

**CITY FORESTS LIMITED**

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# **CITY FORESTS LIMITED**

**HALF-YEAR REPORT  
FOR THE SIX MONTHS  
ENDED  
31 DECEMBER 2025**

# CITY FORESTS LIMITED

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# CITY FORESTS LIMITED

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## DIRECTORY

As at 31 December 2025

### DIRECTORS

S A Mason – F.C.A., C.F.Inst.D, B Com., B.A., cBA., DipGradBus., (Disp Res),  
A.A.M.I.N.Z., (Reappointed 1.10.22) (Appointed Chairman 1.9.22)  
K A Posa – BMS(Hons), C.A., G.A.I.C.D., CM.Inst.D. (Reappointed 1.10.23)  
K E Bromfield – PhD, CM Inst.D. (Reappointed 1.9.24)  
P R Melhopt – M.Inst.D., B.Com.(Forestry) (Reappointed 1.10.24)

### CHIEF EXECUTIVE OFFICER

Grant Dodson – B.For.Sci, M.N.Z.I.F., M.Inst.D

### REGISTERED OFFICE

123 Crawford Street  
Dunedin  
New Zealand

### BANKERS

Westpac Banking Corporation

### SOLICITORS

Gallaway Cook Allan

### TAX ADVISORS

Deloitte Limited

### AUDITOR

Audit New Zealand on behalf of the Controller and Auditor-General

# CITY FORESTS LIMITED

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## DIRECTORS' REPORT

For the Six Months Ended 31 December 2025

The Directors of City Forests Limited present their report on the activities of the Company for the period ended 31 December 2025.

### *Dividends*

In December 2025, the Company paid a special interim dividend of \$3,500,000 consistent with the approved budget. An additional normal dividend of \$710,400 for the 2025 year was also declared and paid.

All dividend payments were made in compliance with the Company dividend policy based on operational cash flows.

### *Review of Operations*

This review of operations, together with the accompanying financial reports, covers the first six months of the 2025 /2026 financial year.

In October 2025, a severe, short duration frontal weather system crossed the region causing extensive damage. The Company's forest estate was primarily impacted in the Tokoiti forest area. All available resources have been deployed by the Company to restore boundary fencing, open roads and salvage as much of the wind damaged timber as possible before it degrades.

The Company experienced modest profitable trading conditions and delivered a \$3.207m profit after tax for the first six months of the 2025/2026 financial year. This is marginally below the profit recorded for the same period of the previous year (\$3.359m). To achieve this result, the Company has harvested more volume than planned to recover wind damaged timber. This resulted in both higher revenues and higher costs, producing a net profit close to budget.

Forest production for the period was above budget by approximately 23,000m<sup>3</sup> (11.2%), reflecting increased harvesting undertaken primarily to recover windthrow logs. This elevated production level will continue until accessible damaged wood has been salvaged, after which a revised production plan will return long term estate harvest volumes to sustainable levels.

One serious harm injury was recorded in Company operations during the period. The Company has continued to develop its Health and Safety Management System, with an ongoing focus on risk management, PCBU responsibilities and contract operations.

The asset value of NZU's held was decreased on 31 December 2025 to reflect current market value. No revaluation of the forest estate was recorded during the period (see note 2).

The Company's export log markets, China and South Korea, continue to receive regular shipments. Both countries are experiencing low levels of construction activity and generally weak log demand however prices received for export logs in NZD are sufficient to generate positive returns.

# CITY FORESTS LIMITED

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## DIRECTORS' REPORT (cont'd)

### For the Six Months Ended 31 December 2025

The New Zealand domestic log market remains soft in line with the general economy. The Company's log supply to domestic mills continues to be limited by regional mills' processing capacity and customer demand.

The Company has continued its sponsorship agreements with Predator Free Dunedin (\$60,250), Otago Natural History Trust (Orokonui Ecosanctuary, increased to \$40,000), the Yellow Eyed Penguin Trust (\$10,000), and the Wildlife Hospital Trust (\$10,000).

Within the forest estate the Company is funding ecological research and protection activities for the NZ Falcon (Karearea), which is commonly found hunting and nesting in exotic forest areas, and South Island Robin's in the Silverpeaks area.

#### *Events Subsequent to Balance Date*

No events have occurred subsequent to balance date.

#### *Statement of Responsibility*

The Directors accept responsibility for the preparation of the interim financial statements and the judgements used in them.

The Directors accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors, the interim financial statements fairly reflect the financial position and operations of City Forests Limited.

The Board of Directors of City Forests Limited has pleasure in presenting the interim financial statements, set out on pages 7 to 12, for the six months ended 31 December 2025 and authorises them for issue on Monday 23 February 2026.

On behalf of the Board of Directors:



S A Mason  
Chairman

23 February 2026  
Date



K A Posa  
Director

23 February 2026  
Date

# CITY FORESTS LIMITED

## Trend Statement

	6 Months Ended 31 Dec 25 \$'000	6 Months Ended 31 Dec 24 \$'000	Year Ended 30 Jun 25 \$'000	Year Ended 30 Jun 24 \$'000	Year Ended 30 Jun 23 \$'000
<b><u>FINANCIAL PERFORMANCE</u></b>					
Domestic Revenue	5,553	5,026	9,142	10,984	9,780
Export Revenue	28,261	25,541	48,549	48,943	53,142
Other Revenue	348	391	758	574	513
<b>Total Revenue</b>	<b>34,162</b>	<b>30,958</b>	<b>58,449</b>	<b>60,501</b>	<b>63,435</b>
Percentage Increase (Annualised)	10.35%	6.37%	(3.4%)	(4.63%)	(3.49%)
Inventory Movement	(492)	(221)	225	107	213
<b>Total Expenses</b>	<b>34,409</b>	<b>30,127</b>	<b>59,672</b>	<b>62,055</b>	<b>65,118</b>
Percentage Increase (Annualised)	14.2%	(.8%)	(3.8%)	4.7%	3.3%
<b>Operating Surplus</b>	<b>(739)</b>	<b>610</b>	<b>(998)</b>	<b>(1,447)</b>	<b>(1,470)</b>
Gain in Fair Value of Forestry Asset	5,218	4,065	7,423	11,686	13,185
Write down value of land	-	-	5,043	(2,179)	(2,956)
<b>Surplus after Non-Operating Items and Before Taxation</b>	<b>4,479</b>	<b>4,675</b>	<b>11,468</b>	<b>8,060</b>	<b>8,759</b>
Income Tax	1,272	1,316	1,762	2,966	3,296
<b>Total Surplus after Taxation</b>	<b>3,207</b>	<b>3,359</b>	<b>9,706</b>	<b>5,094</b>	<b>5,463</b>
<b><u>SHAREHOLDERS' FUNDS</u></b>					
Shareholders Funds	259,703	248,842	274,907	242,400	244,967
Operating Cashflow	6,443	6,180	7,846	6,814	6,258
Return of Capital	-	-	-	-	10,000
Dividends Provided – Normal	710	1,434	3,134	3,000	3,600
– Special	3,500	-	10,000	13,500	-
Value of Forest	211,210	211,083	210,105	210,248	205,543
Surplus after tax to shareholders funds	1.23%	1.35%	3.53%	2.1%	2.2%
Proprietorship Ratio	67.7%	66.0%	67.9%	66.4%	69.4%
Net Forest Revaluation	-	-	5,344	8,414	9,493
Net Land Revaluation	-	-	26,648	2,830	(1,949)
<b><u>FOREST STATISTICS</u></b> (Whole no's)					
Forest harvested (m <sup>3</sup> )	218,956	194,840	373,874	389,116	360,562
Volume traded (m <sup>3</sup> ) (Outside Jobs)	7,849	8,598	13,082	11,853	18,914
Forest planted (ha)	171	454	1,191	824	1,214
Total forest (ha)	20,095	20,019	20,115	20,016	20,084
Forest crop purchased (ha)	78.89	-	-	-	-

# CITY FORESTS LIMITED

## Statement of Comprehensive Income For the Six Months Ended 31 December 2025

	Note	Unaudited Six months to 31 December 2025 \$'000	Unaudited Six months to 31 December 2024 \$'000	Audited Year to 30 June 2025 \$'000
Sales revenue		33,814	30,567	63,433
Other revenue		323	357	-
Financial income		25	34	59
Gain (loss) in fair value of forestry asset	11	5,218	4,065	7,423
<b>Total revenue</b>		<b>39,380</b>	<b>35,023</b>	<b>70,915</b>
Inventory movement		(492)	(221)	225
<b>Less expenses</b>				
Audit fees		105	87	-
Contractors		12,497	11,224	21,079
Cost of bush applied		5,973	5,105	-
Depreciation and amortisation expense		343	342	702
Donations		2	1	-
Directors fees		103	94	188
Employee expenses		1,236	1,151	2,472
Financial expenses		1,135	1,235	3,044
Research expenditure		30	71	-
Shipping costs		10,818	9,142	-
Other expenses		2,167	1,675	32,187
<b>Total expenses</b>		<b>34,409</b>	<b>30,127</b>	<b>59,672</b>
<b>Profit before tax</b>		<b>4,479</b>	<b>4,675</b>	<b>11,468</b>
Income tax expense		1,272	1,316	(1,762)
<b>Net profit/(loss) after tax</b>		<b>3,207</b>	<b>3,359</b>	<b>9,706</b>
<b>Other comprehensive income</b>				
Gains/(loss) on cash flow hedges taken to equity		(3,575)	(4,437)	1,992
Tax effect of cash flow hedges taken to equity		1,001	1,242	(558)
Increase/(decrease) in land revaluation		(150)	-	26,648
Carbon credits revaluation above initial recognition taken to equity		(15,938)	10,704	11,777
Carbon credits (devaluation) on sale units		-	-	(840)
Tax effect of carbon credits sold		-	-	(1,503)
Tax effect of carbon credits taken to equity		4,462	(2,992)	(1,581)
<b>Other comprehensive income for the period</b>		<b>(14,200)</b>	<b>4,517</b>	<b>35,935</b>
<b>Total Comprehensive Income for the period</b>		<b>(10,993)</b>	<b>7,876</b>	<b>45,641</b>

# CITY FORESTS LIMITED

## Statement of Changes in Equity For the Six Months Ended 31 December 2025

	Share capital	Hedge reserve	Forest revaluation reserve	Carbon credit reserve	Land revaluation reserve	Retained earnings	Total equity
Unaudited	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Equity as at 1 July 2025</b>	15,691	1,511	104,275	36,237	77,369	39,823	274,906
Profit after income tax	-	-	-	-	-	3,207	3,207
Other comprehensive income for the period	-	(2,574)	-	(11,476)	(150)	-	(14,200)
Dividend distributions	-	-	-	-	-	(4,210)	(4,210)
<b>Equity as at 31 December 2025</b>	15,691	(1,063)	104,275	24,761	77,219	38,820	259,703
<b>Unaudited</b>							
<b>Equity as at 1 July 2024</b>	15,691	77	105,329	32,240	50,721	38,342	242,400
Profit after income tax	-	-	-	-	-	3,359	3,359
Other comprehensive income for the period	-	(3,195)	-	7,712	-	-	4,517
Dividend distributions	-	-	-	-	-	(1,434)	(1,434)
<b>Equity as at 31 December 2024</b>	15,691	3,118	105,329	39,952	50,721	40,267	248,842
<b>Audited</b>							
<b>Equity as at 1 July 2024</b>	15,691	77	105,329	32,240	50,721	38,342	242,400
Profit after income tax	-	-	-	-	-	9,706	9,706
Other comprehensive income for the period	-	1,434	-	7,853	26,648	-	35,935
Transfer of carbon reserve	-	-	-	(3,856)	-	3,856	-
Revaluation of forestry assets	-	-	(1,054)	-	-	1,054	-
Dividend distributions	-	-	-	-	-	(13,134)	(13,134)
<b>Equity as at 30 June 2025</b>	15,691	1,511	104,275	36,237	77,369	39,824	274,907

# CITY FORESTS LIMITED

## Balance Sheet

As at 31 December 2025

	Note	Unaudited 31 December 2025 \$'000	Unaudited 31 December 2024 \$'000	Audited 30 June 2025 \$'000
<b>Equity</b>				
Share capital		15,691	15,691	15,691
Forest reserve		104,275	105,329	104,725
Land revaluation reserve		77,219	50,721	77,359
Hedging reserve		(1,063)	(3,118)	1,511
Carbon credit reserve		24,761	39,952	36,237
Retained earnings		38,820	40,267	39,824
<b>Total Equity</b>		<u>259,703</u>	<u>248,842</u>	<u>274,907</u>
<b>Current Liabilities</b>				
Trade and other payables		3,135	2,947	3,269
Other current liabilities		255	231	377
Employee provisions		351	286	290
Derivative financial instruments	7	326	1,100	-
Provision for taxation		2,670	2,762	3,115
Lease liability		140	151	148
<b>Total current liabilities</b>		<u>6,877</u>	<u>7,477</u>	<u>7,199</u>
<b>Non-Current Liabilities</b>				
Derivative financial instruments	7	1,151	3,230	-
Term borrowings	8	52,800	49,500	54,000
Lease liability		26	158	96
Deferred tax liability		62,998	68,026	68,245
<b>Total non-current liabilities</b>		<u>116,975</u>	<u>120,914</u>	<u>122,341</u>
<b>Total Liabilities</b>		<u>123,852</u>	<u>128,391</u>	<u>129,540</u>
<b>TOTAL EQUITY PLUS LIABILITIES</b>		<u><u>383,555</u></u>	<u><u>377,233</u></u>	<u><u>404,447</u></u>

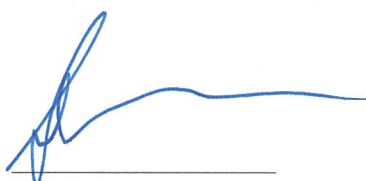
# CITY FORESTS LIMITED

## Balance Sheet (cont'd)

At 31 December 2025

	Unaudited 31 December 2025 \$'000	Unaudited 31 December 2024 \$'000	Audited 30 June 2025 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	2,060	3,509	1,315
Trade and other receivables	1,755	2,659	3,682
Inventories	715	751	1,469
Prepayments	361	323	31
GST refund	275	298	560
Derivative financial instruments	-	3,208	811
Assets held for sale	550	-	2,862
<b>Total current assets</b>	<b>5,716</b>	<b>10,748</b>	<b>10,730</b>
<b>Non-Current Assets</b>			
Derivative financial instruments	7 -	-	1,288
Property, plant and equipment	5 131,145	98,917	130,967
Forestry assets	4 211,210	211,083	210,105
Investments	2	2	2
Intangibles – computer software	2	4	2
Intangibles – New Zealand carbon credits	9 35,480	56,479	51,353
<b>Total non-current assets</b>	<b>377,839</b>	<b>366,485</b>	<b>393,717</b>
<b>TOTAL ASSETS</b>	<b>383,555</b>	<b>377,233</b>	<b>404,447</b>

For and on behalf of the Board of Directors



S A Mason  
Chairman



K A Posa  
Director

23<sup>rd</sup> February 2025

# CITY FORESTS LIMITED

## Statement of Cash Flows

For the Six Months Ended 31 December 2025

	Note	Unaudited Six months to 31 December 2025 \$'000	Unaudited Six months to 31 December 2024 \$'000	Audited Year to 30 June 2025 \$'000
<b>Cash Flows from Operating Activities</b>				
<i>Cash was provided from</i>				
Receipts from customers		29,638	26,452	57,184
Interest received		25	34	59
GST refunds		1,900	1,411	-
Effect of exchange rate changes		194	232	-
		31,757	28,129	52,243
<i>Cash was disbursed to</i>				
Payments to suppliers and employees		22,902	20,817	46,632
Interest paid		912	1,132	1,998
Income tax/subvention		1,500	-	1,767
		25,314	21,949	49,397
<b>Net Cash Inflows / (Outflows) from Operating Activities</b>	<b>3</b>	<b>6,443</b>	<b>6,180</b>	<b>7,846</b>
<b>Cash Flows from Investing Activities</b>				
<i>Cash was provided from</i>				
Sale of carbon credits		-	-	5,370
Sale of property, plant and equipment		2,266	17	17
		2,266	17	5,387
<i>Cash was disbursed to</i>				
Purchase of property, plant and equipment		549	308	627
Purchase of Forest Assets – Cost of bush		1,925	1,875	2,565
		2,474	2,183	3,192
<b>Net Cash Inflows / (Outflows) from Investing Activities</b>		<b>(208)</b>	<b>(2,166)</b>	<b>2,195</b>

## CITY FORESTS LIMITED

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### Statement of Cash Flows (cont'd)

For the Six Months Ended 31 December 2025

	Unaudited Six months to 31 December 2025 \$'000	Unaudited Six months to 31 December 2024 \$'000	Audited Year to 30 June 2025 \$'000
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from</i>			
Proceeds from borrowings	2,300	-	11,500
	2,300	-	11,500
<i>Cash was disbursed to</i>			
Lease payments	80	81	153
Repayment of borrowings	3,500	1,200	8,200
Dividends paid	4,210	1,434	13,134
	7,790	2,715	21,487
<b>Net Cash Inflows / (Outflows) from Financing Activities</b>	(5,490)	(2,715)	(9,987)
<b>Net Increase / (Decrease) in Cash Held</b>	745	1,299	54
Net foreign exchange difference	-	-	(949)
Cash and cash equivalents at the beginning of the year	1,315	2,210	2,210
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	2,060	3,509	1,315

# CITY FORESTS LIMITED

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## Notes to the Financial Statements For the Six Months Ended 31 December 2025

### 1. REPORTING ENTITY

City Forests Limited is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The company, incorporated in New Zealand under the Companies Act 1993, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The registered address of the company is 123 Crawford Street, Dunedin.

City Forests Limited is a profit orientated entity.

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the company operates. The rounding is in (000)'s,

### 2. BASIS OF PREPARATION

The financial statements for the period ended 31 December 2025 are unaudited.

The financial statements have been prepared in accordance with New Zealand Equivalents to International Reporting Standards 34, Interim Financial Reporting, and should be read in conjunction with the audited financial statements for the year ended 30 June 2025.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2025.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2025.

## CITY FORESTS LIMITED

### Notes to the Financial Statements (cont'd)

For the Six Months Ended 31 December 2025

#### 3. RECONCILIATION OF NET SURPLUS FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES

	Unaudited 31 December 2025 \$'000	Unaudited 31 December 2024 \$'000	Audited 30 June 2025 \$'000
Net gain/(loss) for the year	3,207	3,359	9,706
<i>Items Not Involving Cash Flows</i>			
Depreciation and loss on sale	265	351	702
Depreciation recovered	-	-	(15)
Loss on sale of assets	-	-	10
Depletion of forest	5,973	5,104	10,673
Deferred tax	65	342	172
Biological assets revaluation	(5,218)	(4,065)	(7,422)
Write (up)/down value of land	-	-	(5,043)
Interest portion of lease liability	4	5	7
Net foreign exchange differences	-	-	949
Deferred tax movement to reserve	-	-	(1,504)
<i>Other non-cash items</i>			
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in accounts receivable	1,927	297	(725)
(Increase)/Decrease in inventories	754	538	(732)
(Increase)/Decrease in prepayments	(330)	(273)	19
(Increase)/Decrease in tax due	(446)	974	1,327
(Increase)/Decrease in other current assets	285	(21)	(283)
Increase/(Decrease) in accounts payable	(134)	(485)	48
(Increase)/Decrease in other current liabilities	91	54	(43)
Net cash inflows/(outflows) from operating activities	<u>6,443</u>	<u>6,180</u>	<u>7,846</u>

# CITY FORESTS LIMITED

## Notes to the Financial Statements (cont'd) For the Six Months Ended 31 December 2025

### 4. FORESTRY ASSETS

	Unaudited 31 December 2025 \$'000	Unaudited 31 December 2024 \$'000	Audited 30 June 2025 \$'000
Balance at the beginning of the year	210,105	210,248	210,248
Add Costs capitalised in establishing forests during the year	1,860	1,875	3,108
Biological assets revaluation	5,218	4,065	7,422
Less Cost of trees harvested at fair value	(5,973)	(5,105)	(10,673)
	211,210	211,083	210,105

The Directors of City Forests Limited revalue its forestry assets annually.

### 5. PROPERTY, PLANT AND EQUIPMENT

Opening balance	130,967	98,938	98,938
Plus purchases	549	308	709
Plus/(less) impairment	-	-	5,043
Less disposals/transfers	(106)	(64)	326
Less depreciation	(265)	(265)	(698)
Plus revaluations	-	-	26,649
	131,145	98,917	130,967
Capital commitments	-	-	1,050,000

All assets are shown at cost with the exception of land which is held at fair value based on independent valuation from Morice Limited (30 June 2025 accounts only).

### 6. FINANCIAL INSTRUMENTS

All financial assets are recognised at cost/face value while financial liabilities are recognised at amortised cost except derivative financial instruments which are recognised at fair value.

# CITY FORESTS LIMITED

## Notes to the Financial Statements (cont'd) For the Six Months Ended 31 December 2025

### 7. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 31 December 2025 \$'000	Unaudited 31 December 2024 \$'000	Audited 30 June 2025 \$'000
Assets:			
Forward foreign exchange contracts	-	-	2,099
Liabilities:			
Forward foreign exchange contracts	1,477	4,330	-
	1,477	4,330	2,099

### 8. TERM LOANS

Dunedin City Treasury loan facility	52,800	49,500	54,000
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### 9. CARBON CREDITS

Opening balance	51,353	45,776	45,776
Plus credits allocated/purchased	65	-	-
Plus/(less) revaluation	(15,938)	10,703	6,832
Plus/(less) change in value of safe carbon units	-		4,115
Plus/(less) sales	-	-	(5,370)
Closing balance	35,480	46,479	51,353

Under the accrual principle, the safe carbon level credits have been valued based on the current market prices. Carbon units that are held to be surrendered to meet future harvest liabilities are initially recognised and subsequently measured at nil. Liability (risk) free carbon credits are revalued based on marked to market every 6 months.

### 10. CONTINGENT LIABILITIES

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas in accordance with New Zealand Emission Trading Scheme Regulations. A proportion of carbon sequestered from Post-1989 areas will have to be surrendered to compensate for the carbon liability generated from harvesting those forest areas. As at 31 December 2025 the value of the potential liability in future years is unknown due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender.

# CITY FORESTS LIMITED

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## STATEMENT OF SERVICE PERFORMANCE For the Six Month Ended 31 December 2025

### 11. GAIN/(LOSS) ON FAIR VALUE OF FOREST ASSET

The gain (loss) on fair value of forest asset is an estimate at half year until the actual calculation is completed at year end. The revaluation is equal to the fair value of trees harvested up to December 2025.

# CITY FORESTS LIMITED

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## STATEMENT OF SERVICE PERFORMANCE For the Six Month Ended 31 December 2025

The principal activities of the Company are the growing, harvesting, processing and marketing of forest products from plantations it owns.

	<u>Performance Targets</u>	<u>Achievement</u>
1a.	The Company will achieve a 5.5% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis	Three year rolling average return on shareholders' funds was 2.6% at 30 June 2025. Results are impacted by cyclical lows in the international economic cycle.
1b.	A review of the Company's long term strategic plan will be completed each year, which targets a 5.5% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis.	Strategy review is scheduled for March 2026
2a.	The number of domestic regional markets and the number of export markets (countries) supplied will be tracked and reported.	Domestic regional markets are in Otago and Southland Export markets included South Korea, China, Japan & Vietnam.
2b.	The percentage of annual supply to the domestic market by volume will be tracked.	Domestic log production YTD is 27.3% by volume. (26% last year).
2c.	The Company will participate in the New Zealand ETS and may realise returns from the sales of carbon stored in the Company forests in compliance with its Carbon Policy.	The Company continues to participate in the ETS. No carbon sales were made during the period to 31/12/25. The Company was compliant with its Carbon Policy.
3a.	The Company's annual harvest volumes as detailed in the strategic plan will be within 30% of projected long term sustainable yield.	The half year harvest from the Company Forest estate during the period was 218,956m <sup>3</sup> including billet wood and slash. This is 62.3% of the budget sustainable annual yield of 356,966m <sup>3</sup> . On track to be within +/- 30% of the sustainable yield.
3b.	A forest Bio-security surveillance program will be in place as part of the National Bio-security surveillance program to assess the forest estate for pests and diseases.	The City Forests, forest health surveillance program is underway for the current year.
3c.	The annual fire plan will be updated and operational by 1 October for each fire season.	Fire plan update was completed and distributed in September 2025 prior to the start of the fire season.
3d.	The Company will actively participate in regional land use and environmental planning processes representing its interests and values	The Company has submitted on regional planning processes such as the ORC Plan Change and the National Environmental Standard – Commercial Forestry.
3e.	Forest Access Permit system, appropriate signage and access restrictions in place.	The Company has these systems in place and operational.

## CITY FORESTS LIMITED

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| 4a. | The Company will participate in industry research consortia (via the Forest Levy) to ensure research objectives are in line with Company Strategy and to gain financial leverage to achieve research objectives.                                | The Company has paid the Forest Growers Levy. Two staff are members of committees (through the Forest Owners Association) which are part of the process of allocating levy research funds. The Company Forest Levy contribution is pooled with industry and Government funds achieving considerable financial leverage enabling significant research to be undertaken. |
| 4b. | The implementation of research outcomes into operational management plans will be tracked.                                                                                                                                                      | Management plans are updated to reflect current management practices which are informed by research outcomes, i.e. implementation of new forest thinning practices. This is reporting to the Board.                                                                                                                                                                    |
| 4c. | The Company will maintain supply arrangements with Otago and Southland wood processors provided customers match (or better) alternative market options.                                                                                         | Otago and Southland wood processors receive supply volumes in accordance with the annual plan. Pricing is negotiated each quarter.                                                                                                                                                                                                                                     |
| 4d. | Annual supply volumes to the three largest wood processors customers will be tracked and reported.                                                                                                                                              | Otago & Southland wood processors were supplied the following volumes during the period:<br>Pan Pac Otago: 19,508m <sup>3</sup><br>Daiken: 17,220m <sup>3</sup><br>Hollows Timber 3,552m <sup>3</sup><br>Bio-energy: 15,586 t to 31 December 2025 (20,189 m <sup>3</sup> F 2025 year)                                                                                  |
| 4e. | The annual volume of wood supplied for bio-energy uses will be tracked and reported.                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                        |
| 5a. | Lost time accident rates for staff and forest contractors will be minimised and tracked with a target of less than 15 lost time accidents per 1,000,000 hours worked.                                                                           | 12 month rolling lost time accident rate for staff and forest contractors was 12.3 lost time injuries per 1,000,000 hours at 31 December 2025. (5.6 FY 2025 year)                                                                                                                                                                                                      |
| 5b. | The Company will undertake drug and alcohol testing of staff and contract workforce. The number of random tests and percentage of positive tests will be reported.                                                                              | 38 tests were conducted during the period. One positive random test was recorded.                                                                                                                                                                                                                                                                                      |
| 5c. | Forest Stewardship Council Certification (FSC® C008934 of the Forest Estate will be maintained.                                                                                                                                                 | Forest Stewardship Council Certification was maintained following audit in 2025.                                                                                                                                                                                                                                                                                       |
| 5d. | The Company will have in place an environmental management system which will include procedures for sustainability monitoring. Results of water sampling and reserve area environmental assessments will be available on the Company's website. | The Environmental Management System is operational, verified through FSC audit and results are reported on the Company website.                                                                                                                                                                                                                                        |
| 5e. | The Company will work with DCHL to ensure that its sponsorship policy aligns with                                                                                                                                                               | Sponsorships are in line with Company Policy and are reported to DCHL to ensure alignment                                                                                                                                                                                                                                                                              |

## CITY FORESTS LIMITED

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|     | DCC's strategic framework.                                                                                                                                                                                           | with strategic framework.                                                                                                                                                                                                                                                                                     |
| 5f. | The Company will work with partners Doc, University of Otago & contractors to maintain and enhance RT&E species on and around the Company estate. Sponsorship amounts for these activities will be reported annually | Sponsorship of \$60,250 was awarded to Predator Free Dunedin, \$10,000 to the Yellow Eyed Penguin Trust, \$40,000 to Orokonui Eco-Sanctuary, and \$10,000 to Dunedin Wildlife Hospital, to contribute towards conservation of rare threatened and endangered (RT&E) species on and around the Company estate. |
| 6a. | The Company and its contractors will verify employees are trained or under training for the tasks they perform.                                                                                                      | Training was ongoing for Company Staff, Contractors and their employees during the period.                                                                                                                                                                                                                    |
| 6b. | The Company will engage with its contractors to participate in Modern Apprenticeship programs. The number of apprentices working in Company operations will be reported each year.                                   | At 31 December 2025 one modern apprentice was employed in Company operations.                                                                                                                                                                                                                                 |
| 7a. | The Company will maintain a Forest Access permit system, track and report on recreational use statistics.                                                                                                            | Recreation use is monitored and tracked through forest access permit issuance. 111 new forest access permits were issued for the 1 July 2025 to 31 Dec 2025 period.                                                                                                                                           |
| 8a. | Productivity improvement and incremental expansion of the forest estate will be part of Company Strategy. The area of acquired land will be reported annually.                                                       | Company has purchased 78.89 ha's of land during the period.                                                                                                                                                                                                                                                   |
| 8b. | Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes.                                                              | No significant issues arose that would compromise Council community outcomes. communication channels were maintained with the shareholder who is well informed of Company activities.                                                                                                                         |
| 8c. | Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.                                                             | A number of media matters occurred throughout the period and the shareholder and board were communicated to within 24 hours informing them of the matter.                                                                                                                                                     |
| 8d. | Ensure that all direct employees are paid the living wage or above.                                                                                                                                                  | All staff remuneration is greater than the living wage.                                                                                                                                                                                                                                                       |
| 8e. | Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our annual report.                                                 | In progress.                                                                                                                                                                                                                                                                                                  |

## CITY FORESTS LIMITED

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Full Year Financial Forecasts		YTD Actual	
	\$'000		\$'000
EBITDA	10,500	EBITDA	4,744
Net Profit after tax	5,800	Net Profit after tax	3,207
Shareholders' funds to total assets	66.8%	Shareholders' funds to total assets	67.7%
Normal Dividend	1,900	Normal Dividend	710
Special dividend	7,000	Special dividend	3,500
Cashflow from Operations	2,100	Cashflow from Operations	6,443
Capital expenditure	1,600	Capital expenditure	549
Term borrowings	49,700	Term borrowings	52,800
Shareholders funds	237,200	Shareholders funds	259,703