

CITY FORESTS LIMITED

CITY FORESTS LIMITED

**HALF-YEAR REPORT
FOR THE SIX MONTHS
ENDED
31 DECEMBER 2023**

CITY FORESTS LIMITED

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CITY FORESTS LIMITED

DIRECTORY

As at 31 December 2023

DIRECTORS

S A Mason – F.C.A., CM.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

AUDITOR

Audit NZ on behalf of the Controller and Auditor General

CITY FORESTS LIMITED

DIRECTORS' REPORT

For the Six Months Ended 31 December 2023

The Directors of City Forests Limited present their report on the activities of the Company for the period ended 31 December 2023.

Dividends

The Company paid a budgeted interim dividend of \$1,000,000 which was 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 2023 / 2024 financial year.

The Company experienced modest profitable trading conditions and delivered a \$2.274m profit after tax for the first six months of the 2023 / 2024 financial year. This is less than that recorded for the same period of the previous year (\$3.193m) and reflects the weaker log trading conditions encountered on both the domestic and export markets.

No serious harm injuries were recorded in Company operations during the period. The Company has carried out further development of its Health and Safety Management System during the period including a focus on critical risk management and employee wellbeing.

Forest production for the period was marginally above budget largely due to bioenergy recoveries. Underlying high value sawlog production was marginally behind budget due to the weak market conditions. 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 2023 to reflect current market value which led to an increase in NZU asset value. The value of NZU's recovered during the period due to positive policy announcements, however the value remains below the 2022 market peak. No revaluation of the forest estate was recorded during the period (see note 2).

The Company's export log markets, particularly China, have experienced weaker demand. A number of high-profile Chinese construction companies have faced financial difficulty during the period and the housing sector remains fundamentally oversupplied impacted by higher global interest rates and the residual effects of the Covid pandemic.

The New Zealand domestic log market has also been soft with demand falling in response to high interest rates. The Company's log supply to domestic mills remains limited by processing capacity and customer demand.

CITY FORESTS LIMITED

DIRECTORS' REPORT (cont'd)

For the Six Months Ended 31 December 2023

The Company has continued sponsorship agreements with 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. Operational pest control contributions of \$60,250 to Predator Free Dunedin continue and will be made in June. The Company also had wildling tree control work carried out of \$9,055 during the period.

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 8 to 13, for the six months ended 31 December 2023 and authorises them for issue on Tuesday 13th February 2024.

On behalf of the Board of Directors:



S A Mason
Chairman



K A Posa
Director

13 February 2024

CITY FORESTS LIMITED

Trend Statement

	6 Months Ended 31 Dec 23 \$'000	6 Months Ended 31 Dec 22 \$'000	Year Ended 30 Jun 23 \$'000	Year Ended 30 Jun 22 \$'000	Year Ended 30 Jun 21 \$'000
<u>FINANCIAL PERFORMANCE</u>					
Domestic Revenue	4,669	4,545	9,780	8,895	12,001
Export Revenue	24,187	27,730	53,142	55,199	51,660
Other Revenue	247	204	513	1,634	1,433
Total Revenue	29,103	32,479	63,435	65,728	65,094
Percentage Increase (Annualised)	(10.8%)	7.7%	(3.49%)	.97%	37.8%
Inventory Movement	(121)	380	213	56	(916)
Total Expenses	29,878	34,376	65,118	67,319	57,352
Percentage Increase (Annualised)	(13.1%)	6.3%	3.3%	17.4%	26.5%
Operating Surplus	(896)	(1,517)	(1,470)	(1,535)	6,888
Gain in Fair Value of Forestry Asset	4063	5,972	13,185	9,474	38,164
Write down value of land	-	-	(2,956)	453	803
Surplus after Non-Operating Items and Before Taxation	3167	4,455	8,759	8,392	45,793
Income Tax	893	1,262	3,296	2,232	12,572
Total Surplus after Taxation	2,274	3,193	5,463	6,160	33,221
<u>SHAREHOLDERS' FUNDS</u>					
Shareholders Funds	273,073	275,836	244,967	282,203	246,898
Operating Cashflow	2,482	5,436	6,258	7,258	16,344
Dividends Provided – Normal	1,000	1,000	10,000	5,000	4,200
– Special	-	-	3,600	1,800	4,000
Value of Forest	207,110	202,896	205,543	201,362	200,246
Surplus after tax to shareholders funds	0.83%	1.16%	2.2%	2.18%	13.45%
Proprietorship Ratio	69.8%	69.9%	69.4%	72.56%	73.06%
Net Forest Revaluation	-	-	9,493	6,822	27,478
Net Land Revaluation	-	-	(1,949)	10,156	7,327
<u>FOREST STATISTICS</u> (Whole no's)					
Forest harvested (m ³)	188,179	182,085	360,562	343,326	388,664
Volume traded (m ³) (Outside Jobs)	5,164	5,183	18,914	26,358	13,597
Forest planted (ha)	736	655	1,214	1,054	1,030
Total forest (ha)	20,124	20,188	20,084	19,919	19,324
Forest crop purchased (ha)	-	-	-	130	87

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Statement of Comprehensive Income For the Six Months Ended 31 December 2023

Note	Unaudited Six months to 31 December 2023 \$'000	Unaudited Six months to 31 December 2022 \$'000	Audited Year to 30 June 2023 \$'000
Sales revenue	28,857	32,275	63,371
Gain on sale of property, plant and equipment	-	-	
Other revenue	198	185	
Financial income	49	19	64
Gain (loss) in fair value of forestry asset	4,063	5,973	13,185
Total revenue	33,167	38,452	76,620
Inventory movement	(121)	380	213
Less expenses			
Audit fees	65	41	
Contractors	9,842	10,456	17,948
Cost of bush applied	4,701	6,651	
Depreciation and amortisation expense	328	313	663
Donations	1	1	
Directors fees	94	111	206
Employee expenses	1,076	1,216	2,323
Financial expenses	2,439	1,289	2,702
Research expenditure	73	19	
Shipping costs	9,532	12,732	
Other expenses	1,728	1,548	44,232
Total expenses	29,879	34,377	68,074
Profit before tax	3,167	4,455	8,759
Income tax expense	893	1,262	3,296
Net profit/(loss) after tax	2,274	3,193	5,463
Other comprehensive income			
Gains/(loss) on cash flow hedges taken to equity	3,500	1,513	841
Tax effect of cash flow hedges taken to equity	(980)	(424)	(236)
Increase/(decrease) in land revaluation	-	-	(1,949)
Reversal of revaluation gain on disposed land	-	-	-
Tax effect of land revaluation taken to equity	-	-	-
Carbon credits revaluation above initial recognition taken to equity	33,753	488	(38,530)
Tax effect of carbon credits taken to equity	(9,440)	(137)	10,775
Other comprehensive income for the period	26,833	1,440	(29,099)
Total Comprehensive Income for the period	29,107	4,633	23,636

CITY FORESTS LIMITED

Statement of Changes in Equity For the Six Months Ended 31 December 2023

	Share capital \$'000	Hedge reserve \$'000	Forest revaluation reserve \$'000	Carbon credit reserve \$'000	Land revaluation reserve \$'000	Retained earnings \$'000	Total equity \$'000
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)
Return of capital	-	-	-	-	-	-	-
Equity as at 31 December 2023	15,691	548	103,852	52,592	47,891	52,499	273,073
Unaudited							
Equity as at 1 July 2022	25,691	(2,577)	102,520	56,034	49,840	50,695	282,203
Profit after income tax	-	-	-	-	-	3,193	3,193
Other comprehensive income for the period	-	1,089	-	351	-	-	1,440
Dividend distributions	-	-	-	-	-	(1,000)	(1,000)
Return of capital	(10,000)	-	-	-	-	-	(10,000)
Equity as at 31 December 2022	15,691	(1,488)	102,520	56,385	49,840	52,888	275,836
Audited							
Equity as at 1 July 2022	25,691	(2,578)	102,520	56,034	49,840	50,695	282,203
Profit after income tax	-	-	-	-	-	5,463	5,463
Other comprehensive income for the period	-	606	-	(27,754)	(1,949)	-	(29,099)
Transfer of carbon reserve	-	-	-	-	-	-	-
Revaluation of forestry assets	-	-	1,332	-	-	(1,333)	-
Dividend distributions	-	-	-	-	-	(3,600)	(3,600)
Return of capital	(10,000)	-	-	-	-	-	(10,000)
Equity as at 30 June 2023	15,691	(1,972)	103,852	28,280	47,891	51,225	244,967

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Balance Sheet

As at 31 December 2023

	Note	Unaudited 31 December 2023 \$'000	Unaudited 31 December 2022 \$'000	Audited 30 June 2023 \$'000
Equity				
Share capital		15,691	15,691	15,691
Forest reserve		103,852	102,520	103,852
Land revaluation reserve		47,891	49,840	47,891
Hedging reserve		548	(1,488)	(1,972)
Carbon credit reserve		52,592	56,385	28,280
Retained earnings		52,499	52,888	51,225
Total Equity		273,073	275,836	244,967
Current Liabilities				
Trade and other payables		2,611	2,713	3,573
Other current liabilities		194	87	314
Employee provisions		285	283	243
Derivative financial instruments	7	395	822	2,039
Provision for taxation		2,743	6,313	2,209
Lease liability		150	139	151
Total current liabilities		6,378	10,357	8,529
Non-Current Liabilities				
Derivative financial instruments	7	-	1,245	700
Term borrowings	8	38,400	34,250	36,000
Lease liability		246	264	314
Deferred tax liability		73,201	72,788	62,421
Total non-current liabilities		111,847	108,547	99,435
Total Liabilities		118,225	118,904	107,964
TOTAL EQUITY PLUS LIABILITIES		391,298	394,740	352,931

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Balance Sheet (cont'd)

At 31 December 2023

		Unaudited 31 December 2023 \$'000	Unaudited 31 December 2022 \$'000	Audited 30 June 2023 \$'000
Current Assets				
Cash and cash equivalents		3,463	3,214	1,184
Trade and other receivables		3,118	1,604	2,872
Inventories		500	996	1,192
Prepayments		362	372	127
GST refund		289	318	352
Deposit on property purchase		113	-	113
Total current assets		7,845	6,504	5,840
Non-Current Assets				
Derivative financial instruments	7	1,156	-	-
Property, plant and equipment	5	101,145	106,024	101,256
Forestry assets	4	207,110	202,896	205,543
Investments		2	2	2
Intangibles – computer software		8	17	11
Intangibles – New Zealand carbon credits		74,032	79,297	40,279
Total non-current assets		383,453	388,236	347,091
TOTAL ASSETS		391,298	394,740	352,091

For and on behalf of the Board of Directors



S A Mason
Chairman



K A Posa
Director

13th February 2024

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Statement of Cash Flows

For the Six Months Ended 31 December 2023

	Note	Unaudited Six months to 31 December 2023 \$'000	Unaudited Six months to 31 December 2022 \$'000	Audited Year to 30 June 2023 \$'000
Cash Flows from Operating Activities				
<i>Cash was provided from</i>				
Receipts from customers		27,956	25,364	65,429
Interest received		39	19	73
GST refunds		1,853	2,561	-
Effect of exchange rate changes		-	182	-
		29,848	28,126	65,502
<i>Cash was disbursed to</i>				
Payments to suppliers and employees		24,950	22,304	51,197
Interest paid		838	386	1,035
Income tax/subvention		-	-	5,405
Effect of exchange rate changes		1,578	-	1,606
		27,366	22,690	59,244
Net Cash Inflows / (Outflows) from Operating Activities	3	2,482	5,436	6,258
Cash Flows from Investing Activities				
<i>Cash was provided from</i>				
Sale of property, plant and equipment		-	1	-
			1	-
<i>Cash was disbursed to</i>				
Purchase of property, plant and equipment		214	4,720	4,389
Purchase of Forest Assets – Cost of bush		1,309	1,526	3,708
		1,523	6,246	8,097
Net Cash Inflows / (Outflows) from Investing Activities		(1,523)	(6,245)	(8,097)

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Statement of Cash Flows (cont'd) For the Six Months Ended 31 December 2023

	Unaudited Six months to 31 December 2023 \$'000	Unaudited Six months to 31 December 2022 \$'000	Audited Year to 30 June 2023 \$'000
Cash Flows from Financing Activities			
<i>Cash was provided from</i>			
Proceeds from borrowings	3,550	14,050	18,300
	<u>3,550</u>	<u>14,050</u>	<u>18,300</u>
<i>Cash was disbursed to</i>			
Lease payments	79	79	151
Repayment of borrowings	1,150	400	2,900
Return of capital	-	10,000	10,000
Dividends paid	1,000	1,000	3,600
	<u>2,229</u>	<u>11,400</u>	<u>16,651</u>
Net Cash Inflows / (Outflows) from Financing Activities	1,321	2,650	1,649
Net Increase / (Decrease) in Cash Held	2,280	1,841	(190)
Cash and cash equivalents at the beginning of the year	<u>1,183</u>	<u>1,373</u>	<u>1,373</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3,463</u>	<u>3,214</u>	<u>1,183</u>

CITY FORESTS LIMITED

Notes to the Financial Statements **For the Six Months Ended 31 December 2023**

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, the Companies Act 1993 and the Financial Reporting Act 2013.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the company operates.

2. BASIS OF PREPARATION

The financial statements for the period ended 31 December 2023 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 2023.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2023.

The judgement, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2023.

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Notes to the Financial Statements (cont'd) For the Six Months Ended 31 December 2023

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

	Unaudited 31 December 2023 \$'000	Unaudited 31 December 2022 \$'000	Audited 30 June 2023 \$'000
Net gain/(loss) for the year	2,274	3,193	5,463
<i>Items Not Involving Cash Flows</i>			
Depreciation and loss on sale	328	313	663
Depletion of forest	4,012	6,651	12,712
Deferred tax	360	284	1,103
Forestry revaluation	(4,063)	(5,972)	(13,185)
Write down value of land	-	-	2,955
Interest portion of lease liability	6	6	12
Other non-cash items			
<i>Impact of Changes in Working Capital Items</i>			
(Increase)/Decrease in accounts receivable	(246)	1,926	(658)
(Increase)/Decrease in inventories	692	148	48
(Increase)/Decrease in prepayments	(235)	(136)	116
(Increase)/Decrease in tax	533	978	(3,210)
(Increase)/Decrease in other current assets	63	-	(537)
Increase/(Decrease) in accounts payable	(1,165)	(2,454)	817
(Increase)/Decrease in other current liabilities	(77)	570	(41)
Net cash inflows/(outflows) from operating activities	2,482	5,436	6,258

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Notes to the Financial Statements (cont'd) For the Six Months Ended 31 December 2023

4. FORESTRY ASSETS

	Unaudited 31 December 2023 \$'000	Unaudited 31 December 2022 \$'000	Audited 30 June 2023 \$'000
Balance at the beginning of the year	205,543	201,362	201,362
Add Costs capitalised in establishing forests during the year	2,216	2,212	3,708
Forest revaluation	4,063	5,972	13,185
Less Cost of trees harvested at fair value	(4,712)	(6,650)	(12,712)
	207,110	202,896	205,543

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

5. PROPERTY, PLANT AND EQUIPMENT

Opening balance	101,256	101,416	101,416
Plus purchases/(disposals)	217	4,921	5,518
Less impairment	-	-	(2,956)
Less disposals	-	-	(121)
Less depreciation	(328)	(313)	(652)
Plus/Less revaluations	-	-	(1,949)
	101,145	106,024	101,256
Capital commitments	452	-	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 2023 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.

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Notes to the Financial Statements (cont'd) For the Six Months Ended 31 December 2023

7. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 31 December 2023 \$'000	Unaudited 31 December 2022 \$'000	Audited 30 June 2023 \$'000
Assets:			
Forward foreign exchange contracts	1,156	-	-
		-	-
Liabilities:			
Forward foreign exchange contracts	395	2,067	2,739
Interest rate swaps		-	-
	761	2,067	2,739

8. TERM LOANS

Dunedin City Treasury loan facility	38,400	34,250	36,000
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9. CARBON CREDITS

Opening balance	40,279	78,809	78,809
Plus credits allocated/purchased	-	-	-
Plus/(less) revaluation	33,753	488	(38,530)
Plus/(less) sales	-	-	-
Closing balance	74,032	79,297	40,279

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 2023 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.

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STATEMENT OF SERVICE PERFORMANCE For the Six Month Ended 31 December 2023

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 6.4% at 30 June 2023.
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.	Strategy review is underway as part of the SOI process.
2a.	No single customer will have received more than 30% of the Company's annual harvest by volume.	Our largest customer Suzhou Song Bai Cang Trading Co (China) received 15.02% of the Company's harvest to date volume.
2b.	The percentage of annual supply to the domestic market by volume will be tracked.	Domestic log production was 30.2% by volume. (21.8% 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. 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 193,219m ³ including billet wood and slash. This is 55.2% of the sustainable annual yield of 350,159m ³ . Forecast harvest levels in the long-term strategic plan for the next 3 years are; 350,240 m ³ , 349,670m ³ and 350,033m ³ . All are 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 completed 170 inventory plots during the period.
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 was conducted during the 2022 – 2023 year and is scheduled 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 in September 2023 prior to the start of the fire season.

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3e.	The Company will actively participate in regional land use and environmental planning processes.	The Company submits on regional planning processes such as the ORC Plan Change and the National Environmental Standard – Commercial Forestry.
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.
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: 13,000m3 Hollow: 3,138m3 Gorton's Timber: 924m3
5c.	The annual volume of wood supplied for bio-energy uses will be tracked and reported.	Bio-energy: 15,056m3
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 17.9 lost time injuries per 1,000,000 hours as at 31 December 2023.
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.	55 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 2023.
6d.	The Company will have in place an environmental management system which	An environmental management system is in place with on-going monitoring of

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will include procedures for sustainability monitoring. Results of water sampling and reserve area environmental assessments will be publicly available on the Company's website.

- 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.

environmental values. This is available on the Company's website and includes water, soil disturbance and reserve biodiversity monitoring.

Sponsorship of \$60,250 was awarded to Predator Free Dunedin, \$30,000 to Orokonui Eco-Sanctury, \$1,217 to Outram School, \$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. Four National Certificates were awarded during the period.

At 30 June 2023 one modern apprentice was employed in Company operations.

Recreation use is monitored and tracked through forest access permit issuance. 211 forest access permits were issued during the year.

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 FY2023, progress is being made towards achieving the strategy.

CITY FORESTS LIMITED

- 9f. The company will develop a waste reduction strategy and associated targets for the 2022/2023 financial year. A waste reduction strategy has been developed in draft and incorporated into the 2022/2023 Statement of Intent.

	Forecasts		Actual
	\$'000		\$'000
EBITDA	8,700	EBITDA	4,356
Profit after income tax	4,600	Profit after income tax	2,274
Shareholders' funds to total assets	66.5%	Shareholders' funds to total assets	69.8%
Dividend	3,000	Dividend Distribution	1,000
Special Distribution	13,500		
Operating cashflow	8,300	Operating cashflow	2,402
Capex	1,200	Capex	215
Term debt	47,100	Term debt	38,400