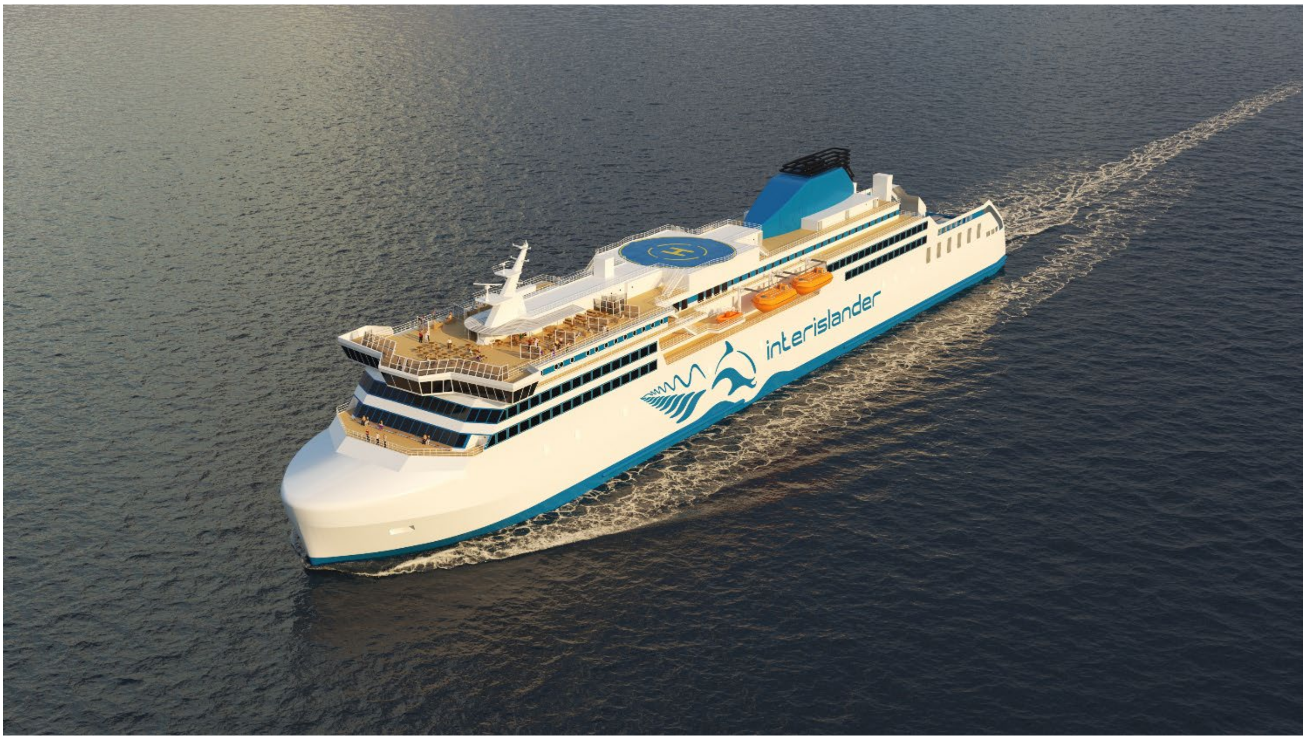
Ferry Holdings Limited

Statement of Performance Expectations

1 July 2026 – 30 June 2027



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Introduction

This Statement of Performance Expectations (SPE) for 2026/27 is submitted by the Board of Directors of Ferry Holdings Limited (Ferry Holdings), pursuant to the Crown Entities Act 2004.

This document should be read alongside our Statement of Intent 2025-2029 which outlines what we are going to achieve across the life of the Cook Strait Ferry Replacement Programme.

This SPE outlines the activities based on shareholding Ministers' decisions in November 2025 and the decisions shareholding Ministers are expected to make in July 2026.

Statement of responsibility

Ferry Holdings' Board is responsible for the statements contained in this document, including the appropriateness of the business assumptions underlying them. Ferry Holdings is also responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.

Chris Mackenzie
Chair
June 2026

Iain MacLeod
Board Member
June 2026

Background

The Government is committed to providing safe, reliable, resilient, and economically efficient Cook Strait ferry services.

In March 2025, the Government confirmed the procurement of two new rail-enabled Cook Strait ferries to enter service in 2029 and to pursue a maximum-reuse, minimum-viable infrastructure programme. The Government agreed to a $1.7 billion Government funding envelope and a tagged contingency was set up.

In April 2025, Ferry Holdings, a Government-owned company, assumed responsibility for the work programme from the Treasury. Good progress has been made since then across the programme to ensure we remain on track to deliver the new ships and required port infrastructure upgrades.

We have carried out a competitive ship procurement process which resulted in Ferry Holdings signing fixed-price contracts in November 2025 with Guangzhou Shipyard International (GSI) to build two new ships.

In 2025, we worked with our programme partners – CentrePort, Port Marlborough and KiwiRail, to determine the infrastructure required to support the new ferries. This involved testing key assumptions and undertaking technical due diligence, particularly around the extent of infrastructure that could be reused. We found that a greater level of new infrastructure is required than was initially envisaged. The asset condition and ship to shore interface geometry means not as much infrastructure can be reused as was assumed when we took responsibility for the work programme in April 2025.

We have been working with programme partners to finalise the scope, advance the detailed design of the port infrastructure and negotiate commercial arrangements. Ferry Holdings will seek further decisions from shareholding Ministers in July 2026, including funding to complete infrastructure main works and approval of commercial arrangements with the port companies and KiwiRail. This SPE is based on shareholding Ministers making those decisions.

About Ferry Holdings

Ferry Holdings is a Government-owned company, listed under Schedule 4A of the Public Finance Act 1989. This authorises the company to act as an independent decision-making body, while operating within the parameters set for it by the Government.

Ferry Holdings’ primary role is to:

- design, contract and oversee the building of the ships and ensure their delivery by 2029, and
- work with the port companies and KiwiRail to design and deliver port infrastructure to support the new ships.

Ferry Holdings is a small organisation with the technical, commercial, project delivery, assurance and financial expertise to deliver the programme. We have built strong constructive working relationships with our partners, stakeholders and suppliers.

Through the programme's establishment phase, it became evident that Ferry Holdings would need to take a more active role as programme integrator to deliver within the Government's cost and delivery timeframe expectations. As integrator, Ferry Holdings is responsible for actively bringing the port companies and KiwiRail together to achieve programme success.

We are actively involved in managing and monitoring deliverables across the programme and closely supporting partners. This is essential for effective programme delivery and assurance. Moving from the establishment phase required changes to the programme's governance arrangements, the structure of the organisation, and the budget. We will continue to review our structure as the focus changes from the contracting phase to the delivery phase.

Governance

The Programme has a robust governance framework to support effective programme oversight, collaboration, decision-making and integrated delivery:

Shareholding Ministers	Shareholding Ministers set the programme's strategic direction, and approve major funding decisions and review significant contractual commitments.
FHL Board	The Board is accountable for the programme and reports to shareholding Ministers. The Board is overseeing programme delivery and approves key commercial, contractual and delivery decisions.
Chief Executives Group	The group plays a constructive role in coordinating infrastructure activities. The group has laid the foundations for constructive working relationships across port infrastructure works. It includes FHL, the port companies and KiwiRail.
Escalation Executives Group	The group is a senior executive forum for resolving matters that have been escalated by the Port Steering Groups.
Steering Groups	Ports Steering Groups (Picton and Wellington) oversee the delivery of port infrastructure works. They include FHL and port companies. The Ships Steering Group oversees ship procurement, delivery and ship-shore integration. It includes FHL and KiwiRail.
Control / Working Groups	The Ports Control Groups (Picton and Wellington) and Ships Working Group coordinate day-to-day delivery and collaboration.

Performance measures for 2026/27

In preparing the Statement of Performance Expectations, Ferry Holdings has identified key deliverables across the work programme in 2026/27. Our performance will be reported and measured based on the completion of these deliverables. As the measures focus on deliverables, all measures are new for 2026/27 and are based on the decisions shareholding Ministers are expected to make in July 2026.

Commercial arrangements

Ferry Holdings has established strong commercial arrangements to enable the programme to be delivered in line with the Government's scope, cost and delivery timeframe requirements.

We have confirmed that Ferry Holdings will own the port infrastructure assets that it funds to reflect the Government's financial contributions. Port company funding contributions have been negotiated. In late 2025, we signed the ships' contracts and agreed to interim commercial arrangements with the port companies to support early works at both ports.

A special purpose vehicle is being set up to hold the main wharf and marine assets that are jointly funded by Ferry Holdings and Port Marlborough.

In June 2026, Ferry Holdings signed infrastructure delivery agreements with the port companies and KiwiRail to secure the port infrastructure works. The agreements detail the specific scope, cost and delivery timeframes.

In June, programme partners also negotiated asset ownership and use arrangements covering the new ships and port infrastructure, including the ships charter and special asset lease agreement terms sheets. The arrangements will enable the ferry operator to use the assets once they have been built. The agreements reflect the Government's investment, providing the opportunity to earn future revenue. Ferry Holdings will continue to negotiate the final marine asset leases with KiwiRail. KiwiRail will pay the Government a return for using the ships and port assets, which will be set out in a Crown returns agreement that FHL and KiwiRail intend to sign by December 2026.

The commercial arrangements signed in June have been approved by each entity's board and are conditional on shareholding Ministers' approvals being obtained in July 2026. The agreements will become binding on all parties following shareholding Ministers' decisions.

Performance measures

In 2026/27, FHL will:

- Seek shareholding Ministers' approval of the key terms of commercial arrangements and funding decisions with the port companies in July 2026.
- Confirm that the infrastructure delivery agreements with Port Marlborough, CentrePort and KiwiRail have become unconditional following Ministerial approvals in July 2026.

- Confirm that the ships charter and special asset lease agreement term sheets have become unconditional following Ministerial approvals in July 2026.
- Sign documentation to enable the special purpose vehicle to jointly hold assets funded by the Government and Port Marlborough by July 2026.
- Negotiate the Crown returns agreement by December 2026.

Ship design, construction and delivery

Ferry Holdings has signed fixed cost contracts with the shipyard and confirmed the ship design specifications. Both ferries will be ~200 metres long and ~28 metres wide. They will each have capacity for 1,500 passengers with 2.4 kilometres of lanes for trucks and cars, and up to 40 rail wagons. The ships are scheduled to arrive in New Zealand in April and October 2029. Both ships will enter service in 2029.

Work is on track, in line with the ship contract milestones. Ferry Holdings is working with the shipyard to finalise the ships' detailed technical and interior design specifications, along with the maker's selection of key systems and equipment that will be fitted to the ships. We expect this to be completed by the end of 2026.

We are on schedule for construction of the first ship to commence in 2027, with steel cutting starting in May 2027. Construction of the second ship will begin in November 2027.

Ferry Holdings is establishing a site supervision team at the shipyard to provide ongoing oversight and assurance of ship construction including the engagement of KiwiRail through this process. The team will be stood up ahead of construction of the first ship.

We are working with KiwiRail and its Interislander business unit through the design assurance process to plan for the delivery of the ships to New Zealand and to transition them into service. Marine simulations have demonstrated that the ships will be able to safely berth and navigate at both ports. A further program of simulations using the model of the actual vessel will be undertaken in late 2026 to confirm the ships meet regulatory and safety requirements.

Performance measures

In 2026/27, FHL will:

- Finalise the ships' technical and interior design, and the maker's selection by December 2026.
- Complete further marine simulations by December 2026.
- Appoint a site supervision manager at the shipyard to oversee ship construction and mobilise the site supervision team by March 2027.
- Commence ship one construction in May 2027, including the start of steel cutting at the shipyard.

Port infrastructure requirements, procurement and construction

Early works are underway in Wellington and Picton, with detailed design, procurement and contracting arrangements well advanced at both ports. Main works started in Picton in June and are scheduled to commence in Wellington in July 2026. Port works will be completed in early-2029 in time for the first ship's arrival and the start of ship operations.

The infrastructure required to support the new ferries has been confirmed, taking a maximum reuse, minimum viable infrastructure approach. We worked with partners to align key infrastructure operational requirements and undertake due diligence on the deliverability and viability of existing infrastructure. We also developed the requirements for new infrastructure, including a common linkspan for both ports. Ferry Holdings found that a greater level of new port infrastructure was required because not as much existing infrastructure can be reused as was envisaged when Ferry Holdings took over responsibility for the work programme. This reflects the existing condition of port assets and the ship-to-shore geometry.

Infrastructure works include:

- **In Wellington,** the wharf and vehicle access bridge are being upgraded, and the berthing pocket is being reused. A new linkspan, linkspan approach structure and passenger walkway are required to safely accommodate the new ships, passengers and crew. It was initially envisaged that the linkspan and approach structure would be reused but this was found to be technically infeasible. A temporary terminal is required to keep passengers and staff safely away from construction while major linkspan and approach ramp works are underway.
- **In Picton**, a new wharf, linkspan, vehicle access bridge, passenger walkway and transition infrastructure are required because existing assets are end-of-life. Targeted upgrades will be made to the Picton ferry terminal.
- **KiwiRail** is undertaking necessary road and rail infrastructure works to support rail operations needed for the new ferries, and a rail overbridge at Dublin Street in Picton to improve freight movement and traffic flow. The Dublin Street upgrade is scheduled to commence in 2026.

The confirmed infrastructure scope, costs and delivery timeframes are reflected in the final Approval to Deliver business case and commercial arrangements. Ferry Holdings will seek funding to complete main infrastructure works from shareholding Ministers in July 2026. Detailed infrastructure design work has also been advanced and is expected to be issued in packages in late-2026 and into 2027.

The port companies will deliver port infrastructure works, and KiwiRail will deliver road and rail works. Ferry Holdings is providing programme management and integration (including the interface between the ships, port infrastructure, linkspans, and KiwiRail works). We have developed strong project partnerships and robust governance arrangements to support infrastructure delivery, as set out on page 5.

Redundant infrastructure is being demolished, and services are being relocated to support main works. The main works construction contractor has been secured for Picton, and negotiations are progressing for Wellington. A preferred supplier for linkspans at both ports has been selected. Work is also underway to procure the primary berth piling in Picton and to extend the wharf in Wellington.

Performance measures

In 2026/27, FHL will:

- Complete early works at both ports by September 2026.
- Commence main infrastructure works construction at Wellington in July 2026 and continue Picton main works.
- Issue packages of detailed infrastructure designs for Wellington and Picton ports throughout 2026 and 2027.
- Complete procurement of the primary berth piling in Picton and wharf extension in Wellington by December 2026.

Forecast Programme Costs

Alongside the NZ-GAAP prospective financial statements presented in the following section, the report below outlines where programme costs are being incurred. This information is shown as a gross forecast spend and has not been adjusted for assets that will ultimately be owned by third parties. Presenting the data in this way enables clear reporting of total programme costs by major area.

	Estimated Actual 16 months ending 30 June 2026 $000	Forecast 12 months ending 30 June 2027 $000
Total Programme Cost		
Ships	66,166	37,845
Infrastructure programme		
Wellington	47,216	114,838
Picton	50,054	152,898
Infrastructure	97,270	267,736
FHL Operational Costs (incl Capex)	22,426	21,455
Total Programme Cost	**185,862**	**327,036**

Prospective Financial Statements

The prospective financial statements should be read in conjunction with the accompanying notes, which provide additional detail on the key assumptions and the basis of preparation underpinning the prospective financial information.

The prior period comparative information included in these statements covers the period 5 March 2025 to 30 June 2026 and is referred to as the 'Estimated Actual 16 months ending 30 June 2026'.

These prospective financial statements are based on decisions that are expected to be made by shareholding Ministers in July 2026. As a result, revised prospective financial statements may be required following those decisions.

Prospective Statement of Comprehensive Revenue and Expense

For the period ending 30 June

	Note	Estimated Actual 16 months ending 30 June 2026 $000	Forecast 12 months ending 30 June 2027 $000
Revenue			
Grant Income	5a	172	3,282
Interest income on bank balance	5b	418	300
Interest income on concessionary loan receivable	5c	141	2,018
Total revenue		**731**	**5,600**
Expenses			
Operational costs			
Employee costs		3,380	6,506
Contractors		4,247	1,181
Other workforce-related costs		318	285
Consulting and professional fees		6,658	7,156
Legal fees		4,055	1,750
Board fees		537	313
Audit fees	6	370	400
Assurance fees	6	1,076	1,417
Travel & accommodation		535	993
Property occupancy		335	458
ICT expenses		290	250
Depreciation	5m	48	182
Amortisation	5n	6	12
Other operational costs		215	216
Sub total		**22,070**	**21,119**
Capitalised operational costs	5f	(12,869)	(12,446)
Net operating expenses		**9,201**	**8,673**
Other expenses			
Capital contribution to KiwiRail	5g	12,948	22,904
Concessionary loan receivable discount	5l	1,668	4,065
Total expenses		**23,817**	**35,642**
(Deficit) / surplus		**(23,086)**	**(30,042)**
Total comprehensive revenue and expense		**(23,086)**	**(30,042)**

Prospective Statement of Financial Position

As at 30 June

	Note	Estimated Actual 2026	Forecast 2027
		$000	$000
Assets			
Current assets			
Cash and cash equivalents	5j	18,147	24,311
GST receivable (net)	5k	3,104	3,572
RWT receivable		86	-
Total current assets		**21,337**	**27,883**
Non-current assets			
Concessionary loan receivable	5l, 7	15,443	64,426
Property, plant and equipment	5m, 8	146,703	391,144
Intangible assets	5n, 9	41	29
Total non-current assets		**162,187**	**455,599**
Total assets		**183,524**	**483,482**
Liabilities			
Current liabilities			
Creditors and other payables	5o	1,355	1,355
Employee entitlements	5p	146	146
Provisions and accruals	5q	609	609
Total current liabilities		**2,110**	**2,110**
Total liabilities		**2,110**	**2,110**
Net assets		**181,414**	**481,372**
Equity			
Share capital	5r	204,500	534,500
Retained earnings		-	(23,086)
Current period earnings		(23,086)	(30,042)
Total equity		**181,414**	**481,372**

Prospective Statement of Changes in Equity

For the period ending 30 June

	Share capital $000	Retained earnings $000	Total equity $000
Balance at 5 March 2025	**-**	**-**	**-**
Total comprehensive income	-	(23,086)	(23,086)
Capital contributions	204,500	-	204,500
Estimated actual balance at 30 June 2026	**204,500**	**(23,086)**	**181,414**
Estimated actual balance at 1 July 2026	**204,500**	**(23,086)**	**181,414**
Total comprehensive income	-	(30,042)	(30,042)
Capital contributions	330,000	-	330,000
Forecast balance at 30 June 2027	**534,500**	**(53,128)**	**481,372**

Prospective Statement of Cash Flows

For the period ending 30 June

	Note	Estimated Actual 16 months ending 30 June 2026 $000	Forecast 12 months ending 30 June 2027 $000
Cash flows from operating activities			
Receipts of capital grants		172	3,282
Receipts from interest (net of RWT)		332	386
Payments to employees		(1,510)	(3,242)
Payments to suppliers		(5,527)	(5,237)
GST (net)		(3,104)	(468)
Payment of capital grant to KiwiRail		(12,948)	(22,904)
Net cash used in operating activities		**(22,585)**	**(28,183)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(146,751)	(244,623)
Purchase of intangible assets		(47)	-
Loans advanced		(16,970)	(51,030)
Net cash used in investing activities		**(163,768)**	**(295,653)**
Cash flows from financing activities			
Crown capital investment		204,500	330,000
Net cash from financing activities		**204,500**	**330,000**
Net increase/(decrease) in cash and cash equivalents		**18,147**	**6,164**
Cash and cash equivalents at the beginning of the period		-	18,147
Cash and cash equivalents at the end of the period		**18,147**	**24,311**

Notes to the Prospective Financial Statements

1) Reporting Entity

Ferry Holdings Limited (the Company) is a Schedule 4A company as defined by the Public Finance Act 1989 and is defined as a Crown entity under the Crown Entities Act. As such, the Company is subject to the Companies Act 1993 and relevant provisions of the Crown Entities Act 2004.

The Company's primary objective is to lead the contractual negotiations with shipyards, ports, and any other parties required to ensure the delivery of safe, reliable and resilient inter-island services from 2029.

2) Statement of Compliance

The prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, New Zealand Generally Accepted Accounting Practice (NZ GAAP), and Public Benefit Entity Accounting Standards – Tier 1 (PBE Standards – Tier 1), including Public Benefit Entity Financial Reporting Standard 42: *Prospective Financial Statements*.

3) Basis of preparation and measurement basis

The Board is responsible for the preparation and presentation of these prospective financial statements, including the appropriateness of the underlying assumptions and all related disclosures.

The prospective financial statements for the period ending 30 June 2027 were authorised for issue on [24 June 2026] by the Board. They have been prepared in accordance with section 149G of the Crown Entities Act 2004 and PBE FRS 42: Prospective Financial Statements and are based on assumptions that the Board considers to be reasonable and supportable, reflecting the best information available at the time of preparation.

These prospective financial statements have been prepared using accounting policies and measurement bases consistent with those expected to be applied in the Company's historical financial statements. Historical cost is used as the primary measurement basis, except where Public Benefit Entity Standards require or permit alternative bases, such as fair value.

The statements are presented in New Zealand dollars (NZD), which is the Company's functional and presentation currency. All amounts are rounded to the nearest thousand dollars unless otherwise stated. Forecast transactions in foreign currencies have been translated into NZD using exchange rates considered reasonable at the time of preparation.

The prospective financial statements are based on assumptions about future events and conditions. Actual financial results are likely to differ from those presented, and the differences may be material. Users are cautioned not to rely on these statements for purposes other than providing insight into the Company's expected financial performance and position for the reporting period.

4) Use of judgements, estimates and assumptions

The preparation of the prospective financial statements requires management to make judgements, estimates, and assumptions about the future. These affect the reported amounts of assets, liabilities, income, and expenditure, and the disclosures made. Key areas are outlined below:

a) Significant judgements

- Capitalisation of project-related operational costs as Construction in Progress within property, plant, and equipment.
- Determining that interim funding provided to third parties for port infrastructure assets is appropriately classified as a concessionary loan receivable.
- Hedge accounting for forward foreign exchange contracts has not been applied.
- Assessment of commitments and contingent assets and liabilities to determine whether disclosure is required.

b) Key estimates and assumptions

- Property, plant, and equipment – estimated useful lives and residual values.
- Grant income – assumed receipt from Marlborough District Council for the Dublin Street Overbridge in Picton.
- Concessionary loan receivable – assumed market interest rate, and timing of advances and repayments.
- Crown funding – based on executed Share Subscription Agreements and drawdowns aligned with forecast programme expenditure.
- Interest income – dependent on prevailing bank deposit rates and projected cash balances.
- Construction in Progress – forecast expenditure based on:
  - Ships – milestone payment schedules under ship build contracts.
  - Infrastructure – most recent development forecasts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and, if applicable, in future periods affected.

5) Significant Accounting Policies

The prospective financial statements have been prepared in accordance with PBE Standards – Tier 1. The accounting policies explain the basis of measurement, recognition, and presentation applied to the principal classes of transactions and balances included in these prospective financial statements.

a) Grant income

Grant income is treated as a non-exchange transaction and is recognised in the surplus/(deficit) when the Company is expected to obtain control of the funding, and any attached conditions are expected to be satisfied.

Where grant funding is subject to conditions requiring it to be used for a specified purpose, or returned if conditions are not met, the funding is initially recognised as a liability and released to revenue as the conditions are expected to be fulfilled.

Grant income is measured at the fair value of the funding expected to be received.

b) Interest income on bank balance

Interest income is recognised in the surplus/(deficit) as it is expected to accrue on bank account balances. Interest revenue is calculated on a proportionate basis based on forecast surplus cash balances throughout the period.

c) Interest income on concessionary loan receivable

Interest income on concessionary loan receivables is recognised in the surplus/(deficit) using the effective interest rate method, reflecting the market rate applied in determining the initial fair value of the concessionary loan receivable.

d) Expenditure

Expenditure is recognised in the surplus/(deficit) on an accrual basis, when the Company expects that a present obligation has arisen as a result of goods or services received.

e) Operating lease - premises

The Company is party to an operating lease as a lessee, and leases premises under operating lease arrangements. Lease payments are recognised as an expense in the surplus/(deficit) on a straight-line basis over the lease term, reflecting the expected pattern of benefits from the leased premises.

Future forecast commitments under non-cancellable operating leases for premises are disclosed in the Commitments note.

f) Capitalised operational costs

The Company capitalises all costs that are directly attributable to bringing assets to the location and condition necessary for it to be capable of operating in the manner intended by management. The Company has identified several types of internal operating costs that meet the requirements of being directly attributable to the development of capital assets. These costs include, but are not limited to, employee benefit costs, travel costs, health and safety costs, building and computer equipment rentals.

Capitalised costs are initially recorded at cost and subsequently depreciated or amortised over the useful life of the related asset. Costs that do not meet the capitalisation criteria are expensed as incurred.

g) Capital contribution to KiwiRail

During the forecast period, the Company expects to make capital contributions to KiwiRail Limited to support its operational and investment activities associated with the Cook Strait Ferry

Replacement Programme. Contributions are recognised as an expense in the surplus/(deficit) when the Company expects that a present obligation has arisen and the expenditure is probable.

Contributions are measured at the amount of cash expected to be transferred, and any conditions attached to the contribution are considered in determining the timing of expense recognition.

h) Current and non-current classification

In the prospective Statement of Financial Position, assets and liabilities are classified as current when they are expected to be realised, sold, or settled within 12 months of the reporting date. All other assets and liabilities are classified as non-current. This classification provides users with information about the timing of expected cash flows and obligations. Significant judgment may be required in determining the appropriate classification for certain items.

i) Income tax

The Company intends to apply for classification as a public purpose Crown-controlled company under section CW38B of the Income Tax Act 2007, which would result in an exemption from income tax. On the assumption that this application is successful, no income tax expense has been recognised in these prospective financial statements.

j) Cash and cash equivalents

Cash and cash equivalents comprise deposits at call with banks, and other short-term, highly liquid investments readily convertible to cash.

k) Goods and services tax (GST)

The Company is registered for GST. All items in the prospective financial statements are exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, Inland Revenue (IR) is included in the prospective Statement of Financial Position. The net GST paid to, or received from IR, including the GST relating to investing and financing activities, is classified as an operating cash flow in the prospective Statement of Cash Flows.

l) Concessionary loan receivable

Concessionary loan receivables are loans provided to third parties at below-market interest rates or terms.

Concessionary loan receivables are initially recognised at fair value, which is determined by discounting the contractual cash flows using a market rate of interest that would apply to a loan with similar terms and credit risk. Any directly attributable transaction costs are added to the initial carrying amount. The difference between the expected cash advanced and the initial fair value of the loan is recognised in the surplus/(deficit) as a ‘Concessionary loan receivable discount’.

Subsequent to initial recognition, concessionary loan receivables are measured at amortised cost using the effective interest method. Interest income is recognised in the surplus/(deficit) based on the effective interest rate applied to the loan's carrying amount.

The concessionary loan receivables are assessed at each reporting date for impairment. Any impairment losses are recognised in surplus or deficit.

m) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any forecast impairment losses.

The current asset classes include:
- Computer equipment
- Furniture and fittings
- Leasehold improvements

The Company expects to acquire additional asset classes in future periods, including vessels and portside infrastructure. The accounting policies outlined in this note will apply to these assets upon acquisition, ensuring consistent recognition, measurement, and reporting across all property, plant, and equipment asset classes in the prospective financial statements.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

An asset is capitalised if the purchase price is $1,000 or more.

Subsequent Costs

Expenditure incurred after the initial recognition of property, plant and equipment is capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost can be measured reliably.

All other subsequent expenditure, including the costs of routine maintenance and day-to-day servicing, is recognised as an expense in the surplus/(deficit) in the period in which it is incurred.

Disposals

Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset at the date of disposal. Any resulting gain or loss is recognised in the surplus/(deficit) in the period in which the asset is sold or otherwise disposed of.

Construction in Progress

Construction in progress represents forecast capital expenditure on assets that are under development and not yet available for use. These costs are recognised at cost and presented as construction in progress within property, plant, and equipment.

No depreciation is recognised while the asset is under development. Once the asset is completed and available for its intended use, the accumulated costs are transferred to the appropriate property, plant, and equipment asset class, and depreciation commences in line with the Company's depreciation policy.

Construction in progress is assessed for impairment where indicators of potential loss exist and is carried at cost less any expected impairment losses.

Depreciation

Depreciation is recognised in the surplus/(deficit) to allocate the cost of property, plant, and equipment, less any estimated residual value, over the forecast useful life of the asset.

Depreciation is calculated on a straight-line basis, with the asset's cost allocated evenly over its estimated useful life.

Depreciation commences when an asset is expected to be available for use, being when it is in the location and condition necessary for it to operate as intended by management.

Forecast useful lives, residual values, and depreciation methods are reviewed at least annually and adjusted where appropriate.

The estimated useful lives and depreciation methods for current major classes of assets are as follows:

Asset Class	Depreciation Method	Useful Life
Computer equipment	Straight-Line	4 years
Furniture and fittings	Straight-Line	8 years
Leasehold improvements	Straight-Line	4 years

Leasehold improvements are depreciated over the shorter of the unexpired lease term or the estimated useful life of the improvements.

Impairment

Property, plant and equipment with finite useful lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable during the forecast period. Where such indicators exist, the asset's recoverable amount is estimated. An impairment loss is recognised in the surplus/(deficit) when the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. Any previously recognised impairment loss is reversed if there is a change in the estimates used to determine the asset's recoverable amount, with the reversal recognised in the surplus/(deficit).

For assets whose future economic benefits or service potential are not primarily dependent on generating net cash inflows, value in use is determined using a depreciated replacement cost approach, reflecting the cost the Company would incur to replace the remaining service potential of the asset.

n) Intangible assets

Intangible assets are recognised at cost when it is probable that the expected future economic benefits or service potential attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Intangible assets with finite useful lives are amortised over their estimated useful lives in a manner that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed.

Amortisation is recognised in the surplus/(deficit).

Amortisation is calculated on a straight-line basis, with the asset's cost allocated evenly over its estimated useful life.

Amortisation commences when the asset is available for use, being when it is in the location and condition necessary for it to operate as intended by management and ceases when the asset is derecognised.

Software

Software licences are capitalised based on the costs incurred to acquire and bring the software into use. Expenditure on staff training and costs associated with maintaining software are recognised as expenses in the prospective period in which they are incurred.

Software licences are capitalised where the cost of the asset is $1,000 or more.

The estimated useful lives and associated amortisation methods for major classes of intangible assets are as follows:

Asset Class	Amortisation Method	Useful Life
Software	Straight-Line	4 years

o) Creditors and other payables

Creditors and other payables are recognised for forecast amounts owed for goods and services received but not yet paid at the end of the prospective reporting period. Creditors and payables are generally expected to be settled within 30 days.

p) Employee entitlements

Employee benefits expected to be settled within 12 months of the forecast period in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. This includes forecast salaries and wages and annual leave expected to be earned but not taken. No liability is recognised for sick leave.

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the prospective surplus or deficit as incurred.

q) Provisions and accruals

Provisions are recognised when the Company expects that a present obligation (legal or constructive) will arise from a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Accruals are recognised for forecast expenses relating to goods or services received but not yet paid at the end of the prospective reporting period.

Provisions and accruals are measured at the best estimate of the expenditure required to settle the obligation at the end of the forecast period. Expected future costs are discounted to present value where the effect is material.

r) Equity

Equity represents the residual interest in the assets of the Company after deducting liabilities. It consists of the following components:

- Contributed Capital – Capital invested by the Crown.
- Accumulated Surplus/(Deficit) – The cumulative surplus of the Company, being the excess of revenue over expenditure recognised in the prospective Statement of Comprehensive Revenue and Expense.

Changes in equity arise from forecast surplus or deficit for the period and capital contributions.

Equity transactions with owners, such as capital contributions, are recognised directly in equity and are not included in the prospective Statement of Comprehensive Revenue and Expense.

The Company expects to receive capital contributions from its shareholder (the Crown) to fund forecast operations and investment activities during the forecast period.

s) Foreign currency transactions

Forecast transactions denominated in foreign currencies are translated into the Company's functional currency (New Zealand dollars) using exchange rates considered reasonable at the time of preparation.

Monetary assets and liabilities expected to be held in foreign currencies are translated at forecast exchange rates. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate expected at the date of the transaction.

Foreign exchange gains and losses arising from the settlement of forecast foreign currency transactions, or from the translation of monetary assets and liabilities, are recognised in the prospective Statement of Comprehensive Revenue and Expense in the period in which they are expected to occur.

t) Forward foreign exchange contracts

The Company enters into forward foreign exchange contracts to manage exposure to fluctuations in foreign currency exchange rates arising from forecast transactions.

These contracts are derivative financial instruments. In these prospective financial statements, the initial fair value of forward contracts and subsequent fair value movements have not been recognised. The focus is on the notional amounts, currencies, and settlement dates of contracts.

u) Cash flows

The prospective Statement of Cash Flows reports forecast cash flows from operating, investing, and financing activities and is prepared on a direct basis.

The prospective Statement of Cash Flows is presented exclusive of GST, consistent with the basis used in the prospective Statement of Comprehensive Revenue and Expense.

v) Commitments

Commitments represent forecast contractual obligations for future expenditure that are not recognised as liabilities in the prospective Statement of Financial Position. These include commitments for capital expenditure, operating leases, and other contractual arrangements.

Commitments are disclosed at their total contractual amount. Non-cancellable commitments are included at full value, while cancellable commitments are disclosed only if they are likely to be exercised. Commitments are not discounted to present value unless the effect is considered material. The Company reviews its commitments regularly to reflect changes in forecast contractual arrangements.

6) Audit fees and assurance fees

Audit fees and assurance fees recognised in surplus/(deficit) comprise the following:

	Estimated Actual 16 months ending 30 June 2026 $000	Forecast 12 months ending 30 June 2027 $000
Audit fees		
External audit of the financial statements	330	300
Internal audit services	40	100
Total audit fees	**370**	**400**
Assurance fees		
Other assurance and advisory services	1,076	1,417
Total assurance fees	**1,076**	**1,417**

The external auditor of the Company is the Auditor-General, who has appointed Audit New Zealand to carry out the audit of the financial statements on their behalf.

Internal audit services relate to independent assurance and advisory activities that support the evaluation and improvement of the Company's risk management, internal control, and governance processes.

Other assurance services relate to specialist assurance or advisory work that is separate from both the statutory external audit and the internal audit programme.

7) Concessionary loan receivable

The concessionary loan receivable represents funding provided to third parties to support the Cook Strait Ferry Replacement Programme. These loans aim to minimise overall costs to the Crown by providing interim funding for the delivery of port infrastructure assets.

Key Term	Assumption
Interest rate	0% per annum (Market rate of 5.75%)
Term	Up to 2.5 years, with principal repayments commencing from 1 July 2028
Measurement	The carrying amount reflects the present value of expected future cash flows discounted at the market rate.
Accounting treatment	Any difference between the cash advanced and the discounted fair value is recognised as a concessionary loan receivable discount. Interest income is recognised using the effective interest method.

Key Term	Assumption
Risks / uncertainties	Actual repayments and interest may differ from assumptions used in these prospective statements.

To determine the initial fair value of the concessionary loan receivables issued, a market effective interest rate of 5.75% was applied to discount the contractual cash flow (principal only) back to present value. The rate applied is the same that would be used in the market for a loan of identical terms and counterparty risks.

8) Property, plant and equipment

Estimated Actual 2026	**Computer equipment**	**Furniture and fittings**	**Leasehold improvements**	**Construction in Progress (CIP)**	**Total**
	$000	$000	$000	$000	$000
Cost					
Balance at 5 March 2025	-	-	-	-	**-**
Additions	161	61	142	146,387	**146,751**
Balance at 30 June 2026	**161**	**61**	**142**	**146,387**	**146,751**
Accumulated depreciation					
Balance at 5 March 2025	-	-	-	-	**-**
Depreciation	(28)	(2)	(18)	-	**(48)**
Balance at 30 June 2026	**(28)**	**(2)**	**(18)**	**-**	**(48)**
Net carrying amount					
At 5 March 2025	-	-	-	-	**-**
At 30 June 2026	**133**	**59**	**124**	**146,387**	**146,703**

Forecast 2027	Computer equipment	Furniture and fittings	Leasehold improvements	Construction in Progress (CIP)	Total
	$000	$000	$000	$000	$000
Cost					
Balance at 30 June 2026	161	61	142	146,387	**146,751**
Additions	70	160	300	244,093	**244,623**
Balance at 30 June 2027	**231**	**221**	**442**	**390,480**	**391,374**
Accumulated depreciation					
Balance at 30 June 2026	(28)	(2)	(18)	-	**(48)**
Depreciation	(56)	(25)	(101)	-	**(182)**
Balance at 30 June 2027	**(84)**	**(27)**	**(119)**	**-**	**(230)**
Net carrying amount					
At 30 June 2026	133	59	124	146,387	**146,703**
At 30 June 2027	**147**	**194**	**323**	**390,480**	**391,144**

Construction in progress includes costs incurred for the build of ships and development of port infrastructure that are intended to be capitalised as assets of the Company once completed and ready for use.

9) Intangible assets

Estimated Actual 2026	Software	Total
	$000	$000
Cost		
Balance at 5 March 2025	-	**-**
Additions	47	**47**
Balance at 30 June 2026	**47**	**47**
Accumulated amortisation		
Balance at 5 March 2025	-	**-**
Amortisation	(6)	**(6)**
Balance at 30 June 2026	**(6)**	**(6)**
Net carrying amount		
At 5 March 2025	-	**-**
At 30 June 2026	**41**	**41**

Forecast 2027	Software $000	Total $000
Cost		
Balance at 30 June 2026	47	**47**
Additions	-	**-**
Balance at 30 June 2027	**47**	**47**
Accumulated amortisation		
Balance at 30 June 2026	(6)	**(6)**
Amortisation	(12)	**(12)**
Balance at 30 June 2027	**(18)**	**(18)**
Net carrying amount		
At 30 June 2026	41	**41**
At 30 June 2027	**29**	**29**

10) Forward foreign exchange contracts

The Company enters into forward foreign exchange contracts to manage exposure to fluctuations in foreign currency exchange rates arising from forecast transactions. Hedge accounting has not been applied, and no fair value has been recognised for these contracts for the purpose of these prospective financial statements.

The notional amounts, currencies, and settlement dates of the contracts at 30 June 2027 are summarised below:

Currency	Total Notional Amount ($000)	Weighted Average Contract Rate	Settlement Period
USD	$197,300	0.5870	Sep 27 to Dec 29

Note: The contracts are used to reduce the risk of foreign currency fluctuations on anticipated payments and are not held for speculative purposes.

11) Commitments

The table below summarises the Company's forecast commitments as at 30 June 2027 by type and the period in which they are expected to be settled.

	Operating Leases $000	Capital Expenditure $000	Other Commitments $000	Total Commitments $000
Less than 1 year	229	120,164	35,117	155,510
1–2 years	163	209,078	40,814	250,055
2–5 years	-	178,990	748	179,738
More than 5 years	-	-	-	-
Total	**392**	**508,232**	**76,679**	**585,303**

Notes:

- Operating lease commitments include non-cancellable lease payments for office premises.
- Capital expenditure commitments mostly relate to the milestone payments of the ship build contracts.
- Other commitments include forecast contractual obligations for Capital Contributions to KiwiRail.