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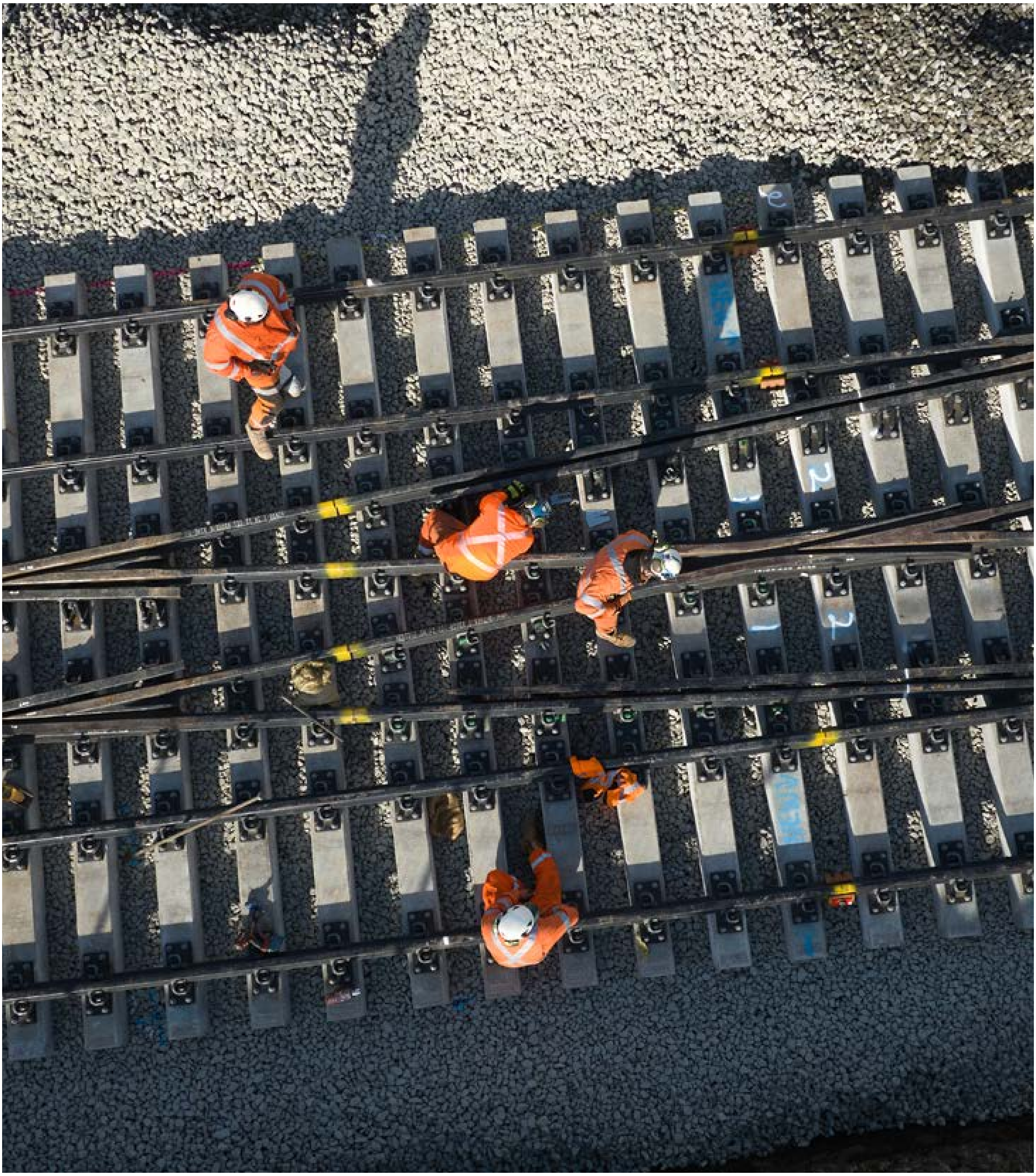
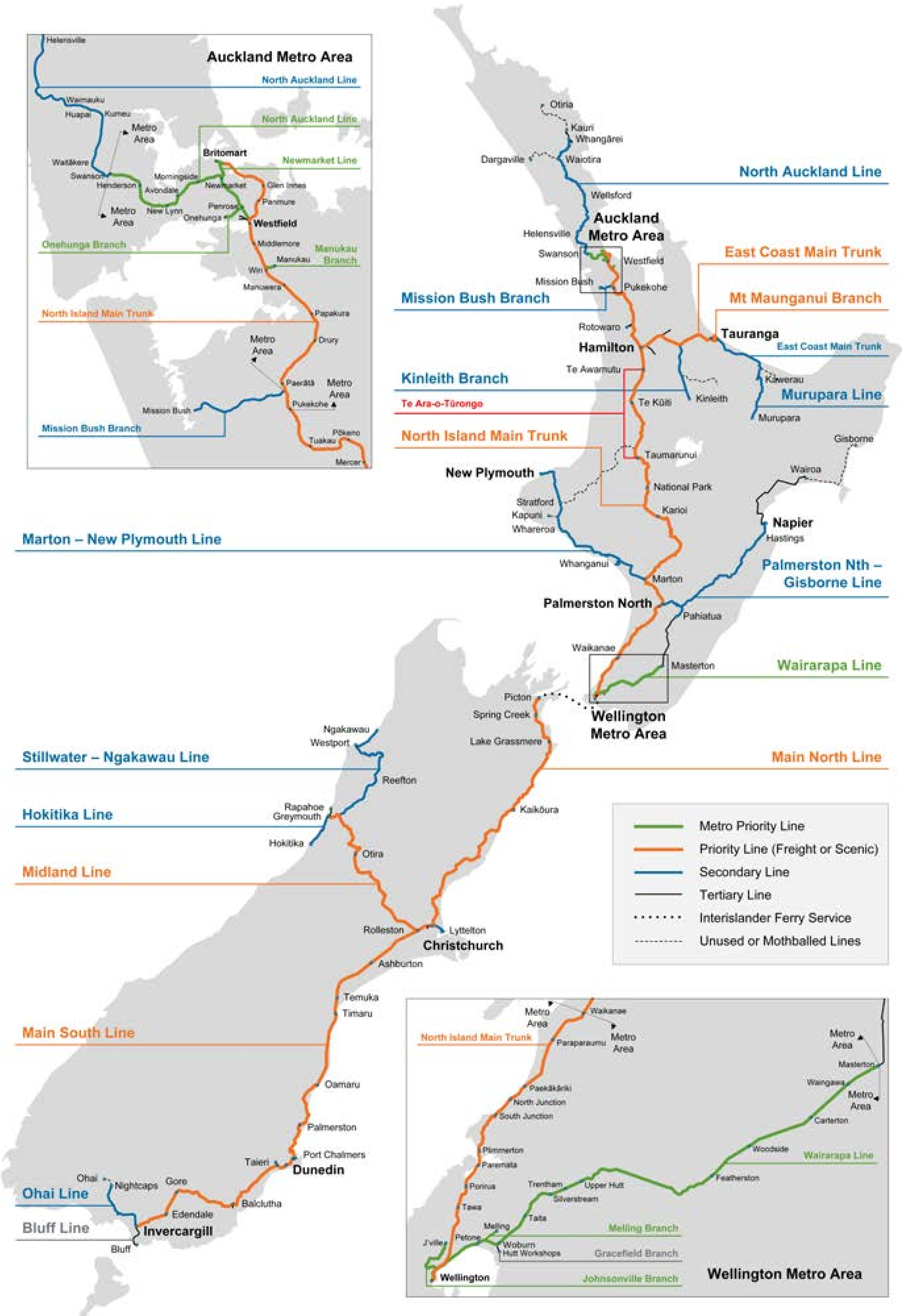
KiwiRail Integrated Report 2024




Auckland Metro Area
North Auckland Line
North Auckland Line
Newmarket Line
Onehunga Branch
Manukau Branch
North Island Main Trunk
Mission Bush Branch
Helensville
Waimauku
Huapai
Kumeu
Waitākere
Swanson
Henderson
Avondale
Morningside
Britomart
Newmarket
Glen Innes
Panmure
New Lynn
Penrose
Onehunga
Westfield
Middlemore
Manukau
Wiri
Manurewa
Papakura
Drury
Paerātā
Pukekohe
Mission Bush
Tuakau
Pōkeno
Mercer
Metro Area
Otiria
Kauri
Whangārei
Dargaville
Waiotira
Wellsford
Auckland Metro Area
Helensville
Swanson
Westfield
Mission Bush
Pukekohe
Rotowaro
Hamilton
Tauranga
Te Awamutu
Te Kūiti
Kinleith
Kawerau
Murupara
Gisborne
Wairoa
Taumarunui
National Park
Kariol
New Plymouth
Stratford
Kapuni
Whareroa
Napier
Hastings
Whanganui
Marton
Palmerston North
Pahiatua
Waikanae
Masterton
Picton
Spring Creek
Wellington Metro Area
Lake Grassmere
North Auckland Line
East Coast Main Trunk
Mt Maunganui Branch
East Coast Main Trunk
Mission Bush Branch
Kinleith Branch
Te Ara-o-Tūrongo
Murupara Line
North Island Main Trunk
Marton – New Plymouth Line
Palmerston Nth – Gisborne Line
Wairarapa Line
Main North Line
Stillwater – Ngakawau Line
Hokitika Line
Midland Line
Main South Line
Ohai Line
Bluff Line
Ngakawau
Westport
Reefton
Rapahoe
Greymouth
Hokitika
Otira
Kaikōura
Rolleston
Christchurch
Lyttelton
Ashburton
Temuka
Timaru
Oamaru
Palmerston
Port Chalmers
Taieri
Dunedin
Balclutha
Gore
Edendale
Ohai
Nightcaps
Invercargill
Bluff
Metro Priority Line
Priority Line (Freight or Scenic)
Secondary Line
Tertiary Line
Interislander Ferry Service
Unused or Mothballed Lines
Wellington Metro Area
North Island Main Trunk
Wairarapa Line
Melling Branch
Gracefield Branch
Johnsonville Branch
Waikanae
Paraparaumu
Paekākāriki
North Junction
South Junction
Plimmerton
Paremata
Porirua
Tawa
J'ville
Petone
Melling
Woburn
Hutt Workshops
Taita
Trentham
Upper Hutt
Silverstream
Featherston
Woodside
Carterton
Waingawa
Masterton
Wellington
Metro Area

Our purpose

Hononga Whaikaha.
Stronger Connections.

Oranga mō Aotearoa.
Better New Zealand.

Connected to our customers and the future needs of their businesses.
Connected to the communities we serve and operate in.
Connected to each other, for the good of the country.

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

Infrastructure worker Drew Muasika is one of KiwiRail's 4900 staff. We run services that shift 17 million tonnes of freight, the Interislander Cook Strait ferries and looks after 3700 kms of track.

In this report

6 Statement from the Acting Chair
7 Statement from the Chief Executive
8 Overview of KiwiRail

Financial Year 2024 Performance
12 KiwiRail Group
15 Rail freight
18 Interislander
21 Great Journeys New Zealand and commuter services
24 Property and facilities
27 Infrastructure network
34 Investment programme summary
36 Sustainability

Governance
42 Board of Directors
43 KiwiRail Executive
44 How we are governed

Performance reporting
49 Key performance measures
50 Required information
51 Vote Transport
55 Vote Finance
56 Financial Statements
56 Statement of Comprehensive Income
57 Statement of Financial Position
58 Statement of Movement in Equity
59 Statement of Cash Flows
60 Notes to the Financial Statements
97 Independent auditor's report
99 Companies Act 1993 - other required disclosures
101 Directory

Statement from the Acting Chair

This Integrated Report reflects a challenging year during which KiwiRail has strived to lift its performance in tough trading conditions and amid uncertainty.

The operating surplus from the services we provide was $105.6 million in FY24, a 33 per cent decline on the previous year. That is disappointing to the Board and management and mostly reflects deteriorating global and domestic freight markets and increasing costs. The result also reflects one-off major impacts of $25.9 million. Without these one-off impacts, EBITDA would have been $131.5 million. Although we maintained our market share, revenue from import and export freight was down 11 per cent on the previous year. KiwiRail was able and willing to move more freight but too often it was not there to carry in a year in which consumer confidence fell and New Zealand's imports shrank.

With freight volumes declining for road and rail across New Zealand, it is pleasing to note an 11 per cent increase in revenue from forestry freight and a 15 per cent increase in passenger revenue from Interislander with an increase in passenger numbers and yields on our ferry service.

The Board, management and our shareholders all want KiwiRail's Services Business to achieve an ambitious goal of standing on its own two feet, and becoming financially sustainable and able to fund its own capital expenditure, thereby reducing dependence on Crown funding.

To achieve that goal, and notwithstanding the continuing difficult economic conditions, we have embarked on a transformation and are expecting to start seeing the benefits of this in improved performance in FY25. Our transformation strategy, which is focussed on profitable growth, is underpinned by better meeting the needs and expectations of customers supported by operational excellence and cost discipline, so that KiwiRail becomes the first and best choice for moving more freight. The Board has every confidence the changes KiwiRail is putting in place will have the company in a strong position to harness the economic recovery when it comes.

The company welcomes the increasing recognition of the role of rail in reducing the carbon footprints of our customers' businesses and commuter trips, and helping New Zealand meet its climate goals. This value will only grow in the years ahead.

The Board is grateful to the Government for its continued investment in upgrading the rail network. In a country that is short of infrastructure, the national rail network is precious. We are pleased to be achieving milestones on the way to delivering several large projects funded by $9 billion of investment over recent years. When complete, these will enhance the network and aid more reliable rail services. The more passengers and freight customers use rail, the greater the contribution KiwiRail will make to integrated supply chains, regional economies and New Zealand's productivity.

The Government's decision in December 2023 to end funding for the proposed replacement of Interislander's ageing ferries has created uncertainty. However, our enhanced asset management of the current fleet means that, with that increasing investment in maintenance, there are no systemic issues preventing the ships continuing to provide a safe and reliable service to New Zealand for the next few years.

Finally, I thank the Board, management and staff of KiwiRail for their work. Chair David McLean and directors Maryan Street, Ed Sims and Rachel Pinn have left the Board and I thank them for their contributions and commitment during their terms.

Rob Jager ONZM
Acting Chair

Statement from the Chief Executive

Achieving milestones to improve customer service reliability, positioning our new rolling stock fleet for FY25 commissioning, significant upgrades of metro and freight networks and progressing our plan to build a high-performance safety culture were all standouts for KiwiRail during FY24.

For the second consecutive year, we delivered more than a billion dollars of rail network investment thanks to government funding commitments of $9 billion since 2018. After decades of underinvestment in the 3700km network, the once-in-a-generation capital injection, particularly for work in Auckland metro, has seen demonstrable progress. This includes the ontime completion of the electrification of the rail line to Pukekohe, ahead of reopening commuter services on the line early in 2025. Preparing Auckland for the start of the City Rail Link, with its twin 3.5km tunnels, requires continued intense effort which we achieved through the last 12 months. Unfortunately, at times that has meant disruption for commuters, but the rewards will be a true metro system, efficiently carrying hundreds of thousands of people on low carbon trips across the city once CRL opens.

The legacy of underinvestment in both the network and rolling stock are constraints that KiwiRail works with daily. Auckland's rail network was never designed for the growth it has experienced and a third main line, to ease congestion in the busiest part of the network and allow freight movements to and from Auckland Port, is well advanced. Across the country we have more than 100 tunnels and more than 1300 bridges. All are safe but many are old and declining, and failures create disruption for our customers and their customers. We continue to work at building a resilient and sustainable network through the Government's Rail Network Investment Programme.

Cook Strait ferries are the essential connector of the North and South Islands. With the end of the iReX project, and recognising that we would need to run the current fleet for longer than anticipated, we sought an independent assessment of the state of the ships and were pleased to be assured that each of them was in better condition than expected. Our enhanced maintenance programme saw a lift in the ships' performance, with on-time sailings above 91 per cent through the 2023/2024 summer peak season. That lift only made the grounding of Aratere a few months later all the more disappointing. An excellent recovery effort saw the ship refloated within 24 hours, and soon back on the run.

Building a high performing safety culture focused on line leadership and ownership of critical risks has been a big focus during the year, and one which, as Chief Executive, I care deeply about. It starts with a belief that all accidents are preventable. Embedding this belief and mindset takes time but our lead safety indicator – high-potential risk incidents – fell to 14 from 48 the previous year – a significant 71 per cent reduction and a sign that we are on the right path to reduce the frequency of critical risk occupational safety incidents.

Management is responsible for realising the company strategy and this year international rail expertise and global benchmarking assisted us as we developed a plan to reach KiwiRail's full potential. KiwiRail has set itself an ambitious plan to grow by winning customer loyalty through improved customer experience, asset availability, service reliability and delivering a lower cost of operations to compete for customers in our freight and passenger markets. We know that we need to continue to work hard at being easier to do business with, improve our service performance and reliability and deliver our service at a competitive price point. This is essential for increasing the modal shift of containers from road to rail. It is challenging work with the additional incentive that every tonne of freight carried by rail delivers a 70 per cent savings in emissions compared with road freight. An improved performance by KiwiRail will therefore help our customers' financial and environmental sustainability, contribute to New Zealand meeting its climate change goals and to KiwiRail building a more sustainable future.

My thanks go to the whole KiwiRail team for their efforts in FY24, and our enhanced union partnerships as we embark on our ambitious customer-led growth plan over the next two to three years.

Peter Reidy
Chief Executive

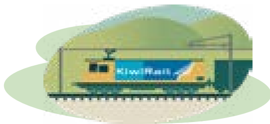
Overview of KiwiRail

We operate an integrated services and infrastructure business

VALUE

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

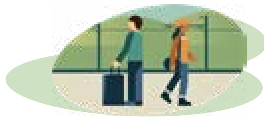
An estimated 210 minor injuries, serious injuries and deaths on the road are avoided each year by using rail.*



SUSTAINABILITY

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

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



COMMUNITY

Strong public support for a modern, efficient rail and ferry network

Public recognition of rail and ferries as critical infrastructure

Efficient movement of people and goods underpins the economy

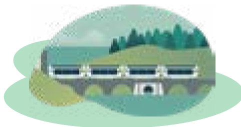
Services

FREIGHT

Move around 17 million tonnes of freight

Transport around 18% of New Zealand's exports and imports

Connect more than 300 customers' freight supply chains



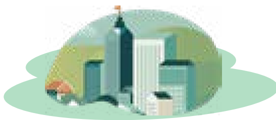
GREAT JOURNEYS NEW ZEALAND

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

Operate Te Huia and Capital Connection

INTERISLANDER

Operate three ships making 3400 sailings per year.
We move around 73,000 commercial vehicles and provide around 600,000 passenger trips
Connects State Highway 1 across Cook Strait



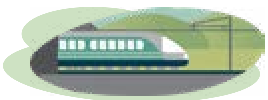
PROPERTY

Manage a portfolio worth $4.3 billion with more than 18,000 hectares of land leased from NZRC

Own more than 900 buildings

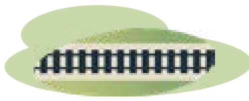
Manage 10,000+ leases, licences and grants

Infrastructure



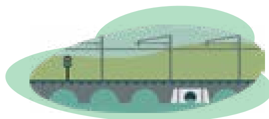
METRO NETWORKS

Manage the metro networks supporting more than 25 million metro commuter trips each year.



TRACK

Operate and maintain 3700km of track



INFRASTRUCTURE

3096 signals

1444 public level crossings

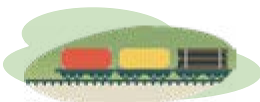
105 tunnels

1367 bridges

Resources

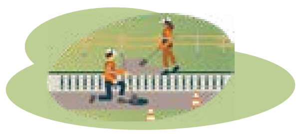
PROPERTY

(see Services)



ROLLING STOCK AND FERRIES

4500 wagons
241 locomotives and shunts
3 ferries



OUR TEAM

4900 employees
19% women
32% under 35 years old

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

KiwiRail values

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

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

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

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

Sustainable Development Goals

We recognise the impacts of our operations and embrace the role we can play in advancing the Sustainable Development Goals.

We will continue to support the delivery of these goals in line with our organisational strategy and business activities.

Reporting what matters

This report communicates matters that are important to our stakeholders, our customers and our business, and demonstrates how we create value in the short, medium and long term.

In FY24 Anthem was commissioned to undertake an audit of our influential external stakeholders to ascertain the degree to which KiwiRail is trusted. 53 interviews were conducted across customers, tourism operators, central and local government, iwi, marine industry members, media, transport consultants, unions and business partners.

The stakeholder audit confirmed there is strong support for KiwiRail as a provider of critical transport infrastructure, and good recognition of the value KiwiRail brings to the country.

Feedback from our stakeholders and our people identified the material matters. These are covered in this report and include: Safety culture and performance for workers and the public; resilient rail and ferry infrastructure connecting the country and providing employment; customer experiences; environmental compliance, energy efficiency and carbon emissions; funding consistency, predictability and transparency; commercial viability; and community, iwi and union relationships.

Statement of responsibility

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

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

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

How KiwiRail creates value

Purpose

Stronger Connections.
Better New Zealand.

Ambition

To grow our business by winning customer loyalty.

How we are transforming and creating value

At KiwiRail, we create value over the short, medium and long term by:

- Elevating our business to be customer led
- Strengthening our core freight business
- Growing our earnings
- Building our Services Business to stand on its own two feet
- Building our infrastructure network so that it is an efficient and reliable partner
- Harnessing our deep sense of pride, expertise and union engagement.

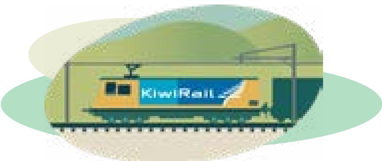
KiwiRail is growing its business by being customer led. KiwiRail's Alan Piper (right) has been working with Sorted Logistics' Kris Webster to more efficiently connect road and rail to move freight.

Inputs

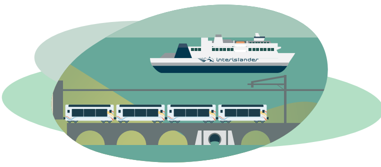
People and Safety

Customers

Partnerships



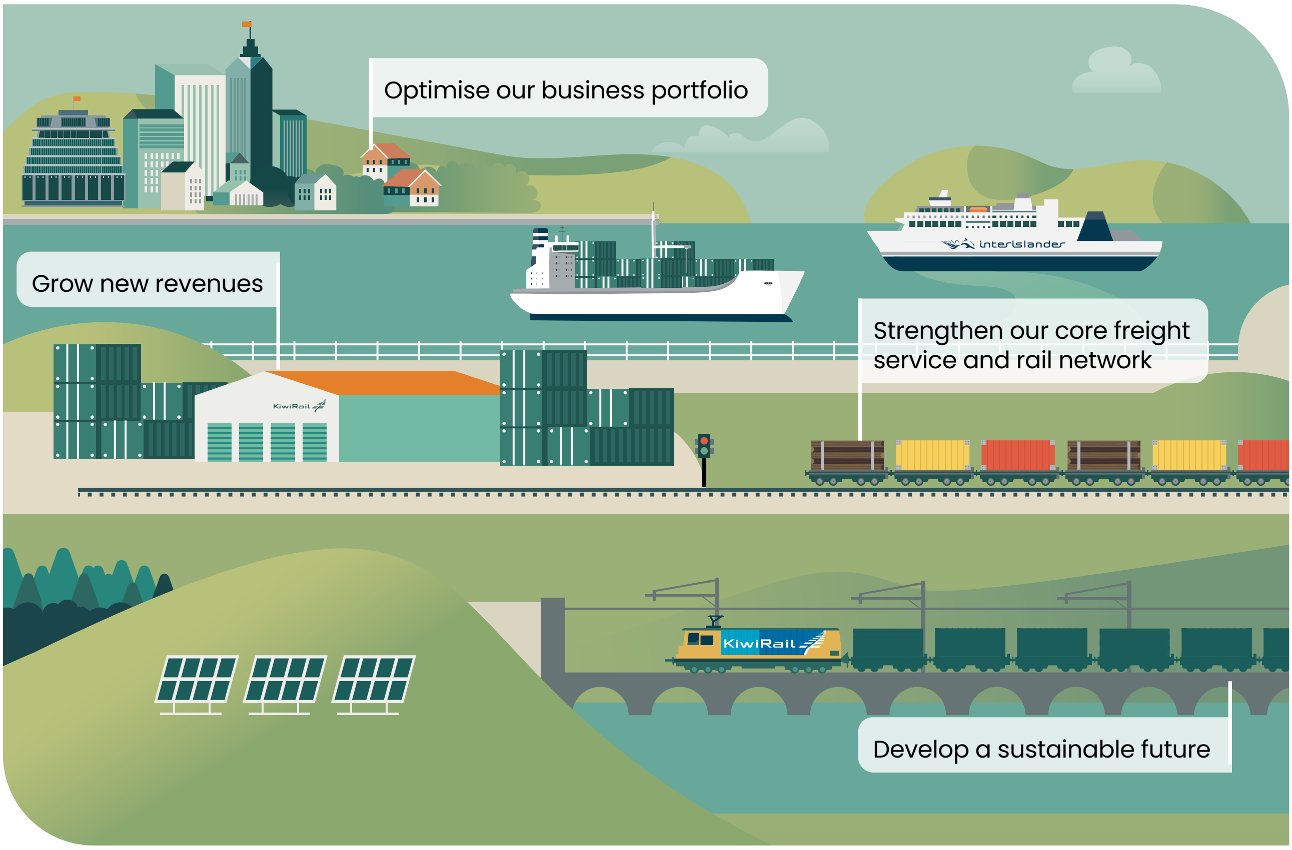
Environment



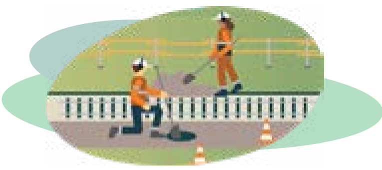
Assets

Commercial

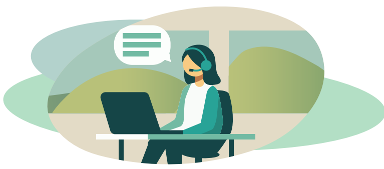
Strategic priorities



Transformation outcomes



Zero injuries every day



Superior customer services

Easier to do business with

Reliability and efficiency

Proud, connected culture

Sustainability

Financial year 2024 performance

KiwiRail Group

KiwiRail has dual roles. We are a sustainable transport services and infrastructure provider, operating a services business commercially. In addition, we are the steward of the national rail network, operating an infrastructure business for all rail network users.

($m)	Group	Services	Infrastructure
Operating revenues	1,043.2	774.3	268.9
Operating expenses	937.6	668.7	268.9
Operating surplus	105.6	105.6	-
Capital expenditure	1,475.2	470.3	1,004.9

The Services Business comprises:

- Rail Freight – rail logistics services to freight markets
- Interislander – ferry services to rail and road freight markets, and for passengers and private vehicles
- Great Journeys New Zealand and Commuter – passenger rail services for public transport and tourism experiences
- Property – management and development for rail operations and third-party land use.

The Services Business is receiving Government funding support for major asset replacement (e.g. rolling stock), but in the near future needs to make sufficient operating surpluses to fund its ongoing investment and financing costs.

The Infrastructure Business delivers:

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

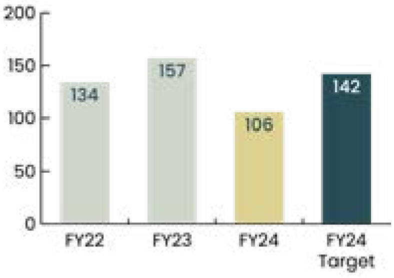
The rail network is funded primarily by the Government, with the Rail Network Investment Programme (RNIP) funded through the National Land Transport Fund (NLTF) and major improvement projects through specific funding such as the New Zealand Upgrade Programme. The principal source of funding for RNIP is the NLTF, administered by the New Zealand Transport Agency. The NLTF funding is supplemented with direct Crown contributions, track access fees paid by rail users including Auckland Transport and Greater Wellington Regional Council and a Track User Charge paid by KiwiRail.

The Services and Infrastructure businesses are both supported by shared corporate services including a specialist Safety, Health and Wellbeing team, finance, legal, human resources, technology, policy and funding, communications and strategy.

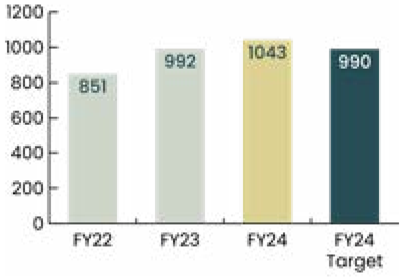
This section presents the performance of KiwiRail as a Group, at a business unit level (Services) and across the major network programme (Infrastructure).

Services and Infrastructure operating revenue and funding

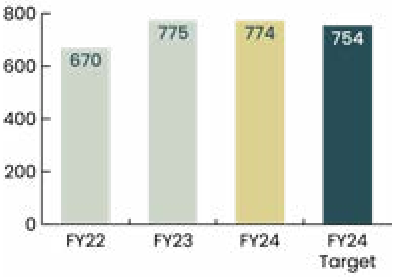
Group operating surplus[1] ($m)



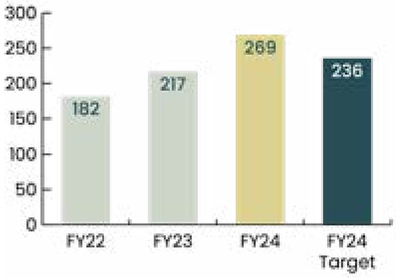
Group operating revenue[2] ($m)



Services operating revenue ($m)

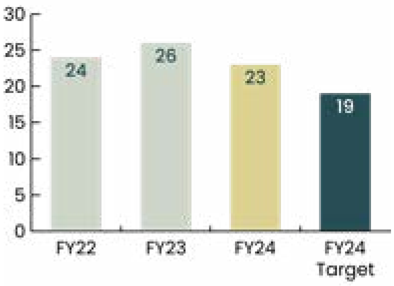


Infrastructure operating revenue[3] ($m)

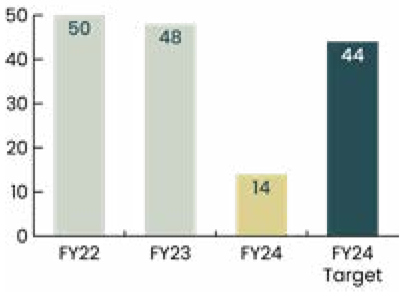


Group KPIs - Trends - People metrics

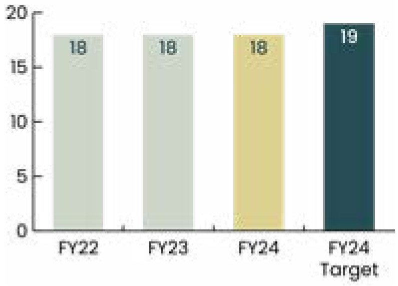
Total Recordable Injury Frequency Rate (rate per million hours)



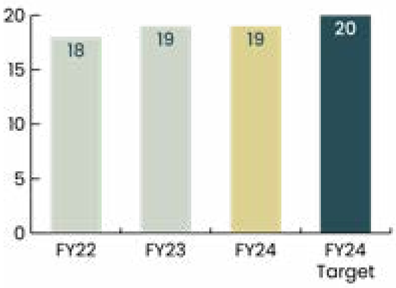
Safety, Health and Environment High Risk Events (number)



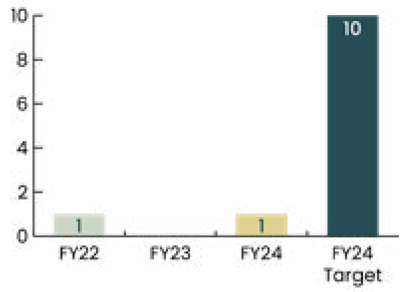
Under 30 years old in the workforce (%)



Women in the workforce (%)



Employee Net Promoter Score (number)



KEY

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

1. Operating surplus in FY23 excludes the $1.1m impact of non-recurring items. The target in the 2024-2026 Statement of Corporate Intent was $127m-$147m.
2. Operating revenues in FY23 excludes the $1.1m impact of non-recurring items.
3. Infrastructure is funded by the Rail Network Investment Programme, which came into effect on 1 July 2021.

Group performance commentary

KiwiRail reported an operating surplus of $105.6[1] million for the year ended 30 June 2024. This was a drop from $156.5[1] m for FY23, mainly due to a softening in the freight markets in a weaker New Zealand economy as well as disruptions caused by weather-related line closures across the country. KiwiRail's volumes were lower across all freight categories except for Forestry.

Interislander's operational and financial performance lifted in FY24, but reliability and scheduled sailings were impacted by a mechanical issue affecting Aratere in May, its grounding in June, Kaiārahi's 11 days out of service following a berthing incident in November and heavy weather in October, November, and June.

KiwiRail increased its investment in the maintenance schedule to reflect the expected longer service lives of the fleet following the cancellation of Project iReX. Great Journeys New Zealand saw 41 per cent growth in sales revenue with higher visitor numbers, the introduction of tour packages and a full 12 months of operation for the Northern Explorer and Coastal Pacific.

KiwiRail is in the foundation stages of our Safety Culture Transformation Programme (Toitū Te Mauri), a multi-year programme. Importantly, our high-potential critical near miss events (those near misses that could have led to a fatality or serious harm) improved by 71 per cent compared to the previous year. In FY24 the Total Recordable Injuries Frequency Rate (TRIFR), which records how often injuries are happening at work, improved by 11 per cent – reducing from 26 to 23 injuries per million people-hours worked. We are starting to see more leaders being visible and conducting in-field critical risk walks to identify safety risks and have safety interactions with our teams in the field, building a stronger safety culture as they do this. This year we will lift the focus on managing critical risks – establishing simple standards, controls and visual cards that we can all follow. We have completed this for risks associated with working from heights and are now working on the risks from plant equipment.

Infrastructure funding is cost-revenue neutral and does not affect the Group's operating surplus, with the network treated as a public good. KiwiRail is the network provider for all rail users – Auckland and Wellington metro users, rail freight businesses and their customers, inter-regional rail commuters, heritage excursion customers, and tourists on Great Journeys New Zealand. Our network teams performed creditably, with major work programmes delivered across the network. We delivered within 3 per cent of planned renewals despite major weather events disrupting the programme.

In FY24, 32 per cent of new staff were women and 30 per cent were people under 30 years old. We continue to support diversity in our team and in FY24 we brought onboard 18 new graduates and 18 new interns, with a focus on attracting women and younger employees into both programmes. As part of monitoring our performance, we calculate KiwiRail's Gender Pay Gap using the Statistics NZ methodology. At 3.6 per cent, the current gap is about 42 per cent of the national average (8.6 per cent).

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1. Operating surplus represents earnings before depreciation and amortisation, interest, impairment, capital grants, fair value changes and tax, and in FY23 excludes the $1.1m impact of non-recurring items.

Services Business

Rail Freight

Serving our customers in imports/exports, bulk commodities, and domestic freight in a weaker economy.

What we do

Operations at a glance

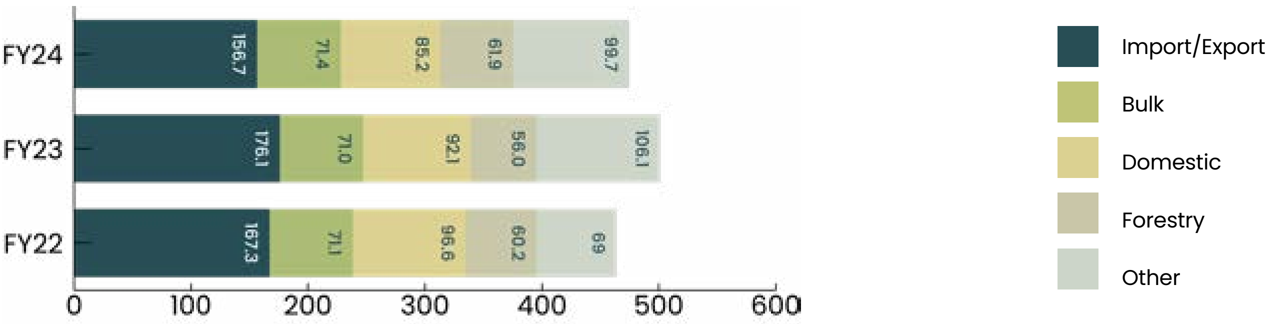
We operate up to 1000 mainline freight departures per week moving 13 per cent of New Zealand's freight task (NTKs) and 18 per cent of New Zealand's exports and imports. This is equivalent to 1 million truck trips.

People and assets

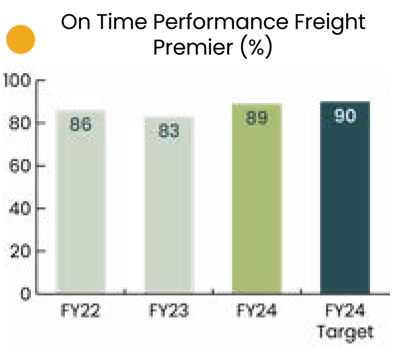
- 1960 employees
- 241 locomotives and shunts, and around 4500 wagons
- New digital self-service portal for rail and Commercial Vehicle customers
- Major rolling stock workshop at Woburn (Lower Hutt), with new facilities coming on line at Hillside (Dunedin) and Waltham (Christchurch). Large maintenance depots at seven other locations.
- 18 container transfer and rail terminal sites, with 12 run by KiwiRail and six run by third parties including new hubs at Fairfield (Ashburton) and Ruakura (Hamilton).

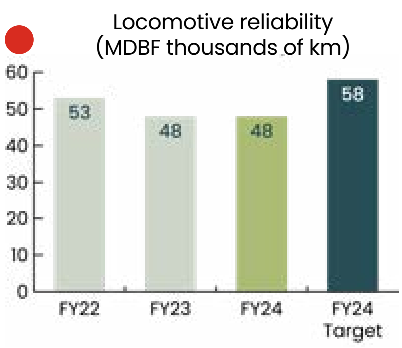
What we did - our performance

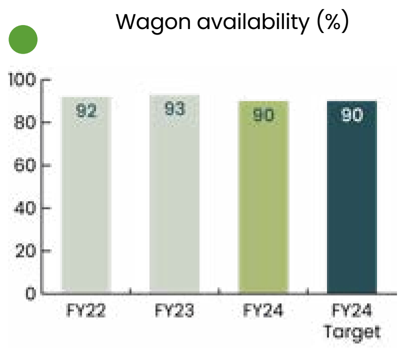
Freight operating revenue totalled $474.9 million, down 5% on prior year



Operational KPIs - Trends



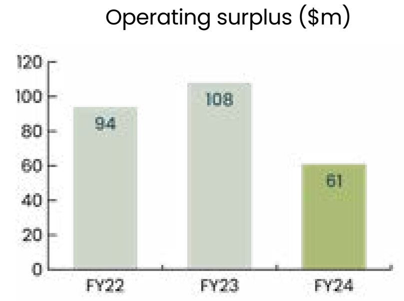


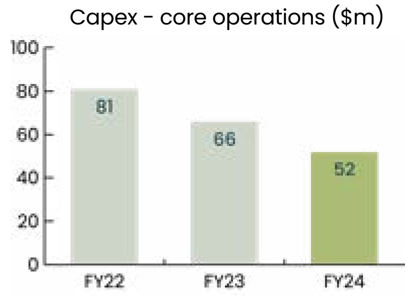


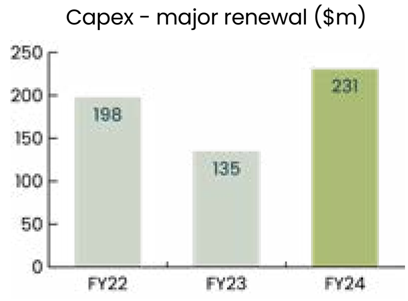
KEY

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

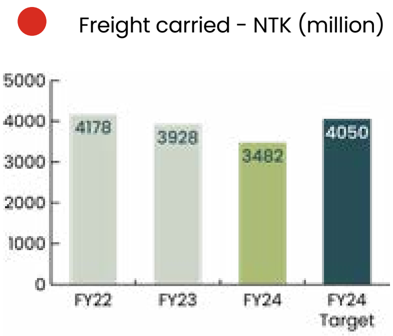
Rail freight financials and funding

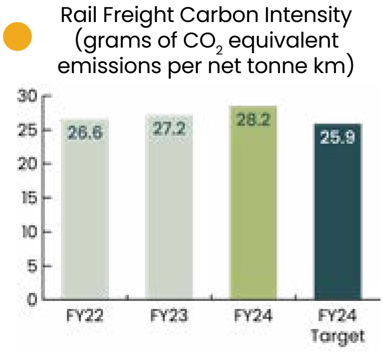


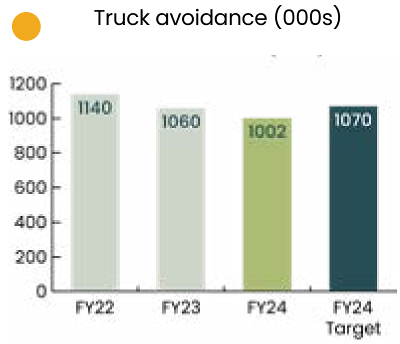




Outcomes and benefits







Rail Freight performance commentary

KiwiRail plays an essential role in the freight transport sector, supporting the New Zealand economy, with around 18 per cent of all imports and exports moved by rail. Rail provides critical capacity, particularly for long-distance and heavy products, avoiding approximately one million truck moves and avoiding the associated congestion, road maintenance, safety and environmental impacts.

The rail freight result was adversely impacted by a weaker economy, which impacted the whole transport industry. KiwiRail's volumes were in line with the industry decline but were also impacted by network disruptions. These included continued track closures caused by Cyclone Gabrielle including, North Auckland Line, Wairoa, and Napier, other weather-related impacts, including disruptions to coal on the West Coast line and the Ohai line, and ferry disruptions.

Import volumes were particularly hard hit. MetroPort's train plan reduced from 96 trains per week in FY23 to 48 trains per week by May 2024 as Port of Tauranga sought to rebalance freight flows in the face of increased competition between ports for lower import volumes.

In FY24 the after effects of Cyclone Gabrielle meant that our rail customers in Northland were unable to access the North Auckland Line. Extensive repairs post Cyclone Gabrielle have been undertaken and are nearing completion, and the line is expected to reopen by October. We thank our customers and the communities impacted by this closure for their patience as our teams have worked to safely complete this challenging recovery work.

The Palmerston North to Napier line also closed during FY24 as a result of Cyclone Gabrielle. A temporary bridge was installed at Awatoto, enabling our customers to fully connect to Port of Napier in mid-September.

Wagon availability met target again in FY24. Locomotive reliability (Mean Distance Between Failure: 48,000km) fell short of target (MDBF: 58,000km), but the trend improved significantly in the second half and as of June MDBF for the last six-month period was 53,000km. MDBF has increased through a focus on analysing and resolving our top failure causes and reviewing our training programmes. Increased quality control checks on maintenance performed, and targeted component renewals of life expired equipment have also contributed to the improvement.

While the arrival of 10 new DL locomotives and refurbishment of five EF locomotives during the year contributes to reliability, the biggest impact will come from the arrival of 66 new DM locomotives from 2026 to 2027 and refurbishment of a further seven EF locomotives in FY25.

The deterioration in operating surplus reflects the demand and network availability factors discussed above.

Key achievements included:

- Embedded an online booking portal for customers to book rail freight directly, achieving a 75 per cent uptake
- Ruakura Inland Port (Hamilton) and the privately owned Fairfield Freight hub (Ashburton) were brought on line. Ruakura supports volume on the Golden Triangle and the inter-modal Fairfield hub has delivered an incremental 20,000 TEU capacity to rail in the South Island
- Commissioned 10 new DL locomotives and refurbished five EF locomotives
- Worked with our Commercial Vehicle customers using Interislander to improve booking practices in order to be able to release more capacity to the market. Thank you to all our customers who have adopted the new check-in arrangements so rapidly.

Capital expenditure

KiwiRail is continuing to progress a major renewals programme for our locomotive and wagon fleet. The multi-year rolling-stock programme is expected to be completed in 2028 and is funded through shareholder equity committed during Budgets 2019 to 2024. This programme will improve service reliability and reduce the risk associated with an ageing rolling stock fleet.

Key achievements included:

- 10 new DL mainline locomotives purchased in FY23 brought into service
- The first batch of 60 new wagons assembled at Hillside in May. Our replacement programme will see up to 3000 new wagons enter the fleet.
- The first two of 66 new DM locomotives are expected to arrive in New Zealand mid-October. These are state of the art, low-emission mainline locomotives

Outcomes and benefits

KiwiRail delivered 3.5 billion net tonne kilometres (NTK measures the freight tonnage multiplied by the distance travelled). This delivered significant benefits to New Zealand in the form of avoided carbon emissions, reduced congestion and improved safety and reduced road maintenance by keeping large volumes of freight off roads.

Our target of 4.1 billion NTKs was not met due to the factors discussed earlier.

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

While we are still dealing with a large proportion of aged assets in some areas, our capital and renewal programmes are building a robust and reliable rail freight system with increased capacity. The completion of the Waltham and Hillside workshops will set South Island operations up to maintain their own rolling stock and improve maintenance turnarounds, and the new wheelshop at Hutt Workshops has already improved efficiency. The impact of these new facilities, track upgrades and replacement programmes for rolling stock by the end of 2027 will place KiwiRail in a strong position to compete and grow volumes, contributing to a more robust freight supply chain for New Zealand.

Outlook

Overall, the domestic market outlook is expected to remain soft in a weaker economy throughout FY25:

- Although inflationary pressures are easing across the board, trading conditions are expected to remain tight with earnings levels reducing with the knock-on reduction in overall investment levels
- Sticky interest rates are still dampening demand for imports
- Import activity to be subdued with strong competition between the Upper North Island ports for volumes
- Excess system capacity creates market tension on pricing.

KiwiRail has set itself an ambitious plan to grow by winning customer loyalty through improved customer experience, asset availability, service reliability and delivering a lower cost of operations to compete for customers in our freight and passenger markets. We know that we need to continue to work hard at being easier to do business with, to better align our product design to customer needs, improve our underlying service performance and deliver our service at a competitive price point.

Interislander

Interislander passenger volumes were 8 per cent higher with the partial return of international tourists, but freight volumes were 5 per cent lower due to lost market share. Ship reliability and On Time Performance lifted significantly during the year but slipped back in May and June due to Aratere's extended wet dock and minor mechanical issues in May, and the grounding near Picton in June.

Following a change in direction regarding the iReX programme, the Government remains committed to the connection across the Strait.

KiwiRail cooperated with the Ministerial Advisory Group on alternative options for replacing the current fleet and we look forward to Government announcements once decisions are made.

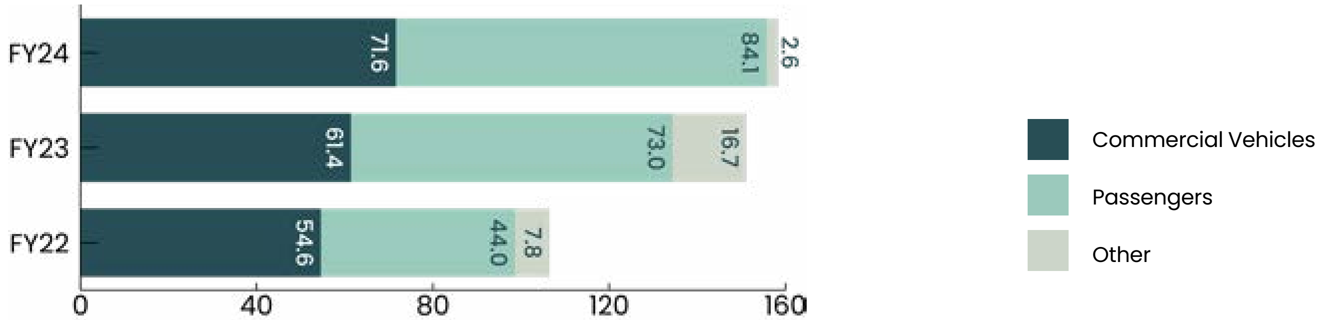
What we do

Operations at a glance

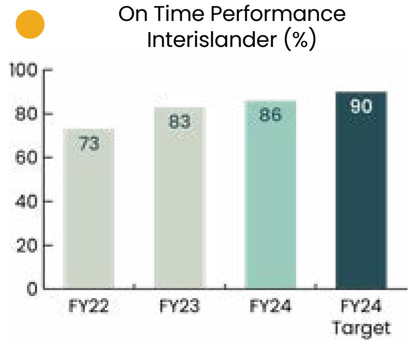
- In FY24 we operated 3374 sailings between Wellington and Picton
- During peak freight and passenger times of the year, we mostly operate 12 daily sailings
- We moved 1.2 million lane metres of freight across the Cook Strait
- On our busiest passenger days of the year, we carried 5100 passengers and 1900 passenger vehicles.
- 690 employees
- Operates three ships
- Two terminals and marshalling yards across Wellington and Picton, a commercial production kitchen and a workshop
- The safety of our passengers and employees is always the top priority for our Interislander crews and determines operational decisions.

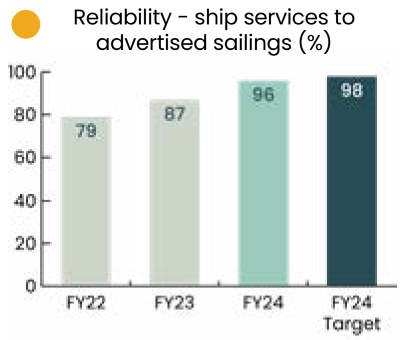
What we did - our performance

Interislander operating revenue $158.3m - 5% increase on prior year



Operational KPIs - Trends

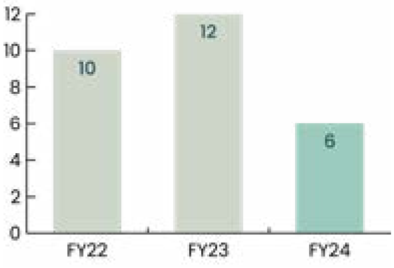


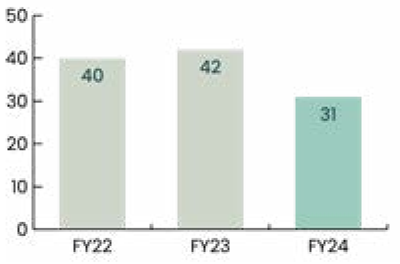


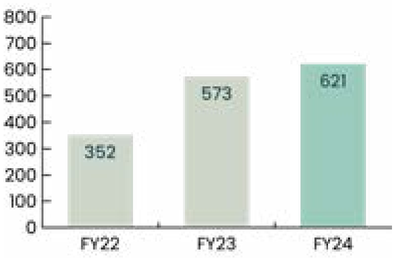
KEY

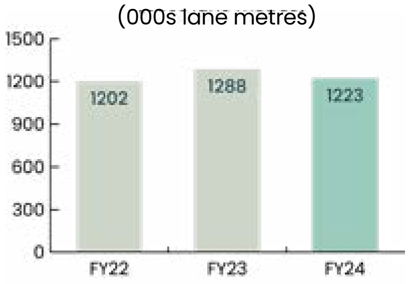
- Achieved target performance
- Within 10 per cent of target
- Below by more than 10 per cent of target

Interislander financials and funding









Interislander performance commentary

In FY24 the Interislander operating surplus declined due to softer freight volumes reflecting a weaker New Zealand economy, some mechanical breakdowns, damage to Kaiārahi's hull as the result of a berthing incident, some heavy weather and Aratere's grounding near Picton in June. These adverse impacts were partly offset by higher passenger numbers for the year.

Despite those issues, both our on-time performance and reliability improved, reflecting a strong focus on asset inspection and maintenance processes implemented following disappointing results in 2022/2023.

KiwiRail understands the need to sustain reliability and on-time performance for our customers and will continue to focus on delivering that.

Key achievements:

- Very strong passenger demand over the Christmas and New Year period
- Completion of DNV (Det Norske Veritas) review of ship life - all vessels recorded low fatigue utilisation and there are no systemic issues that will stop the fleet operating until 2029
- Worked with Commercial Vehicle market to improve booking system and deck space allocations
- Implementation of a dedicated asset management team. Responsible for planning multi-year asset management and providing assurance on quality delivery of maintenance.

Capital expenditure

During FY24 Kaiārahi underwent its regular major maintenance programme.

Following the Government decision to cancel funding for the iReX project, KiwiRail assisted the Ministerial Advisory Group (MAG) with alternate options.

Key achievements:

- Successful completion of Kaiārahi dry dock (August 2023), Aratere wet dock (May 2024) and Kaiārahi wet dock (June 2024) for major scheduled maintenance
- $31 million capital expenditure toward maintenance of the vessels (including wet/dry docks).

Outcomes and benefits

KiwiRail's ferries are a critical extension to State Highway 1 and enable the rail network to be operated as a single national network, providing an important service for New Zealand's supply chain.

Moving people across Cook Strait by ferry allows them to travel with their vehicles, provides an alternative to flying and offers the quintessential New Zealand experience of 'cruising on the Interislander'.

Outlook

Passenger demand continues to grow as international tourists return. International tourist numbers are predicted to increase by 2 per cent in FY25, following the 8 per cent increase in overall passenger numbers in FY24.

The fleet consists of three vessels, and while they are aging, we are focussed on our customers' needs. Our asset management programme to maintain strong service levels is embedded, and with the Aratere grounding behind us, we believe we can provide a safe and reliable ferry service that New Zealanders can trust and enjoy.

Interislander works closely with local suppliers such as Beard Brothers to deliver top quality catering to its passengers. Here Rob Beard (left) works with Chief Cook Prince Anthikkat.

Great Journeys New Zealand and commuter services

Great Journeys New Zealand

Highlights of the year included *The New York Times* (Jan 2024) ranking Great Journeys New Zealand (GJNZ) as number 4 in the top 52 places to visit in 2024, resulting in a jump in tour sales. WOW trains sold out, Scenic Plus Experience expanded and new, innovative carriages providing a more immersive experience were introduced. GJNZ passenger numbers grew by 19 per cent but revenue grew by 41 per cent, boosted by the introduction of new package tours.

Commuter servcies

Commuter passenger numbers grew modestly by 8000 trips in FY24, revenue was up 21 per cent to better reflect the costs of providing the services.

What we do

Operations at a glance

We operate:

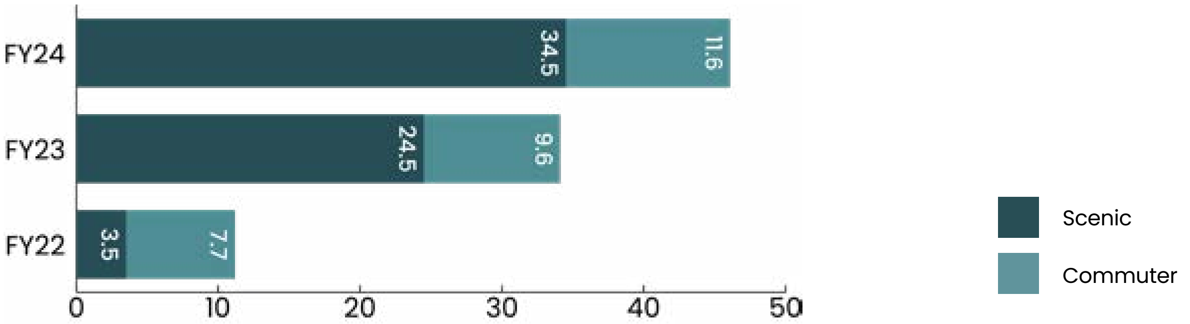
- Three Great Journeys New Zealand (GJNZ) services providing a unique rail tourism experience on three routes: TranzAlpine, Coastal Pacific and Northern Explorer
- A travel centre, offering end-to-end travel services, including multi-day tours, charters and short break packages.
- Two public transport service operations, Te Huia and Capital Connection, under contract with regional authorities, connecting commuters between Hamilton and Auckland, and Palmerston North and Wellington respectively

People and assets

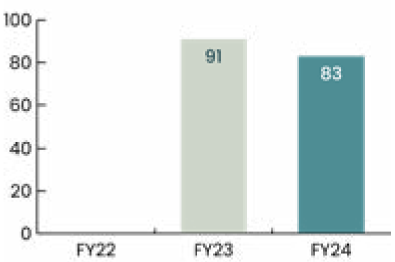
- 87 employees
- 8 DFB class locomotives, 3 DX class locomotives, 29 GJNZ carriages and 21 commuter carriages
- Mechanical facilities in Auckland, Hamilton, Wellington and Christchurch, with stations and platforms stretching across the network.

What we did - our performance

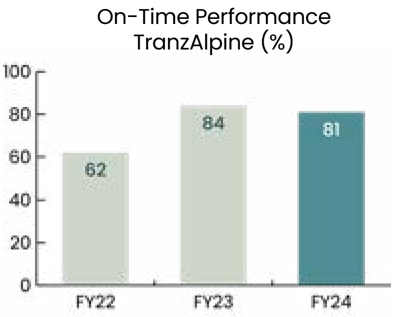
Great Journeys New Zealand and commuter operating revenue $46.1m - 35% growth on prior year

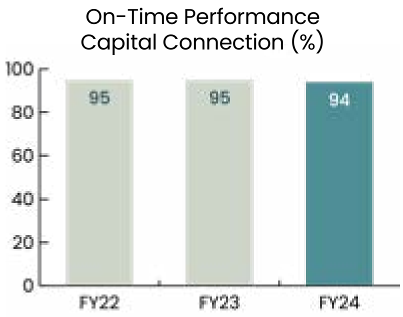


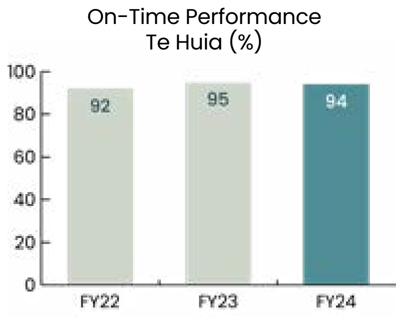
Operational KPIs - Trends



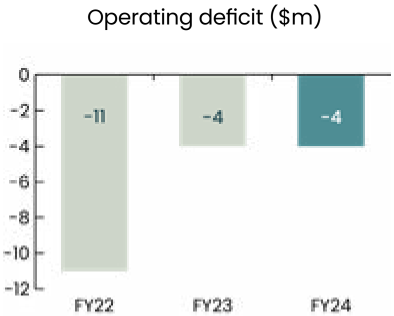
1. On-Time Performance for Northern Explorer and Coastal Pacific is not provided for FY22 as these services were paused due to Covid.

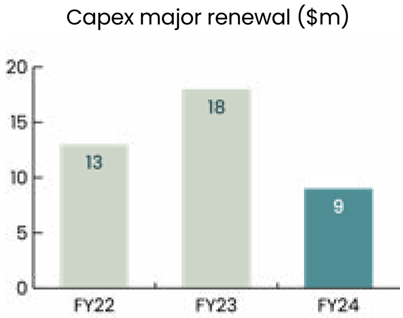




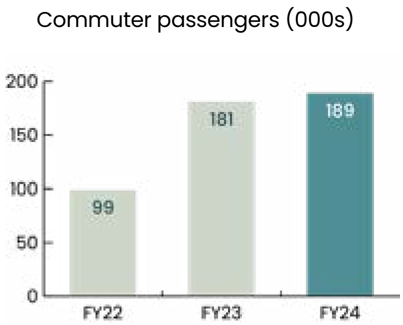


Great Journeys New Zealand and commuter financials and funding





Outcomes and benefits



Great Journeys New Zealand peformance commentary

KiwiRail offers tourism services via its website and its travel centre, built around the Northern Explorer, TranzAlpine and Coastal Pacific.

These services were offered for the full year for the first time since Covid 19. Passenger numbers have been steadily rising and are expected to climb further in FY25, bringing the service to financial sustainability and supporting other local tourism operators linked into GJNZ. GJNZ is a key attraction for tourists, supported by world-class service, expanded packages and world class scenery.

Key achievements:

- We remain on-track to return to profitability after the industry-wide tourism impact following Covid
- Introduced a new carriage on TranzAlpine Scenic Plus experience, which provides a more immersive experience with bigger windows and a premium interior.

Outcomes and benefits

Great Journeys New Zealand services connect New Zealanders and international guests to regional New Zealand and tourism experiences, playing a key role in regional economies.

These services operate on a commercial basis.

More information is available on the KiwiRail website: https://www.kiwirail.co.nz/our-business/great-journeys-nz/.

Outlook

International tourist numbers are continuing to rise and this growth should continue to flow through to passenger volumes and earnings. This growth will be supported by the expansion of packages and tours, the newly introduced premium carriages and ongoing improvements to service. GJNZ is attracting favourable attention from overseas and that positions us well for FY25.

Commuter services peformance commentary

The upgraded carriages for the Capital Connection were funded by the NZUP programme and were all operating by January 2024. These upgraded carriages will support the service with comfort until brand new units arrive, expected in the late 2020s.

Key achievements:

- Te Huia satisfaction rating of 99 per cent
- The last new carriage for the Capital Connection was put into service in January 2024

Outcomes and benefits

Commuter services support New Zealanders getting to and from major urban centres. They are a low-emissions, comfortable transport choice that reduces reliance on car travel. These services receive funding from regional authorities and the National Land Transport Fund. KiwiRail supports passenger rail and encourages engagement in the transport planning processes for any new commuter or regional passenger rail service.

Outlook

The recent Government announcement approving around $800m for 18 new units expanding services to Wairarapa and Manawatu by the end of the decade secures the long-term future for these services.

KiwiRail has introduced a Scenic Plus service on the TranzAlpine, offering a more immersive experience in a new style of carriage.

Property and Facilities

KiwiRail is one of New Zealand's largest landowners and a significant landlord. Customers include freight partners, commercial business, councils and residential neighbours. We secure and protect active rail land and manage the operational buildings that house our employees.

What we do

Operations at a glance

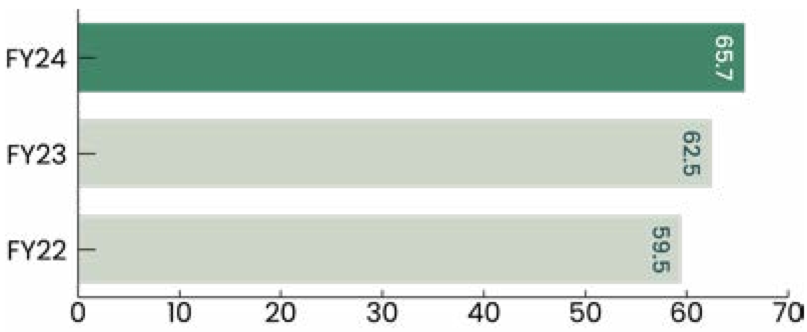
Manage land use, leases, facilities, property and asset management for railway purposes and our customers, alongside property development and stakeholder engagement with partners and iwi across the motu.

People and assets

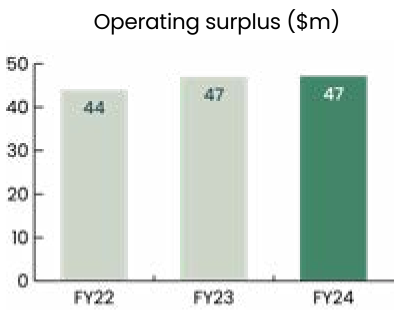
- 48 people
- More than 18,000 hectares of land holdings
- More than 10,000 leases
- More than 900 buildings
- More than 3000 public and private level crossings
- 20 acquisition agreements signed in FY24.

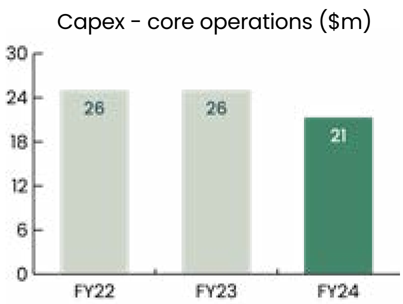
What we did - our performance

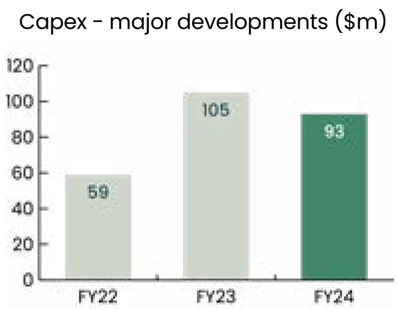
Property operating revenue $65.7 million - 5% growth on prior year



Property and facilities financials and funding







- Major developments include mechanical facilities upgrades at Hillside and Waltham, Wellington Railway Station improvements, a new Train Control facility in Auckland and land acquisitions for key projects including the Drury Stations, Marsden Point and CNI Freight Hub. These developments are Government-funded. Amounts exclude components funded by the RNIP.
- As a shared service, our Facilities function does not earn any external revenue and has an operating surplus of nil due to external operating costs being fully allocated out to the business.

Property and Facilities performance commentary

KiwiRail's commercial strategy involves the development of rail properties to support multi-modal freight solutions, while also enabling the Government's infrastructure programme for the rail network. This includes:

- Protecting current and future rail corridors
- Investing in and maintaining land for the benefit of our people, the environment and our freight customers
- Defining long-term land requirements and partnering to drive revenue growth and support integrated transport solutions for New Zealand.

Key achievements included:

- Strong financial performance with $47 million operating surplus
- Signed over 600 leases, licences and grants in FY24
- Reached a development agreement for a new train control centre in Auckland, housing staff from KiwiRail, Auckland Transport and Auckland One Rail, which will facilitate collaborative resolution of issues as they arise. This was opened in March 2024.
- Installed six trackside amenities to improve the work environment for our staff and remove amenity barriers for our employees
- Relationship agreement signed with Te Nehenehenui, the Post Settlement Governance Entity of Ngāti Maniapoto. This is the first comprehensive relationship agreement of its kind between KiwiRail and the Crown's Treaty partners that forms part of an Iwi's post-settlement legislation.

Capital expenditure

KiwiRail is developing its commercial property portfolio by working in partnership with others to develop fit-for-purpose facilities for customers, including rail-served facilities for our freight customers, multi-modal container transfer sites and other rail-adjacent land uses. We are also nearing completion of a renewal programme of our mechanical facilities and depots and improvement programmes at our operational sites and office accommodation across the country.

Key achievements included:

$21 million in core capital expenditure on our existing facilities, including earthquake strengthening and capital maintenance. Within this, KiwiRail invested:

- $6.2 million in capital expenditure for commercial property
- $15.2 million in capital expenditure for a range of minor facilities projects.

Major developments of $93 million included multiple mechanical facilities across New Zealand (expected to be completed in 2025), supporting new rolling stock and wagons and the improved reliability of rail services including some Government funded activities:

- Completion of our Hillside mechanical facility and associated wagon assembly infrastructure where local assembly of new wagons commenced in May
- Completion of our Waltham mechanical hub in Christchurch
- Completion of the refurbishment of the passenger lounge at The Strand to service Te Huia and Northern Explorer passengers. This is a heritage signal building originally constructed in the 1930s.
- Part of the groups which launched the Fairfield Freight Hub near Ashburton and the Ruakura Inland Port near Hamilton, providing importers and exporters with options

Outcomes and benefits

KiwiRail's property team manages a portfolio of over 200 leased buildings and over 700 operational buildings used and occupied by KiwiRail staff.

We continued to deliver our property portfolio long-term asset management plans and facilities management strategy. We have also developed a five-year capital plan for the staged improvement of this portfolio, with the third year of this work delivered. The maintenance remediation programme to upgrade the Wellington Railway Station is nearing completion. This will continue to improve the seismic strength, reduce operating costs and improve working conditions for all our staff.

Renewing mechanical facilities enables KiwiRail to deliver its services with greater reliability and resilience. As an example, the works completed in the Hutt Workshops reduced seismic risk and improved the working environment (including heat, lighting and amenity), while the Hillside Redevelopment Programme delivered similar outcomes alongside environmental improvements and better resilience against flooding. The programme also enabled greater efficiency, such as allowing the consolidation of rail operations at the Waltham site in Christchurch.

Throughout FY24, the multi-year Level Crossings Documentation Project continued to accurately identify and document each level crossing across the rail network. The project aims to reduce risk, including fatalities, by ensuring level crossings are accurately identified and documented to outline the appropriate rights and responsibilities of all parties. The private level crossing programme is now 57 per cent complete, with an additional 20 per cent in progress. Since FY20, a total of 801 new level crossing agreements have been put in place. Public level crossings are also being documented with a global agreement. In FY24 the first global agreement was signed, covering 15 public level crossings. There are an additional seven global agreements in place comprising an additional 168 public level crossings.

Outlook

The core lease (extension from 2070 to 2170) is currently being reviewed by the Treasury. KiwiRail supports realisation of the value in the rail corridor in partnership with developers, customers, and iwi.

The renewing of core mechanical facilities and depots, redeveloping Hillside and refurbishing the Wellington Railway Station is near completion. We will continue to upgrade our existing portfolio to keep our people housed in fit-for-purpose accommodation. Looking ahead, we plan to continue to focus on more rail-enabled, fit-for-purpose developments and intermodal regional freight hubs. These will create efficient conduits for freight movement around the country, reduce truck movements on roads and reduce New Zealand's carbon emissions. We plan to work with strategically aligned partners, including mana whenua, to unlock further value in our property portfolio.

KiwiRail is working to reduce risk by identifying and documenting all the level crossings throughout the network.

Infrastructure network

In FY24 KiwiRail successfully completed the final year of the triennium for the Rail Network Investment Programme, supporting freight and passengers. We delivered within 3 per cent of planned renewals despite major weather events disrupting the programme. Work included major upgrades in Auckland and Wellington, reinstating the Rangitata Bridge after its loss in a devastating flood and quickly resolving slips in the Buller Gorge.

What we do

Operations at a glance

KiwiRail maintains more than 3700km of mainline rail infrastructure nationwide, including the Auckland and Wellington metropolitan areas, and 900km of yard track. We are delivering a safe and reliable national rail network through the Rail Network Investment Programme, and separately funded projects such as the Auckland and Wellington metropolitan upgrades, funded through access agreements.

The focus for our role as network provider sits squarely with the people who use and rely on the network. These include Aucklanders and Wellingtonians on the metro networks with tens of millions of journeys each year, New Zealanders and their businesses who depend on domestic and international freight markets, Waikato and Manawatū residents who depend on Te Huia and Capital Connection, tourists who enjoy our Great Journeys New Zealand services and heritage rail operators who also rely on the rail network. There are 1480 staff, who are dedicated to maintaining and improving the reliability and resilience of the rail network.

The rail infrastructure includes the track, structures (bridges and tunnels), civil infrastructure (culverts, slope and coastal protection), signals, telecommunications, traction and electrical (overhead line and substations), and level crossings. The condition of the infrastructure is monitored with inspections, and work is prioritised in line with asset management policies and to reflect customer requirements. The work requires access to the track, which must be balanced with freight and passenger train access requirements. We use specialised rail equipment, including tampers, work trains, ballast and rail wagons, which allows us to keep disruption to freight and passenger flows to a minimum. We are also looking to introduce new access regimes to improve productivity and reduce disruption.

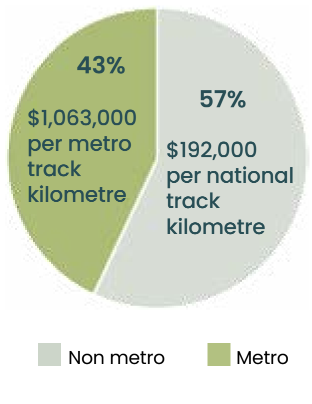
Investment programme

The Government has made significant investments from the National Land Transport Fund, New Zealand Upgrade Programme, Kānoa projects, Crown Infrastructure Partners projects and Budget appropriations to revitalise rail in New Zealand.

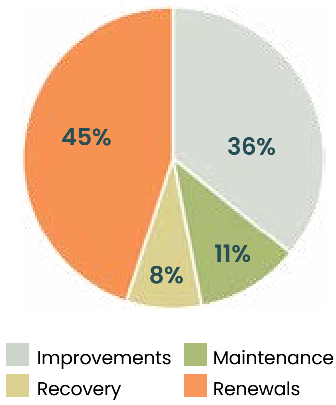
In addition to the funding from central government, Auckland Council through Auckland Transport, and Greater Wellington Regional Council contribute to the maintenance and renewal costs of the rail infrastructure used for metro services and improvement projects under Network Access Agreements.

Our FY24 Infrastructure operating expenses and capital expenditure of $1.1 billion is evidence of our continued focus on renewing and improving our rail network for both non-metro customers and metro passengers.

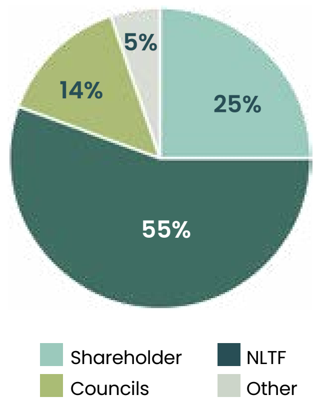
FY24 Infrastructure spend by business segment



FY24 Infrastructure spend by type



FY24 Infrastructure spend by funding source

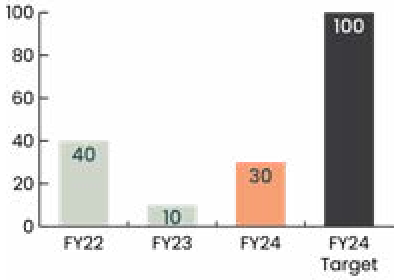


In FY24 funding of $269 million received from the NLTF, regional and local authorities (Councils) and third parties is recognised as external revenue and offsets maintenance expenditure for financial reporting purposes. Other Funding Source comprises funding for CRL-related works received from CRL Ltd and Ministry of Transport, and Northland spend funded by Kānoa.

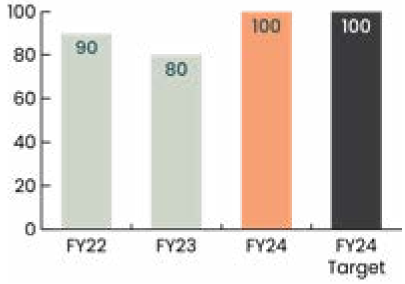
What we did - our performance

Rail network (freight and passenger)

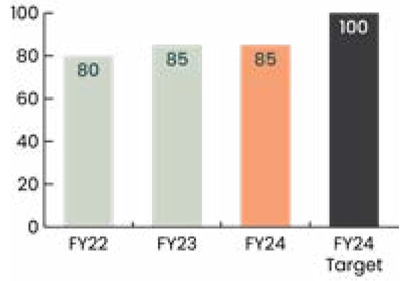
TSRs - priority routes within target (%)



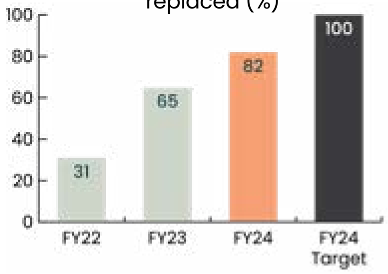
Heat 40s of priority routes within target (%)



TQIs within target for priority and secondary routes (%)

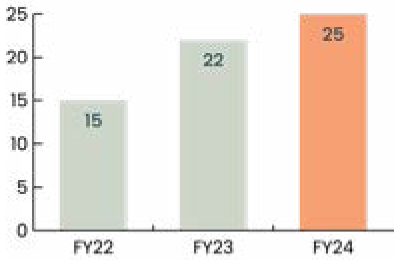


Sleepers on Priority 1 routes with Condition 5 rating replaced (%)



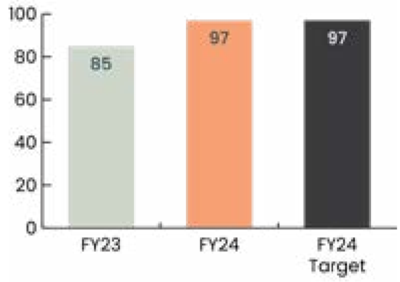
Auckland and Wellington metro

Commuter journeys enabled (m)

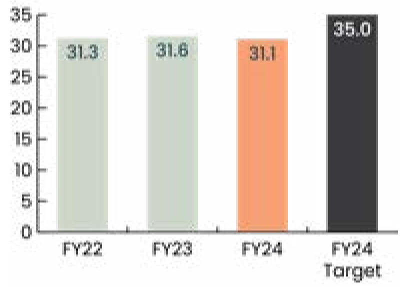


Punctuality - Auckland metro (%)

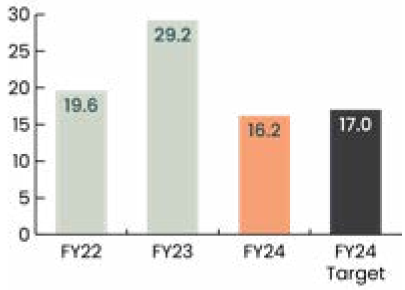
Reliability - Auckland metro (%)



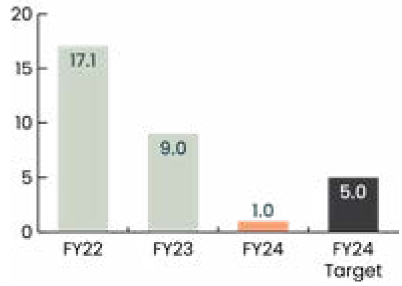
Track Quality Index - Auckland metro (number)



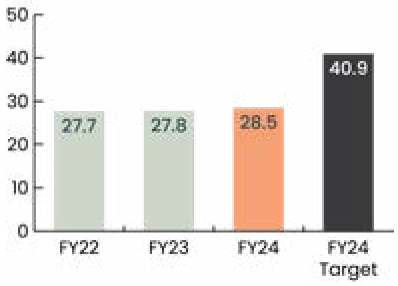
TSRs - Auckland metro (minutes)



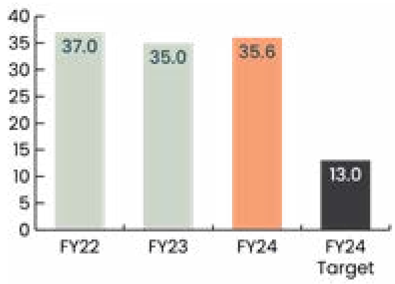
Heat 40s - Auckland metro (minutes)



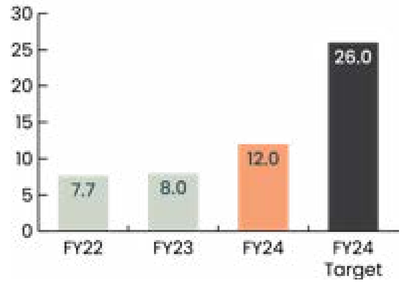
Track Quality Index - Wellington metro (number)



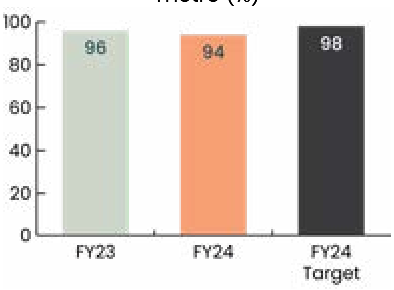
TSRs - Wellington metro (minutes)



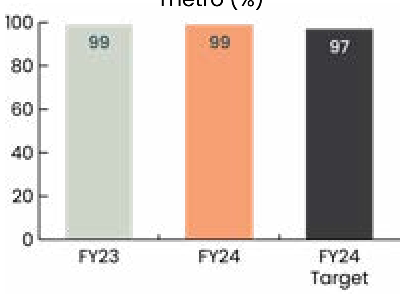
Heat 40s - Wellington metro (minutes)



Punctuality - Wellington metro (%)



Reliability - Wellington metro (%)



KEY

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

The measures and targets were introduced as part of the Rail Network Investment Programme which commenced on 1 July 2021.

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. To facilitate the remediation plan to reduce TSRs we are purchasing four new tamper machines, which will deliver improved reliability and productivity (two machines to be commissioned late FY25 and two to be commissioned late FY26).

KiwiRail's full infrastructure capital programme, including construction projects outside of RNIP, such as RNGIM (Rail Network Growth Impact Management), P2P and the Wellington Metro Upgrade Programme, has resulted in increased TSRs across the network, which were not factored into the targets set. Recent severe weather events also impacted the network, with TSRs put in place until remediation work is complete. Although tamping capacity increased during the year, KiwiRail reprioritised the workbank to complete more re-rail work that didn't require tamping to minimise service impacts over the year. "Heat 40s" are TSRs that are placed on sections of rail when rail temperature reaches the threshold set to reduce/mitigate risk of buckling. By de-stressing continuous welded rail we reduce the risk of buckling and therefore the need for heat restrictions. KiwiRail failed to meet the overall national TSR target due to the impact of major projects, upgrades and renewals, weather related restrictions and structural asset health. However, the target was achieved for Auckland metro.

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. The TQI target was achieved on all of our priority routes including Auckland and Wellington metros, but was not met on three secondary routes. However, there are few trains running on the affected tracks and there are no safety concerns.

Sleeper Condition 5 ratings indicate sleepers which no longer meet network performance standards, leading to speed restrictions until the sleepers are replaced. KiwiRail fell short of its national target this year (82 per cent vs 100 per cent) and outstanding replacements will be carried over to FY25. While the target was not met, other higher priority work was completed. The sites not completed were inspected and maintained as required.

Punctuality measures the percentage of services that are delivered without network issues. Wellington metro achieved 94 per cent against a target of 98 per cent and Auckland metro achieved 90 per cent against a target of 95 per cent.

"Reliability" measures the percentage of services that were completed vs services planned. KiwiRail met its targets for Wellington and Auckland metros with 99 per cent and 97 per cent respectively.

KiwiRail reports twice yearly against the network measures and transport outcomes included in the RNIP to NZTA, Ministry of Transport and the Treasury. Our status against these targets is reported on page 31.

Outcomes and benefits

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

A significant benefit of getting confirmed funding at least two years in advance is that it allows confirmed planning, procurement, access utilisation, disruption planning and supply chain management. It also allows for more flexibility in responding to risks within the

three-year envelope, such as weather events.

Rail Network Investment Programme

The RNIP has brought a transformational shift for KiwiRail in how we can plan and deliver our core renewals and maintenance programme. It has allowed us to break from the legacy of underinvestment, which is critical to delivering a resilient and reliable national rail network for New Zealand. KiwiRail spent $610.4 million during FY24, which was the third year of the three-year RNIP. This compares to the forecast spend of $492 million included in the RNIP (excluding the Weather Events Recovery funding).

Rail network activity class

The benefits of a longer-term funding framework continue to support strong improvement in delivery of the renewals programme.

While the disruptions from the extreme weather events that caused flooding happened in February 2023, this event significantly impacted the RNIP.

While supply chain disruption post Covid and extreme weather events has eased, KiwiRail still faces the same challenges as the wider construction industry, including cost escalation, resource availability and shortages of materials. KiwiRail has a strong commitment to improving asset management practices. Through our continuous improvement programme, we are making good progress in delivering on our asset management KPIs and increasing our asset management maturity.

Public transport infrastructure activity class

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

Several public transport infrastructure projects have been completed in FY24 or are nearing completion. These projects are funded via RNIP and will enable future passenger growth in the Auckland and Wellington metro networks. The original investment approved for the three-year period of $151 million (final spend - $139 million) investment includes:

- An additional traction feed in West Auckland to support the increase in services with CRL (City Rail Link). Construction is in progress.
- The Auckland Integrated Rail Management Centre project enabling co-location and integrated operations of multiple rail organisations. Construction is complete and the centre is operating.
- Installation of additional signals to improve resilience and reliability on the Auckland metro network. This is in the implementation phase.
- Fencing to improve safety and security of the rail corridor. This is in the implementation phase.
- Strategic future planning for Auckland’s longer-term 30-year programme business case. This is in the implementation phase.
- Initiating an investigation into the next phase of electronic train control for Auckland. We are preparing a detailed business case.
- Wellington Rail Network Resignalling (WMUP 5). We are preparing a detailed business case.
- Further Capacity Improvements (WMUP 7). Business case completed.

Rail Network Investment Programme measures

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

Outcome measures	Metric	Target	RAG	Status
KIWIRAIL OUTCOMES				
Grow volumes on rail	Mode share (% based on tonnes)	Rail mode share estimated to increase from 12% in 2020 to 14% total freight task by 2030		FY24 mode at 12.6%.
Improved KiwiRail commercial performance	Above rail operating surplus Above rail operating surplus ratio	As per KiwiRail Statement of Corporate Intent		See performance reporting section (page 49).
Avoided emissions and harmful pollutants	Reduced emissions/ harmful pollutants	Increase from 236kT CO_2 emissions avoided p.a. to 306kT p.a. by 2030		Marginally under target with 229kT of CO_2 emissions avoided. Shortfall due to softer freight market.
Improve 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.
ASSET AND SERVICE LEVEL MEASURES				
All Temporary Speed Restrictions (average TSRs) within target for priority routes	100% within target(s)	June 2024		Achieved only 30% as many TSRs have been prolonged by material shortages or machine availability and major block of line work.
All Temporary Speed Restrictions (average TSRs) stabilised for secondary routes	100% within target(s)	June 2024		Achieved
All Heat 40s (average Heat 40s) within target(s) for priority routes	100% within target(s)	June 2024		Achieved.
All Heat 40s (average Heat 40s) stabilised for secondary routes	100% within target(s)	June 2024		Achieved.
Mainline derailments due to infrastructure defects	Number of derailments less than 5 average per annum	Period to June 2024		Nil derailments.
Mainline derailments due to infrastructure defects	Number of derailments nil per annum	June 2031		On track.
Track Quality Index (average TQI) within target(s) for priority and secondary routes	100% within target(s)	June 2024		Achieved 85%. TQI was achieved in all priority routes, but not on three secondary routes. Note: only a small number of trains run on the affected secondary routes and it's safe and more economical to allow them to degrade until replacement.

Outcome measures	Metric	Target	RAG	Status
Sleeper condition on priority routes	100% of condition 5 sleepers addressed*	June 2024	🔴	KiwiRail delivered 82% of target. 6 projects still to be delivered.
Sleeper condition on secondary routes	100% of condition 5 sleepers addressed*	June 2031	🟢	KiwiRail's delivered 82% vs target of 71%.
Rail condition Non-Destructive Testing (NDT) fault/defects on priority routes	<6 per km	June 2024	🔴	All priority routes achieved target except North Island Main Trunk, which detected NDTs of 13 and 15 in two sections.
Rail condition NDT fault/defects on secondary routes	<6 per km	June 2031	🔴	North Auckland Line detected 8 defects in a single 1km section.
Rail condition on priority routes	100% of condition 5 rail addressed	June 2024	🟠	Achieved only 97% as 1 project put on hold as a redevelopment may render this project redundant.
Rail condition on secondary routes	100% of condition 5 rail addressed	June 2031	🟢	Achieved 89% against a target of 71%.
Unplanned infrastructure outages (total minutes across services) by priority route	Improving trend	2022-2031	🟢	On track
% of track access (train timetable) applications approved by KiwiRail	Above 90%	June 2024	🟢	97% of applications approved
Structures risk reduction	Priority structures delivered to plan	June 2024	🔴	50% achieved. 4 projects delivered in Q4, 5 projects are in progress and will continue into FY25.
Number of level crossings in service	Decreasing number of level crossings	June 2024	🟢	11 less than target of 1326.
LONG TERM NETWORK PLANNING				
Deliver long term 30-year network development plan	Completed	June 2024	⚪	The 30-year network plan - work has been temporarily put on hold whilst the wider strategic direction and forecasts are confirmed. This will recommence in FY25. New target completion date is Aug 2025
ASSET MANAGEMENT AND DATA QUALITY				
Updated Asset Management Plan to support the next RNIP and investment programme	Completed	June 2023	🟢	Project completed in FY24
Updated condition records (currency and completeness) for remaining asset classes	Completed	June 2024 (subject to road map)	🟢	Project completed in FY24

KEY

- 🟢 Achieved target performance
- 🟠 Within 10 per cent of target
- 🔴 Below by more than 10 per cent of target
- ⚪ No change

New Zealand Upgrade Programme

KiwiRail is the delivery agency for more than $2 billion of rail transport projects in the New Zealand Upgrade Programme (NZUP):

- Papakura to Pukekohe Electrification Project – $419 million to electrify 19km between Papakura and Pukekohe, including installation of overhead equipment, a new traction power feed and signalling upgrades. $87.7 million of spend was delivered during the year to bring the project near completion. The new Overhead Line Equipment (OLE) network was commissioned on 30 June with network testing commencing in July. Passenger operations will commence at Pukekohe station early in 2025. The new traction power feed also being delivered by the project will be complete in 2029/30.

- Wiri to Quay Park (W2QP) – $318 million to provide a third rail line to ease the bottleneck between Wiri and Westfield, increase capacity around Westfield Junction and segregate freight and commuter traffic between Port of Auckland and Quay Park. $45.2 million of spend in FY24. The installation of track for the third main line is complete. Construction of Middlemore Station, initially delayed due to a dispute with Te Whatū Ora over the station interface and significant consenting delays, is progressing well with the northern end of the station platform operational and open to commuters. All construction is expected to be completed early January 2025 and final signal commissioning at Quay Park is scheduled to be completed by Easter 2025.

- Drury Rail Stations – $569 million to construct three new passenger rail stations, at Drury Central, Ngākōroa Station (Drury West) and Paerātā, and the associated bus interchange, park and ride facilities and connector roads. $61.8 million of works were delivered during the year. The request for tender (RFT) process for the procurement for the first two stations Drury and Paerātā was completed in the first week of July 2024 with construction to be completed by end of 2025. Ngākōroa station is currently in the planning phase with completion expected mid-late 2026.

- Wellington Metro Upgrade Programme – $115 million to enable a safe and reliable increase in the frequency of train services at Wellington Railway Station, and $129 million for infrastructure upgrades to the Wairarapa Line to increase capacity and support a planned increase in the frequency of passenger services. $78.8 million of works delivered during the year, with both projects expected to be completed in 2025. 27 out of 30 level crossing designs on the Wairarapa Line have been completed and combined service route (CSR) works are in progress. At Wellington Railway Station signal installation is just over 50 per cent complete, three out of four signal huts have been completed and eight out of 14 turnouts have been installed.

Northland Package:

- Marsden Point Rail Link detailed design is in progress and is expected to be finalised mid-2025

- Whangārei to Otiria rail upgrades to 18-tonne axle load and system improvements - the design has been completed and Whangārei Yard improvements are well progressed. However improvements north of Kauri have been deferred and will be added to the scope of the Marsden Point Rail Link project.

Metropolitan Rail Network Upgrade Programmes

Auckland metro growth, remediation, and City Rail Link readiness

KiwiRail manages the CRL upgrade projects, which are funded through the NZUP (Papakura to Pukekohe electrification, Drury Rail Stations and Wiri to Quay Park).

Key achievements for the year are:

- Energisation of the Pukekohe to Papakura line complete. Signal commissioning is expected in October 2024

- Ongoing construction of a third main line between Westfield and Wiri and significant signals integration in preparation for City Rail Link

- Rail Network Growth Impact Management programme works to prepare for the increased services once the City Rail Link opens to ensure the Auckland metro network keeps pace with patronage and freight growth ($98 million delivered during the year, with completion expected by 2025/26)

- Auckland remediation programme works to resolve rolling contact fatigue (RCF), a type of wear and tear that occurs on rail ($12 million delivered during the year)

- Be Ready contract work to support City Rail Link Limited in the completion of the City Rail Link ($5 million delivered during the year). Rail Regulator approved the safety case variation for City Rail Link testing and commissioning, a significant milestone.

Wellington metro growth and remediation

- Upgrades to Plimmerton Station, the Hutt Valley and Wairarapa Line and significant progress on new signals system and integration

- Replaced 300 metres of Remutaka Tunnel track and commenced a rail grinding project to address vibration between rail and wheels

- Lower North Island Rail Integrated Mobility funding approved to deliver infrastructure upgrades to increase line capacity and stabling of new passenger trains.

Investment programme summary

Programme	Encompasses	2023/24 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 Public Transport Infrastructure Activity Class • Auckland metro – improvements • Wellington metro – improvements • Control systems	610	5,136[1]	NLTF
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	14	713	NZUP, Kānoa
Auckland metro area	• Wiri to Quay Park • Papakura to Pukekohe electrification • Drury stations • City Rail Link readiness • General network enhancement	345	1,784	NZUP, Ministry of Transport, NLTF
Wellington metro area	• Track overhead line replacement • Network renewals • Trentham to Upper Hutt double tracking • Plimmerton turn back and new platform • Wellington approach realignment and safety improvements • Wairarapa passing infrastructure, platforms and signalling	135	764	NLTF, NZUP
Rolling stock	• Locomotive and shunt replacement • Wagon replacement • Train safety enhancement • EF locomotive fleet refurbishment • Capital Connection and Scenic carriage refurbishment	240	1,738	Shareholder, NZUP, Kānoa

1. 2021/22 – 2030/31 10-year approved Rail Network Investment Programme and committed recovery funding excluding insurance recoveries.

Programme	Encompasses	2023/24 Spend ($m)	Total programme value ($m)	Funded by
Mechanical facilities	• Mechanical facility and depot upgrades at Woburn, Waltham, and Hillside • Other miscellaneous depot upgrades	83	313	Shareholder, Crown Investment Partners, Kānoa
Resilience works	• Omoto slope stability • Culvert and drainage upgrades	Completed in 2021/22	39	Kānoa, Crown Investment Partners
Freight hubs	• Land purchase for the Central North Island freight hub • Ashburton freight hub	1	-	Kānoa, NZUP
Total		**1,429**	**10,485**	

The new train control centre in Auckland, which opened in March, sees teams from KiwiRail, Auckland Transport and Auckland One Rail working more closely together to improve train services across the city.

Sustainability

KiwiRail is committed to supporting New Zealand's goal of achieving a net zero carbon economy by 2050. As a low carbon transport provider KiwiRail has a key role to play in supporting New Zealand's climate goals.

Our Sustainability Strategy: Rautaki Whakauka 2022-2025[1] outlines our vision and objectives for sustainability across the environment, society and the economy.

In June 2024 we re-joined the Climate Leaders Coalition, a coalition of New Zealand businesses who are working together to accelerate the transition towards a zero carbon and climate resilient future. We also adopted a new and more ambitious carbon emissions reduction target.

The benefits of rail

Rail has a natural advantage as an energy efficient and low emissions mode of transport, with every tonne of freight moved by rail producing at least 70 per cent fewer carbon emissions compared with heavy road freight over the same distance.

In FY24, KiwiRail transported 3.5 billion net tonne kilometres of freight. This equates to taking more than 1 million truck trips off the road and avoided over 229,000 tonnes of CO_2e emissions from road freight.

Rail also delivers other wider benefits, including reduced congestion through avoided car and truck movements; reduced air pollution; improved road safety, including fewer injuries and fatalities; lower road maintenance costs for taxpayers; and fuel savings. The combined benefits of rail were assessed in the 2024 Benefit of Rail to New Zealand report as worth $3.3 billion.

Supporting New Zealand's decarbonisation

KiwiRail is supporting decarbonisation through our work on metropolitan rail systems. In FY24 we made significant progress on projects that will support more New Zealanders to commute by rail, such as:

- Auckland: major renewals of the Eastern and Western line, installation of 19km of overhead electric lines from Papakura to Pukekohe, ongoing construction of a third main line between Westfield and Wiri and significant signals integration in preparation for City Rail Link
- Wellington: Upgrades to Plimmerton Station, the Hutt Valley and Wairarapa Line and significant progress on new signals system/ integration.

We are also planning for the future. The Auckland Strategic Rail Programme in partnership with Auckland Transport, released in December, sets out a strategic programme of investments in rail to meet future demand and growth in Auckland.

If delivered, the programme would avoid total emissions of 2.1 million tonnes CO_2-e (over 30 years) with an emissions savings per annum by 2051 of around 73,000 tonnes (compared to doing the minimum).

We also continued work on the business case for electrification of the North Island rail freight fleet, focusing on the Golden Triangle (rail from Auckland to Hamilton to Tauranga), which accounts for around 50 per cent of New Zealand's rail freight (by weight).

Reducing our own carbon footprint

In FY24 we adopted a new medium term emissions reduction target - to reduce our gross Scope 1 and 2 carbon emissions by 40 per cent by 2035 against a 2018/19 baseline. This ambitious but feasible target supports our long-term goal to be net zero carbon, from all scopes, by 2050.

We have modelled a pathway to achieve our 2035 target. This does not involve purchasing offsets. It will require major investment to decarbonise our rail and ferry fleet. Some of these initiatives are not yet funded.

In FY25 we will work to set a Scope 3 emissions reduction target and develop a Zero Carbon Roadmap to achieve our 2050 target.

Our carbon footprint and performance

KiwiRail measures our carbon emissions (CO_2e) on an intensity basis for rail freight and Interislander operations, and on an absolute basis for the organisation.

In FY24, our carbon footprint for scope 1 and 2 emissions was 208,910 tonnes CO_2e.

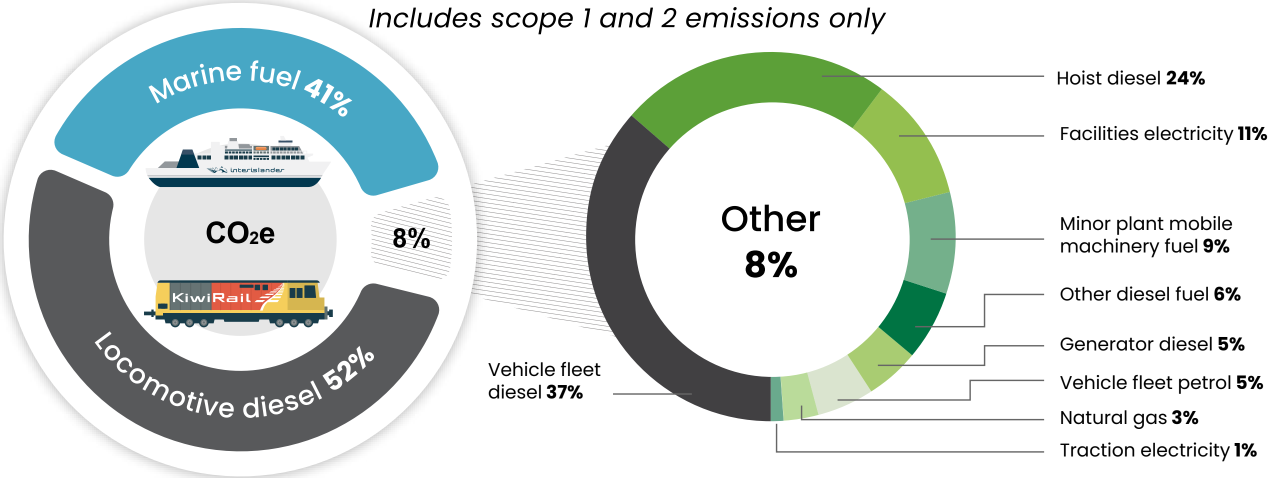
While lower freight volumes support a reduction in our absolute emissions from rail freight, achieving our intensity-based emissions reduction targets is more challenging as trains tend to carry lighter loads when volumes are lower. This shows in our rail carbon freight intensity which was significantly higher, at 28.18g CO_2e/NTK than our target of 25.9 g CO_2e/NTK.

This underlines the importance of focussing on rail freight operational efficiencies and working with customers to grow

1. The Sustainability Strategy: Rautaki Whakauka 2022-2025 is available on our website https://www.kiwirail.co.nz/assets/Uploads/Who-we-are/Sustainability/KiwiRail-Sustainability-Strategy-2022-2025.pdf

FY24 carbon footprint - 208,910t CO_2e

Includes scope 1 and 2 emissions only



Our carbon performance is shown in the table and a breakdown of our carbon footprint is above. Between FY23 and FY24, our carbon footprint for scope 1 and 2 emissions decreased slightly (by 10,734 tonnes). While this is positive, it was primarily due to KiwiRail carrying less freight than in the previous year.

Carbon performance

	2011/12	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Rail freight carbon intensity (grams CO_2e per net tonne kilometre)[1]	32.51	27.06	27.69	26.72	26.61	27.22	28.18
Carbon footprint – Scope 1 and 2 emissions only (tonnes CO_2e)[2]	279,861	240,177	231,230	233,104	210,863	219,644	208,910

freight volumes. We are also implementing measures such as timetable optimisation to improve efficiency.

Other elements in our footprint decreased slightly – the emissions from the ferry fleet fell, although this was largely due to an update in emission factors (sourced from the Ministry of the Environment). There were some increases in emissions from our light vehicle fleet as fleet size grew, reflecting the major infrastructure upgrades we are delivering in Auckland, Wellington and across the country.

Verification of greenhouse gas (GHG) emissions inventory

In 2023, KiwiRail completed an external verification process of our 2021/22 Greenhouse Gas (GHG) emissions inventory with Toitū Envirocare as our assurance provider. Since this verification, we have been working to ensure our reporting is aligned with the ISO 14064-1:2018 standard. We will continue having our inventory externally verified every second year, to ensure the quality of our reporting.

Progress towards decarbonising our operations

A key aspect of our Sustainability Programme is close collaboration with the Energy Efficiency and Conservation Authority (EECA). EECA supports our internal Carbon Zero Programme by attending our quarterly Steering Group meetings and providing guidance and advice.

Rail

Throughout FY24 we maintained a strong focus on achieving efficiencies in our rail freight operations. Our Driver Advice System (DAS) is one of our main tools for lowering our rail freight carbon intensity, by helping locomotive engineers to drive trains more efficiently. We had good utilisation of DAS – with over 90 per cent compliance across the year.

We have begun installing a remote offline switch to help shut down unnecessary trailing locomotives and are trialling other measures to reduce use of

1. Rail freight carbon intensity figures for last two previous years adjusted as a result of updated emission factors.
2. Carbon footprint for some previous years adjusted as a result of better data visibility and capture (as part of overall continuous data improvement).

second locomotives when these are not needed.

We are also repairing and refurbishing KiwiRail's 15 electric freight (EF) locomotives, with five refurbished, including two in service as at June 2024. Their absence from service for part of FY24 for refurbishment contributed to our higher rail freight carbon intensity.

Interislander

The Interislander team have been working hard on timetable optimisation and other measures to deliver more efficient sailings, with early results showing an improvement in emissions per sailing. In May, we signed an agreement with EECA for co-funding and support for delivery of energy audits on all three ships. The audits will help identify new reduction opportunities and help further engage our Interislander staff on best energy efficiency practices.

Future rolling stock

We are procuring 66 new DM locomotives, which will replace our aging locomotive fleet in the South Island and some North Island trains over the next three years. While diesel powered, the new trains are being built to the highest emissions standards (EU stage V), producing significantly less carbon per net tonne kilometre of freight carried than our existing DL locomotives. They will also produce significantly lower emissions of air quality pollutants with health benefits for our staff, customers and the public.

We have also completed plans to procure 24 hybrid shunt vehicles with staggered arrivals from 2027 to 2030 and 11 electric shunt vehicles to start operating in our yards in 2026. These vehicles will compliment the 16 electric vehicles already in service.

We will continue scanning the market for electric alternatives to our current diesel-powered plant and vehicles.

We are developing a transition plan for our light vehicle fleet of cars, SUVS and utes and working to reduce energy use at our largest facilities. The solar panels installed at Waltham Mechanical Workshops have been successful, generating around 190,511 kWh of energy in six months (48 per cent of our monthly energy use at this site).

Customer and staff engagement

KiwiRail helps its freight customers quantify the energy and carbon emissions benefits of choosing rail through a monthly 'Steel Wheels' report, which illustrates the carbon reduction achieved using rail and includes information on fuel savings and truck trips avoided. We continue to engage our staff, supporting them to live more sustainably and find opportunities to reduce emissions and minimise waste at work. In FY24, we re-established Team Kākāriki, our volunteer network for staff to act on sustainability and the environment and engage their peers.

Climate risks and opportunities

Climate change is already impacting KiwiRail and is expected to continue to do so. Our network and operations are experiencing physical impacts, such as more intense storms and flooding events causing slips and washouts. Impacts from the transition to a low carbon economy are also starting to be felt as our stakeholders respond to changing consumer preferences, policy and market interventions.

We need to plan for the potential risks and impacts of climate change, while also ensuring we take advantage of the opportunities it may generate for us. Climate change brings significant opportunities to our business, through the development of new technologies and the increased focus of customers on the importance of rail as an efficient and low emissions way to move goods and people around New Zealand.

KiwiRail is not currently a Climate Reporting Entity[1] but is preparing to voluntarily adopt the New Zealand Climate Standards in the future. We have used the guidance published by the External Reporting Board (XRB) and the Task Force on Climate-Related Financial Disclosures (TCFD) on our journey towards understanding and managing KiwiRail's climate risks and opportunities.

During FY24 we have established governance and management processes to lead this work. Our Board has ultimate responsibility and oversight of our climate risks and opportunities, and sustainability updates are provided to them by management twice a year. We are developing a Climate Resilience Implementation Plan, guided by a Climate Resilience Steering Group of senior leaders and sponsored by our Chief Infrastructure Officer and Chief Financial Officer.

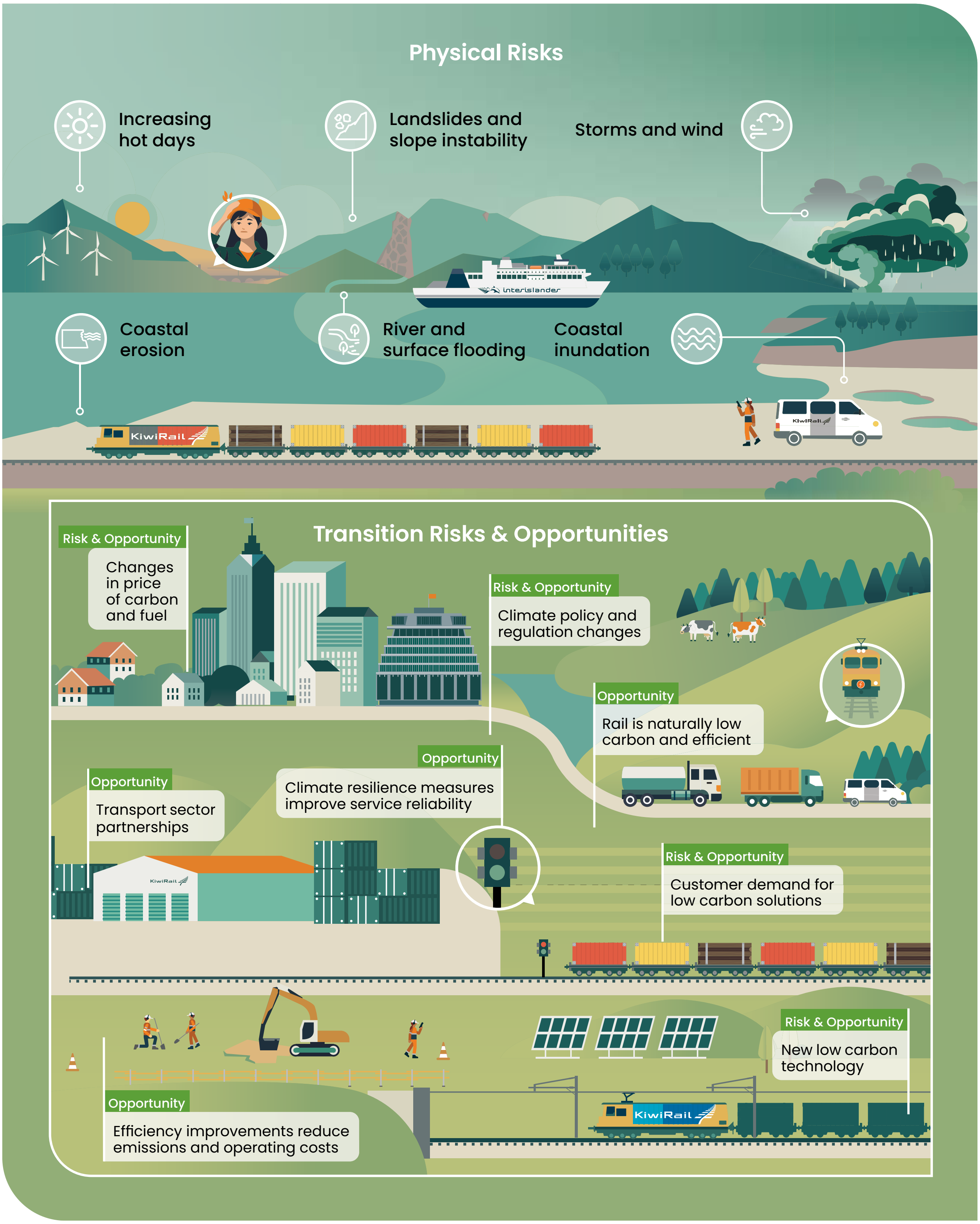
Physical climate risks

The most significant climate-related risks faced by KiwiRail over the short, medium and long-term are the physical risks to the rail network from both acute and chronic hazards. In 2023 we completed a risk assessment of hazards to rail and related assets.

Landslides and river and surface flooding present the greatest risks to the rail network and the rating of risks for each hazard are expected to increase over time, particularly from 2050 onwards. Managing these risks is critical to the resilience and reliability of our Services and Infrastructure businesses.

1. Climate Reporting Entities are defined by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021.

KiwiRail's Climate Risks and Opportunities



Planning for the future – transition risks and opportunities

KiwiRail has contributed to the development of the Transport Sector Climate Scenarios[1] which consider three plausible futures for the New Zealand transport sector out to 2050 and beyond.

Transport sector scenario overview

Scenario	Warming by 2050	Warming by 2100	
Bypass to Breakdown	+2.1°C	+3.9°C	NZ prioritises adaptation to build climate resilience while global emissions reductions falter.
Short Detour	+1.7°C	+1.7°C	Action on decarbonisation delayed until 2030s leading to abrupt political, social and economic disruption in NZ and globally.
Fully Charged	+1.6°C	+1.4°C	Coordinated and ambitious transition to a low emissions future, with increased mode shift to rail.

The sector scenarios will be used to develop entity-level scenarios assessing our physical and transition climate risks and opportunities. These assessments will be integrated into our strategic planning and help inform our asset maintenance and upgrade priorities through the Rail Network Investment Programme (RNIP).

Sustainable infrastructure

In FY24 we continued work to improve the sustainability of the infrastructure that we build. Key focuses have included reducing the embodied carbon in the assets we build and minimising waste from construction.

By making improvements in our construction practices we can reduce our environmental impact while saving money. For example, the team working on the Papakura to Pukekohe Electrification Project replaced 279 foundation piles with driven steel piles, eliminating concrete and reducing steel usage compared with the standard concrete-filled piles. This initiative delivered significant cost and time savings and achieved an overall 13 per cent reduction in carbon emissions from the works, saving 438 tonnes CO_2-e.

In FY25 we aim to build on examples of good practice such as this to improve sustainability outcomes across our many construction sites and projects.

Waste minimisation

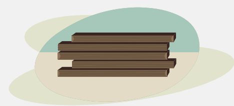
KiwiRail generates a wide variety of solid and hazardous wastes from our operations. We continue to increase recycling of these materials and identify new opportunities for diversion. To date we have worked with >60 per cent of our eligible "sites" (such as workshops and container terminals) to introduce and update recycling systems in offices, breakrooms and yards.

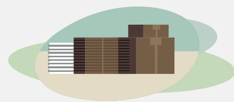
KiwiRail continues to divert large quantities of scrap metal; 16,000t in FY24, growing from 12,200t in FY23. Metal is carbon emissions intensive to extract and manufacture, so the recovery of scrap metal plays an important role in a successful circular economy.

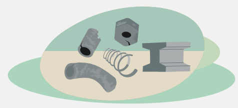
We have adopted a new waste minimisation target in our Statement of Corporate Intent. While 91 per cent of all the waste collected by our main national waste providers (incl. metal) is recycled (by weight) this positive result is largely driven by the large volumes of heavy scrap metal we recycle.

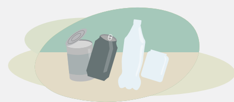
Our SCI target focuses on improving our performance in recycling operational solid waste (excluding scrap metals and hazardous waste), as this is one of our biggest areas for improvement. We recycled 15 per cent of these materials in FY24, which is aligned to our target for FY25.

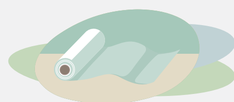
In FY24 KiwiRail diverted from landfill:


70t wood


92t cardboard and paper


16,000t scrap metal


28t mixed recycling


4t plastic wrap


7t food and green waste


23t glass

1. The full transport sector scenario report is available here: https://www.theaotearoacircle.nz/transport-sector-climate-scenarios

Rolling Stock Procurement Programme Director Chrissy Farago in front of a new electric shunt at the Waltham Depot. The electric shunts replace diesel-powered predecessors.

Governance

Board of Directors

As at September 2024

Rob Jager ONZM
Acting Chair
Attendance[1]: 8/8 meetings

Sue McCormack
Deputy Chair
Attendance[1]: 8/8 meetings

Bruce Wattie
Director
Attendance[1] : 8/8 meetings

Liz Ward
Director
Attendance[1] : 7/8 meetings

Sina Cotter Tait
Director
Attendance[1] : 5/6 meetings

Former Directors

David McLean retired as Chair effective 31 July 2024. Edward Sims resigned as Director effective 28 June 2024 and Rachel Pinn and Maryan Street resigned as Directors effective 31 July 2024. Mike Williams completed his term as Director on 31 July 2023.

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

KiwiRail Executive

As at September 2024

Peter Reidy
Chief Executive

Adele Wilson
Chief Customer and Growth Officer

André Lovatt
Chief Infrastructure Officer

Duncan Roy
Interislander Executive General Manager

Siva Sivapakkiam
Chief Operations Officer

David Gordon
Chief Capital Planning and Asset Development Officer

Jason Dale
Chief Financial Officer

Andrew Norton
Chief People and Communications Officer

Vanessa Oakley
Chief General Counsel, Company Secretary and Property Officer

Joanne Black
Chief External Relations Officer

For profiles of our Board of Directors and KiwiRail Executive members please visit our website at kiwirail.co.nz/who-we-are/our-leadership

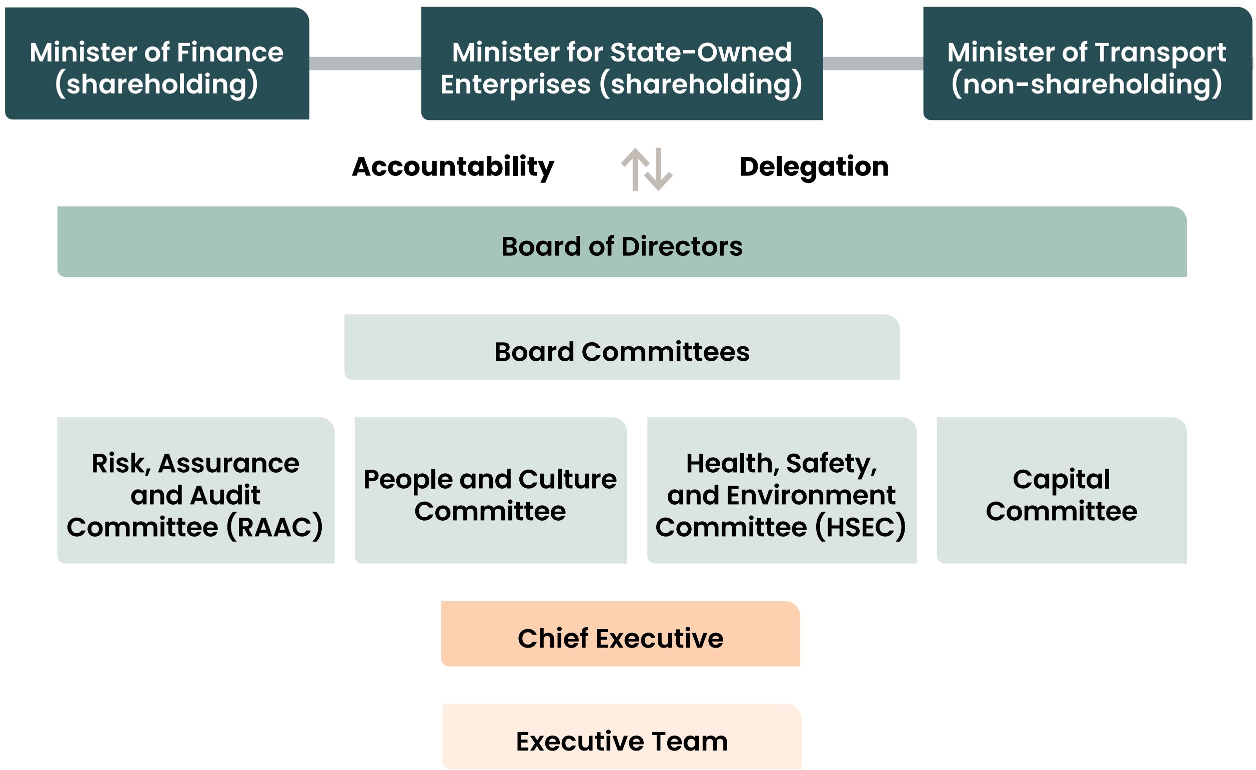
How we are governed

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.

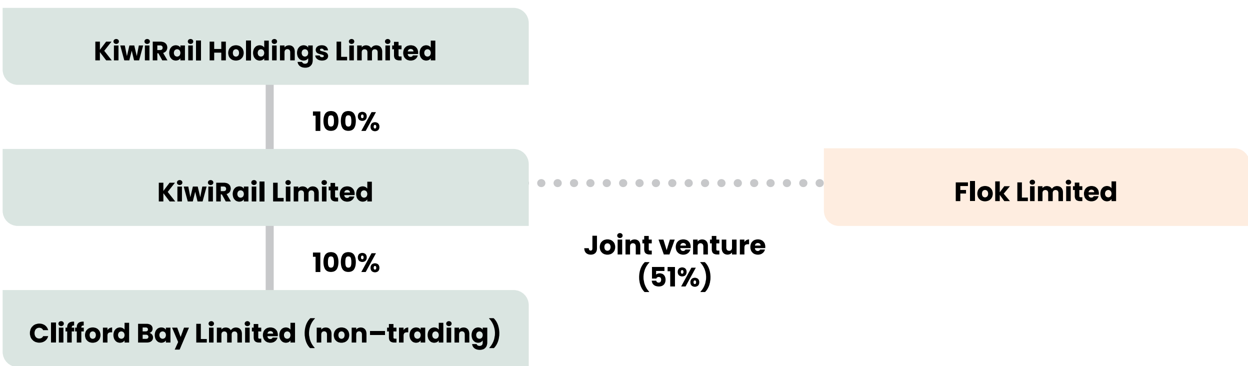
The expectations of the Shareholding Ministers for the governance of KiwiRail are communicated at least annually to the Board via the Letter of Expectations and set out in the Owner's Expectation document which is administered by the Treasury.

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

Accountability



Subsidiary structure



Commercial mandate

KiwiRail Holdings Limited is a limited liability company incorporated under the Companies Act 1993 and a state-owned enterprise (SOE) under the State-Owned Enterprises Act 1986. As an SOE, all KiwiRail's shares are held by Shareholding Ministers of the Crown. They are held in equal proportions by the Minister of Finance and the Minister for State Owned Enterprises. 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 2024 the Group comprised KiwiRail Holdings Limited, and its subsidiaries as detailed.

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 Rail Network Investment Programme (RNIP) approved by the Minister of Transport (on advice from NZTA and in consultation with Shareholding Ministers). The RNIP is funded by the National Land Transport Fund (NLTF). KiwiRail contributes to the NLTF through paying a Track User Charge. The RNIP is designed to lift the national network to a condition of resilience and reliability, to then support growth in metropolitan passenger rail and the share of freight hauled by rail.

Board committees[1]

KiwiRail has three Board committees supporting director oversight of the company and its performance. Each committee generally meets four times per year.

Risk, Assurance and Audit Committee (RAAC)

2023/24 members: Bruce Wattie (Chair), David McLean, Rachel Pinn.

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

Health, Safety, and Environment Committee

2023/24 members: Sue McCormack (Chair), Rachel Pinn, Maryan Street, Rob Jager, Liz Ward.

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

People and Culture Committee (formerly the Governance and Remuneration Committee)

2023/24 members: David McLean (Chair), Sue McCormack, Ed Sims, Maryan Street.

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

Engagement with Government

The Board is committed to ensuring that KiwiRail's Shareholding Ministers and the Minster 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 is committed to ensuring that risk management is an integral part of the way we undertake our operations. We take an enterprise–wide approach to risk management. We consider the potential impact of risks on our processes, activities, stakeholders, products, and services. An Enterprise Risk Management Strategy has been developed and implemented across the organisation. This strategy is based on principles that are industry best practice which is aligned

1. Board Committees as at September 2024. The Capital Committee was active during the year and was dis-established in August 2024.

to the international standard for risk management: AS/NZS ISO31000:2009.

At a strategic level, effective governance of risk is achieved through the RAAC (Risk, Assurance and Audit) Committee of the Board. At an operational level, a risk champion network is in place, and risk is actively managed and reported through an enterprise risk register.

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 21 of the financial statements sets out the fees KiwiRail Holdings Limited Directors earned during FY24.

KiwiRail Limited and Clifford Bay Limited did not receive any director fees during FY24.

Chief Executive's Remuneration

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

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

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

For executive positions, KiwiRail benchmarks against the median of Total Fixed Remuneration (i.e. Base Salary plus fixed benefits and allowances) and typically targets between 95 per cent to 105 per cent of the market median. For the CE and executive roles, KiwiRail also offers a short-term incentive scheme (STI). There are no long-term incentive schemes.

Short Term Incentive Scheme (STI)

The Board considers that a discretionary STI scheme is appropriate and consistent with the market, to attract, retain, and incentivise performance of senior employees. The scheme is reviewed annually and may be offered to the CE and selected senior leaders by the Board. Eligible employees are restricted to roles with significant accountabilities and where a strong ability to influence business outcomes exists. The scheme is at the discretion of the Board and no employee has a contractual right to participate in the scheme. Employees may be invited into the scheme annually.

If offered, there are two primary gateways which must be achieved for any STI to be paid. The first is an operating surplus gateway set by the Board and the second gateway is that there must be no fatality of an employee or contractor in the business.

If the gateways for the STI have been met, payments are then based on the achievement of specified KPIs which, in the case of the CE, have been signed off by the P&C Committee and in the case of senior executives have been signed off by the CE in consultation with the P&C Committee.

The STI scheme focuses on incentives for out-of-the-ordinary performance, and include:

Assessing an individual's contribution under three categories with equal weighting: business unit goals; individual goals; and behaviours – e.g. contribution to diversity, inclusion, engagement, and safety at KiwiRail.

Establishing higher thresholds to pay the maximum amounts.

Reducing the maximum potential payment under the scheme to 30 per cent for key executives (including the CE), and from 30 per cent to 20 per cent for most eligible roles.

The Board did not offer an STI scheme 2023/24 financial year. The Board have not offered an STI Scheme for the 2024/25 financial year.

Chief Executive's remuneration

The details of the CE's remuneration are set out below.

Financial Year	Salary and benefits[1] ($)	Pay for performance (relating to previous financial year) ($)	Total remuneration ($)
Current Chief Executive (commenced August 2022)			
2023/24	1,256,204	323,325[2]	1,779,529[3]
2022/23	1,369,284[4]	-	1,369,284
Previous Chief Executive			
2021/22	1,384,177[5]	420,000[6]	1,805,177
2020/21	997,452	-	997,452
2019/20	1,052,453	-	1,052,453

- Remuneration market commentary sourced from EYs Executive Remuneration Survey 2024 includes comprehensive remuneration information and insights into general market and executive remuneration policies and practices across NZ businesses.
- CE base salaries increased by a median of 4.0 per cent for the 12 months prior to July 2024. KiwiRail CE did not receive an increase in base salary for this period.
- Organisations are forecasting similar increases for the 12 months to July 2025. Median forecast base salaries for CEs are 4.0 per cent, lower quartile at 3.5 per cent and upper quartile 4.5 per cent.
- KiwiRail CE base salary will not increase for the 12 months to July 2025.

1. The CE base salary and total fixed remuneration is aligned to the median. The total potential remuneration package is aligned to the lower quartile.
2. Whilst there was no payment of STI 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.
3. Total remuneration paid in the 2023/24 financial year includes base salary, pay for performance, KiwiSaver and $200,000 in recognition of foregone equity in previous employment. This was agreed as part of employment contract prior to Mr Reidy joining KiwiRail in August 2022. Actual amounts are before tax (gross) and includes holiday pay paid per New Zealand legislation.
4. Actual salary paid includes holiday pay paid per New Zealand legislation. Benefits include KiwiSaver and 'sign-on' payment. Actual amounts are before tax (gross).
5. 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.
6. Pay for performance (STI) relates to previous CE's performance during 2020/21.

Employee remuneration

There were 3029 KiwiRail employees (or 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 2024.

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 21 of the financial statements sets out the payments awarded to key management personnel during the 2023/24 financial year. This includes pay for performance in relation to the 2022/23 year but paid in the 2023/24 financial year.

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

1570000-1580000[1]	1
890000-900000	1
600000-610000	2
590000-600000	1
520000-530000	1
480000-490000	1
450000-460000	1
440000-450000	2
430000-440000	1
410000-420000	1
400000-410000	3
390000-400000	1
380000-390000	2
370000-380000	1
360000-370000	2
350000-360000	5
340000-350000	4
330000-340000	8
320000-330000	6
310000-320000	6
300000-310000	7
290000-300000	15
280000-290000	7
270000-280000	10
260000-270000	19
250000-260000	15
240000-250000	22
230000-240000	16
220000-230000	31
210000-220000	42
200000-210000	41
190000-200000	64
180000-190000	87
170000-180000	102
160000-170000	152
150000-160000	171
140000-150000	263
130000-140000	379
120000-130000	486
110000-120000	496
100000-110000	554

Total employees earning in excess of $100,000	3029
Employees who are included but who are no longer at KiwiRail as at 30 June 2024	193
Net total employees earning in excess of $100,000 and employed at KiwiRail as at 30 June 2024	2836

1. Excludes foregone equity payment.

Performance reporting

Key performance measures

Per the FY24-FY26 Statement of Corporate Intent

Services key performance measures	FY24 Actual	FY24 Plan
Revenue ($m)[1]	705	734-758
Rail freight revenue ($m)[1]	394	426-439
Interislander freight and passenger revenue ($m)[1]	147	143-154
Scenic and commuter revenue ($m)	46	38-48
Property revenue ($m)	66	61
Operating surplus ($m)	106	127-147
Operating margin (%)	14	17-19
Freight Net Tonne Kilometres carried (million)	3,482	4,050
OTP – Freight Premier (%)	89	90
Availability – locomotive (%)	90	76
Availability – wagons (%)	90	90
On-Time Performance – Interislander – arrival within 15 mins of scheduled time (%)	86	90
Reliability - ship services to advertised sailings (%)	96	98
Number of rolling stock and iReX programme milestones completed	7 (64%)	11 (100%)

Infrastructure key performance measures	FY24 Actual	FY24 Plan
Metro reliability - percentage of scheduled services delivered without network issues (%)	98	97
Overall Track Quality Index for Auckland metro	31.1	35.0
Overall Track Quality Index for Wellington metro	28.5	40.9
Number of network condition KPIs within target	5 (36%)	14 (100%)
All Temporary Speed Restrictions (average TSRs) within target(s) for priority routes	30% within target(s)	100% within target(s)
All Heat 40s (average Heat 40s) within target(s) for priority routes	100% within target(s)	100% within target(s)
Track Quality Index (average TQI) within target(s) for priority routes	100% within target(s)	100% within target(s)
Number of NZUP programme critical milestones completed	2 (40%)	5 (100%)

1. Excludes Fuel Adjustment Factor.

KiwiRail Group key performance measures	FY24 Actual	FY24 Plan
Employee Net Promoter Score	1	10
Under 30s in the workforce (%)	18	19
Women in the workforce (%)	19	20
Total Recordable Injury Frequency Rate - TRIFR (number)	23.3	19.0
High Potential Near Misses (number)	14	44
Rail freight carbon intensity (grams of carbon dioxide equivalent emissions per net tonne kilometre)	28.2	25.9
Truck journeys avoided (million)	1.00	1.07

Required information

	FY24 Actual	FY24 Target
Shareholder return measures		
Total shareholder return	n/a	n/a
Return on equity (%)	(34)	6
Profitability/efficiency measures		
Return on invested capital (%)	(38)	6
Operating margin - Services Business (%)	14	17-19
Leverage/solvency measures		
Shareholder's funds to total assets (%)	66	83
Debt to EBITDA	(2.4)	(1.7)
Gearing ratio (%)	-	2
Interest cover	35.7	46.9
Growth measures		
Capital replacement	9.8	12.2
Revenue growth - Services Business (%)	-	6
Underlying EBITDA growth - Services Business (%)	(33)	(7)

Consistent with the 2024-2026 Statement of Corporate Intent, KiwiRail will not pay a dividend for the year ended 30 June 2024.

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.

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 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 $15.722 million to $111.246 million for 2023/24 due to:

- $10 million funding for the business cases for further electrification in the North Island being transferred to the Rail - Maintenance and Renewal of the Rail Network appropriation, and
- $5.722 million reduction in KiwiRail's non-commercial activities.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	42,814	42,810	44,580
Assessment of performance:			
Work is carried out on establishing a local wagon assembly plant in Dunedin in line with the agreed outcomes	100%		100%
Work is carried out on maintaining the existing electric locomotive fleet 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, commenced wagon assembly in FY24. 60 wagons have been assembled.

The three milestones relating to the electric locomotive fleet were achieved and five EF locomotives were refurbished.

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

Rail - Maintenance and renewal of the rail network (M72) (A26)

This appropriation is limited to expenses incurred on the approved Rail Network Investment Programme.

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

Reasons for Change in Appropriation: This multi-year appropriation increased by $203.676 million to $1,641.971 million for 2023/24 due to:

- $214 million of additional funding allocated for the National Resilience Plan Phase 2
- $160 million of additional funding (from a tagged contingency) to provide for the reinstatement of rail following North Island weather events, and
- $10 million of funding allocated for the business cases for further electrification of rail in the North Island being transferred into the RNIP from another appropriation within the Vote.

Partially offset by decreases of:

- $130.700 million eprioritised towards critical maintenance and renewals on Auckland and Wellington metropolitan rail lines, and
- $49.624 million transferred to a new Rail - Maintenance and Renewal of the Rail Network MYA which starts 1 July 2024.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	610,389	530,841	631,280
Assessment of performance:			
Work is carried out as per the agreed programme	97%		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.

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.

There were no changes to this multi-year appropriation for 2023/24.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	3,819	6,527	3,742
Assessment of performance:			
Work is carried out as per the agreed programme	25%		100%

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

Outcome of investment: 2 out of 8 milestones achieved.

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.

Reasons for Change in Appropriation: This appropriation increased by $1.900 million to $9.400 million for 2023/24 due to a carry forward from 2022/23 to 2023/24 to reflect the latest forecast for expected land sales.

In Principle Expense Transfer from 2023/24 to 2024/25 for $3.316 million unspent portion of appropriation.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	2,091	7,500	9,400
Assessment of performance:			
Property transactions are carried out in line with agreed outcomes	22%		100%

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

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.

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.

Reasons for Change in Appropriation: This appropriation decreased by $406.462 million to $641.381 million for 2023/24 due to a carry forward of $450.463 million from 2023/24 to future years to reflect forecasts of expenditure of projects under this appropriation. This is offset by an increase of $44.001 million for a carry forward from 2022/23 to 2023/24 to reflect forecasts expenditure for the Papakura to Pukekohe project.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	641,381	1,047,843	641,381
Assessment of performance:			
Capital is invested in the New Zealand rail system as approved by shareholding Ministers	100%		100%

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

Outcome of investment:

Renewal and maintenance of core freight and tourism assets including: ferries and landside facilities prior to the project cancellation; renewals and refurbishment of existing locomotives, wagons, carriages and construction of mechanical depot; upgrading of Wellington and Auckland metro infrastructure; safety critical and compliance works of circa 1,500 buildings and associated sites; improvements to the digital landscape of KiwiRail; and security related spend to ensure the protection of property.

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.

Reasons for Change in Appropriation: This appropriation decreased by $0.219 million for 2023/24 due to:

- $264,000 carried forward from 2023/24 to 2024/25 to align with forecast land acquisitions and associated supporting works.

Partially offset by Increase of:

- $45,000 carried forward from 2022/23 to 2023/24 for costs associated with purchasing land at Marsden Point.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	3,484	3,841	3,622
Performance measure:			
Work is carried out as per the agreed programme	100%		100%

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.

Outcome of investment: Final milestone was extended to 31 December 2024 by agreed variation.

Enabling infrastructure projects

This category is limited to expenses incurred on local transport-related infrastructure projects that contribute to the outcome of a lift in the productivity potential in the regions. The amounts disclosed below relate to KiwiRail's portion of the appropriation only.

Reasons for Change in Appropriation: This appropriation increased by $5.550 million for 2023/24 due to:

- $5.550 million carried forward from 2022/23 to 2023/24 to align the funding profile with the more detailed planning of projects.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	-	5,550	5,550
Performance measure:			
Work is carried out as per the agreed programme	100%		100%

Outcome of investment: Remaining milestones were transferred to New Zealand Upgrade Programme and final work is dependent on Minister decision around Marsden Point.

Vote Finance

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

KiwiRail - Project iReX wind down costs (M31) (A40)

This appropriation is limited to operating funding required for Project iReX infrastructure and ship wind down costs that cannot be met from KiwiRail's balance sheet.

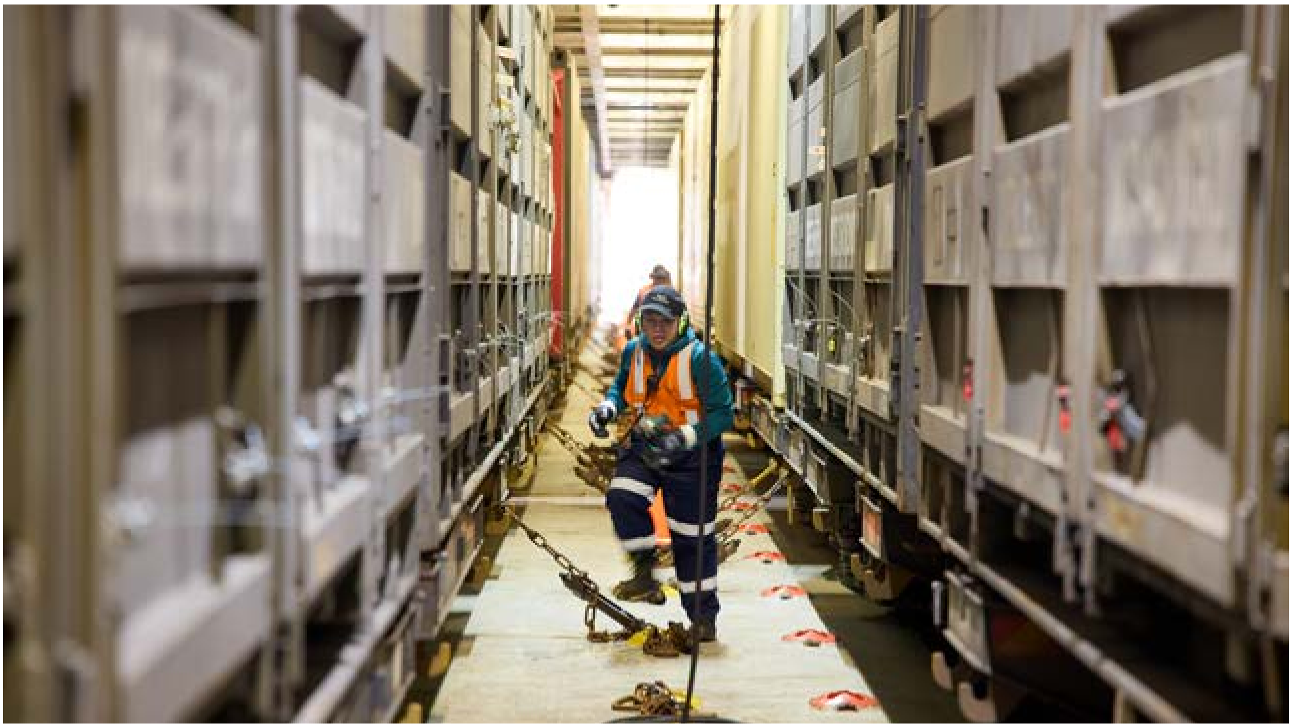
Reasons for Change in Appropriation: This appropriation increased by $295 million to $295 million for 2023/24 due to the establishment of a new appropriation to manage the wind down expenses for Project iReX that cannot be met from KiwiRail's balance sheet.

	2024 Actual	2024 Budget	2024 Final budget
Amount of appropriation ($000)	Disclosure not required per exemption		
Performance measure:			
Work is carried out as per the agreed programme	Disclosure not required per exemption		

This appropriation is intended to achieve operating funding of Project iReX wind down costs that cannot be met from KiwiRail's balance sheet.

Outcome of investment:

An exemption was granted as the appropriation is one which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown Entity under s15D(2)(b)(ii) of the PFA, as additional information is unlikely to be informative because this appropriation is solely for operating funding required for Project iReX wind down costs that cannot be met from KiwiRail's balance sheet.



Financial Statements

KiwiRail Holdings Limited and Subsidiaries

Statement of Comprehensive Income

For the financial year ended 30 June 2024

	Note	GROUP 2024	GROUP 2023
		$m	$m
Operating revenues	2	1,043.2	992.7
Operating expenses	3	(937.6)	(835.1)
Operating surplus		**105.6**	**157.6**
Capital grants	4	575.9	589.1
Depreciation and amortisation expenses	8(a), 8(b), 19	(149.9)	(143.7)
Foreign exchange and commodity gains/(losses)	5	50.7	(0.9)
Impairment	8(c), 8(d), 13, 19	(1,022.2)	(1,425.4)
Insurance proceeds		4.6	51.8
Movement in value of investment properties	13	(13.3)	(3.8)
Net finance income	6	21.7	8.6
Other income	26	47.8	1.6
Other costs – impact of weather events	25	(3.6)	(5.5)
Other costs – project write-off and wind-down costs	26	(264.2)	-
Net (deficit) before taxation		**(646.9)**	**(770.6)**
Income tax expense	7	-	-
Net (deficit) after taxation		**(646.9)**	**(770.6)**
Other comprehensive income/(loss)			
Items that can be reclassified into net surplus/deficit:			
(Losses)/gains from cash flow hedges	24(d)	(87.4)	11.3
Items that cannot be reclassified into net surplus/deficit:			
Asset revaluation	8(c)	37.9	39.6
Total comprehensive (loss)		**(696.4)**	**(719.7)**

The accompanying notes form part of these financial statements.

KiwiRail Holdings Limited and Subsidiaries

Statement of Financial Position

As at 30 June 2024

	Note	GROUP 2024	GROUP 2023
		$m	$m
Current assets			
Cash and cash equivalents	9	232.9	246.2
Short-term deposits	9	20.0	40.0
Trade and other receivables	10	211.8	283.8
Inventories	11	159.1	163.3
Financial assets	12	21.8	24.4
Asset held for sale	8(d)	-	18.9
		645.6	**776.6**
Non-current assets			
Property, plant and equipment	8(a)	1,479.2	1,357.8
Right of use assets	19	135.8	114.8
Investment property	13	141.9	106.4
Financial assets	12	37.1	60.1
Trade and other receivables	10	374.2	271.5
		2,168.2	**1,910.6**
Total assets		**2,813.8**	**2,687.2**
Current liabilities			
Trade and other liabilities	14	437.8	363.2
Employee entitlements	15	129.2	117.6
Financial liabilities	12	37.7	22.5
Provisions	16	17.5	10.3
		622.2	**513.6**
Non-current liabilities			
Trade and other liabilities	14	128.8	65.9
Employee entitlements	15	43.5	41.8
Financial liabilities	12	160.8	128.0
		333.1	**235.7**
Total liabilities		**955.3**	**749.3**
Equity			
Share capital	22	4,969.6	4,324.8
Retained earnings		(3,196.3)	(2,521.8)
Asset revaluation reserve		93.4	55.7
Cash flow hedge reserve	24(d)	(8.0)	79.4
Share revaluation reserve		(0.2)	(0.2)
Total equity		**1,858.5**	**1,937.9**
Total liabilities and equity		**2,813.8**	**2,687.2**

Rob Jager
Acting Chair
25 September 2024

Bruce Wattie
Chair of the Risk, Assurance and Audit Committee and Director
25 September 2024

The accompanying notes form part of these financial statements.

Statement of Movements in Equity

For the financial year ended 30 June 2024

	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 2022		**3,470.5**	**(1,739.8)**	**17.0**	**68.1**	**(0.2)**	**1,815.6**
Net (deficit) for the period		-	(770.6)	-	-	-	(770.6)
Other comprehensive income		-	0.9	38.7	11.3	-	50.9
Total comprehensive income/(loss)		**-**	**(769.7)**	**38.7**	**11.3**	**-**	**(719.7)**
Transactions with owners							
Capital Investment (net)	22	854.3	-	-	-	-	854.3
Crown appropriation – land transactions	17	-	(12.3)	-	-	-	(12.3)
As at 30 June 2023		**4,324.8**	**(2,521.8)**	**55.7**	**79.4**	**(0.2)**	**1,937.9**
Net (deficit) for the period		**-**	**(646.9)**	**-**	**-**	**-**	**(646.9)**
Other comprehensive income/(loss)		**-**	**-**	**37.9**	**(87.4)**	**-**	**(49.5)**
Revaluation reserve of disposed assets		**-**	**0.2**	**(0.2)**	**-**	**-**	**-**
Total comprehensive income/(loss)		**-**	**(646.7)**	**37.7**	**(87.4)**	**-**	**(696.4)**
Transactions with owners							
Capital Investment (net)	22	**644.8**	**-**	**-**	**-**	**-**	**644.8**
Crown appropriation – land transactions	17	**-**	**(27.8)**	**-**	**-**	**-**	**(27.8)**
As at 30 June 2024		**4,969.6**	**(3,196.3)**	**93.4**	**(8.0)**	**(0.2)**	**1,858.5**

The accompanying notes form part of these financial statements.

KiwiRail Holdings Limited and Subsidiaries

Statement of Cash Flows

For the financial year ended 30 June 2024

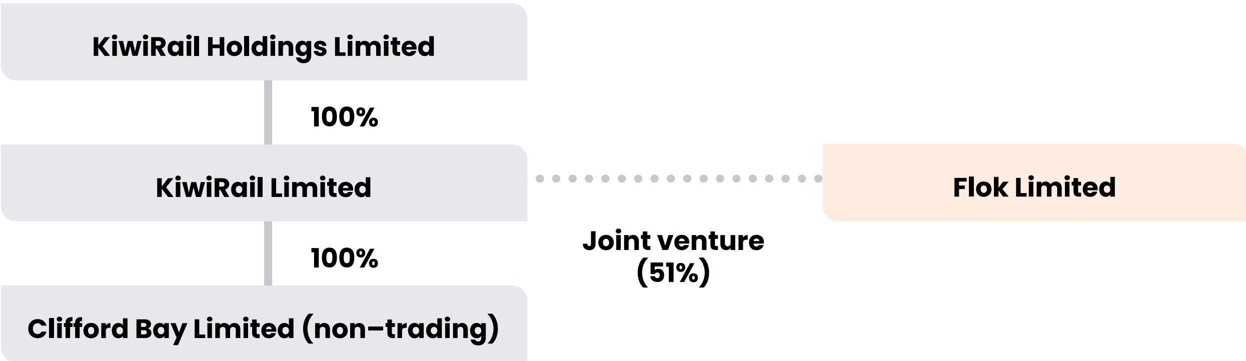
	Note	GROUP 2024	GROUP 2023
		$m	$m
Cash flows from operating activities			
Receipts from customers		858.3	854.7
Receipts from the National Land Transport Fund		147.9	156.2
Operating appropriation receipts		47.0	1.1
Interest received		33.8	16.5
Payments to suppliers and employees		(1,059.5)	(867.5)
Payments for interest on borrowings		(0.5)	(0.1)
Payments for interest on leases		(11.5)	(7.5)
Net cash from operating activities	20	**15.5**	**153.4**
Cash flows from investing activities			
Sale of property, plant and equipment		31.7	2.4
Capital grant receipts		281.3	245.6
National Land Transport Fund receipts		478.5	277.7
Insurance proceeds		54.6	1.8
Purchase of property, plant and equipment and investment properties		(1,407.6)	(1,208.6)
Purchase of intangibles		(56.2)	(39.2)
Maturity/(Purchase) of short-term deposits		20.0	(30.0)
Net cash used in investing activities		**(597.7)**	**(750.3)**
Cash flows from financing activities			
Crown capital investment		644.8	728.8
Proceeds from NZRC land sales		2.1	-
Payment for NZRC land acquisitions		(29.9)	(12.3)
Repayment of loans		(25.0)	(4.0)
Lease payments		(23.1)	(29.6)
Net cash from financing activities		**568.9**	**682.9**
Net (decrease)/increase in cash and cash equivalents		**(13.3)**	**86.0**
Cash and cash equivalents at the beginning of the year		246.2	160.2
Cash and cash equivalents at the end of the year	9	**232.9**	**246.2**

The accompanying notes form part of these financial statements.

1 GROUP INFORMATION

(a) REPORTING ENTITY

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



The following activities are carried out by the Group:

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

The financial statements of the Group are for the year ended 30 June 2024 and were authorised for issue by the Board of Directors on 25 September 2024.

(b) BASIS OF PREPARATION

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

The financial statements have been prepared:

- on the basis of historical cost, except for certain non-financial assets and derivative financial instruments, which have been valued at fair value; and
- on a going concern basis.

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

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

1. GROUP INFORMATION (continued)

(c) CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(d) STANDARDS AND INTERPRETATIONS

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

The Group adopted *Disclosure of Accounting Policies - Amendments to NZ IAS 1 Presentation of Financial Statements* on 1 July 2023. The amendments require disclosure of material accounting policy information rather than their significant accounting policies. Adoption of the amendments did not have a significant impact on the financial statements.

(e) MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

As a consequence of the for-profit designation, the Group values its property, plant and equipment on a cash generating basis, which results in substantial impairment (refer Note 8). 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 $12,602m (2023: $12,930m) compared to a carrying value of $223m (2023: $241m) per Note 8(a). The ODRC valuation basis does not require impairment of the Group's rail network assets.

KiwiRail is continually reviewing and enhancing data collection processes to improve the quality and accuracy of the ODRC valuation. The current year ODRC valuation builds on work performed in previous year in relation to retaining walls and erosion protection structures.

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

2. OPERATING REVENUES

	GROUP 2024	GROUP 2023
	$m	$m
Freight	474.9	501.3
Interislander	158.3	151.1
Property	65.7	62.5
Scenic and Commuter	46.1	34.1
Other	29.3	25.5
Funding from the National Land Transport Fund	169.9	139.7
Networks	99.0	77.4
Holidays Act Remediation Appropriation	-	1.1
Total operating revenues	**1,043.2**	**992.7**

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 2024	GROUP 2023
	$m	$m
Salaries and wages	614.0	587.1
Restructuring	2.8	1.5
Defined contribution plan employer contributions	23.1	20.3
Other employee expenses	9.8	15.4
Total employee expenses	649.7	624.3
Amount capitalised	(206.5)	(235.6)
Total employee costs expensed	**443.2**	**388.7**
Materials and supplies	169.0	152.9
Fuel and traction electricity	125.1	141.2
Lease and rental costs	33.0	24.6
Incidents and insurance	50.8	36.5
Contractors' expenses	9.8	9.8
Audit fees	0.8	0.6
Impairment/(reversal of impairment) of receivables	0.1	(0.2)
Directors' fees (Note 21)	0.4	0.4
(Gain)/loss on disposal of property, plant and equipment	(3.9)	(1.4)
Other expenses	109.3	82.0
Total operating expenses	**937.6**	**835.1**

4. CAPITAL GRANTS

	GROUP 2024	GROUP 2023
	$m	$m
Ministry of Transport	24.7	2.5
National Land Transport Fund	338.8	295.0
Local and Regional Councils	67.9	109.3
City Rail Link	27.0	43.7
Auckland Transport	113.2	127.1
Ministry of Business, Innovation and Employment	1.2	5.8
Waka Kotahi	2.4	5.5
Other	0.7	0.2
Total capital grant income	**575.9**	**589.1**

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. The current year impairment reversals for grant income recorded in the prior year is driven by the judgements made as it relates to the impairment of the cash generating units as disclosed in Note 8(c).

5. FOREIGN EXCHANGE AND COMMODITY GAINS AND LOSSES

	GROUP 2024	GROUP 2023
	$m	$m
Net realised foreign exchange and commodity gains	26.4	2.2
Net change in the fair value of derivatives	(0.8)	(3.1)
Gain arising on foreign exchange contracts designated as hedging instruments reclassified from equity to net deficit	25.1	-
Total foreign exchange and commodity losses	**50.7**	**(0.9)**

Foreign exchange and commodity gains on fuel related contracts of $0.5m (2023: $2.2m) 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.

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

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

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

6. NET FINANCE INCOME/(EXPENSES)

	GROUP 2024	GROUP 2023
	$m	$m
Finance income		
Interest income on bank deposits	19.6	17.2
Gain on interest rate swaps designated designated as hedging instruments reclassified from equity to net deficit	13.8	-
	33.4	17.2
Less: Finance expenses		
Interest expense on borrowings	(0.2)	(0.2)
Interest expense on leases	(11.5)	(7.5)
Net change in fair value of interest rate swaps	-	(0.9)
	(11.7)	(8.6)
Net finance income	**21.7**	**8.6**

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. 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.

7. TAXATION (continued)

(c) Tax benefit/(expense)

	GROUP 2024	GROUP 2023
	$m	$m
Components of tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Tax benefit/(expense)	-	-
Reconciliation between tax expense and accounting surplus		
(Deficit) before tax	(646.9)	(770.6)
Tax at 28%	(181.1)	(215.8)
Tax effect of:		
Non-deductible expenditure	(5.4)	(12.2)
Other temporary differences	186.5	228.0
Tax benefit/(expense)	**-**	**-**

The Group has unrecognised deductible temporary differences of $2,901.8m (2023: $3,034.7m) and unused tax losses of $1,888.6m (2023: $1,757.2m).

Imputation credits

The Group has formed an imputation group. The Group has access to $1.2m imputation credits (2023: $1.2m imputation credits).

8. NON-FINANCIAL ASSETS

(a) PROPERTY, PLANT AND EQUIPMENT

2024	Buildings	Railway Infrastructure	Rolling Stock	Ships	Plant and Equipment	Assets Under Construction	Total
	$m	$m	$m	$m	$m	$m	$m
Cost							
Balance at 1 July 2023	**93.2**	**241.4**	**610.6**	**377.9**	**341.1**	**1,980.3**	**3,644.5**
Additions	-	-	-	-	-	1,323.0	1,323.0
Transfers - AUC	185.1	681.2	204.4	25.1	175.7	(1,271.5)	-
Disposals	-	-	(7.3)	-	(4.7)	-	(12.0)
Reclassifications	(1.2)	-	-	-	19.8	0.4	19.0
Revaluation	13.2	-	34.1	-	-	-	47.3
Impairment	(71.0)	(699.3)	(139.9)	-	-	-	(910.2)
iReX write-off	-	-	-	-	-	(327.5)	(327.5)
Balance at 30 June 2024	**219.3**	**223.3**	**701.9**	**403.0**	**531.9**	**1,704.7**	**3,784.1**
Accumulated depreciation and impairment							
Balance at 1 July 2023	**(0.4)**	**-**	**-**	**(296.7)**	**(316.9)**	**(1,672.7)**	**(2,286.7)**
Depreciation expense	(10.4)	(26.4)	(68.8)	(2.8)	(13.9)	-	(122.3)
Transfers – AUC impairment	(17.0)	(513.4)	(41.4)	(8.5)	(62.7)	643.0	-
Disposals	-	-	2.7	-	2.9	-	5.6
Reclassifications	0.1	-	-	-	(6.4)	-	(6.3)
Revaluation	5.4	-	(12.9)	-	-	-	(7.5)
Impairment	21.0	539.8	120.4	(25.6)	(24.3)	(713.6)	(82.3)
iReX impairment write-off	-	-	-	-	-	194.6	194.6
Balance at 30 June 2024	**(1.3)**	**-**	**-**	**(333.6)**	**(421.3)**	**(1,548.7)**	**(2,304.9)**
Net book value							
At 1 July 2023	92.8	241.4	610.6	81.2	24.2	307.6	1,357.8
At 30 June 2024	**218.0**	**223.3**	**701.9**	**69.4**	**110.6**	**156.0**	**1,479.2**

Notes to the Financial Statements

For the financial year ended 30 June 2024

2023	Buildings	Railway Infrastructure	Rolling Stock	Ships	Plant and Equipment	Assets Under Construction	Total
	$m	$m	$m	$m	$m	$m	$m
Cost							
Balance at 1 July 2022	**74.9**	**324.2**	**586.0**	**332.9**	**316.2**	**1,597.3**	**3,231.5**
Additions	-	-	-	-	-	1,334.8	1,334.8
Transfers - AUC	43.1	695.4	137.3	49.8	26.2	(951.8)	-
Disposals	-	-	(2.9)	-	(0.6)	-	(3.5)
Reclassifications	(8.8)	-	-	11.3	6.1	-	8.6
Revaluation	20.5	-	7.7	-	-	-	28.2
Impairment	(36.5)	(778.2)	(117.5)	-	-	-	(932.2)
Transfer to held for sale	-	-	-	(16.1)	(6.8)	-	(22.9)
Balance at 30 June 2023	**93.2**	**241.4**	**610.6**	**377.9**	**341.1**	**1,980.3**	**3,644.5**
Accumulated depreciation and impairment							
Balance at 1 July 2022	**(9.0)**	**-**	**-**	**(226.8)**	**(285.9)**	**(1,195.2)**	**(1,716.9)**
Depreciation expense	(5.5)	(33.0)	(58.4)	(23.1)	(7.4)	-	(127.4)
Transfers – AUC impairment	(21.1)	(500.5)	(42.2)	-	(17.3)	581.1	-
Disposals	-	-	2.3	-	0.6	-	2.9
Reclassifications	2.0	-	-	-	(2.0)	-	-
Revaluation	9.6	-	1.9	-	-	-	11.5
Impairment	23.6	533.5	96.4	(48.7)	(7.0)	(1,058.6)	(460.8)
Transfer to held for sale	-	-	-	1.9	2.1	-	4.0
Balance at 30 June 2023	**(0.4)**	**-**	**-**	**(296.7)**	**(316.9)**	**(1,672.7)**	**(2,286.7)**
Net book value							
At 1 July 2022	65.9	324.2	586.0	106.1	30.3	402.1	1,514.6
At 30 June 2023	**92.8**	**241.4**	**610.6**	**81.2**	**24.2**	**307.6**	**1,357.8**

8. 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 8(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 23(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 $153.8m (2023: $46.6m); Railway Infrastructure: $222.3m (2023: $241.1m); and Rolling Stock: $672.7m (2023: $601.1m).

(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.

8. NON-FINANCIAL ASSETS (continued)

(a) PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

Estimation of useful lives of assets

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

(vi) Property, plant and equipment pledged to secure borrowing

Details of property, plant and equipment pledged as security is provided in Note 12(b).

(b) INTANGIBLE ASSETS

	Note	GROUP 2024	GROUP 2023
		$m	$m
Opening balance		-	**7.4**
Additions		35.2	39.6
Amortisation		(0.2)	(0.1)
Impairment	8(c)(i)	(35.0)	(46.9)
Balance at 30 June		-	-

8. 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 $23.7m (2023: $0.3m. Impairment includes transfers of impairment of intangible assets under construction of $nil (2023: $0.2m).

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets.

During the year SaaS arrangements from prior periods were identified where control did not exist. No prior year restatement is required as the impact is not material. However, the Group recognises annual impairment in relation to intangible assets under construction and therefore an expense has been previously recognised in the Group financial statements.

(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, intangible assets and prepayments, which are progress payments for the acquisition of new ships.

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 8(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 2024, the recoverable amount of the Rail CGU was $1,859.6m (2023: $1,556.8m), 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 23(b) below for the assumptions and judgements applied in determining the FVLCD of the Rail CGU.

8. 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 2024	2024 Carrying amount before revaluation and impairment	Reversal of/ (Impairment) recognised in net surplus or deficit	Movement recognised in Asset Revaluation Reserve	Carrying amount after impairment
	$m	$m	$m	$m
Rail CGU				
Buildings	249.4	(50.0)	18.6	218.0
Railway infrastructure	382.8	(159.5)	-	223.3
Rolling stock	700.3	(19.6)	21.2	701.9
Plant and equipment	130.1	(19.9)	-	110.2
Right-of-use assets	78.0	3.1	-	81.1
Assets under construction	852.0	(701.1)	-	150.9
Total property, plant and equipment	2,392.6	(947.0)	39.8	1,485.4
Intangible assets	35.0	(35.0)	-	-
Prepayments	374.2	-	-	374.2
Total Rail CGU	**2,801.8**	**(982.0)**	**39.8**	**1,859.6**

The table below summarises the impairment and revaluation movements recognised for the Rail CGU as at 30 June 2023:

GROUP 2023	2023 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	75.6	(12.9)	30.1	92.8
Railway infrastructure	486.1	(244.7)	-	241.4
Rolling stock	622.1	(21.0)	9.5	610.6
Plant and equipment	24.6	(5.5)	-	19.1
Right-of-use assets	53.4	14.9	-	68.3
Assets under construction	1,138.5	(830.9)	-	307.6
Total property, plant and equipment	2,400.3	(1,100.1)	39.6	1,339.8
Intangible assets	46.6	(46.6)	-	-
Prepayments	217.0	-	-	217.0
Total Rail CGU	**2,663.9**	**(1,146.7)**	**39.6**	**1,556.8**

(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 2024, the recoverable amount of the Interislander CGU was $129.6m (2023: $187.3m), 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 23(b) below for the assumptions and judgements applied in determining the FVLCD of the Interislander CGU.

8. NON-FINANCIAL ASSETS (continued)

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

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

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

The Interislander CGU as at 30 June 2023 included the Inter-island Resilient Connection (iReX) project. This programme was cancelled during the financial year ended 30 June 2024 and the 2024 carrying amount before revaluation and impairment excludes amounts relating to the project (refer note 26). The table below summarises the impairment movements recognised for the Interislander CGU as at 30 June 2023:

GROUP 2023	2023 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	126.5	(45.3)	81.2
Plant and equipment	6.8	(1.7)	5.1
Right-of-use assets	46.5	-	46.5
Assets under construction	227.9	(227.9)	-
Total property, plant and equipment	407.7	(274.9)	132.8
Intangible assets	0.3	(0.3)	-
Prepayments	54.5	-	54.5
Total Interislander CGU	**462.5**	**(275.2)**	**187.3**

(d) ASSETS HELD FOR SALE

The Group classifies non-current assets held for sale in accordance with NZ IFRS 5 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. As at 30 June 2024 there were no assets classified as "held for sale". As at 30 June 2023 the Valentine ferry was classified as "held for sale".

9. CASH AND CASH EQUIVALENTS

	GROUP 2024	GROUP 2023
	$m	$m
Current accounts and call deposits	232.9	246.2
	232.9	**246.2**

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 2024 The Group has short-term deposits of $20m (2023: $40m).

10. TRADE AND OTHER RECEIVABLES

	Note	GROUP 2024	GROUP 2023
		$m	$m
Trade receivables		92.8	84.2
Related party receivables		31.3	69.8
GST receivable	14	-	1.0
Prepayments		415.1	316.2
Accrued and other receivables		49.6	86.9
Less: Provision for impairment		(2.8)	(2.8)
		586.0	**555.3**
Current assets		211.8	283.8
Non-current assets		374.2	271.5
		586.0	**555.3**

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.

10. TRADE AND OTHER RECEIVABLES (continued)

All overdue receivables have been assessed for impairment at balance date and appropriate provisions applied, as detailed below:

	2024			2023		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
	$m	$m	$m	$m	$m	$m
Not past due	110.6	(1.3)	109.3	130.4	(0.2)	130.2
Past due 1 – 30 days	4.3	(0.1)	4.2	3.2	(0.1)	3.1
Past due 31 – 60 days	0.8	(0.2)	0.6	1.5	(0.1)	1.4
Past due 61 - 90 days	0.5	(0.1)	0.4	0.9	(0.9)	-
Past due > 91 days	2.3	(1.1)	1.2	1.5	(1.5)	-
Total	**118.5**	**(2.8)**	**115.7**	**137.5**	**(2.8)**	**134.7**

The average credit period on sales of goods and services is 18 days (2023: 27.0 days).

11. INVENTORIES

	GROUP 2024	GROUP 2023
	$m	$m
Operational Activities:		
Fuel	3.7	4.1
Inventory held to maintain rail network	72.7	80.3
Inventory held to maintain rolling stock	90.5	82.0
Inventory held to maintain ships	16.9	13.5
Inventory held for resale	0.7	0.7
Contracting Activities – work in progress	3.3	4.5
Gross inventory	187.8	185.1
Less: Provision for stock obsolescence	(28.7)	(21.8)
Net inventory	**159.1**	**163.3**

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

Write-downs or reversals of write-downs of inventories are recognised in operating expenses in net surplus or deficit, in the period the loss or reversal occurs. During the year, the Group has recognised write-downs in inventory of $0.6m (2023: write-down of $3.1m).

12. FINANCIAL ASSETS AND LIABILITIES

	GROUP 2024			GROUP 2023		
	Current	Non-current	Total	Current	Non-current	Total
	$m	$m	$m	$m	$m	$m
Financial assets						
Commodity forward contracts	0.4	0.1	0.5	0.1	-	0.1
Foreign currency forward contracts	21.0	37.0	58.0	23.9	47.5	71.4
Interest rate swaps	-	-	-	-	12.6	12.6
Share investments	0.4	-	0.4	0.4	-	0.4
Total financial assets	**21.8**	**37.1**	**58.9**	**24.4**	**60.1**	**84.5**
Financial liabilities						
Commodity forward contracts	-	-	-	0.5	0.1	0.6
Loans	-	-	-	-	25.0	25.0
Leases (Note 19)	20.9	136.9	157.8	21.0	101.4	122.4
Foreign currency forward contracts	16.8	23.9	40.7	1.0	1.5	2.5
Total financial liabilities	**37.7**	**160.8**	**198.5**	**22.5**	**128.0**	**150.5**

(a) Financial assets

The Group's financial assets designated at fair value are those derivative financial instruments used to manage exposure to fluctuations in foreign exchange rates, commodity prices and interest rates. The accounting policy for these types of financial assets is set out under 'Derivative financial instruments' in Note 23(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.

Unsecured loans

The Group had no unsecured loans as at 30 June 2024 (2023: $nil).

12. FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Financial liabilities (continued)

Secured loans

The outstanding principal for all secured loans as at 30 June 2024 was $nil (2023: $25.0m).

As at 30 June 2023 the Group had drawn down $25m of a $350.0m committed syndicated loan facility to partially fund the replacement of the Group's Interislander ferries. This loan facility was exited and repaid during the financial year ended 30 June 2024 as the project was cancelled. Refer to note 26.

The average term to maturity and weighted average interest rates for external unsecured and secured loans and leases are shown in the table below:

	Unit	GROUP 2024	GROUP 2023
Notional principal	$m	-	27.8
Average interest rate	%	-	7.14
Average term to maturity	years	-	11.37

Committed standby facility

As at 30 June 2024 the Group had a committed standby facility with Bank of New Zealand of $15.0m (2023: $15.0m) with an expiry date of 1 July 2025. As at 30 June 2024, the facility was undrawn.

Letter of credit facilities

The Group had no letter of credit facilities at 30 June 2024 (2023: nil).

Standby letter of credit

The Group had no standby letters of credit at 30 June 2024 (2023: nil).

(c) Changes in liabilities arising from financing activities

	GROUP 2023		Non-cash changes		
		Net Cash Flow	Changes in fair values	Others	GROUP 2024
	$m	$m	$m	$m	$m
Loans	25.0	(25.0)	-	-	-
Leases	122.4	(34.4)	-	69.8	157.8
Total liabilities from financing activities	**147.4**	**(59.4)**	-	**69.8**	**157.8**

13. INVESTMENT PROPERTY

	GROUP 2024	GROUP 2023
	$m	$m
Opening balance	**106.4**	**98.7**
Additions	49.8	9.2
Disposals	(0.2)	-
Reclassifications	(0.7)	2.6
Fair value loss on valuation	(13.3)	(3.8)
Impairment	(0.1)	(0.3)
Balance at 30 June	**141.9**	**106.4**

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 23(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 2024 was $10.1m (2023: $12.5m). The direct operating expenses (including maintenance) incurred from the use of investment properties during the year was $2.1m (2023: $2.6m).

14. TRADE AND OTHER LIABILITIES

	GROUP 2024	GROUP 2023
	$m	$m
Trade payables	151.2	149.5
GST Payable	5.2	-
Unearned revenue	306.1	173.9
Related party payable	5.7	0.5
Other payables and accruals	98.4	105.2
Total payables	**566.6**	**429.1**
Current liabilities	437.8	363.2
Non-current liabilities	128.8	65.9
	566.6	**429.1**

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.

14. TRADE AND OTHER LIABILITIES (continued)

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.

Unearned revenue includes deferred capital grant funding received as reimbursement for capital projects, and for the recovery associated with the weather events outlined in Note 25. 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.

15. EMPLOYEE ENTITLEMENTS

	GROUP 2024	GROUP 2023
	$m	$m
Current		
Short-term employee benefits	36.5	28.1
Annual leave entitlement accruals	84.8	82.2
Retirement and long service leave liability	7.9	7.3
Total current	129.2	117.6
Non-Current		
Retirement and long service leave	43.5	41.8
Total non-current	43.5	41.8
Total employee entitlements	**172.7**	**159.4**

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*.

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

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

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

The present value of the retirement and long service leave obligations depend on a number of factors. Two key assumptions used to calculate these liabilities include the discount rate and the salary inflation factor. The assumptions used by the actuaries to calculate the retirement and long service leave liabilities were a salary increase rate range of 2.5% to 2.82% per annum (2023: from 2.43% to 3.86% per annum) and a term specific risk-free discount rate range of 4.25% and 5.36% per annum (2023: between 4.19% and 5.43% 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.

15. EMPLOYEE ENTITLEMENTS (continued)

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.

16. 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	Other provisions	Total
	$m	$m	$m
Balance at 1 July 2023	**5.2**	**5.1**	**10.3**
Provisions made during the year	1.3	7.2	8.5
Provisions utilised or released during the year	-	(1.3)	(1.3)
Balance at 30 June 2024	**6.5**	**11.0**	**17.5**

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.

17. SALE AND PURCHASE OF LAND

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

From time to time NZRC may sell parcels of railway land. Under the Group's lease agreement with NZRC entered into on 31 December 2012 for nominal consideration, the Group may identify railway land that can be sold and request NZRC to sell it or surrender it from the lease. The sale proceeds are provided to the Group to support its business as the State-Owned Enterprise responsible for the financial performance of the Crown's investment in rail operations.

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

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

The total net proceeds from land sold/land swaps during the year was $2.1m (2023: $nil). The total net land acquisitions during the year was $29.9m (2023: $12.3m). They were treated as transactions with owners in the Statement of Movements in Equity.

18. CAPITAL AND OTHER COMMITMENTS

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

	GROUP 2024	GROUP 2023
	$m	$m
Capital expenditure commitments:		
Not later than one year	513.6	657.7
Later than one year but not later than five years	556.6	840.6
	1,070.2	**1,498.3**

19. 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 5 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 is discussed further below.

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

Determining the lease term of lease contracts with renewal options

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

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 – 4 years
- Motor vehicles 1 – 5 years
- Property 1 – 25 years

19. LEASES (continued)

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

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

2023	Property	Ships	Plant and Machinery	Motor Vehicles	Other Equipment	Total
Cost/Valuation	$m	$m	$m	$m	$m	$m
As at 1 July 2022	**40.5**	**12.4**	**3.3**	**1.5**	**0.2**	**57.9**
Additions	50.3	-	6.0	5.6	7.8	69.7
Purchase option exercised	-	(11.5)	-	-	-	(11.5)
Depreciation expense	(12.0)	(0.9)	(0.8)	(1.2)	(1.3)	(16.2)
Impairment reversal	5.3	-	6.7	2.6	0.3	14.9
As at 30 June 2023	**84.1**	**-**	**15.2**	**8.5**	**7.0**	**114.8**

Lease liabilities

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

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

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).

19. LEASES (continued)

Set out below are the carrying amounts of lease liabilities (included in Note 12) and the movements during the period:

	GROUP 2024	GROUP 2023
	$m	$m
As at 1 July	**122.4**	**76.6**
Additions	58.5	73.9
Accretion of interest	11.3	7.3
Payments	(34.4)	(35.4)
As at 30 June	**157.8**	**122.4**

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 13). 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 2024	GROUP 2023
	$m	$m
Total minimum lease payments receivable:		
Not later than one year	44.6	43.2
Later than one year but not later than five years	142.0	137.2
Later than five years	346.6	334.9
	533.2	**515.3**

For the year ended 30 June 2024, $55.6m was recognised as revenue in net surplus (2023: $52.1m).

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

	GROUP 2024	GROUP 2023
	$m	$m
Net (deficit) after taxation	(646.9)	(770.6)
Add/(deduct) items classified as investing or financing activities		
(Gain) on sale of assets	(7.1)	(1.4)
Fair value movement in derivatives	(24.2)	7.3
Capital grant receipts	(281.3)	(245.6)
National Land Transport Fund receipts	(478.5)	(277.7)
Insurance proceeds	(54.6)	(1.8)
	(1,492.6)	(1,289.8)
Add/(deduct) non-cash items		
Depreciation and amortisation expense	149.9	143.7
Movements in provisions	8.9	(2.1)
Impairment of non-financial assets	827.6	1,425.4
Movement in fair value of investment properties	13.3	3.8
Other costs	263.0	-
	(229.9)	281.0
Add/(deduct) movements in working capital		
(Increase) in trade receivables	(8.6)	(2.4)
Decrease/(increase) in other receivables	80.6	(95.5)
Decrease/(increase) in inventories	4.3	(43.1)
Increase in trade payables	1.7	63.1
Increase/(decrease) in other payables	167.4	(49.7)
Net cash flows from operating activities	**15.5**	**153.4**

21. RELATED PARTY TRANSACTIONS

Aside from the core lease agreement with NZRC (Note 17), 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 22 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.

21. RELATED PARTY TRANSACTIONS (continued)

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.

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

	GROUP 2024	GROUP 2023
	$000	$000
Key management personnel compensation		
Short-term employee benefits	6,416	5,877
Termination benefits	207	241
Other	833	810
Total key management personnel compensation	**7,456**	**6,928**

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

	GROUP 2024	GROUP 2023
KHL Directors	$000	$000
David McLean	89	89
Susan McCormack	58	57
Bruce Wattie	47	47
Edward Sims	47	24
Rachel Pinn	42	42
Maryan Street	42	42
Robert Jager	42	23
Elizabeth Ward	42	7
Sina Cotter Tait	32	-
Mike Williams	4	42
Maxine Moana-Tuwhangai	-	14
	445	**387**

David McLean retired as Chair effective 31 July 2024. Edward Sims resigned as Director effective 28 June 2024 and Rachel Pinn and Maryan Street resigned as Directors effective 31 July 2024. Mike Williams completed his term as Director on 31 July 2023. Sina Cotter Tait was appointed as Director on 31 October 2023. Rob Jager was appointed Acting Chair effective 1 August 2024.

22. SHARE CAPITAL

At 30 June 2024, the Group had issued 4,969,612,072 ordinary shares with no par value (2023: 4,324,747,072), each fully paid. The following rights attach to the ordinary shares issued by the Group:

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

Reconciliation of number of shares	**GROUP 2024**	**GROUP 2023**
	(m)	(m)
Opening balance	4,324.8	3,470.5
Shares issued	644.8	854.3
Balance at 30 June	**4,969.6**	**4,324.8**

23. FAIR VALUE

(a) Classification of Financial Instruments

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

	GROUP 2024	**GROUP 2023**
FINANCIAL ASSETS	$m	$m
Loans and receivables		
Cash and cash equivalents and short-term deposits	252.9	286.2
Trade and other receivables (excluding prepayments)	173.7	240.8
	426.6	**527.0**
Fair value through net surplus or deficit		
Derivative financial assets	**47.6**	**2.2**
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other liabilities	255.3	255.1
Interest-bearing liabilities	157.8	148.8
	413.1	**403.9**
Fair value through net surplus or deficit		
Derivative financial liabilities	**21.9**	**1.1**

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

(b) Fair Value Hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

23. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

The Group does not have any Level 1 and/or Level 3 financial instruments (2023: 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 2024	GROUP 2023
	$m	$m
Level 2		
Commodity forward contracts	0.5	(0.5)
Foreign currency forward contracts	17.3	69.0
Interest rate swaps	-	12.6
	17.8	**81.1**

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 2024	GROUP 2023
	$m	$m
Level 2		
Investment property	141.9	106.4
Buildings	218.0	92.8
Railway infrastructure	223.3	241.4
Rolling stock	701.9	610.6
	1,285.1	**1,051.2**

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.

23. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

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. 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 2024 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 15%.

- *Buildings*
  Buildings are properties held to carry-out the Group's entity-specific operations and hence are classified as property, plant and equipment and measured using the revaluation model under NZ IAS 16. The most recent valuation of buildings that form part of the Rail CGU was carried out as at 30 June 2024 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 2024 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. This reflects the recoverable amount as disclosed in Note 8.

- *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 2024 by an independent valuer who has recognised and relevant qualifications.

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

- *Other non-financial assets*
  As discussed within note 8(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.

23. FAIR VALUE (continued)

(b) Fair Value Hierarchy (continued)

- *Ships* (Level 2) 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 designed for their purpose.
- *Prepayments* (Level 2) that are progress payments for the procurement of new assets within the Rail and Interislander CGU's 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.

24. 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 2024 were $1,086.0m (2023: $1,244.6m).

The Group has hedged 100% (2023: 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.

24. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(a) Market Risk (continued)

	GROUP 2024		GROUP 2023	
In NZ $m	Equity	Profit	Equity	Profit
Foreign currency sensitivity analysis				
Impact of a 10% strengthening of the NZD	(93.2)	(31.0)	(110.9)	(4.1)
Impact of a 10% weakening of the NZD	114.0	38.0	135.5	5.1

ii. Interest Rate Risk

Interest rate risk is the risk that the Group's cost of funds increase due to increases in interest rates.

The Group hedges its re-pricing profile using interest rate swaps in accordance with its Treasury Management Policy to provide funding cost certainty.

As at 30 June 2024 the Group did not hold any interest rate swaps. As at 30 June 2023 the total notional principal amounts of outstanding interest rate swaps was $225.0m, with average term to maturity of 6.40 years and a weighted average fixed interest rate of 2.2%. After taking into account the effect of the interest rate swaps, approximately 45.0% of the Group's drawn loans were at a fixed rate of interest. In addition, the Group had entered into positions to fix 50% of the interest rate risk associated with the committed syndicated loan facility.

As at 30 June 2023 a 100 basis point (bp) interest rate increase would have impacted equity by $5.7m and a 100 bp interest rate decrease would have impacted equity by $(6.2)m.

iii. 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 2024 the total notional principal amount of outstanding commodity forward contracts is $10.9m (2023: $12.2m).

(b) Credit Risk

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

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

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

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

24. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(b) Credit Risk (continued)

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 is minimal. The Group has no other 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.

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

GROUP 2023	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
	$m	$m	$m	$m	$m	$m
Financial Liabilities						
Trade and other payables	255.1	255.1	255.1	-	-	-
Net settled derivative liabilities	3.0	5.6	1.9	2.1	1.6	-
Leases	122.4	164.4	29.3	24.9	53.8	56.3
Loans	25.0	29.5	1.8	1.7	26.0	-
Total	**405.5**	**454.6**	**288.1**	**28.7**	**81.4**	**56.3**

24. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(d) Derivative Financial Instruments and Hedging Activities

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

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

Hedge Accounting

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

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

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.

During the financial year ended 30 June 2024 the iReX project was cancelled and subsequently wound down (refer note 26). The Group held interest rate swaps to manage the risk associated with the committed loan facility and forward exchange contracts to hedge forecast foreign currency purchases associated with the procurement of the vessels. Following the cancellation of the iReX project the Group assessed the hedged transactions and associated relationships were no longer probable and are not expected to occur. As a result hedge accounting has been discontinued and $59.6m has been reclassified from the cash flow hedge reserve to net surplus or deficit.

24. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

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

At 30 June 2024, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

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

GROUP 2023	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	477.2	721.3	-	-
Average NZD:USD forward contract rate	0.65	0.67	-	-
Average NZD:AUD forward contract rate	0.91	0.90	-	-
Average NZD:EUR forward contract rate	0.56	0.53	-	-
Average NZD:CHF forward contract rate	0.65	0.67	-	-
Interest Rate Risk				
Interest Rate Swaps				
Net Exposure	-	50.00	-	175.00
Average Fixed Interest Rate (in %)	-	2.0	-	2.28

24. 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 2024			GROUP 2023		
	Interest Rate Risk	Foreign Currency Risk	Total	Interest Rate Risk	Foreign Currency Risk	Total
	$m	$m	$m	$m	$m	$m
Opening balance at 1 July	**12.6**	**66.8**	**79.4**	**11.8**	**56.3**	**68.1**
(Loss)/gain recognised in other comprehensive income	-	(27.8)	(27.8)	0.8	10.5	11.3
Amount reclassified to net surplus or deficit – forecast transaction no longer expected to occur	(12.6)	(47.0)	(59.6)	-	-	-
Total recognised in other comprehensive income	**(12.6)**	**(74.8)**	**(87.4)**	**0.8**	**10.5**	**11.3**
Closing balance at 30 June	**-**	**(8.0)**	**(8.0)**	**12.6**	**66.8**	**79.4**

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 5 years (2023: three years).

The details of the hedging instruments are as follows:

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

24. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

GROUP 2023	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	
	NZD $m		$m	$m	$m
Cash flow hedges					
Foreign Currency Risk					
Forward foreign exchange contracts	1,198	Financial Assets/ Liabilities	69.4	(2.0)	67.4
Interest Rate Risk					
Interest rate swap contracts	225	Financial Assets/ Liabilities	12.6	-	12.6

The details of the hedge items are as follows:

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

GROUP 2023	Change in fair value for calculating hedge ineffectiveness	Cash Flow Hedge Reserve
	$m	$m
Cash flow hedges		
Foreign Currency Risk		
Committed foreign exchange transactions	64.7	66.9
Interest Rate Risk		
Committed interest rate transactions	12.9	12.6

24. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

(e) Capital Risk Management

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

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

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

25. IMPACT OF WEATHER EVENTS

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

The Group has insurance coverage in place for loss and damage under two policies. While a claim has been submitted as at 30 June 2024, it is not practicable to estimate the full extent of the overall insurance recovery and as a result no receivable has been recognised (30 June 2023: the Group recognised a receivable of $50m for committed insurance progress payments. These payments were not specific to a particular loss or damage, but will be allocated to the claim in due course).

26. INTER-ISLAND RESLIENT CONNECTION PROJECT

The purpose of the Group's Inter-island Resilient Connection (iReX) project was to replace the Interislander ships and upgrade the ferry terminal infrastructure at Picton and Wellington. In December 2023, the Government declined the Group's request for funding to meet the increasing cost of the terminal infrastructure. The Board subsequently determined that it could not proceed with the project and it would be wound down. The landside wind-down activity of this project is substantially complete as at 30 June 2024. The negotiations on exit of ship building contract are still in progress.

Project Expenditure

Project expenditure of $264.2m has been written off as at 30 June 2024, in addition to the previously recognised impairment of $194.6m:

- Capital write-off $187.4m – this includes $132.9m recognised as assets under construction (net of impairment) and $54.5m vessel deposit recognised as non-current prepayment;
- Wind down costs $72.4m; and
- Operating costs $4.4m.

The project expenditure excludes settlement costs relating to exiting the ship building contracts. Because of the ongoing negotiations for exiting the contracts, which are commercially sensitive, information regarding the settlement has not been disclosed in accordance with the concessions in s20 of the SOE Act. The Group will also continue to work with the shareholder on potential funding for costs that may be incurred in settling the ship building contracts.

26. INTER-ISLAND RESLIENT CONNECTION PROJECT (continued)

Refer to the following table for an overview of the iReX project costs as at 30 June 2024. Property, plant and equipment of $29.2m is the cost of those assets that have been retained by the Group. Lease cost expenditure of $2.9m relates to lease payments that are included in the Statement of Cash Flows.

	Capital Write-off	Wind down costs	Operating Costs	Property, Plant and Equipment (cost)	Lease Costs	Total
	$m	$m	$m	$m	$m	$m
Capital expenditure:						
Project capital expenditure	327.5	69.8	-	-	-	397.3
Less: previously recognised impairment	(194.6)	-	-	-	-	(194.6)
Vessel deposit	54.5	-	-	-	-	54.5
Assets under construction	-	-	-	22.2	-	22.2
Assets capitalised in prior periods	-	-	-	7.0	-	7.0
Operating expenditure	-	-	4.4	-	-	4.4
Lease costs expenditure	-	-	-	-	2.9	2.9
Project expenditure as at 30 June 2024	**187.4**	**69.8**	**4.4**	**29.2**	**2.9**	**293.7**
Project wind down provision	-	2.6	-	-	-	2.6
Project expenditure as at 30 June 2024	**187.4**	**72.4**	**4.4**	**29.2**	**2.9**	**296.3**

Other Income

$47.0m of funding received from the Government associated with the wind down activity has been recognised as 'Other income' within the Statement of Comprehensive Income.

27. EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events subsequent to balance date.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of KiwiRail Holdings Limited's group financial statements for the year ended 30 June 2024

The Auditor-General is the auditor of KiwiRail Holdings Limited group (the Group). The Auditor-General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 56 to 96, that comprise the statement of financial position as at 30 June 2024, 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 2024; and
    - its financial performance and cash flows for the year then ended; and
- comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board (NZASB), taking into account the reliance on the State-Owned Enterprises Act 1986, s20 (Protection from disclosure of sensitive information).

Our audit was completed on 25 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the significant judgements made by the Group in designating the Group as a for-profit entity for financial reporting purposes. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

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

Without modifying our opinion, we draw attention to Note 1(e) on page 61 which outlines the Board of Directors' judgement in designating the Group as a for-profit entity for financial reporting purposes, and the factors that the Board considered in forming this view. This includes the principal objective of KiwiRail Holdings Limited under the State-Owned Enterprises Act 1986 to operate as a successful business, including being as profitable and efficient as comparable businesses that are not owned by the Crown. The disclosure outlines the impact of this designation on the carrying value of the Group's property, plant and equipment and the substantially higher value that these assets are reported at in the Financial Statements of the Government because the Government is a public benefit entity for financial reporting purposes.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with NZ IFRS issued by the NZASB, taking into account the reliance on the State-Owned Enterprises Act 1986, s20 (Protection from disclosure of sensitive information).

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

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 2013.

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 obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance 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 the information included on pages 1 to 55 and pages 99 to 101, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

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

Wikus Jansen van Rensburg

Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Companies Act 1993 – other required disclosures

Directors’ Disclosures

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

KiwiRail Holdings Limited

Director	Interest
Rob Jager	Nil
Sue McCormack	Honorary Solicitor, Dress for Success Judicial Officer, Canterbury Earthquakes Insurance Tribunal Acting Chair, Te Pūkenga / New Zealand Institute of Skills & Technology
Bruce Wattie	Shareholder/director, Two Two Eight Limited Trustee and beneficiary, R K Wattie and ZJ Wattie Trusts Director, New Zealand Institute of Economic Research Director, New Zealand Post Limited Chair, Silvester Clark Limited Chair, New Zealand Institute of Economic Research
Elizabeth Ward	Director, Ritchies Transport Holdings Ltd Director, Rome NZ Holdco Ltd / Rome NZ Bidco Ltd / Rome NZ Propco Ltd / Coachline Properties Ltd Director, ServiceStream Director, Kaikora Hills Property Ltd Executive Director, Transport for NSW
Sina Cotter Tait	Director, Collective Success Ltd Director, Te Waihanga (The Infrastructure Commission) Trustee, Cotter Tait Family Trust Independent Director, North Otago Irrigation Company Independent Director, Whitestone Contracting Limited Trustee, Ōtautahi Community Housing Trust Director, Indemnity & General Ltd Board member, Consulting Engineers Advancement Society Trustee, Engineering New Zealand Foundation Committee member, Canterbury Kaikoura Lotteries Committee Advisory board member, University of Canterbury Advisory Boards: Building Innovation Partnership Advisory Board, Pacific Peoples Advisory Board Panel member, Christ Church Cathedral Reinstatement Review Panel

Subsidiary companies

Information on directors of subsidiary companies as at 30 June 2024

KiwiRail Limited

Peter Reidy
David Gordon

Clifford Bay

David Gordon

Donations

During the year, the Group made donations of $8,500.

Directory

Bankers

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

Auditors

Wikus Jansen van Rensburg, Audit New Zealand
On behalf of the Auditor-General
Level 15, Shortland & Fort, 88 Shortland Street, CBD, Auckland 1010

Registered office

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

Further information

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

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