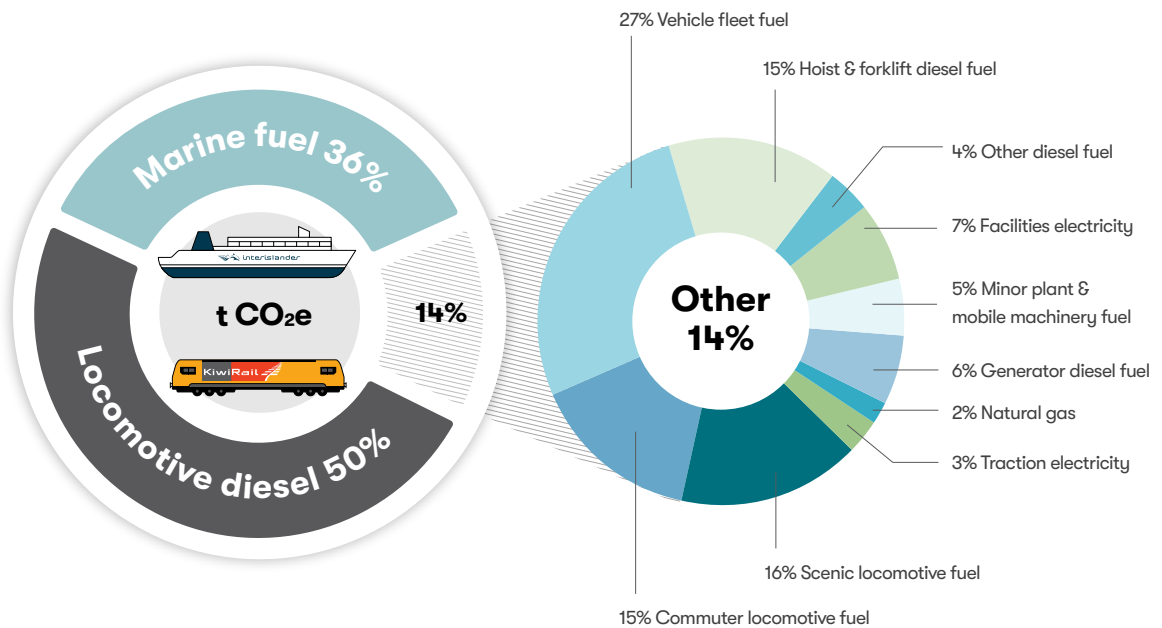
Other emissions reduction initiatives: With co-funding from EECA, we completed electrical site surveys at 29 locations across the network to assess the infrastructure needed to support future electrification of operational assets, including light vehicles, forklifts, and hoists.

We improved our understanding of energy use through audits at Hutt Workshops (EECA co-funded) and Palmerston North Yards. These identified opportunities to improve energy efficiency and reduce operating costs, which will be assessed for implementation from FY27.

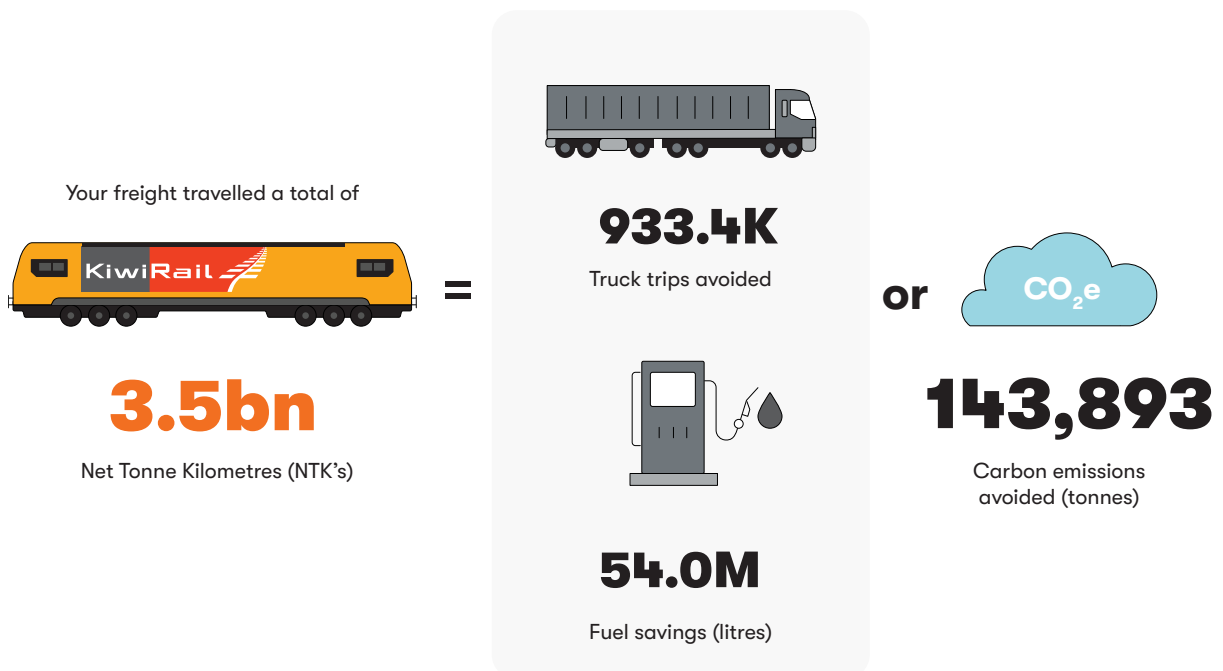
Scope 3 emissions: Operational Scope 3 emissions decreased by 13,840 tonnes CO₂e in FY26, representing a 13 per cent reduction compared with FY25 and a 21 per cent reduction from our FY24 baseline. This reduction exceeded our FY26 target and was primarily achieved as a consequence of lower diesel consumption (and associated well-to-tank emissions) across our rail and ferry operations. In FY26, we adjusted our spend based emissions to account for CPI change relative to a base year 2020 (adjustment for CPI has not been made for previous years).

Further information on our emissions performance including Scope 3 capital goods, targets and decarbonisation initiatives will be shared in KiwiRail's FY26 Sustainability Report.

FY26 Scope 1 & 2 emissions footprint - 183,467 t CO₂e



Total emissions avoided between 1/07/2025 and 30/06/2026.



Climate resilience and adaptation

KiwiRail's operations are experiencing disruption from increasingly frequent and severe weather events. In FY26 we cancelled just over 1,000 rail services, around 10 per cent of all train services due to weather events and associated damage to the network from landslides and flooding. We also experienced around 37,000 delay minutes, representing almost 8 per cent of all delays to our rail services due to weather. A series of back-to-back incidents in October 2025 over a 19-day period was particularly challenging, including multiple major weather events, severe wind damage and fires on neighbouring land.

Throughout the year, we delivered initiatives to enhance the resilience of our services. For example, we improved our processes for managing disruption by developing business continuity plans to ensure proactive communication to customers during weather events.

To help recover faster after disruption, we have retained civil engineers around the country who can rapidly survey for damage after a local incident. This sped up our recovery after October 2025 and January-February 2026 weather events. We reviewed our standards for assessing slope risk and trained our engineers to use a standard approach to help us prioritise repairs and upgrades.

Delivery of capital works that enhance resilience continued, although the unplanned repairs we had to deliver in response to weather damage meant some preventative work had to be postponed.

Despite these challenges, we have identified innovations to extend life of our assets. For example, we successfully piloted a bridge encasing technique at Bridge 49 on the Main North Line. This provided a lower-disruption, lower-cost approach to extending bridge life.



Resilience works along the Kaikōura coast are helping protect critical rail infrastructure from coastal erosion.



Waste minimisation

Waste minimisation remains a practical area for KiwiRail to reduce environmental impacts and improve resource efficiency.

In FY26, 19.5 per cent of KiwiRail's solid waste (from operational sites and offices) was recycled, exceeding our target of 18 per cent. Our target includes inert waste streams such as cardboard, landfill and glass but excludes hazardous waste, e-waste and scrap metal.

During the year we increased the number of eligible sites we have worked with to introduce or improve recycling systems from 82 per cent to above 90 per cent.

Our second waste target is for contractors to divert 70 per cent of construction and demolition waste from landfill. In FY26, contractors delivering the Auckland Metro Programme achieved an 88 per cent diversion rate.

	2018/19	2021/22	2022/23	2023/24	2024/25	2025/26
Rail freight carbon intensity (grams CO₂e per net tonne kilometre)	27.06	26.61	27.22	28.77	27.79	26.34
Carbon footprint – Scope 1 and 2 emissions (tonnes CO₂e)	240,177	210,863	219,644	206,373	201,563	183,468
Carbon footprint – Scope 1, 2 and 3 emissions tonnes CO₂e)				319,500	305,097	273,162

GOVERNANCE

BOARD OF DIRECTORS, AS AT BALANCE DATE 30 JUNE 2026

Suzanne Tindal, Chair

Attendance: 11/11 meetings

Jeffrey Kendrew, Deputy Chair

Attendance: 11/11 meetings

Murray Harrington, Director

Term commenced 1 November 2025

Attendance: 7/7 meetings

Alastair Bell, Director

Term commenced 1 November 2025

Attendance: 6/7 meetings

New Directors, subsequent to Balance Date (disclosed separately for completeness)

Angela Nash, Director

Term commenced on 1 July 2026

Craig Evans, Director

Term commenced on 3 August 2026

Former Directors since 1 July 2025

Robert Jager

Resigned effective 31 October 2025

Bruce Wattie

Retired effective 31 October 2025

Scott O'Donnell

Resigned effective 24 March 2026

Elizabeth Ward

Resigned effective 21 May 2026

Sina Cotter Tait

Retired effective 30 June 2026

For profiles of our Board of Directors please visit our website at [Governance Board | KiwiRail](#)

KIWIRAIL EXECUTIVE, AS AT 30 JUNE 2026

Peter Reidy, Chief Executive

Jason Dale, Chief Financial Officer

David Gordon, Chief Capital Programme Officer

Terry Johnson, Chief Safety Health and Wellbeing Officer

Suzie Lewisham, Chief People and Culture Officer

Vanessa Oakley, Chief Strategy Risk and Corporate Affairs Officer

Duncan Roy, Chief Operations Officer

Siva Sivapakkiam, Chief Infrastructure Officer

Adele Wilson, Chief Customer and Growth Officer

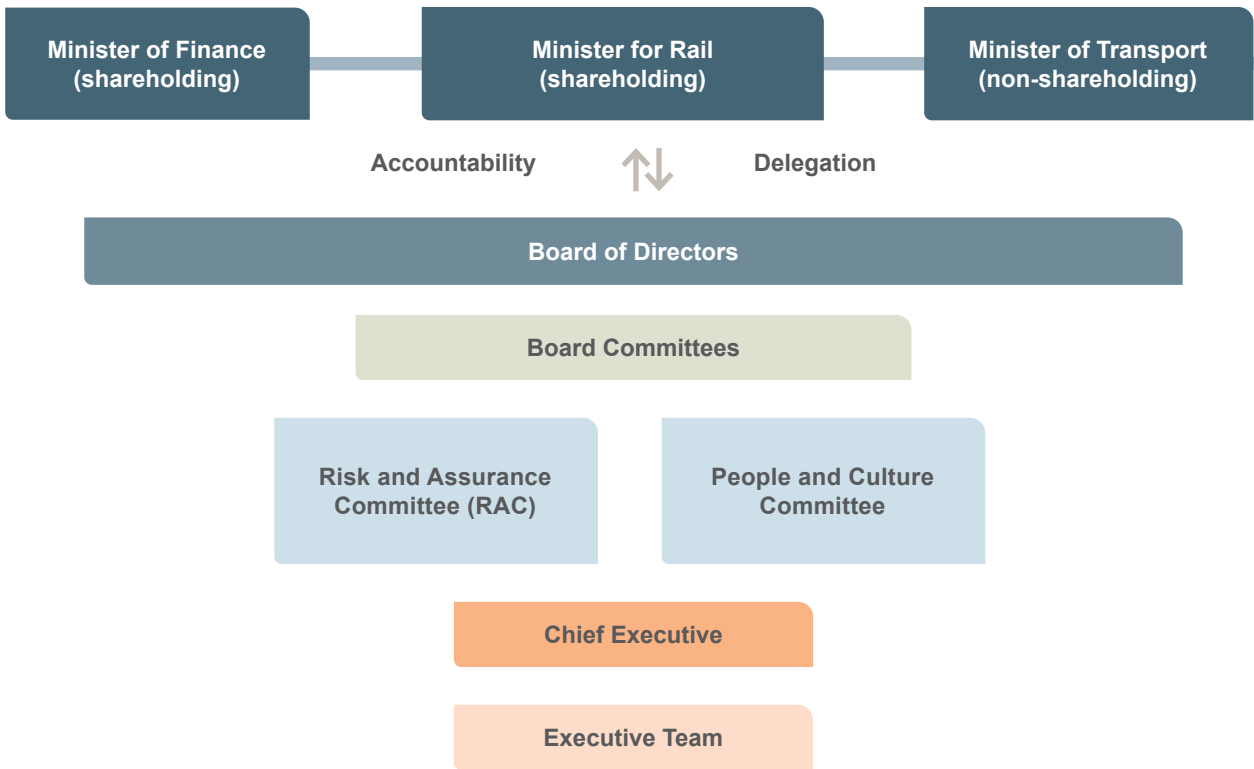
For profiles of our KiwiRail Executive members please visit our website at [Executive Team | KiwiRail](#)

HOW WE ARE GOVERNED

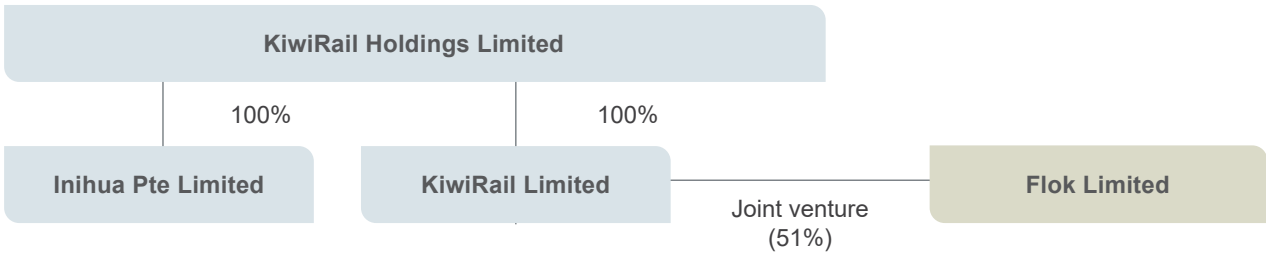
The Board of Directors of KiwiRail is appointed by the Shareholding Ministers and is accountable to the Shareholding Ministers for the performance of KiwiRail. The Shareholding Ministers may jointly remove directors at any time and entirely at their discretion.

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.



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 2026 the Group comprised KiwiRail Holdings Limited, and its subsidiaries as detailed. Clifford Bay Limited was wound up on 14 May 2026.

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 two Board committees supporting director oversight of the company and its performance. Committee members detailed below are as at 30 June 2026.

Risk and Assurance Committee (RAC): Meets 7 times per annum

2025/26 members: Bruce Wattie (Chair 1 July – 31 October 2025); Sina Cotter Tait (1 July 2025 – 30 June 2026); Elizabeth Ward (1 July 2025 – 21 May 2026).

Murray Harrington (Chair 3 November – current); Alastair Bell (3 November – current).

Assists the Board with the discharge of its responsibilities in relation to enterprise-wide risk management, financial management and reporting, external and internal audit and assurance and other matters as determined by the Board.

People and Culture Committee: Meets 4 times per annum

2025/2026 members: Robert Jager (Chair 1 July 2025 – 31 October 2025); Bruce Wattie (1 July 2025 – 31 October 2025); Sina Cotter Tait (1 July 2025 – 30 June 2026); Scott O'Donnell (3 November 2025 – 24 March 2026); Jeffrey Kendrew (Chair - 3 November 2025 – current); Alastair Bell (3 November 2025 – current).

Assists the Board with the discharge of its responsibilities to consider, review, oversee and make recommendations to the Board or to make approvals (as standing delegations) in relation to people, capability, reward & remuneration, succession and diversity & inclusion strategies and plans and monitoring people, culture, conduct, ethical and engagement issues and actions.

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 RAC, 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 FY26.

KiwiRail Limited, Clifford Bay Limited and Inihua Pte Limited Directors did not receive any director fees during FY26.

Chief Executive's Remuneration

The People & Culture Committee Charter clearly sets out the Committee's responsibilities in relation to executive appointments and remuneration. Specifically, it requires the Committee to ensure, informed by market data and expert advice, that KiwiRail's executive remuneration and incentive settings support the attraction, retention, and high performance of the Chief Executive (CE) and members of the Executive Leadership Team (ELT) who report directly to the CE.

CE and ELT positions are benchmarked using Strategic Pay's points-based job evaluation methodology. Strategic Pay recommends drawing on large general market organisations (combination of public and private) and their

Energy & Utilities sector data (including infrastructure organisations with long life assets such as Transpower) as they best reflect KiwiRail's asset complexity, capital intensity, competitive services business, and is the primary source of talent.

For executive positions, KiwiRail benchmarks Total Fixed Remuneration (base salary plus fixed benefits and allowances) against the market median of Total Fixed Remuneration (as provided by Strategic Pay) and typically targets between 85 per cent to 115 per cent of the market median. For the CE and ELT roles, KiwiRail has previously offered at-risk pay through its At-Risk Pay plan. KiwiRail's ARP was not offered by the Board for the 2023/24, 2024/25 or 2025/26 years. There are no long-term incentives.

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 commencing with KiwiRail in August 2022.

Financial Year	Salary and Benefits ¹ (\$)	Pay for performance (relating to previous financial year) (\$)	Total remuneration ² (\$)
2025/26	1,285,878	-	1,485,878
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

Explanatory Notes and Commentary

¹ Remuneration market commentary sourced from EY's Executive Remuneration Survey 2025 provides comprehensive remuneration information and insights into executive remuneration practices across New Zealand organisations. The Chief Executive did not receive a base salary increase in FY26 and has not received a base salary increase since commencing with KiwiRail in August 2022. According to 2025 EY market benchmark information, the Chief Executive's Total Fixed Remuneration in FY25 was positioned between the lower quartile and median of the relevant market data in 2025, with total actual remuneration paid approximately 1.0 per cent above the lower quartile.

² Total remuneration paid in the 2025/26, 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 3,209 KiwiRail employees and 192 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 2026.

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 2025/26 financial year.

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

1480000-1490000	1
730000-740000	1
660000-670000	1
630000-640000	1
600000-610000	1
580000-590000	1
540000-550000	1
510000-520000	1
500000-510000	2
480000-490000	2
460000-470000	2
430000-440000	2
420000-430000	3
410000-420000	3
390000-400000	5
380000-390000	5
370000-380000	2
360000-370000	2
350000-360000	5
340000-350000	3
330000-340000	9
320000-330000	9
310000-320000	8

300000-310000	9
290000-300000	11
280000-290000	9
270000-280000	11
260000-270000	16
250000-260000	21
240000-250000	20
230000-240000	38
220000-230000	37
210000-220000	39
200000-210000	48
190000-200000	91
180000-190000	125
170000-180000	146
160000-170000	153
150000-160000	224
140000-150000	367
130000-140000	480
120000-130000	482
110000-120000	509
100000-110000	495
Grand Total	3401

PERFORMANCE REPORTING

KEY PERFORMANCE MEASURES

FY26 performance is reported against the measures contained in the FY26-FY28 Statement of Corporate Intent (SCI), which was the applicable performance framework for the year. Revenue measures are presented on the SCI performance reporting basis and therefore may not agree directly to financial statement disclosures. In particular, Interislander Freight and Passenger revenue excludes other Interislander revenue recognised in the financial statements. The SCI 2027–2029 introduced changes to a number of performance measures that will be reflected in future reporting periods.

Per the FY26-FY28 Statement of Corporate Intent (SCI)

	FY26 Actual	FY26 Plan
RELENTLESS SAFETY, HEALTH AND WELLBEING		
High Potential Incidents and Near Misses (frequency rate) (12 MAV)	2.7	3.1
Number of Critical Risk Control Verifications per month (12 MAV)	724	294
Number of Leader Safety Interactions per month (12 MAV)	641	294
Total Recordable Injury Frequency Rate - TRIFR (12 MAV)	21	15
ENABLE OUR PEOPLE TO BE THEIR BEST, ONE TEAM		
Employee Engagement Score (%)	76	65
LOWEST COST, OPERATIONAL EXCELLENCE, RIGHT PRODUCTS, BEST CUSTOMER SERVICE, SIMPLIFY OUR BUSINESS – SERVICES BUSINESS		
Customer Service Delivery (DIFOT %)	90	90
Customer Net Promoter Score - Freight (expressed as a movement from prior year baseline)	+2.8	+10
Rail Freight Net Tonne Kilometres (NTK) carried (million)	3,473	3,451
Reliability - Ship services to advertised sailings (%)	99.1	98
Revenue (\$m)	811	758
Rail Freight revenue (\$m)	504	468
Interislander Freight and Passenger revenue (\$m)*	135	127
Great Journeys of New Zealand and Commuter revenue (\$m)	59	60
Property revenue (\$m)	73	75
Operating Surplus (\$m)	162	160
Operating ratio (Freight & Property) (%)	73	71
LEADERS IN SUSTAINABILITY		
Reduce scope 1 & 2 GHG emissions by 40% by 2035 against FY19 base through a focus on Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per NTK)	26.3	23.9
RELIABLE, VALUE FOR MONEY NETWORK		
Auckland Metro – Punctuality (%)	96.4	93.0
Wellington Metro – Punctuality (%)	97.3	95.0
TSRs within target(s) for Priority routes (%)	60	40
CAPITAL INVESTMENT – ROLLING STOCK AND INFRASTRUCTURE		
Delivery of major capital upgrade programmes		
National Network - Achievement of Major Milestones	5	6
Metro Network Auckland - Achievement of Major Milestones	5	6
Metro Network Wellington - Achievement of Major Milestones	1	2

* exclude fuel recovery from customers

REQUIRED INFORMATION

	FY26 Actual	FY26 Plan
SHAREHOLDER RETURN MEASURES		
Total shareholder return	n/a	n/a
Return on equity (%)*	(67)	5
PROFITABILITY/EFFICIENCY MEASURES		
Return on invested capital (%) *	(77)	5
Operating margin – Services business (%)	20	21
LEVERAGE/SOLVENCY MEASURES		
Shareholders' funds to total assets (%)	70	78
Debt to EBITDA (Leverage)	-	-
Gearing ratio (%)	-	-
Interest cover	-	-
GROWTH MEASURES		
Capital replacement	7.5	9.0
Revenue growth – Services business (%)	6	(2)
Earnings growth – Services business (%)	45	45

*Both Return on equity and Return on invested capital were materially below target due to the impact of impairment charges associated with the valuation of rail and ferry assets. These measures are based on statutory earnings and therefore reflect the effect of these non-cash accounting adjustments.

Consistent with the 2026-2028 Statement of Corporate Intent, KiwiRail will not pay a dividend for the year ended 30 June 2026.

Rail Network Investment Programme measures

Outcome measures	Metric	Target	RAG	Status
KIWRail 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	●	Exceeded target
Improved KiwiRail commercial performance	Above rail operating surplus	As per KiwiRail Statement of Corporate Intent	●	See key performance measures
	Above rail operating surplus ratio		●	See key performance measures
Avoided emissions and harmful pollutants	Reduced emissions / harmful pollutants from rail freight	30% reduction in carbon emissions (scope 1 and 2) by 2030 against FY12 baseline	●	Achieved 26.3gCO ₂ e/tonnekm vs target 23.9
Improve the Value of Rail	Value of Rail (\$)	Increase from \$1.7b in 2020 to \$3.5b by 2030	●	Measured tri-annually to support the Rail Plan and GPS development. Current value is \$3.3b
	Truck journeys avoided	As per KiwiRail Statement of Corporate Intent	●	0.93 million Truck journeys avoided
ASSET AND SERVICE LEVEL MEASURES				
Total Recordable Injury Frequency Rate (TRIFR) for Group	Reduced incidents	15	●	Achieved 20.97, influenced by manual handling, slips, trips and falls
Number of public passive level crossings in service	Decreasing number of level crossings	Decreasing number of level crossings	●	Decrease achieved
Number of mainline derailments due to infrastructure defects	Number of derailments less than 5 average per annum	Less than 5	●	2 derailments
Number of Signals Passed at Danger (SPAD B) due to infrastructure defects	Reducing trend measured as a rolling average over 3 yrs	Reducing trend	●	SPAD Bs increased in FY26. Primary causes are signal reversions, signalling asset defects, dropped track or track circuit issues, and power or communications-related interruptions.
% On time performance – Freight Premier	No target	Period to June 2026	●	Achieved 88%
% On time performance – Scenic	No target	Period to June 2026	●	Achieved 77%

Outcome measures	Metric	Target	RAG	Status
ASSET AND SERVICE LEVEL MEASURES				
All Temporary Speed Restrictions (average TSRs) within target(s) for priority routes	40% within target(s)	June 2026	●	Achieved 60%
All Temporary Speed Restrictions (average TSRs) within target(s) for secondary routes	70% within target(s)	June 2026	●	Achieved 30% due to track geometry issues, bridge condition and formation-related restrictions.
All Heat 40s (average Heat 40s) within target(s) for priority routes	80% within target(s)	June 2026	●	Achieved 100%
All Heat 40s (average Heat 40s) within target(s) for secondary routes	70% within target(s)	June 2026	●	Achieved 100%
% On time EM80 assessment	100% within allocated timeframe	June 2026	●	Achieved 94%
% On time Non-Destructive Testing (NDT) assessment	100% within allocated timeframe	June 2026	●	Achieved 96%
Track Quality Index (average TQI) within target(s) for priority routes	100% within target(s)	June 2026	●	Achieved
Track Quality Index (average TQI) within target(s) for secondary routes	70% within target(s)	June 2026	●	Achieved
Track quality – number of Star (Class 1) faults on priority routes	Reducing trend measured as a rolling average over 3 yrs	Period to June 2026	●	Achieved steady state
Track quality – number of Class 1 faults on priority routes	Reducing trend measured as a rolling average over 3 yrs	Period to June 2026	●	Achieved steady state
% of condition 5 (very poor) sleepers workbank completed	55%	June 2026	●	Achieved 66%
% of condition 5 (very poor) rails workbank completed	55%	June 2026	●	Achieved 76%
% Bridges with one or more critical components in condition 4 (poor) or condition 5 (very poor)	No more than 10%	June 2026	●	Achieved 24%. Current bridge renewal programmes continue to reduce the backlog with interim controls including enhanced inspections and speed restrictions

Outcome measures	Metric	Target	RAG	Status
ASSET AND SERVICE LEVEL MEASURES				
Number of infrastructure related delay incidents	Reducing trend per month (priority routes)	Period to June 2026		An increase for trains that operate partially or entirely within the Golden Triangle. In contrast, the number of infrastructure related delay incidents has remained relatively steady across other Priority Routes and Metros. Main driver behind the increase in the Golden Triangle was Temporary Speed Restrictions.
Auckland Metro Meet Completed Trips KPI by year end	85%	Period to June 2026		Achieved 94%
Wellington Metro Meet Completed Trips KPI by year end	90%	Period to June 2026		Achieved 97%
% Reliability – Auckland Metro	97%	Period to June 2026		Achieved 99%
% Reliability - Wellington Metro	97%	Period to June 2026		Achieved 99.6%
% Punctuality – Auckland Metro	90%	Period to June 2026		Achieved 96%
% Punctuality – Wellington Metro	95%	Period to June 2026		Achieved 97%
TQI within limit for Auckland Metro	<35	Period to June 2026		Achieved 28
TQI within limit for Wellington Metro	<41	Period to June 2026		Achieved 25
Unplanned infrastructure outages for Metros (total minutes across services)	<1000 mins (annual average)	Period to June 2026		This metric has been deprecated.
Off-site overhead (excluding insurance)	No cost increase	Period to June 2026		\$97.4m compared to \$97.5m
Average nominal unit rate (\$/m) for rerail increases by less than CPI	Metro \$451	Period to June 2026		Achieved \$399
	Non-metro \$425			Achieved \$411
Average nominal unit rate (\$/m) for relay increases by less than CPI	Metro \$927	Period to June 2026		No activity
	Non-metro \$802			Achieved \$794
Average nominal unit rate (\$/m) for resleeper increases by less than CPI	Metro \$535	Period to June 2026		No activity
	Non-metro \$430			Achieved \$399

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.

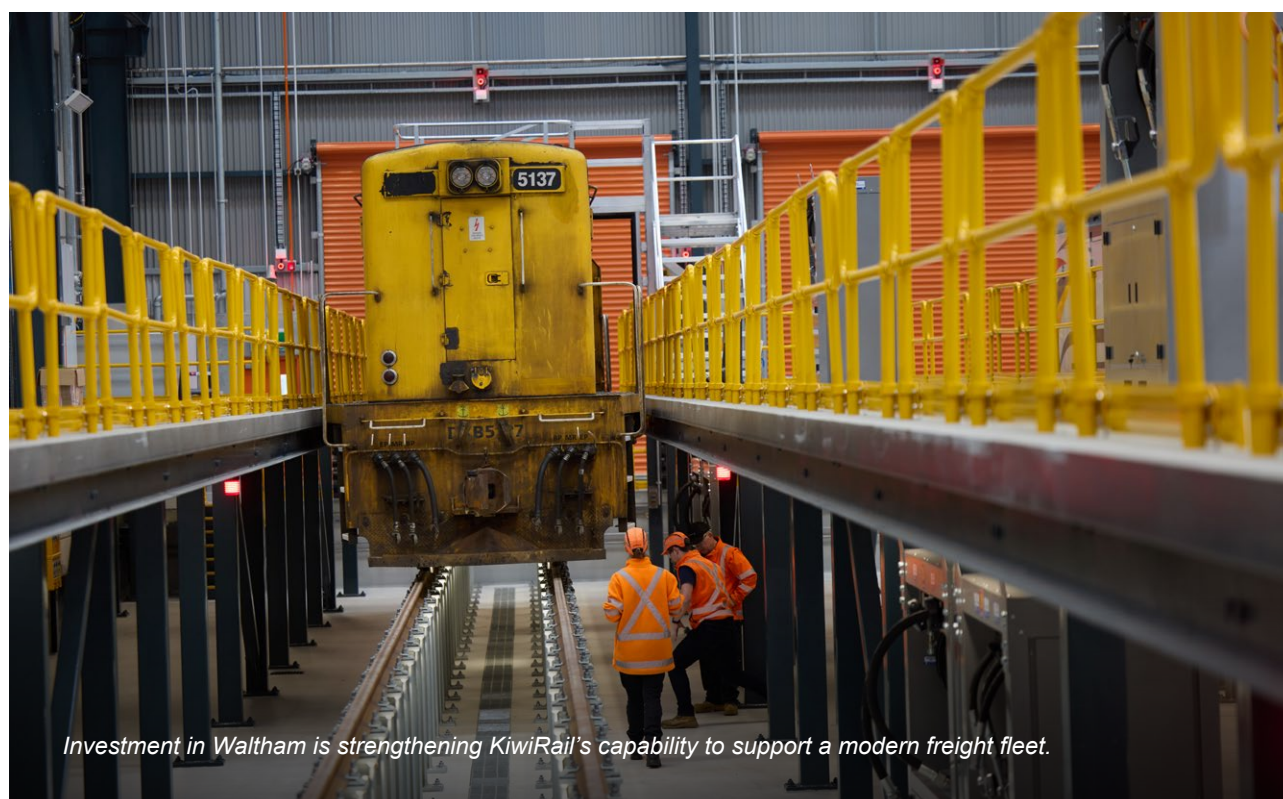
This multi-year appropriation intends to achieve social and environmental benefits from rail, including establishing a local wagon assembly plant in Dunedin to increase employment and youth opportunities and rebuild industry capability, support environment outcomes by maintaining the existing electric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

Reasons for Change in Appropriation: This multi-year appropriation decreased by \$7 million to \$104.246 million for 2025/26 to reflect the return of uncommitted funding from the Hillside Programme, due to improved efficiency in wagon assembly and a reduction in the number of wagons requiring assembly.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	9,599	12,762	9,826
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 tranches 1 and 2 (450 wagons per tranche) are complete and tranche 3 is underway with 46 out of 450 wagons complete bringing the total to 946 wagons completed since production commenced in April 2024.

The investment has achieved social and environmental benefits from rail by delivering public policy projects such as corridor fencing / anti-trespass programmes, vegetation control throughout the rail network, supporting Heritage Rail operators with access and training, promoting rail network safety initiatives, providing resource for community engagement, enabling the enhancement and refurbishment of Rail Heritage asset projects, delivering beautification works, targeted level crossing risk reduction initiatives and development of a comprehensive Fire Management Plan.



2. Rail - Maintenance and Renewal of the Rail Network (2024-2028) (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.

Funding for the Rail Network Investment Programme is provided via two appropriations from 2025/26 the other being the "Rail - Maintenance and Renewal of the Rail Network Capital Injection (2025-2028)" MYA.

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

Reasons for Change in Appropriation: This multi-year appropriation decreased by \$529,000 to \$1,740.319 million for 2025/26 due to the funding of \$10.690 million returned to the National Land Transport Fund.

This was partially offset by a fiscally neutral adjustment of \$10.100 million to increase funding for Lower North Island Railway Infrastructure activity.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	411,112	523,018	442,781
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 comes into operation.

Reasons for Change in Appropriation:

- The increase in this appropriation for 2025/26 is due to funding being transferred from the old "Auckland City Rail Link - Operating" multi-year appropriation which expired 30 June 2025.
- This appropriation increased by \$204,000 to \$3.173 million for 2025/26 due to an expense transfer of \$599,000 from 2024/25 reflecting the shift of activities within the 'KiwiRail - City Rail Link Be Ready/Be Prepared Activities' into 2025/26. The increase was partially offset by an expense transfer of \$395,000 from 2025/26 to 2026/27 to support the commencement of Auckland City Rail Link Day One operations in that financial year.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	2,347	2,969	3,173
Assessment of Performance:			
Work is carried out as per the agreed programme	56%		100%

Outcome of investment: 5 out of 9 milestones achieved.

4. Rail - Equity Injection for Transfer of Auckland City Rail Link Assets (2025-2027) (M72) (A26)

This appropriation is limited to equity injections to KiwiRail Holdings Limited and New Zealand Railways Corporation for the transfer of assets from City Rail Link Limited.

This appropriation is intended to enable the transfer of assets from City Rail Link Limited to KiwiRail Holdings Limited and New Zealand Railways Corporation.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	1,193,644	1,600,000	1,600,000
Assessment of Performance:			
Assets transferred to either KiwiRail Holdings Limited or New Zealand Railways Corporation as set out in Post Completion Notices issued by City Rail Link project sponsors	Achieved		Achieved

Outcome of investment: Successful transfer of assets from City Rail Link Limited to KiwiRail.

5. Rail - Maintenance and Renewal of the Rail Network Capital Injection (2025-2028) (M72) (A26)

This appropriation is limited to providing capital injections to KiwiRail Holdings Limited for capital investments in rail network infrastructure, including activities within the approved Rail Network Investment Programme.

Funding for the Rail Network Investment Programme is provided via two appropriations from 2025/26 (the other being the "Rail - Maintenance and Renewal of the Rail Network (2024-2028)" MYA).

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

Reasons for Change in Appropriation: This multi-year appropriation increased by \$136.900 million to \$600.520 million for 2025/26 due to:

- A \$106.900 million increase in funding for the metropolitan rail overdue renewals programme, to avoid critical network failure risks in Auckland and Wellington, and
- A \$30 million increase to fund 2025/26 activities for the National Rail Network.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	265,690	55,690	285,690
Assessment of Performance:			
Work is carried out as per the agreed programme	93%		100%

Outcome of investment: Enabled KiwiRail to carry out capital works to upgrade assets on the national rail network in line with the Rail Network Investment Programme.

6. 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: This appropriation increased by \$6.100 million to \$8.600 million for 2025/26 due to an expense transfer resulting from the delays in implementing the KiwiRail – Land Sales (Iwi Settlements and Public Works) initiative.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	840	2,500	8,600
Assessment of Performance:			
Property transactions are carried out in line with agreed outcomes.	10%		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.

7. 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 \$203.655 million to \$459.700 million for 2025/26 due to:

- A \$140.263 million transfer from 2025/26 into outyears to align with updated timelines and work programmes for the New Zealand Upgrade Programme, particularly the Drury Stations, Southern Power Feed, Wairarapa Rail Upgrades, and Papakura to Pukekohe electrification initiatives, and
- A \$63.392 million transfer from 2025/26 into outyears due to changes in delivery milestones for DM locomotives, yard shunt locomotives, container flat-top wagons, curtain-side containers, and the electric fleet resilience programme, reflecting delays in the work programme, procurement timeframe, and design changes.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	416,637	663,355	459,700
Assessment of Performance:			
Capital is invested in the New Zealand rail system as approved by shareholding Ministers.	91%		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. The majority of wagon and locomotive procurement programmes remain on track with several complete. Mechanical depot upgrades are nearing completion with only minor works remaining.

8. 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 \$5.689 million for 2025/26 due to a return of surplus funding following the completion of land purchases associated with Marsden Point Rail Link.

	2026 Actual	2026 Budget	2026 Final Budget
Amount of Appropriation (\$000)	4,279	9,968	4,279
Performance Measure:			
Work is carried out as per the agreed programme	100%		100%

Outcome of investment: All land acquisitions for the Marsden Point Rail Link project have been finalised. This includes a lease agreement resulting in some land remaining in third-party ownership while still protecting the rail corridor and the Crown's interests.



FINANCIAL STATEMENTS

KiwiRail Holdings Limited and Subsidiaries

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2026

	Note	GROUP 2026	GROUP 2025
		\$m	\$m
Operating revenues	2	1,120.9	1,066.3
Operating expenses	3	(959.2)	(955.1)
Operating surplus		161.7	111.2
Capital grants	4	305.5	596.1
Depreciation and amortisation expenses	9(a), 9(b), 20	(151.9)	(144.9)
Foreign exchange and commodity gains/(losses)	5	8.6	(0.8)
Impairment	9(c), 9(d)	(556.2)	(946.8)
Impairment – City Rail Link Assets	9(c)	(1,191.9)	-
Insurance proceeds		209.1	52.6
Movement in value of investment properties	14	(197.8)	(64.9)
Net finance income	6	6.0	7.7
Other income		3.3	156.5
Other costs	7	(8.1)	(188.9)
Net (deficit) before taxation		(1,411.7)	(422.2)
Income tax expense	8	(0.2)	-
Net (deficit) after taxation		(1,411.9)	(422.2)
Other comprehensive income/(loss)			
<i>Items that can be reclassified into net surplus/deficit:</i>			
Gains from cash flow hedges	25(d)	5.3	27.0
<i>Items that cannot be reclassified into net surplus/deficit:</i>			
Asset revaluation	9(c)	30.2	31.8
Gain on share investment		0.3	0.2
Total comprehensive (loss)		(1,376.1)	(363.2)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Note	GROUP 2026	GROUP 2025
		\$m	\$m
Current assets			
Cash and cash equivalents	10	522.4	287.8
Short-term deposits	10	10.0	10.0
Trade and other receivables	11	192.1	321.4
Inventories	12	124.7	131.1
Financial assets	13	19.8	48.1
Assets held for sale	9(d)	23.6	26.9
		892.6	825.3
Non-current assets			
Property, plant and equipment	9(a)	1,774.6	1,533.0
Right of use assets	20	106.3	119.8
Investment property	14	122.0	119.8
Financial assets	13	10.8	11.2
Trade and other receivables	11	438.4	396.1
		2,452.1	2,179.9
Total assets		3,344.7	3,005.2
Current liabilities			
Trade and other liabilities	15	456.8	466.2
Employee entitlements	16	130.2	130.6
Financial liabilities	13	26.7	40.8
Provisions	17	24.1	190.3
		637.8	827.9
Non-current liabilities			
Trade and other liabilities	15	206.8	152.3
Employee entitlements	16	42.5	41.8
Financial liabilities	13	107.5	122.8
		356.8	316.9
Total liabilities		994.6	1,144.8
Equity			
Share capital	23	7,228.9	5,348.6
Retained earnings		(5,146.9)	(3,722.4)
Asset revaluation reserve		243.5	215.2
Cash flow hedge reserve	25(d)	24.3	19.0
Share revaluation reserve		0.3	-
Total equity		2,350.1	1,860.4
Total liabilities and equity		3,344.7	3,005.2



Suzanne Tindal
Chair
29 September 2026



Murray Harrington
Chair of the Risk and Assurance Committee and Director
29 September 2026

The accompanying notes form part of these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY

For the financial year ended 30 June 2026

	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 2024		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
Net (deficit) for the period		-	(1,411.9)	-	-	-	(1,411.9)
Other comprehensive income/(loss)		-	-	30.2	5.3	0.3	35.8
Revaluation reserve for disposed assets		-	1.9	(1.9)	-	-	-
Total comprehensive income/(loss)		-	(1,410.0)	28.3	5.3	0.3	(1,376.1)
Transactions with owners							
Capital Investment	23	1,880.3	-	-	-	-	1,880.3
Crown appropriation – land transactions	18	-	(14.5)	-	-	-	(14.5)
As at 30 June 2026		7,228.9	(5,146.9)	243.5	24.3	0.3	2,350.1

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2026

	Note	GROUP 2026	GROUP 2025
		\$m	\$m
Cash flows from operating activities			
Receipts from customers		966.3	885.0
Receipts from the National Land Transport Fund		177.0	180.4
Operating grants		147.7	-
Interest received		13.0	15.9
Payments to suppliers and employees		(1,119.8)	(970.8)
Payments for interest on leases		(7.2)	(7.7)
Net cash from operating activities	21	177.0	102.8
Cash flows from investing activities			
Sale of property, plant and equipment		2.3	3.2
Capital grant receipts		138.0	126.8
National Land Transport Fund receipts		249.5	569.4
Insurance proceeds		156.6	49.1
Purchase of property, plant and equipment and investment property		(1,111.9)	(1,118.8)
Purchase of intangibles		(23.9)	(29.2)
Maturity of short-term deposits		-	10.0
Net cash used in investing activities		(589.4)	(389.5)
Cash flows from financing activities			
Crown capital investment		686.6	379.0
Proceeds from NZRC land sales		0.8	-
Payment for NZRC land acquisitions		(15.3)	(13.9)
Lease payments		(25.1)	(23.5)
Net cash from financing activities		647.0	341.6
Net increase/(decrease) in cash and cash equivalents		234.6	54.9
Cash and cash equivalents at the beginning of the year		287.8	232.9
Cash and cash equivalents at the end of the year	10	522.4	287.8

The accompanying notes form part of these financial statements.

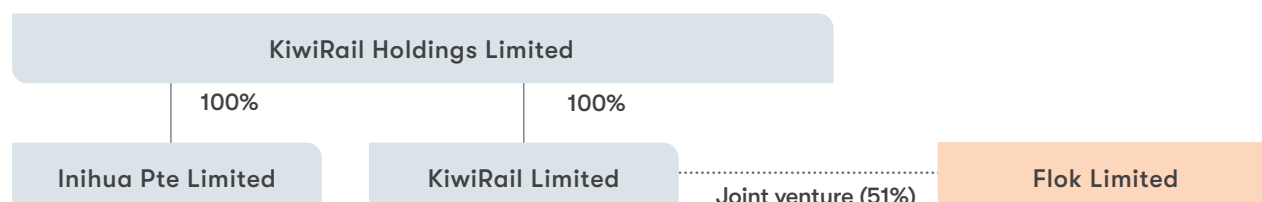
NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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.



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 2026 and were authorised for issue by the Board of Directors on 29 September 2026.

(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 applicable to for-profit entities and other applicable Financial Reporting Standards. 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.

Comparatives

The presentation of some information has changed from the previous period with prior period balances re-classified to be comparable with current year figures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

1. GROUP INFORMATION (continued)

(c) CONSOLIDATED FINANCIAL STATEMENTS

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.

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

There have been no material changes in accounting policies. All policies have been applied on a basis consistent with those used in previous periods.

(e) STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following standard has been issued by the New Zealand Accounting Standards Board, and is effective in future accounting periods:

NZ IFRS 18: Presentation and Disclosure in Financial Statements

In May 2024, the XRB issued NZ IFRS 18, which replaces NZ IAS 1 Presentation of Financial Statements. The standard is effective for reporting periods beginning on or after 1 January 2027. The Group has elected not to early adopt this standard and will first apply the standard to the financial year ending 30 June 2028. The standard is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group is currently assessing the impact of this standard on its financial reporting.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments and associated disclosures. The amendments are effective for reporting periods beginning on or after 1 January 2026. For the Group, the amendments will be effective from 1 July 2026 and will first apply to the financial year ending 30 June 2027.

The Group is currently assessing the impact of this standard on its financial reporting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

1. GROUP INFORMATION (continued)

(f) 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.

Designation

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 SOE Act 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 \$14,076m (2025: \$13,131m) compared to a carrying value of \$280m (2025: \$191m) per Note 9(a). The ODRC valuation basis does not require impairment of the Group's rail network assets in these financial statements.

City Rail Link Asset Transfer

KiwiRail recognised rail infrastructure assets transferred from City Rail Link Limited under the Asset Transfer Agreement executed on 30 June 2026 with an initial transfer value of \$1,193.6m.

The Board applied significant judgement in determining:

- Control of the assets: Control was determined to transfer on 30 June 2026, when legal ownership, beneficial ownership and associated risks passed to KiwiRail.
- Initial measurement: The assets were recognised at the initial transfer value specified in the Asset Transfer Agreement, pending determination of the actual final transfer value.
- Classification of the transaction: The transfer was assessed as an owner contribution from the Crown and recognised directly in equity rather than as revenue. Refer to Note 23.
- Valuation and impairment: The transferred assets were incorporated into KiwiRail's annual valuation and impairment assessment, which required judgement regarding the recoverable amount of specialised rail infrastructure assets and resulted in an impairment of \$1,191.9m being recognised in the Statement of Comprehensive Income for the financial year ended 30 June 2026.

Management's other 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

2. OPERATING REVENUES

	GROUP 2026	GROUP 2025
	\$m	\$m
Freight	504.4	456.1
Interislander	144.8	157.1
Property	73.4	70.3
Great Journeys New Zealand & Commuter	59.1	56.2
Other	29.1	27.4
Funding from the National Land Transport Fund	172.2	182.3
Infrastructure	137.9	116.9
Total operating revenues	1,120.9	1,066.3

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 2026	GROUP 2025
	\$m	\$m
Salaries and wages	602.6	612.8
Restructuring	3.6	25.8
Defined contribution plan employer contributions	27.4	27.7
Other employee expenses	7.0	7.1
Total employee expenses	640.6	673.4
Amount capitalised	(175.4)	(187.1)
Total employee costs expensed	465.2	486.3
Materials and supplies	176.8	166.6
Fuel and traction electricity	116.6	108.7
Lease and rental costs	36.8	32.0
Incidents and insurance	41.0	43.1
Contractors' expenses	11.5	7.2
Audit fees relating to the audit of the financial statements	0.8	0.9
Impairment of receivables	6.2	0.6
Directors' fees (Note 22)	0.6	0.4
(Gain) on disposal of property, plant and equipment	-	(0.7)
Other expenses	103.7	110.0
Total operating expenses	959.2	955.1

Audit fees include the audit of the Group financial statements performed by the Audit Office on behalf of the Controller and Auditor-General (\$788,000) and the audit of the Group subsidiary Inihua PTE Limited's financial statements by Forvis Mazars LLP (\$53,774).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

4. CAPITAL GRANTS

	GROUP 2026	GROUP 2025
	\$m	\$m
Ministry for Cities, Environment, Regions and Transport	3.2	11.9
National Land Transport Fund	192.5	438.8
Local and Regional Councils	19.5	48.2
City Rail Link	51.0	41.7
Auckland Transport	20.9	24.7
Ministry of Business, Innovation and Employment	-	0.6
Waka Kotahi	10.2	7.0
Ferry Holdings	5.5	-
Other	2.7	23.2
Total capital grant income	305.5	596.1

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.

5. FOREIGN EXCHANGE AND COMMODITY GAINS AND LOSSES

	GROUP 2026	GROUP 2025
	\$m	\$m
Net realised foreign exchange and commodity gains	26.6	4.2
Net change in the fair value of derivatives	(18.0)	(5.0)
Total foreign exchange and commodity (losses)/gains	8.6	(0.8)

Foreign exchange and commodity gains on fuel related contracts of \$3.2m (2025: \$0.6m) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

5. FOREIGN EXCHANGE AND COMMODITY GAINS AND LOSSES (continued)

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 2026	GROUP 2025
	\$m	\$m
Finance income		
Interest income on bank deposits	13.2	15.6
	13.2	15.6
Less: Finance expenses		
Interest expense on leases	(7.2)	(7.7)
Interest expense other	-	(0.2)
	(7.2)	(7.9)
Net finance income	6.0	7.7

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

	GROUP 2026	GROUP 2025
	\$m	\$m
Project write-off and wind down costs	1.8	184.5
Impact of weather events	6.2	4.0
Other	0.1	0.4
Total other costs	8.1	188.9

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

8. TAXATION (continued)

(c) Tax benefit/(expense)

	GROUP 2026	GROUP 2025
	\$m	\$m
Components of tax expense		
Current tax expense	(0.2)	-
Deferred tax expense	-	-
Tax benefit/(expense)	(0.2)	-
Reconciliation between tax expense and accounting surplus		
(Deficit) before tax	(1,411.7)	(422.2)
Tax at 28%	(395.2)	(118.2)
Tax effect of:		
Non-deductible expenditure	(123.4)	(74.2)
Other temporary differences	518.4	192.4
Tax benefit/(expense)	(0.2)	-

The Group has unrecognised deductible temporary differences of \$2,821.0m (2025: \$3,183.5m) and unused tax losses of \$2,579.1m (2025: \$2,214.3m).

Imputation credits

The Group has formed an imputation group. The Group has access to \$1.2m imputation credits (2025: \$nil imputation credits).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

9. NON-FINANCIAL ASSETS

(a) PROPERTY, PLANT AND EQUIPMENT

2026	Buildings	Railway Infrastructure	Rolling Stock	Ships	Plant & Equipment	Assets Under Construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cost							
Balance at 1 July 2025	216.2	191.4	780.8	298.4	568.9	1,024.6	3,080.3
Additions	-	-	9.3	-	-	1,057.5	1,066.8
Transfers – AUC	38.8	760.0	194.1	11.7	148.6	(1,153.2)	-
Transfers – CRL Assets	-	1,193.0	-	-	-	-	1,193.0
Disposals	-	-	(3.2)	-	(0.6)	-	(3.8)
Reclassifications	0.5	-	-	-	-	(197.1)	(196.6)
Revaluation	(1.9)	-	(28.4)	-	-	-	(30.3)
Impairment	(32.2)	(673.4)	(56.9)	-	-	-	(762.5)
Impairment – CRL Assets	-	(1,191.3)	-	-	-	-	(1,191.3)
Transfer to asset held for sale	-	-	(1.4)	-	-	-	(1.4)
Balance at 30 June 2026	221.4	279.7	894.3	310.1	716.9	731.8	3,154.2
Accumulated depreciation and impairment							
Balance at 1 July 2025	(1.5)	-	-	(234.6)	(442.1)	(869.1)	(1,547.3)
Depreciation expense	(14.3)	(16.3)	(71.3)	(2.8)	(19.6)	-	(124.3)
Transfers – AUC impairment	(14.4)	(623.4)	(11.8)	(2.5)	(15.8)	666.9	(1.0)
Disposals	-	-	0.1	-	0.6	-	0.7
Reclassifications	-	-	-	-	-	-	-
Revaluation	15.3	-	45.3	-	-	-	60.6
Impairment	14.9	639.7	37.7	(7.4)	(7.8)	(445.4)	231.7
Transfer to assets held for sale	-	-	-	-	-	-	-
Balance at 30 June 2026	-	-	-	(247.3)	(484.7)	(647.6)	(1,379.6)
Net book value							
At 1 July 2025	214.7	191.4	780.8	63.8	126.8	155.5	1,533.0
At 30 June 2026	221.4	279.7	894.3	62.8	232.2	84.2	1,774.6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

9. NON-FINANCIAL ASSETS (continued)

(a) PROPERTY, PLANT AND EQUIPMENT (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 \$141.7m (2025: \$148.5m); Railway Infrastructure: \$279.7m (2025: \$191.4m); and Rolling Stock: \$729.5m (2025: \$632.0m).

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 – 30 years
Ships	20 years
Containers	10 years
Plant and Equipment	
Plant and equipment	4 – 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. Useful lives are assessed having regard to factors such as the physical condition of assets and their expected period of use. Residual values are assessed separately and reflect management's estimate of the amount that may be recovered on disposal, taking into account expected disposal proceeds from any future sale.

(b) INTANGIBLE ASSETS

	Note	GROUP 2026	GROUP 2025
		\$m	\$m
Opening balance		-	-
Additions		24.4	26.7
Transfers – CRL Assets		0.6	-
Amortisation		(2.2)	(1.8)
Impairment	9(c)	(22.8)	(24.9)
Impairment – CRL Assets	9(c)	(0.6)	-
Balance at 30 June		-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 \$16.3m (2025: \$17.8m).

(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 2026, the recoverable amount of the Rail CGU was \$2,216.8m (2025: \$1,939.0m), 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 2026	2026 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	225.3	(17.3)	13.4	221.4
Railway infrastructure	311.7	(33.7)	-	278.0
Railway infrastructure – CRL Assets	1,193.0	(1,191.3)	-	1.7
Rolling stock	898.0	(19.2)	15.6	894.3
Plant and equipment	236.3	(6.5)	-	229.8
Right-of-use assets	69.2	-	-	69.2
Assets under construction	527.0	(443.0)	-	84.0
Total property, plant and equipment	3,460.5	(1,711.0)	29.0	1,778.4
Intangible assets	21.8	(21.8)	-	-
Prepayments	438.4	-	-	438.4
Total Rail CGU	3,920.7	(1,732.8)	29.0	2,216.8

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

9. NON-FINANCIAL ASSETS (continued)**(c) IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)****(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 2026, the recoverable amount of the Interislander CGU was \$102.5m (2025: \$109.9m), 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.

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

GROUP 2026	2026 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	70.2	(7.4)	62.8
Plant and equipment	3.7	(1.3)	2.4
Right-of-use assets	37.1	-	37.1
Assets under construction	2.7	(2.5)	0.2
Total property, plant and equipment	113.7	(11.2)	102.5
Intangible assets	1.0	(1.0)	-
Total Interislander CGU	114.7	(12.2)	102.5

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

(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").

As at 30 June 2026 two DFT locomotives were classified as "held for sale" based on a sale and purchase agreement in place. The DFT locomotives fair value less cost to sell was the carrying amount. As at 30 June 2025 the DX locomotive rolling stock fleet was classified as "held for sale".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

10. CASH AND CASH EQUIVALENTS

	GROUP 2026	GROUP 2025
	\$m	\$m
Current accounts and call deposits	522.4	287.8
	522.4	287.8

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 2026 the Group has short-term deposits of \$10m (2025: \$10m).

11. TRADE AND OTHER RECEIVABLES

	GROUP 2026	GROUP 2025
	\$m	\$m
Trade receivables	79.0	77.1
Related party receivables	16.3	207.9
Prepayments	473.8	404.6
Accrued and other receivables	71.0	31.3
Less: Provision for impairment	(9.6)	(3.4)
	630.5	717.5
Current assets	192.1	321.4
Non-current assets	438.4	396.1
	630.5	717.5

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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:

	2026			2025		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$m	\$m	\$m	\$m	\$m	\$m
Not past due	67.9	(6.7)	61.2	68.4	(1.3)	67.1
Past due 1 – 30 days	8.9	(0.2)	8.7	4.6	(0.1)	4.5
Past due 31 – 60 days	2.7	(0.2)	2.5	2.4	(0.2)	2.2
Past due 61 - 90 days	1.9	(0.2)	1.7	1.2	(0.1)	1.1
Past due > 91 days	3.2	(2.3)	0.9	3.4	(1.7)	1.7
Total	84.6	(9.6)	75.0	80.0	(3.4)	76.6

The average credit period on sales of goods and services is 19.0 days (2025: 13.0 days).

The ageing analysis is presented on a gross customer account basis and includes customer credit balances of \$4.4m (2025: \$0.4m) and related party receivables of \$1.1m (2025: \$2.6m). As a result, the ageing analysis does not directly reconcile to the trade receivables balance presented above.

12. INVENTORIES

	GROUP 2026	GROUP 2025
	\$m	\$m
Operational Activities:		
Fuel	5.2	3.8
Inventory held to maintain rail network	83.1	76.5
Inventory held to maintain rolling stock	52.6	56.0
Inventory held to maintain ships	13.8	17.6
Inventory held for resale	0.4	0.6
Contracting Activities – work in progress	3.4	3.3
Gross inventory	158.5	157.8
Less: Provision for stock obsolescence	(33.8)	(26.7)
Net inventory	124.7	131.1

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 \$3.3m (2025: write-down of \$0.4m).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

13. FINANCIAL ASSETS AND LIABILITIES

	GROUP 2026			GROUP 2025		
	Current	Non-current	Total	Current	Non-current	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Financial assets						
Commodity forward contracts	1.0	0.3	1.3	-	-	-
Foreign currency forward contracts	18.8	9.9	28.7	48.1	10.6	58.7
Share investments	-	0.6	0.6	-	0.6	0.6
Total financial assets	19.8	10.8	30.6	48.1	11.2	59.3
Financial liabilities						
Commodity forward contracts	-	0.1	0.1	0.5	0.2	0.7
Leases (Note 20)	24.1	106.8	130.9	22.3	121.8	144.1
Foreign currency forward contracts	2.6	0.6	3.2	17.9	0.9	18.8
Total financial liabilities	26.7	107.5	134.2	40.7	122.9	163.6

(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 2026 the Group had a committed standby facility with Bank of New Zealand of \$75.0m (2025: \$75.0m) with an expiry date of 1 July 2027. As at 30 June 2026, the facility was undrawn.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

13. FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Changes in liabilities arising from financing activities

	GROUP 2025	Non-cash changes			GROUP 2026
		Net Cash Flow	Changes in fair values	Others	
	\$m	\$m	\$m	\$m	\$m
Leases	144.1	(32.4)	-	19.2	130.9
Total liabilities from financing activities	144.1	(32.4)	-	19.2	130.9

14. INVESTMENT PROPERTY

	GROUP 2026	GROUP 2025
	\$m	\$m
Opening balance	119.8	141.9
Additions	5.8	43.8
Disposals	(1.4)	-
Reclassifications	195.6	(1.0)
Fair value loss on valuation	(197.8)	(64.9)
Balance at 30 June	122.0	119.8

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 2026 was \$12.4m (2025: \$12.0m). The direct operating expenses (including maintenance) incurred from the use of investment properties during the year was \$2.5m (2025: \$2.6m).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

15. TRADE AND OTHER LIABILITIES

	GROUP 2026	GROUP 2025
	\$m	\$m
Trade payables	140.9	119.2
GST Payable	3.1	8.2
Unearned revenue	40.7	84.0
Deferred revenue	413.2	329.9
Related party payable	-	0.3
Other payables and accruals	65.7	76.9
Total payables	663.6	618.5
Current liabilities	456.8	466.2
Non-current liabilities	206.8	152.3
	663.6	618.5

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 is 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 2026	GROUP 2025
	\$m	\$m
Current		
Short-term employee benefits	39.8	38.5
Annual leave entitlement accruals	83.0	85.0
Retirement and long service leave liability	7.4	7.1
Total current	130.2	130.6
Non-Current		
Retirement and long service leave	42.5	41.8
Total non-current	42.5	41.8
Total employee entitlements	172.7	172.4

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*.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 4.5% per annum (2025: from 2.5% to 2.6% per annum) and a term specific risk-free discount rate range of 2.97% and 5.85% per annum (2025: between 3.14% and 5.99% 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 2025	7.4	10.4	172.5	190.3
Provisions made during the year	1.5	1.6	3.2	6.3
Provisions utilised or released during the year	-	(10.4)	(162.1)	(172.5)
Balance at 30 June 2026	8.9	1.6	13.6	24.1

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 New Zealand Railway Corporation (NZRC) to KHL. All land previously held by KiwiRail was retained by NZRC.

From time to time NZRC may sell parcels of railway land. Under the Group's lease agreement with NZRC entered into on 31 December 2012 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.

The total proceeds from land sold/land swaps during the year was \$0.8m (2025: \$nil). The total land acquisitions during the year was \$15.3m (2025: \$13.9m). 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 and major infrastructure projects including the Rail Network Investment Programme.

	GROUP 2026	GROUP 2025
	\$m	\$m
Capital expenditure commitments:		
Not later than one year	372.8	539.6
Later than one year but not later than five years	258.7	441.4
	631.5	981.0

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

20. LEASES (continued)*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.

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 and 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:

2026	Property	Plant and Machinery	Motor Vehicles	Other Equipment	Total
Cost/Valuation	\$m	\$m	\$m	\$m	\$m
As at 1 July 2025	101.6	5.9	8.1	4.2	119.8
Additions	0.4	-	6.1	5.4	11.9
Depreciation expense	(15.7)	(1.6)	(5.1)	(3.0)	(25.4)
As at 30 June 2026	86.3	4.3	9.1	6.6	106.3

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
Depreciation expense	(16.1)	(1.6)	(5.4)	(2.6)	(25.7)
As at 30 June 2025	101.6	5.9	8.1	4.2	119.8

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

20. LEASES (continued)

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.

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 2026	GROUP 2025
	\$m	\$m
As at 1 July	144.1	157.8
Additions	12.0	9.1
Accretion of interest	7.2	7.7
Payments	(32.4)	(30.5)
As at 30 June	130.9	144.1

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 2026	GROUP 2025
	\$m	\$m
Total minimum lease payments receivable:		
Not later than one year	49.8	48.3
Later than one year but not later than five years	174.8	166.1
Later than five years	410.9	412.5
	635.5	626.9

For the year ended 30 June 2026, \$64.6m was recognised as revenue in net surplus (2025: \$59.4m).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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

	GROUP 2026	GROUP 2025
	\$m	\$m
Net (deficit) after taxation	(1,411.9)	(422.2)
Add/(deduct) items classified as investing or financing activities		
(Gain) on sale of assets	-	(0.7)
Fair value movement in derivatives	18.1	5.5
Capital grant receipts	(138.0)	(126.8)
National Land Transport Fund receipts	(249.5)	(569.4)
Insurance proceeds	(156.6)	(49.1)
	(1,937.9)	(1,162.7)
Add/(deduct) non-cash items		
Depreciation and amortisation expense	151.9	144.9
Movements in provisions	(165.6)	171.2
Impairment of non-financial assets	1,745.0	946.8
Movement in fair value of investment properties	197.8	64.9
	(8.8)	165.1
Add/(deduct) movements in working capital		
Decrease in trade receivables	7.7	15.7
Decrease/(increase) in other receivables	124.8	(157.2)
Decrease in inventories	6.5	4.7
Increase/(decrease) in trade payables	21.8	(32.0)
Increase in other payables	25.0	106.5
Net cash flows from operating activities	177.0	102.8

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

22. RELATED PARTY TRANSACTIONS (continued)

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

	GROUP 2026	GROUP 2025
	\$000	\$000
Key management personnel compensation		
Short-term employee benefits	6,183	6,644
Termination benefits	187	565
Other	-	-
Total key management personnel compensation	6,370	7,209

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

	GROUP 2026	GROUP 2025
KHL Directors	\$000	\$000
Suzanne Tindal	155	-
Jeff Kendrew	97	-
Murray Harrington	59	-
Alastair Bell	54	-
Sina Cotter Tait	77	57
Elizabeth Ward	70	57
Scott O'Donnell	45	-
Robert Jager	26	112
Bruce Wattie	26	62
Susan McCormack	-	59
David McLean	-	7
Rachel Pinn	-	4
Maryan Street	-	4
	609	362

Murray Harrington and Alastair Bell were appointed as director effective 1 November 2025. Scott O'Donnell was appointed director effective 1 September 2025 and resigned as director effective 31 March 2026. Rob Jager and Bruce Wattie completed their terms as director effective 31 October 2025. Elizabeth Ward resigned as director effective 31 May 2026. Sina Cotter Tait completed her term as director effective 30 June 2026. Angela Nash was appointed as director effective 1 July 2026. Craig Evans was appointed as director effective 3 August 2026.

Director fees increased during the year in line with approved remuneration adjustments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

23. SHARE CAPITAL

At 30 June 2026, the Group had issued 7,228,903,585 ordinary shares with no par value (2025: 5,348,654,272), 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 2026	GROUP 2025
	m	m
Opening balance	5,348.6	4,969.6
Shares issued	1,880.3	379.0
Balance at 30 June	7,228.9	5,348.6

Shares issued during the financial year ended 30 June 2026 includes 1,193,643,513 ordinary shares for City Rail Link assets transferred to the Group.

24. FAIR VALUE

(a) Classification of Financial Instruments

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

	GROUP 2026	GROUP 2025
FINANCIAL ASSETS	\$m	\$m
Loans and receivables		
Cash and cash equivalents and short-term deposits	532.4	297.8
Trade and other receivables (excluding prepayments)	166.4	316.3
	698.8	614.1
Financial assets measured at fair value		
Derivative financial assets	30.0	58.7
Fair value through OCI/equity investments		
Share investments	0.6	0.6
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other liabilities	206.7	196.4
Interest-bearing liabilities	130.9	144.1
	337.6	340.5
Financial liabilities measured at fair value		
Derivative financial liabilities	3.2	19.5

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

24. FAIR VALUE (continued)**(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
- 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 (2025: 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 2026	GROUP 2025
Level 2	\$m	\$m
Commodity forward contracts	1.2	(0.7)
Foreign currency forward contracts	25.6	40.0
	26.8	39.3

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 2026	GROUP 2025
	\$m	\$m
Level 2		
Investment property	122.0	119.8
Buildings	221.4	214.7
Railway infrastructure	279.7	191.4
Rolling stock	894.3	780.8
	1,517.4	1,306.7

NZ IFRS 13 *Fair Value Measurement* 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 2026 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 5% to 9%.

- *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 2026 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 2026 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 2026 by an independent valuer who has recognised and relevant qualifications.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

24. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

In carrying out the valuation, the valuer assumed 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.

- *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 2026.

- *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 2026.

- *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 DFT locomotives. Additional factors evaluated by the Group to determine FVLCS include the costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 2026 were \$411.5m (2025: \$955.4m).

The Group has hedged 100% (2025: 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.

In NZ \$m	GROUP 2026		GROUP 2025	
	Equity	Profit	Equity	Profit
Foreign currency sensitivity analysis				
Impact of a 10% strengthening of the NZD	(38.5)	(2.5)	(87.6)	(26.4)
Impact of a 10% weakening of the NZD	47.0	3.1	107.1	32.3

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 2026 the total notional principal amount of outstanding commodity forward contracts is \$10.1m (2025: \$10.6m).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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), A3 (Moody's) or A- (Fitch). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 2026	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	206.6	206.6	206.6	-	-	-
Net settled derivative liabilities	3.2	3.3	2.6	0.7	-	-
Leases	130.9	177.6	27.7	26.9	35.0	88.0
Total	340.7	387.5	236.9	27.6	35.0	88.0

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

25. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

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

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.

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 2026, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

GROUP 2026	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	176.1	233.8	-	-
Average NZD:USD forward contract rate	0.64	0.62	-	-
Average NZD:AUD forward contract rate	0.90	0.92	-	-
Average NZD:EUR forward contract rate	0.53	0.51	-	-
Average NZD:CHF forward contract rate	0.49	0.44	-	-

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				
Interest Rate Risk	0.53	0.50	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 2026		GROUP 2025	
	Foreign Currency Risk	Total	Foreign Currency Risk	Total
	\$m	\$m	\$m	\$m
Opening balance at 1 July	19.0	19.0	(8.0)	(8.0)
Gain/(loss) recognised in other comprehensive income	5.3	5.3	27.0	27.0
Total recognised in other comprehensive income	5.3	5.3	27.0	27.0
Closing balance at 30 June	24.3	24.3	19.0	19.0

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 three years (2025: four years).

The details of the hedging instruments are as follows:

GROUP 2026	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
<i>Foreign Currency Risk</i>					
Forward foreign exchange contracts	409.9	Financial Assets/ Liabilities	27.5	(3.0)	24.5

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
<i>Foreign Currency Risk</i>					
Forward foreign exchange contracts	682.0	Financial Assets/ Liabilities	22.2	(3.1)	19.1

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

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 2026	Change in fair value for calculating hedge ineffectiveness	Cash Flow Hedge Reserve
	\$m	\$m
Cash flow hedges		
<i>Foreign Currency Risk</i>		
Committed foreign exchange transactions	(20.0)	(24.5)

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

(e) Capital Risk Management

The Group manages its capital structure to ensure it 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 its 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 2026. 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 2025: \$nil). During the financial year ended 30 June 2026 \$154.8m of insurance proceeds were received and recognised in the Statement of Comprehensive Income (30 June 2025: \$46m). Additionally, a receivable of \$52.6m was recognised in the Statement of Comprehensive Income for committed insurance progress payments as at 30 June 2026 (30 June 2025: \$nil). Insurance proceeds received are not specific to a particular loss or damage, but will be allocated to the claim in due course.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2026

27. CONTINGENT LIABILITIES

As at 30 June 2026, the Group is party to a dispute which was raised to the Employment Relations Authority. This is an on-going matter and the potential liability is immaterial to the financial statements.

28. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, Shareholding Ministers advised that they had countersigned a Core Lease Deed of Extension and Variation relating to KiwiRail's lease of railway land held by NZRC and the Crown. The Deed remains subject to completion of applicable Treaty settlement notification requirements, confirmation that those obligations have been met, and final execution by NZRC before becoming effective. If completed, the Deed would extend the term of the Core Lease to 31 December 2170.

The event occurred after balance date and is considered a non-adjusting event under NZ IAS 10 Events after the Reporting Period. The Core Lease is for nominal consideration and the proposed extension does not affect the carrying value of any recognised asset or liability, nor does it give rise to revenue, expense, equity or cash flow impacts in these financial statements. Accordingly, no adjustment has been made to the financial statements for the year ended 30 June 2026.

Subsequent to balance date, a requirement was established for \$96m to be repaid to the Crown.

The event occurred after balance date and is considered a non-adjusting event under NZ IAS 10 Events after the Reporting Period. As the requirement to repay the amount arose after 30 June 2026, it does not affect the carrying value of any recognised asset or liability in these financial statements. Accordingly, no adjustment has been made to the financial statements for the year ended 30 June 2026.

Independent Auditor's Report

To the readers of KiwiRail Holdings Limited's group financial statements for the year ended 30 June 2026

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 The Audit Office, 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 58 to 97, that comprise the statement of financial position as at 30 June 2026, 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 2026, and its financial performance and cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards.

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(f) on page 64 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 for the audit of the financial statements* 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 comply with New Zealand equivalents to International Financial Reporting Standards.

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 Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) as applicable for audits of public interest entities 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

The Audit Office

On behalf of the Auditor-General
Wellington, New Zealand

29 September 2026

COMPANIES ACT 1993 – OTHER REQUIRED DISCLOSURES

Directors' Disclosures – as at 30 June 2026

KiwiRail Holdings Limited

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.

Director	Interest
Suzanne Tindal	Deputy Board Chair + Chair of Risk & Assurance Committee NZ Infrastructure Commission Board Chair – NZ Railways Corporation Member, Treasury – Capital Markets Advisory Committee
Jeffrey Kendrew	Director, Port of Taranaki Director, Papa Rererangi – Puketapu Limited Director, Te Matakupenga Limited Director, Argon NZ Investments Director, NZ Hotel Holdings Queenstown Limited Director, NZ Hotel Holdings Wellington Limited
Murray Harrington	Chair, CORDE Limited Member of Risk & Assurance Committee, NZ Infrastructure Commission Director + Chair of Audit Risk & Assurance Committee, IHC NZ Incorporated Chair, Methven Adventures Limited Director, Airtech NZ Limited Director, Airtech Capital Limited Independent Member Audit & Risk Committee, Ashburton District Council Director, Genesis Capital Limited Director, New Regent Capital Limited Director, Croydon Dairy Limited
Alastair Bell	Director, Vector Limited Director, NZ Post Trustee, Entrust Chair, MIT & Unitec Council
Sina Cotter Tait *	Council Member, University of Canterbury Director, Christchurch City Holdings Limited Director, Collective Success Ltd Director, Whitestone Contracting Limited Trustee, Otautahi Community Housing Trust Director, Indemnity & General Limited Board member, Consulting Engineers Advancement Society Advisory Board member, Christ Church Cathedral Reinstatement Review Panel *Resigned 30 June 2026

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 2026.

KiwiRail Limited

Peter Reidy

David Gordon

Inihua Pte Limited

Bruce Wattie (1 July 2025 – 31 October 2025)

Jason Dale

Michael Yannakis

Murray Harrington (1 December 2025 – current)

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, The Audit Office
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:

KiwiRail Communications

PO Box 593, Wellington, 6140
Telephone: 0800 801 070
Email: contactus@kiwirail.co.nz

NATIONAL RAIL NETWORK



Marton - New Plymouth Line

Stillwater - Ngakawau Line

Hokitika Line

Midland Line

Main South Line

Bluff Line



- Passenger Only Metro
- Priority
- Secondary
- Tertiary Line
- ⋯ Interislander Ferry
- - - Unused or Mothballed

