

CITY FORESTS LIMITED

CITY FORESTS LIMITED

**HALF-YEAR REPORT
FOR THE SIX MONTHS
ENDED
31 DECEMBER 2024**

CITY FORESTS LIMITED

CONTENTS

| | Page |
|-----------------------------------|---------|
| Directory | 3 |
| Directors' Report | 4 - 5 |
| Trend Statement | 6 |
| Financial Statements | 7 - 10 |
| Statement of Cashflows | 11 - 12 |
| Notes to the Financial Statements | 13 - 17 |
| Statement of Service Performance | 18 - 21 |

CITY FORESTS LIMITED

DIRECTORY

As at 31 December 2024

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., (Appointed 1.10.19) (Appointed Chairman 1.9.22)
K A Posa – BMS(Hons), C.A., G.A.I.C.D., CM.Inst.D. (Appointed 1.10.19)
K E Bromfield – PhD, CM Inst.D. (Appointed 1.9.22)
P R Melhopt – M.Inst.D., B.Com.(Forestry) (Appointed 1.2.22)

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

DIRECTORS' REPORT

For the Six Months Ended 31 December 2024

The Directors of City Forests Limited present their report on the activities of the Company for the period ended 31 December 2024.

Dividends

The Company paid a budgeted interim dividend of \$1,000,000 in December 2024 and an additional ordinary dividend of \$434,000 paid in November 2024.

Dividend distributions are in compliance with the Company dividend policy based on operational cash flows.

Review of Operations

This review of operations and the accompanying financial reports cover the first six months of the 2024 / 2025 financial year.

The Company experienced modest profitable trading conditions and delivered a \$3.359m profit after tax for the first six months of the 2024 / 2025 financial year. This is ahead of the profit recorded for the same period of the previous year (\$2.274m)

No serious harm injuries were recorded in Company operations during the period. The Company has continued to develop its Health and Safety Management System during the period including a focus on risk management, PCBU responsibilities and contract operations.

Forest production for the period was marginally above budget by 2% in part due to bioenergy recoveries. Underlying high value sawlog production was also marginally ahead of budget. The Company traded limited volumes of logs from third party suppliers during the period to ensure customer commitments were met.

The asset value of NZU's held was increased on 31 December 2024 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.

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

CITY FORESTS LIMITED

DIRECTORS' REPORT (cont'd)

For the Six Months Ended 31 December 2024

The Company has continued sponsorship agreements with Predator Free Dunedin \$60,250, Otago Natural History Trust (Orokonui Ecosanctuary) \$30,000, 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. The Company has undertaken increased levels of wildling tree control work during the period including mechanised clearing and poison thinning trials.

Events Subsequent to Balance Date

No events have occurred subsequent to balance date.

Statement of Responsibility

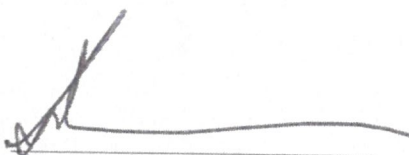
The Directors accept responsibility for the preparation of the interim financial statements and the judgements used in them.

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 have pleasure in presenting the interim financial statements, set out on pages 7 to 12, for the six months ended 31 December 2024 and authorises them for issue on Tuesday 11th February 2025.

On behalf of the Board of Directors:



S A Mason
Chairman

11-2-25
Date



K A Posa
Director

12-2-25
Date

CITY FORESTS LIMITED

Trend Statement

| | 6 Months Ended 31 Dec 24 \$'000 | 6 Months Ended 31 Dec 23 \$'000 | Year Ended 30 Jun 24 \$'000 | Year Ended 30 Jun 23 \$'000 | Year Ended 30 Jun 22 \$'000 |
|--|--|--|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>FINANCIAL PERFORMANCE</u> | | | | | |
| Domestic Revenue | 5,026 | 4,669 | 10,984 | 9,780 | 8,895 |
| Export Revenue | 25,541 | 24,187 | 48,943 | 53,142 | 55,199 |
| Other Revenue | 391 | 247 | 574 | 513 | 1,634 |
| Total Revenue | 30,958 | 29,103 | 60,501 | 63,435 | 65,728 |
| Percentage Increase (Annualised) | 6.37% | (10.8%) | (4.63%) | (3.49%) | .97% |
| Inventory Movement | (221) | (121) | 107 | 213 | 56 |
| Total Expenses | 30,127 | 29,878 | 62,055 | 65,118 | 67,319 |
| Percentage Increase (Annualised) | (.8%) | (13.1%) | 4.7% | 3.3% | 17.4% |
| Operating Surplus | 610 | (896) | (1,447) | (1,470) | (1,535) |
| Gain in Fair Value of Forestry Asset | 4,065 | 4063 | 11,686 | 13,185 | 9,474 |
| Write down value of land | - | - | (2,179) | (2,956) | 453 |
| Surplus after Non-Operating Items and Before Taxation | 4,675 | 3167 | 8,060 | 8,759 | 8,392 |
| Income Tax | 1,316 | 893 | 2,966 | 3,296 | 2,232 |
| Total Surplus after Taxation | 3,359 | 2,274 | 5,094 | 5,463 | 6,160 |
| <u>SHAREHOLDERS' FUNDS</u> | | | | | |
| Shareholders Funds | 248,842 | 273,073 | 242,400 | 244,967 | 282,203 |
| Operating Cashflow | 6,180 | 2,482 | 6,814 | 6,258 | 7,258 |
| Return of Capital | - | - | - | 10,000 | - |
| Dividends Provided – Normal | 1,434 | 1,000 | 3,000 | 3,600 | 5,000 |
| – Special | - | - | 13,500 | - | 1,800 |
| Value of Forest | 211,083 | 207,110 | 210,248 | 205,543 | 201,362 |
| Surplus after tax to shareholders funds | 1.35% | 0.83% | 2.1% | 2.2% | 2.18% |
| Proprietorship Ratio | 66.0% | 69.8% | 66.4% | 69.4% | 72.56% |
| Net Forest Revaluation | - | - | 8,414 | 9,493 | 6,822 |
| Net Land Revaluation | - | - | 2,830 | (1,949) | 10,156 |
| <u>FOREST STATISTICS</u> (Whole no's) | | | | | |
| Forest harvested (m ³) | 194,840 | 188,179 | 389,116 | 360,562 | 343,326 |
| Volume traded (m ³) (Outside Jobs) | 8,598 | 5,164 | 11,853 | 18,914 | 26,358 |
| Forest planted (ha) | 454 | 736 | 824 | 1,214 | 1,054 |
| Total forest (ha) | 20,019 | 20,124 | 20,016 | 20,084 | 19,919 |
| Forest crop purchased (ha) | - | - | - | - | 130 |

CITY FORESTS LIMITED

Statement of Comprehensive Income For the Six Months Ended 31 December 2024

| | Note | Unaudited Six months to 31 December 2024 \$'000 | Unaudited Six months to 31 December 2023 \$'000 | Audited Year to 30 June 2024 \$'000 |
|--|------|---|---|---|
| Sales revenue | | 30,567 | 28,857 | 59,927 |
| Other revenue | | 357 | 198 | 494 |
| Financial income | | 34 | 49 | 80 |
| Gain (loss) in fair value of forestry asset | 11 | 4,065 | 4,063 | 11,686 |
| Total revenue | | 35,023 | 33,167 | 72,187 |
| Inventory movement | | (221) | (121) | 107 |
| Less expenses | | | | |
| Audit fees | | 87 | 65 | 129 |
| Contractors | | 11,096 | 9,842 | 20,742 |
| Cost of bush applied | | 5,105 | 4,701 | 10,887 |
| Depreciation and amortisation expense | | 342 | 328 | 676 |
| Donations | | 1 | 1 | 14 |
| Directors fees | | 94 | 94 | 188 |
| Employee expenses | | 1,151 | 1,076 | 2,554 |
| Financial expenses | | 1,235 | 2,439 | 3,892 |
| Research expenditure | | 71 | 73 | 36 |
| Shipping costs | | 9,142 | 9,532 | 19,749 |
| Other expenses | | 1,803 | 1,728 | 5,367 |
| Total expenses | | 30,127 | 29,879 | 64,234 |
| Profit before tax | | 4,675 | 3,167 | 8,060 |
| Income tax expense | | 1,316 | 893 | 2,966 |
| Net profit/(loss) after tax | | 3,359 | 2,274 | 5,094 |
| Other comprehensive income | | | | |
| Gains/(loss) on cash flow hedges taken to equity | | (4,437) | 3,500 | 2,845 |
| Tax effect of cash flow hedges taken to equity | | 1,242 | (980) | (797) |
| Increase/(decrease) in land revaluation | | - | - | 2,830 |
| Carbon credits revaluation above initial recognition taken to equity | | 10,704 | 33,753 | 5,497 |
| Tax effect of carbon credits taken to equity | | (2,992) | (9,440) | (1,536) |
| Other comprehensive income for the period | | 4,517 | 26,833 | 8,839 |
| Total Comprehensive Income for the period | | 7,876 | 29,107 | 13,933 |

CITY FORESTS LIMITED

Statement of Changes in Equity For the Six Months Ended 31 December 2024

| | Share capital | Hedge reserve | Forest revaluation reserve | Carbon credit reserve | Land revaluation reserve | Retained earnings | Total equity |
|--|------------------|------------------|----------------------------------|-----------------------------|--------------------------------|----------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Unaudited | | | | | | | |
| Equity as at 1 July 2024 | 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) |
| Equity as at 31 December 2024 | 15,691 | 3,118 | 105,329 | 39,952 | 50,721 | 40,267 | 248,842 |
| Unaudited | | | | | | | |
| Equity as at 1 July 2023 | 15,691 | (1,972) | 103,852 | 28,280 | 47,891 | 51,225 | 244,967 |
| Profit after income tax | - | - | - | - | - | 2,274 | 2,274 |
| Other comprehensive income for the period | - | 2,520 | - | 24,312 | - | - | 26,833 |
| Dividend distributions | - | - | - | - | - | (1,000) | (1,000) |
| Equity as at 31 December 2023 | 15,691 | 548 | 103,852 | 52,952 | 47,891 | 52,499 | 273,073 |
| Audited | | | | | | | |
| Equity as at 1 July 2023 | 15,691 | (1,972) | 103,852 | 28,279 | 47,891 | 51,225 | 244,967 |
| Profit after income tax | - | - | - | - | - | 5,094 | 5,094 |
| Other comprehensive income for the period | - | 2,048 | - | 3,961 | 2,830 | - | 8,839 |
| Transfer of carbon reserve | - | - | - | - | - | - | - |
| Revaluation of forestry assets | - | - | 1,477 | - | - | (1,477) | - |
| Dividend distributions | - | - | - | - | - | (16,500) | (16,500) |
| Equity as at 30 June 2024 | 15,691 | 77 | 105,329 | 32,240 | 50,721 | 38,342 | 242,400 |

CITY FORESTS LIMITED

Balance Sheet

As at 31 December 2024

| | Note | Unaudited 31 December 2024 \$'000 | Unaudited 31 December 2023 \$'000 | Audited 30 June 2024 \$'000 |
|--------------------------------------|------|--|--|--------------------------------------|
| Equity | | | | |
| Share capital | | 15,691 | 15,691 | 15,691 |
| Forest reserve | | 105,329 | 103,852 | 105,329 |
| Land revaluation reserve | | 50,721 | 47,891 | 50,721 |
| Hedging reserve | | (3,118) | 548 | 77 |
| Carbon credit reserve | | 39,952 | 52,592 | 32,240 |
| Retained earnings | | 40,267 | 52,499 | 38,342 |
| Total Equity | | 248,842 | 273,073 | 242,400 |
| Current Liabilities | | | | |
| Trade and other payables | | 2,947 | 2,611 | 3,015 |
| Other current liabilities | | 231 | 194 | 581 |
| Employee provisions | | 286 | 285 | 284 |
| Derivative financial instruments | 7 | 1,100 | 395 | 546 |
| Provision for taxation | | 2,762 | 2,743 | 1,788 |
| Lease liability | | 151 | 150 | 155 |
| Total current liabilities | | 7,477 | 6,378 | 6,369 |
| Non-Current Liabilities | | | | |
| Derivative financial instruments | 7 | 3,230 | - | - |
| Term borrowings | 8 | 49,500 | 38,400 | 50,700 |
| Lease liability | | 158 | 246 | 208 |
| Deferred tax liability | | 68,026 | 73,201 | 65,935 |
| Total non-current liabilities | | 120,914 | 111,847 | 116,843 |
| Total Liabilities | | 128,391 | 118,225 | 123,212 |
| TOTAL EQUITY PLUS LIABILITIES | | 377,233 | 391,298 | 365,612 |


CITY FORESTS LIMITED

Balance Sheet (cont'd)

At 31 December 2024

| | | Unaudited 31 December 2024 \$'000 | Unaudited 31 December 2023 \$'000 | Audited 30 June 2024 \$'000 |
|--|---|--|--|--------------------------------------|
| Current Assets | | | | |
| Cash and cash equivalents | | 3,509 | 3,463 | 2,210 |
| Trade and other receivables | | 2,659 | 3,118 | 2,957 |
| Inventories | | 751 | 500 | 1,289 |
| Prepayments | | 323 | 362 | 49 |
| GST refund | | 298 | 289 | 277 |
| Assets held for sale | | 3,208 | - | 3,208 |
| Deposit on property purchase | | - | 113 | - |
| Total current assets | | 10,748 | 7,845 | 9,990 |
| Non-Current Assets | | | | |
| Derivative financial instruments | 7 | - | 1,156 | 653 |
| Property, plant and equipment | 5 | 98,917 | 101,145 | 98,938 |
| Forestry assets | 4 | 211,083 | 207,110 | 210,248 |
| Investments | | 2 | 2 | 1 |
| Intangibles – computer software | | 4 | 8 | 6 |
| Intangibles – New Zealand carbon credits | 9 | 56,479 | 74,032 | 45,776 |
| Total non-current assets | | 366,485 | 383,453 | 355,622 |
| TOTAL ASSETS | | 377,233 | 391,298 | 365,612 |

For and on behalf of the Board of Directors


S A Mason
Chairman


K A Posa
Director

11th February 2025

CITY FORESTS LIMITED

Statement of Cash Flows

For the Six Months Ended 31 December 2024

| | Note | Unaudited Six months to 31 December 2024 \$'000 | Unaudited Six months to 31 December 2023 \$'000 | Audited Year to 30 June 2024 \$'000 |
|--|----------|---|---|---|
| Cash Flows from Operating Activities | | | | |
| <i>Cash was provided from</i> | | | | |
| Receipts from customers | | 26,452 | 27,956 | 61,567 |
| Interest received | | 34 | 39 | 80 |
| GST refunds | | 1,411 | 1,853 | - |
| Effect of exchange rate changes | | 232 | - | - |
| | | <u>28,129</u> | <u>29,848</u> | <u>61,647</u> |
| <i>Cash was disbursed to</i> | | | | |
| Payments to suppliers and employees | | 20,817 | 24,950 | 48,751 |
| Interest paid | | 1,132 | 838 | 1,614 |
| Income tax/subvention | | - | - | 2,207 |
| Effect of exchange rate changes | | - | 1,578 | 2,261 |
| | | <u>21,949</u> | <u>27,366</u> | <u>54,244</u> |
| Net Cash Inflows / (Outflows) from Operating Activities | 3 | <u>6,180</u> | <u>2,482</u> | <u>6,814</u> |
| Cash Flows from Investing Activities | | | | |
| <i>Cash was provided from</i> | | | | |
| Sale of property, plant and equipment | | 17 | - | - |
| | | <u>17</u> | <u>-</u> | <u>-</u> |
| <i>Cash was disbursed to</i> | | | | |
| Purchase of property, plant and equipment | | 308 | 214 | 836 |
| Purchase of Forest Assets – Cost of bush | | 1,875 | 1,309 | 2,999 |
| | | <u>2,183</u> | <u>1,523</u> | <u>3,835</u> |
| Net Cash Inflows / (Outflows) from Investing Activities | | <u>(2,166)</u> | <u>(1,523)</u> | <u>(3,835)</u> |

CITY FORESTS LIMITED

Statement of Cash Flows (cont'd) For the Six Months Ended 31 December 2024

| | Unaudited Six months to 31 December 2024 \$'000 | Unaudited Six months to 31 December 2023 \$'000 | Audited Year to 30 June 2024 \$'000 |
|--|---|---|---|
| Cash Flows from Financing Activities | | | |
| <i>Cash was provided from</i> | | | |
| Proceeds from borrowings | - | 3,550 | 18,550 |
| | - | 3,550 | 18,550 |
| <i>Cash was disbursed to</i> | | | |
| Lease payments | 81 | 79 | 152 |
| Repayment of borrowings | 1,200 | 1,150 | 3,850 |
| Dividends paid | 1,434 | 1,000 | 16,500 |
| | 2,715 | 2,229 | 20,502 |
| Net Cash Inflows / (Outflows) from Financing Activities | (2,715) | 1,321 | (1,952) |
| Net Increase / (Decrease) in Cash Held | 1,299 | 2,280 | 1,027 |
| Cash and cash equivalents at the beginning of the year | 2,210 | 1,183 | 1,183 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 3,509 | 3,463 | 2,210 |

CITY FORESTS LIMITED

Notes to the Financial Statements For the Six Months Ended 31 December 2024

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 2024 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 2024.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2024.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2024.

CITY FORESTS LIMITED

Notes to the Financial Statements (cont'd)

For the Six Months Ended 31 December 2024

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

| | Unaudited 31 December 2024 \$'000 | Unaudited 31 December 2023 \$'000 | Audited 30 June 2024 \$'000 |
|---|--|--|--------------------------------------|
| Net gain/(loss) for the year | 3,359 | 2,274 | 5,094 |
| <i>Items Not Involving Cash Flows</i> | | | |
| Depreciation and loss on sale | 351 | 328 | 676 |
| Depletion of forest | 5,104 | 4,012 | 10,887 |
| Deferred tax | 342 | 360 | 1,117 |
| Forestry revaluation | (4,065) | (4,063) | (11,686) |
| Write down value of land | - | - | 2,274 |
| Interest portion of lease liability | 5 | 6 | 12 |
| Other non-cash items | | | |
| <i>Impact of Changes in Working Capital Items</i> | | | |
| (Increase)/Decrease in accounts receivable | 297 | (246) | (84) |
| (Increase)/Decrease in inventories | 538 | 692 | (1,003) |
| (Increase)/Decrease in prepayments | (273) | (235) | 78 |
| (Increase)/Decrease in tax | 974 | 533 | (417) |
| (Increase)/Decrease in other current assets | (21) | 63 | 96 |
| Increase/(Decrease) in accounts payable | (485) | (1,165) | (292) |
| (Increase)/Decrease in other current liabilities | 54 | (77) | 62 |
| Net cash inflows/(outflows) from operating activities | 6,180 | 2,482 | 6,814 |

CITY FORESTS LIMITED

Notes to the Financial Statements (cont'd) For the Six Months Ended 31 December 2024

4. FORESTRY ASSETS

| | Unaudited 31 December 2024 \$'000 | Unaudited 31 December 2023 \$'000 | Audited 30 June 2024 \$'000 |
|---|--|--|-----------------------------------|
| Balance at the beginning of the year | 210,248 | 205,543 | 205,543 |
| Add Costs capitalised in establishing forests during the year | 1,875 | 2,216 | 3,906 |
| Forest revaluation | 4,065 | 4,063 | 11,686 |
| Less Cost of trees harvested at fair value | (5,105) | (4,712) | (10,887) |
| | 211,083 | 207,110 | 210,248 |

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

5. PROPERTY, PLANT AND EQUIPMENT

| | | | |
|--------------------------|--------|---------|---------|
| Opening balance | 98,938 | 101,256 | 101,256 |
| Plus purchases | 308 | 217 | 1,041 |
| Less impairment | - | - | (2,179) |
| Less disposals/transfers | (64) | - | (3,476) |
| Less depreciation | (265) | (328) | (534) |
| Plus/Less revaluations | - | - | 2,830 |
| | 98,917 | 101,145 | 98,938 |
| Capital commitments | - | 452 | - |

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 2024 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 2024

7. DERIVATIVE FINANCIAL INSTRUMENTS

| | Unaudited 31 December 2024 \$'000 | Unaudited 31 December 2023 \$'000 | Audited 30 June 2024 \$'000 |
|------------------------------------|--|--|-----------------------------------|
| Assets: | | | |
| Forward foreign exchange contracts | - | 1,156 | 653 |
| Liabilities: | | | |
| Forward foreign exchange contracts | 4,330 | 395 | 546 |
| | 4,330 | 761 | 107 |

8. TERM LOANS

| | | | |
|-------------------------------------|--------|--------|--------|
| Dunedin City Treasury loan facility | 49,500 | 38,400 | 50,700 |
|-------------------------------------|--------|--------|--------|

9. CARBON CREDITS

| | | | |
|----------------------------------|--------|--------|---------|
| Opening balance | 45,776 | 40,279 | 40,279 |
| Plus credits allocated/purchased | | - | - |
| Plus/(less) revaluation | 10,703 | 33,753 | (5,497) |
| Plus/(less) sales | | - | - |
| Closing balance | 56,479 | 74,032 | 45,776 |

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 2024 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

STATEMENT OF SERVICE PERFORMANCE

For the Six Month Ended 31 December 2024

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 2024.

CITY FORESTS LIMITED

STATEMENT OF SERVICE PERFORMANCE For the Six Month Ended 31 December 2024

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 is 2.2% at 30 June 2024. |
| 1b. | A review of the Company's long term strategic plan will be completed each year, which targets a 6% return (or greater) on shareholders' funds measured on a post-tax 3 year rolling average basis. | Strategic plan is under review as part of the 2025 SOI process. |
| 2a. | No single customer will have received more than 30% of the Company's annual harvest by volume. | Our largest customer Taelim (South Korea) received 8.4% of the Company's harvest to date. |
| 2b. | The percentage of annual supply to the domestic market by volume will be tracked. | Domestic log production was 26.7% to 31 Dec 2024 by volume. (29% F 2024 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. 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 194,840m ³ including billet wood and slash. This is 55.6% of the budget sustainable annual yield of 350,036m ³ . On track to be within +/- 30% of the sustainable yield. |
| 3b. | The Company will carry out annual forest inventory to measure and verify forest yield. The number of sample plots measured will be reported. | The Company inventory program is underway and on track to meet targets. |
| 3c. | A forest surveillance program will be in place as part of the National Surveillance program to assess the forest estate for pests and diseases. | The City Forests, forest health surveillance program is underway for the current year. |
| 3d. | The annual fire plan will be updated and operational by 1 October each fire season. | Fire plan update was completed and distributed in September 2024 prior to the start of the fire season. |
| 3e. | The Company will actively participate in regional land use and environmental planning processes. | The Company has submitted on regional planning processes such as the ORC Plan Change and the National Environmental Standard – Commercial Forestry. |

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. target tree stocking rates per hectare to optimise site carrying capacity. Reporting and tracking of operational progress to Board. |
| 5a. | The Company will maintain supply arrangements with Otago and Southland wood processors provided customers match (or better) alternative supply options. | Otago and Southland wood processors receive supply volumes in accordance with the annual plan. Pricing is negotiated each quarter. Customers have been given the option to decline or reduce supply if they are unable to match returns from alternative supply options (log export). |
| 5b. | 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: Pan Pac Otago: 10,256m ³ Daiken: 10,203m ³ Gorton Timber 4,909m ³ |
| 5c. | The annual volume of wood supplied for bio-energy uses will be tracked and reported. | Bio-energy: 20,189 t to 31 December 2024 (29,138 m ³ F 2024 year) |
| 6a. | Lost time accident rates for staff and forest contractors will be minimised and not more than 15 lost time accidents per 1,000,000 hours worked. | 12 month rolling lost time accident rate for staff and forest contractors was 5.6 lost time injuries per 1,000,000 hours at 31 December 2024. (12.0 F 2024 year) |
| 6b. | The Company will undertake drug and alcohol testing of staff and the contract workforce. The number of random tests and percentage of positive tests will be reported. | 43 tests were conducted during the period. No positive random tests were recorded. |
| 6c. | Forest Stewardship Council Certification of the Forest Estate will be maintained. | Forest Stewardship Council Certification was maintained following audit in 2024. |
| 6d. | 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 publicly available on the Company's website. | An environmental management system is in place with on-going monitoring of environmental values. This is available on the Company's website and includes water, soil disturbance and reserve biodiversity monitoring. |

CITY FORESTS LIMITED

6e. 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

7a. The company will report on the number of National Certificates achieved by its workforce each year.

7b. 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.

8a. The Company will maintain a forest access permit system, track and report on recreational use statistics.

9a. A continued and measured expansion of the forest estate will be part of Company Strategy. The area of acquired land will be reported annually.

9b. Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. Any such matters were escalated to the shareholder in a timely manner.

9c. Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.

9d. The Company will report on the proportion of its workforce (staff) receiving the living wage.

9e. Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our annual report.

9f. The company will develop a waste reduction strategy and associated targets for the 2022/2023 financial year.

Sponsorship of \$60,250 was awarded to Predator Free Dunedin, \$30,000 to Orokonui Eco-Sanctuary, \$10,000 to the Yellow Eyed Penguin Trust 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.

Training was ongoing for Company Staff, Contractors and their employees during the period. Three National Certificates were awarded during the period.

At 31 December 2024 one modern apprentice was employed in Company operations.

Recreation use is monitored and tracked through forest access permit issuance. 253 forest access permits were issued for the 1 July 2024 to 31 Dec 2024 period.

Company has purchased nil ha of land during the period.

No significant issues arose that would compromise Council community outcomes, however communication channels were maintained with the shareholder such that the shareholder is well informed of Company activities.

A number of media interactions occurred throughout the period and the shareholder and board were communicated to within 24 hours informing them of the matter.

All staff remuneration is greater than the living wage.

The carbon emission and waste reduction strategy (2022/2030) has been established. While the strategy does not contain any quantification targets for FY2025, progress is being made towards achieving the strategy.

A waste reduction strategy has been developed in draft and incorporated into the 2024/2025 Statement of Intent.

CITY FORESTS LIMITED

| Full Year Financial Forecasts | | YTD Actual | |
|--|---------|--|---------|
| | \$'000 | | \$'000 |
| EBITDA | 7,700 | EBITDA | 5,845 |
| Net Profit after tax | 3,600 | Net Profit after tax | 3,359 |
| Shareholders' funds to total assets | 66.3% | Shareholders' funds to total assets | 66.0% |
| Normal Dividend | 2,700 | Normal Dividend | 1,434 |
| Special dividend | 10,000 | Special dividend | - |
| Cashflow from Operations | 5,200 | Cashflow from Operations | 6,180 |
| Capital expenditure | 900 | Capital expenditure | 291 |
| Term borrowings | 51,400 | Term borrowings | 49,500 |
| Shareholders funds | 245,000 | Shareholders funds | 248,842 |