City Forests

Annual Report

2024

City Forests

QUICK FACTS

Community owned, city asset

City Forests is owned by the City of Dunedin, Ōtepoti and includes more than 19,900ha of productive forests, with around 8 million trees.

City Forests include over 57km of community access, walking and mountain bike tracks, as well as several significant heritage and archaeological sites. City Forests contributes to the economy of the city through the Dunedin City Council holding company, Dunedin City Holdings Ltd.

Profitable, long-term business

Established in 1906, City Forests has contributed to the Dunedin economy for over 110 years and has returned $103.3M to the city in dividends since 1990.

The forestry and wood industry is New Zealand's third largest industry, contributing significantly to our economy and making up over 12% of New Zealand's export earnings.

Sustainable forests, supporting the environment

Forestry and the production of wood helps mitigate global climate change. There is approximately 6.313M tonnes of CO^2-e stored in City Forests.

City Forests has designated over 2,435ha of land as permanent reserve sites, these sites include native forest plantations, wetlands and significant water catchments for rare native fish species. City Forests are home to a wide range of native bird life and support research projects on the New Zealand Falcon (Kārearea) and Bush Robin (Kakaruai).

$3.0M
in **Dividends**
for the year ended
30 June 2024

$13.5M
Special Dividend

85
STAFF & CONTRACTORS EMPLOYED

29,138m3
OF BIOENERGY SUPPLIED

57km of community access **WALKING & MOUNTAIN BIKE** tracks

6.31m TONNES

CO_2e stored in City Forests

$70k

WILDLING PINE **CONTROL**

25,244ha

of **LAND UNDER MANAGEMENT**

$56k

SPONSORSHIPS

including:

- Orokonui Eco-Sanctury
- Yellow Eyed Penguin Trust
- Dunedin Wildlife Hospital

1,078,800

NEW TREES PLANTED 2023-2024

Contents

City Forests

www.cityforests.co.nz

Company Particulars

As at 30 June 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)

P R Melhopt – M.Inst.D., B.Com. (Forestry)
(Appointed 1.2.22)

K E Bromfield – PhD, CM.Inst.D.,
(Appointed 1.9.22)

CHIEF EXECUTIVE OFFICER

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

REGISTERED OFFICE

123 Crawford Street
Dunedin 9016, 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

SHAREHOLDER

Dunedin City Holdings Limited

Directors Report

LOCAL PEOPLE EXPORTING LOCAL PRODUCTS TO OVERSEAS MARKETS

Directors' Report

For the Year Ended 30 June 2024

The Directors of City Forests Limited are pleased to present their report on the activities of the Company for the year ended 30 June 2024.

PRINCIPAL ACTIVITIES OF THE COMPANY

This report covers the financial year 1 July 2023 to 30 June 2024.

The principal activities of the Company are the growing, harvesting and marketing of forest products from plantations it owns. The products are sold both in the domestic and export markets

RESULTS FOR THE YEAR ENDED 30 JUNE 2024

	$'000
Operating Surplus before Income Tax	8,060
Less Income Tax	2,966
Net Surplus for the Year	5,094

STATE OF AFFAIRS

The Directors are satisfied with the results achieved by the Company during the year having regard to the heightened operational and market risks arising from a weakened Asian log export market, geopolitical issues, higher inflation and disruption to the carbon market following uncertainty as to Government policy. Despite the market volatility created by these risk factors Directors consider that the state of affairs of the Company remains strong.

DIVIDENDS

The Directors declared and paid a total of $16.5m in Dividends during the year made up of:

- an interim un-imputed dividend of $1.0m in December 2023
- a final un-imputed ordinary dividend of $2m in June 2024
- a special dividend of $13.5m in June 2024

DONATIONS

There have been $14,220 of donations during the year..

RESERVES

The following net transfers have been made to or from reserves:

	$'000
To Forestry Reserve	1,477
To Retained Earnings	(12,883)
From Hedging Reserve	2,049
To Land Revaluation Reserve	2,830
To Carbon Credit Reserve	3,961

REVIEW OF OPERATIONS

This review of operations and the accompanying financial reports cover the 1 July 2023 to 30 June 2024 financial year.

Directors report a modest financial performance for City Forests during the year, recording a profit after tax of $5.1m. Both $3.0m ordinary dividends and a special dividend of $13.5m were declared and paid. A summary of markets and operational factors contributing to the result is detailed below.

The Board and Management of the Company are committed to achieving best practice health and safety performance. Resources allocated to governance and oversight of this key operational area have been significant during the year. The Company recorded a Lost Time Injury Frequency (LTIF) of 12.0 lost time injuries per 1 million hours worked (LTIF 11.6 previous year). The Company continues to improve its health and safety systems in accordance with its annual plan. Specifically, each of health and safety plan review/amendments, wellness, critical risk controls, and safety systems audit were the focus of improvements during the year. The Company continues to develop a strong safety culture demonstrated by external certification of contract operations, internal and external audit compliance, driver training programs, and a commitment to a drug and alcohol impairment free workplace.

The global impact of inflation, higher interest rates and generally weaker economies (especially in China) remain significant contributors to weak log demand from key Asian log export markets. Domestically, these factors are likewise causing a generally weak outlook for log demand, arising from challenges for wood processors and reduced domestic construction. The expansion of bio-energy is one area where demand is increasing as Otago energy transitions from the use of coal/gas to wood bio-fuel.

The Company continues to demonstrate its commitment to responsible and sustainable management of its forest estate and has held uninterrupted Forest Stewardship Council (FSC) certification since 2000.

The forest, both exotic and indigenous, and the underlying land including water quality is managed on a long-term sustainable basis in accordance with the principals of kaitiakitanga. Particular attention is given to supporting rare threatened and endangered species such a Kārearea (New Zealand Falcon), Robins and Galaxiid's within the forest estate, as well as Hoiho (Yellow Eyed Penguin) through support of both the Yellow Eyed Penguin Trust and Dunedin Wildlife Hospital, and native species generally via ongoing support of Orokonui Ecosanctuary.

The Company makes its forest estate available for community recreation which incorporates open access areas (outside work hours), permitted access and permitted events. Walking and mountain biking is highly popular and the Company works with Mountain Bike Otago to establish and operate numerous cycle tracks and works to manage these trails around commercial forest operations. Hunting remains the most popular permitted activity with significant demand for hunting blocks. Organised events such as the Otago Rally and running races such as Three Peaks also occur throughout the year.

City Forests is committed to taking action to reduce the impacts of climate change and has an emissions and waste reduction plan that forms a component of Dunedin City Council's city wide net-zero 2030 carbon emissions target. The measurement of operational carbon emissions has been undertaken for the 4th year.

In addition, the Company makes a significant contribution to the wider Dunedin City 2030 carbon neutral goal through bio-energy supplies and afforestation under the New Zealand Emissions Trading Scheme.

The largest contributor to the Dunedin City carbon neutral goal is the substantial carbon stored in Company forests, equalling approximately 6.313m tonnes of CO^2-e. Where new land has been acquired and established into forest, the carbon storage increases and where new forest is established on farmland there is also a gross reduction of previous farming emissions. The Company is a long-term participant in the New Zealand Emissions Trading Scheme which enables the Company to be financially rewarded for carbon sequestration.

The Company has been a leader in using waste wood for establishing bio-energy supplies in the Otago and Clutha districts, and multiple energy sites across these districts are now powered by renewable wood energy sourced from the Company's waste forest products. During the year, bio-energy supply has been expanded through further bio-energy supply contracts enabling customers to convert from coal or gas to renewable wood fuel for energy generation.

Targets for reductions in gross emissions through the forest supply chain have been established as part of the 2030 net-zero goal. Progress on scope 3 emissions reduction is likely to be hindered by the commercial availability of suitable technology like hydrogen for truck or shipping log transport or large battery powered transport systems. The Company continues to review the emissions and waste plan to support the shareholders emissions targets wherever possible.

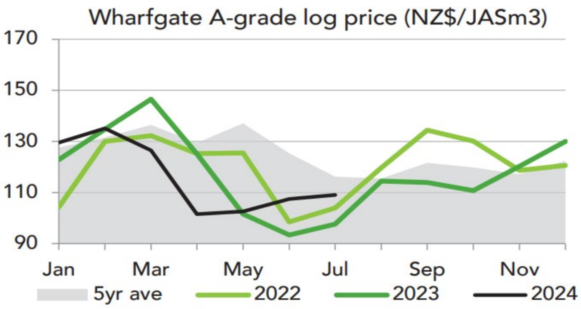
LOG EXPORT MARKETS

The Company continues to supply both the South Korean and Chinese log markets with regular break bulk shipments. Smaller volume containerised shipments were also made to South Korea, Japan and Vietnam.

Prices were subdued but generally less volatile throughout this year than last year in the "price setting" Chinese market resulting from slow economic activity, particularly, in the housing and construction sector. Log and lumber prices remain weak driven by the impact of a significant housing apartment overbuild leading to a series of Chinese building company collapses. The contributing factors of higher inflation, the beginning of population decline and geopolitical tensions over the Ukraine and Middle East wars all impacted Chinese imported log prices.

The South Korean log market was flat during the year with slow but steady overall economic activity. Like China, a subdued building and construction sector led to overall weak log demand. Two notable sawmill customer closures occurred in Korea during the year assisting in balancing demand with supply.

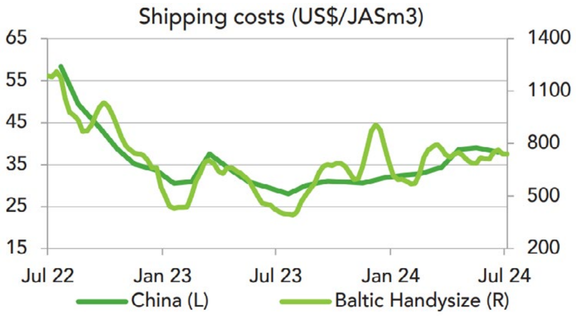
Figure 1: In Market Export A-Grade Log Prices



The cost per cubic metre of international shipping to Asian markets during the current year increased over time but on average remained lower than the previous years average.

The increase in shipping costs had a negative impact on NZD returns in a climate of generally weak in market USD log prices, leading to an overall reduction in NZD wharf gate returns.

Figure 2: International Shipping Costs



The value of the New Zealand Dollar compared to the United States Dollar less volatile during this year than last across the 0.58c - 0.635c range.

The combined movements of in market export log prices, shipping costs and the value of New Zealand Dollar delivered a period of semi-volatile log export returns for New Zealand forest owners as detailed on the chart on page 14.

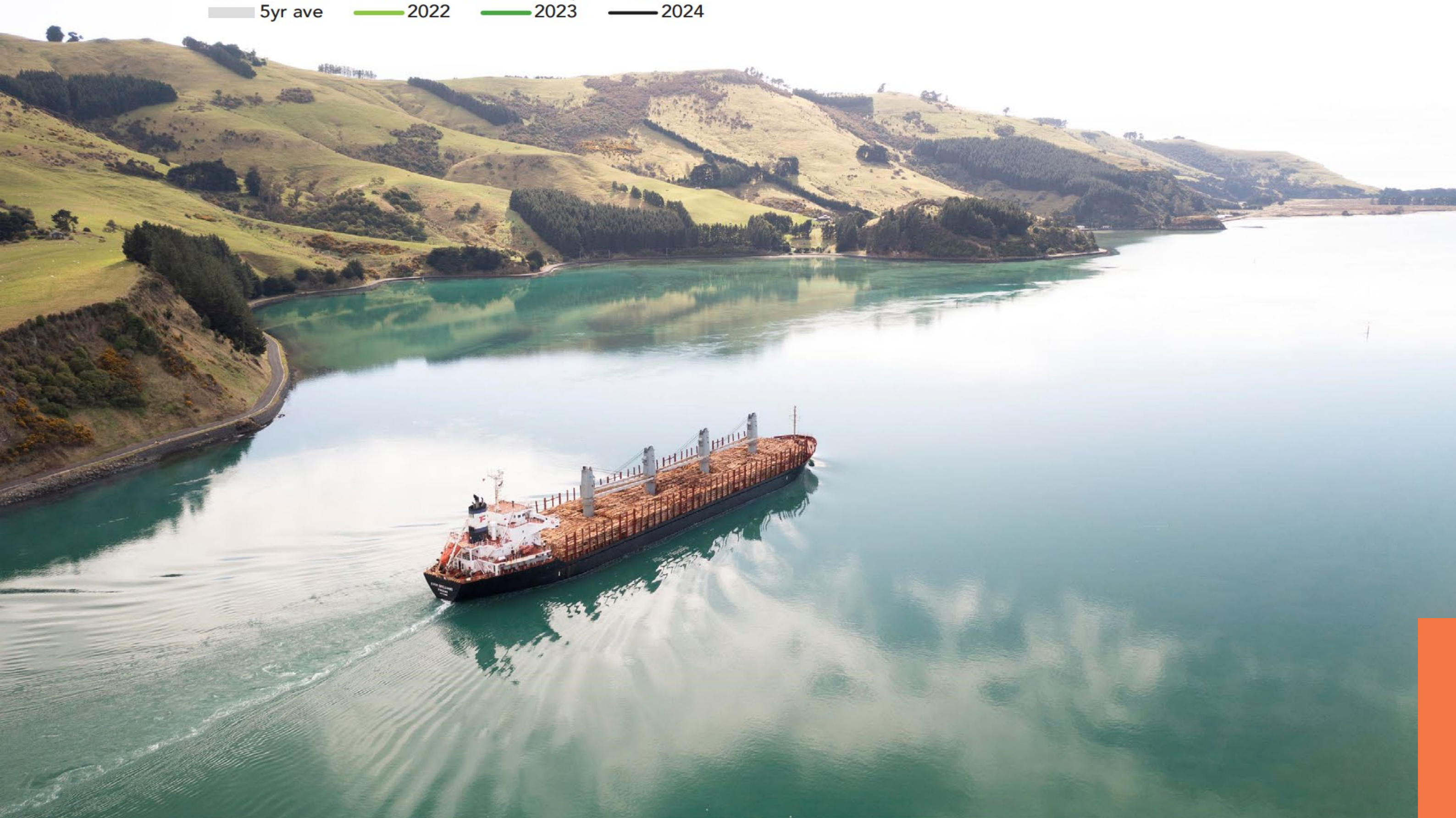
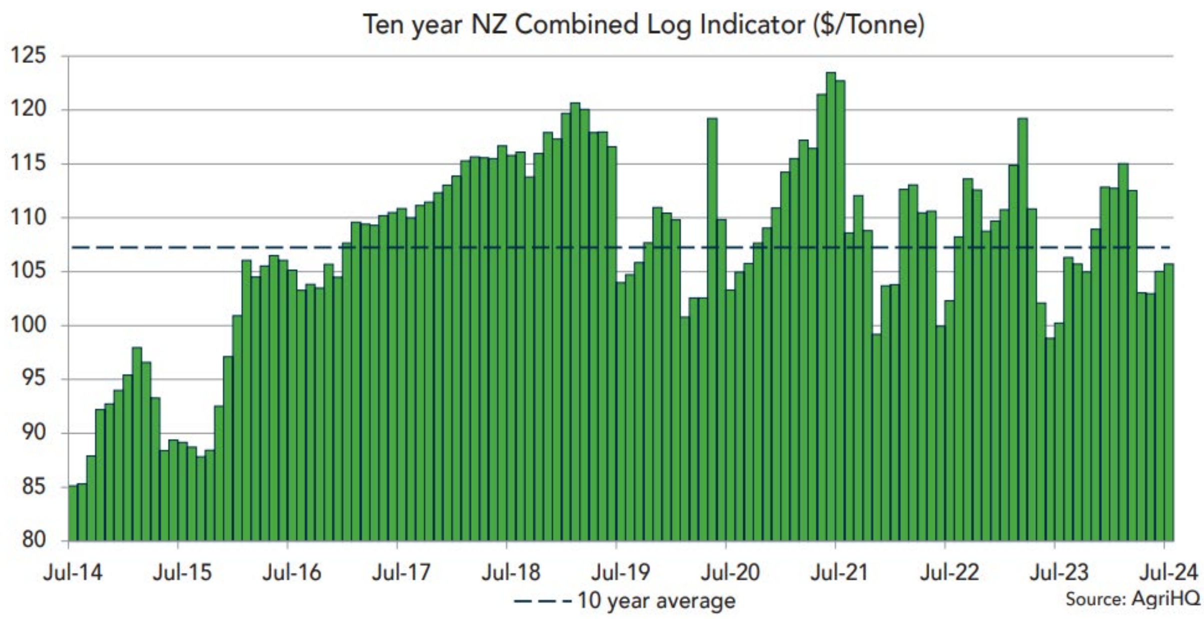


Figure 3: New Zealand Industry Long Run Average Log Prices



FOREIGN EXCHANGING HEDGING

The Company receives revenue from export log sales in United States Dollars. These are converted to New Zealand Dollars and the applicable exchange rate impacts the Company's net New Zealand Dollar returns. The Company hedges a portion of its foreign exchange risk, and the remainder of USD receipts are converted at spot rates.

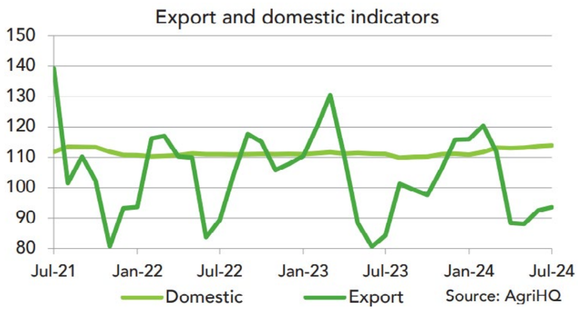
Foreign exchange risk is managed by a United States Dollar hedging portfolio administered on City Forests Limited's behalf by Dunedin City Treasury Limited. The transactions and hedging portfolio are managed in accordance with the Company's Foreign Exchange Policy that is endorsed by the shareholder. The Company was compliant with its foreign exchange policy throughout the year.

DOMESTIC LOG MARKET

The Company continues to supply domestic mills in Otago and Southland. Overall, 29% (21% previous year) of log production from the Company's forests was supplied to domestic customers. Domestic sawlog supply is constrained by domestic log processing production capacity, however, increases in bio-energy supply are being achieved.

Prices for logs supplied to domestic customers were stable during the year and were significantly less volatile than export log prices due to longer term supply agreements. Major domestic customers' log prices are agreed on a negotiated three-month log pricing cycle and as such, customers are generally insulated from competing against the rapid swings in log price that can occur in the log export market..

Figure 4: New Zealand Industry Average Export and Domestic Prices



FOREST PRODUCTION

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THE COMPANY HANDLED A TOTAL VOLUME OF 403,174 m³ FOR THE YEAR

ROADING AND INFRASTRUCTURE

A roading network of approximately 483 km is established in the Company's estate including 242 km of major roads providing arterial access throughout the estate. Secondary roads, minor roads or tracks are upgraded prior to harvest and are generally kept operational for harvesting the next crop rotation.

During the period the Company carried out road development work on newly acquired properties as well as upgrading access roads to existing forest areas prior to harvest and maintaining others.

FOREST ASSET OPERATIONS

The Company continues to re-establish all its production areas as soon as reasonably practical following harvest. The Company is actively working to plant all available productive areas in the highest genetic quality tree stock available and to apply optimum tending regimes. This involves selecting tree stocks with the best genetic potential and applying best practice silviculture during the preparation and growth phase to optimise the production potential of each forest site.

New generation tree genetics offer significant gains in tree growth and wood properties compared to the tree stocks currently being harvested.

The Company is participating in the governance and implementation of the latest forest industry research, funded by the Forest Growers Levy, to increase the productivity of the Company's forest estate. Scientists from the Crown Research Institute Scion have visited Company forests during the year to undertake trials, analyse growth data and provide advice on silviculture to increase productivity per hectare.

The Company undertakes thinning in all its forests selecting the best trees to mature to final harvest. As a direct result of the Scion research, thinning regimes have been modified to increase crop productivity. Pruning is carried out on a proportion of the most productive sites to ensure a continued production of high-quality clear wood logs principally for domestic mills.

NEW LAND ACQUISITION

During the year the Company settled 57.7 ha of new land (312.5 ha previous year). The strategy of estate expansion is currently on hold, noting increased risk and uncertainty surrounding future forestry settings within the Emissions Trading Scheme. The last areas of the Company's previously acquired land have been planted during the winter 2024 planting season.

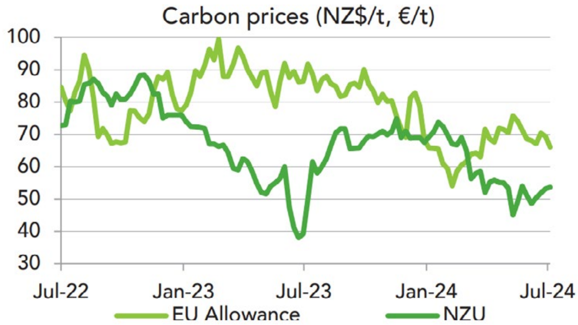
CARBON

The Company continues to be a participant in the Emissions Trading Scheme and the Company's forests store a significant volume of carbon expressed as New Zealand Units (NZU's) each representing one tonne of carbon dioxide (CO^2).

The Company did not file a voluntary emissions return for the 2023 emissions calendar year. The next return will be a mandatory return filed for the current commitment period following the 2025 emissions calendar year, capturing 2023 and 2024.

The Company did not trade any NZU's during the period. The market price of an NZU was highly volatile during the year trading between $41.75 and $75.50. The risks associated with the future value of forestry generated NZU's and the future ability to register farmland in the ETS increased sharply as a result of Climate Change Commission advice, ORC discussions, Ministry for the Environment Emission Trading Scheme consultation's and political party policy announcements.

Figure 5: NZU Price. Source NZ AgriHQ



The Company continues to model forecast future annual carbon sequestration and emission transactions in accordance with the current rules of the New Zealand Emission Trading Scheme. The model aligns future carbon transactions with the long-term strategic harvest plan. This model determines a forecast safe or liability free carbon level being the number of NZU's the Company has available for sale liability free. NZU's held above this safe level effectively have no net value as the NZU's are subject to future surrender liabilities following harvest.

The recognition of NZU's held in the Company's registry account is defined by accounting policy. Units are held at fair value. The fair value of a NZU available for sale (those identified as being within the safe-carbon level) is the market price. Carbon units that are held to be surrendered to meet future harvest liabilities (those defined as being above the safe-carbon level) are initially recognised and subsequently valued at nil.

GREENHOUSE GAS EMISSIONS REPORTING

City Forests is supporting New Zealand's goal to be Net Zero by 2050. The Company plays a pivotal role to enable key elements of the Net Zero goal. However, it is important to note that in the calculation of net emissions for accounting purposes, the sequestration of carbon by our commercial forests are excluded (being part of ETS) and therefore, despite its forestry activity, the Company reports significant net emissions.

The Company is committed to reducing its Gross Scope 1 and Scope 2 emissions by 42% by 2030 (excluding insets from or native forest carbon sequestration).

Scope 1 (direct) emissions are generated 95% from Company staff fleet vehicles and 5% from its fertiliser use. Scope 2 (indirect) emissions are essentially office electricity. Of this, staff fleet cars represent 93% of total Scope 1 and 2 emissions, and therefore there is a specific focus on these vehicles.

The Company have assumed that by 2030, 50% of staff vehicles will be converted to electric, with the remainder on hybrid for those performing field work (if the market has not offered suitable electric-ute alternatives). Under this plan the Company will be on-track to meet its gross emissions reduction target for Scope 1 and 2.

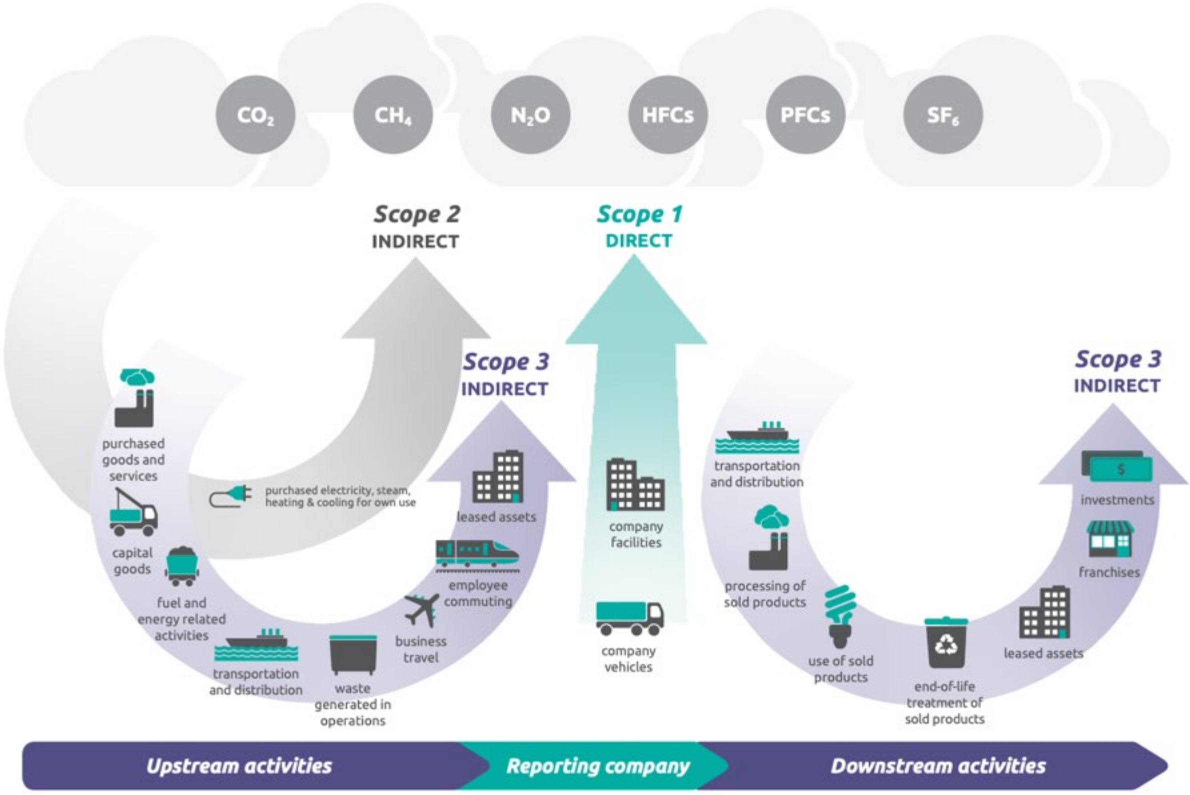
Scope 3 emissions are indirect emissions from the Company's key supply chain providers, being in-forest contractor fuels and freight (shipping and road transport), as well as the DCHL agreed Scope 3 sources of waste and travel. The Company plans to set an emissions reduction target in relation to its scope three emissions but has not yet done so due to the uncertainty around available technologies to support any commitment.

The Company generally aspires to achieve a similar level of reduction as its Scope 1 and 2 emissions for its contractor fuels. However, it recognises that low-emissions technology is not readily available in this heavy-equipment industry yet. It is expected that before 2030 new technologies will emerge that will support the Company's reduction ambitions and we are continually scanning the market for affordable and practical technology opportunities that will enable this transition.

Notwithstanding this, the Company also has a strategy of insetting carbon emissions by way of establishing and maintaining native and riparian plantings in adjacent land areas owned or managed by the Company. These areas are specifically excluded from the ETS.

The Company has no strong view as to the mid- to long-term opportunities to reduce emissions from international shipping, which dominate our Scope 3 emissions calculations (shown below as Offshore Scope 3 Emissions).

Figure 6: Source: GHG Protocol - Figure 1.1 of Scope 3 Standard



The Company has established a Carbon Emissions and Waste Reduction plan and reviewed this plan during the period. This is in line with the Net Zero 2030 target established for the Dunedin City Council group. In addition, the Company's actions of afforestation and the provision of wood fuel for bio-energy contribute to the wider Dunedin City zero carbon goal.

EMISSIONS REPORTING PROCESSES

Progress against the Carbon Emissions Reduction plan is measured by estimating Company Greenhouse Gas (GHG) emissions. The planning and estimation process has been completed with the assistance of Opportune Consulting and in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2006) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

As noted above, the Company has measured its Scope 1, 2 and 3 emissions on the following basis:

Scope 1 emissions are direct emissions that are operationally controlled by City Forests, including:

- Petrol / diesel used in Company vehicles.
- Sequestration and emissions from Forestry. Note this includes native reserve areas but excludes commercial plantations that are registered in the New Zealand Emissions Trading Scheme and are accounted for under the rules of that scheme.
- Fertiliser use.

Scope 2 emissions are indirect GHG emissions from imported energy, including:

- Purchased electricity that is consumed at operational sites.

Scope 3 emissions are the most significant source of emissions and reflect that all forest operational and supply chain activities, which incorporate the heavy industry component of the operational business supply chain, are contracted.

The Scope 3 emissions measured were chosen to ensure alignment across the Dunedin City Holdings Limited (DCHL) group of companies. It was agreed that the companies would report on a minimum set of Scope 3 emissions which are waste, freight and travel.

In addition, expansion of Scope 3 emissions reporting are to include the activity of the Company's contractors., including:

- Business travel (primarily flights and accommodation).
- Waste generated to landfill from our operations.
- Contract Operations including: land management, forest establishment and silviculture, roading and harvesting, log transport, port operations and international shipping.

RESULTS

Emissions are reported as tonnes (t) of Carbon Dioxide (CO^2) equivalent (e); or tCO^2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

EMISSIONS BY SCOPE

City Forests estimated gross GHG emissions for the year ended 30 June 2024 are 24,897 tCO²-e, with sequestration from insetting (native reserve areas) of 4,931 tCO²-e, resulting in net emissions of 19,966 tCO²-e.

Note; As described above, commercial forest carbon sequestration / emissions are excluded and the Company's primary source of emissions is Scope 3 emissions relating to contract supply chain operations.

The standard emissions model was utilised as provided by Opportune Consulting to estimate emissions for the financial year. The model uses standardised emission factors by activity and fossil fuel energy source and as such provides an estimate of Company emissions. It should not be read as a precise calculation of Company emissions.

Table 1: Emissions by Scope by year

	2021	2021	2022	2022	2023	2023	2024	2024
Emissions	**t CO²-e**	**%**	**t CO²-e**	**%**	**t CO²-e**	**%**	**t CO²-e**	**%**
Scope 1	112	0.5%	105	0.5%	110	0.5%	117	0.6%
Scope 2	3	0.0%	3	0.0%	5	0.0%	3	0.0%
Scope 3	27,289	121.4%	24,129	125%	25,303	123.5%	24,777	124.1%
Total Gross	**27,404**	**121.9%**	**24,237**	**125.5%**	**25,418**	**124.1%**	**24,897**	**124.7%**
Forestry Inset	-4931	-21.9%	-4931	-25.5%	-4931	-24.1%	-4931	-24.7%
Inventory total	**22,473**	**100%**	**19,306**	**100%**	**20,487**	**100%**	**19,966**	**100%**

Note: The Forestry Inset are a has been re-mapped improving accuracy and has been restated for all years including the base year.

Table 2: Scope 3 emissions domestic and international

	2021	2021	2022	2022	2023	2023	2024	2024
Scope 3 Emissions	**t CO²-e**	**%**	**t CO²-e**	**%**	**t CO²-e**	**%**	**t CO²-e**	**%**
Scope 3 Domestic	8,317	30.5%	7,197	29.8%	7,068	27.9%	7,488	30.2%
Scope 3 International	18,972	69.5%	16,932	70.2%	18,235	72.1%	17,289	69.8%
Total Gross	**27,289**	**100%**	**24,129**	**100%**	**25,303**	**100%**	**24,777**	**100%**

Figure 7: Emissions Chart by Scope 2024

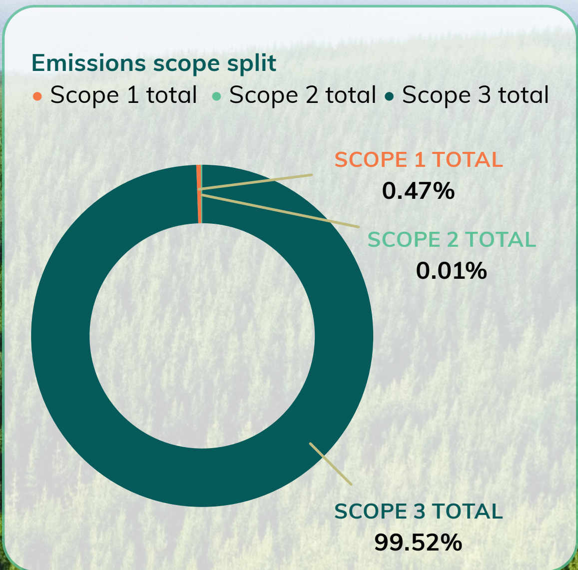


Figure 8: Emissions by activity

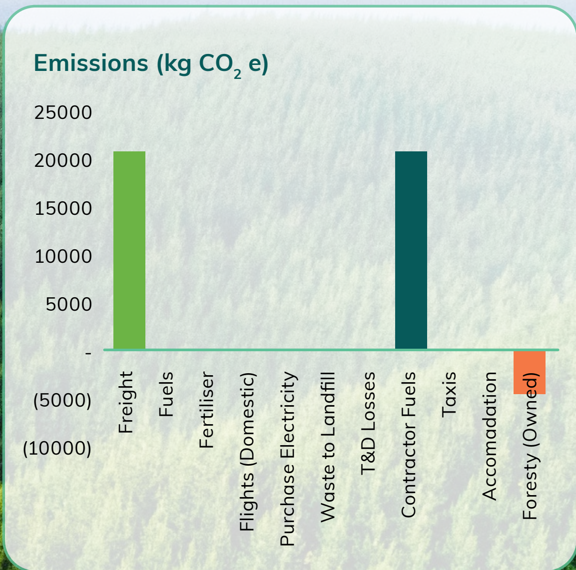


Table 3: Emissions by activity

	t CO^2-e YTD 2024
Fuels	116.6
Refrigerants	-
Animal and livestock	-
Fertiliser	0.5
Purchased Electrictiy	2.4
Flights (Domestic)	7.1
Flights (International)	0.7
Freight	20,361.7
Waste to landfill	1.5
T&D losses	0.2
Taxis	0.2
Contractor Fuel	4,405.4
Accomodation	0.3
Forestry (owned)	4,931.3
Total	19,965.2

EMISSION REPORTING NEXT STEPS

This is City Forests' fourth year estimating its emissions footprint. A number of assumptions, estimates and standard factors of emissions by activity have been utilised when calculating emissions. City Forests' will report its emissions footprint annually.

As noted in the Company's Statement of Intent, an emissions and waste reduction strategy and associated targets have been developed to work towards the Net Zero carbon 2030 goal. This will see the Company adopt business strategies and technologies, and make purchasing decisions where it is economic to do so, to reduce its emissions footprint. It is a reality that some emission reduction plans are dependent on emerging technologies that are not yet available. Other strategies such as implementing the "Workride Scheme" supporting cycle commuting have already been implemented.

It must also be reiterated that the emissions and waste reduction strategy is a separate system to the New Zealand Emissions Trading Scheme, and the Company's carbon sequestration recorded under the Emissions Trading Scheme does not count towards its emissions and waste reduction strategy targets despite such being core to the NZ carbon strategy.

FOREST VALUATION

Forest crops are valued annually on 30 June and the fair value increased by $4.704 million from the previous year. The primary drivers of the valuation change were changes in 5-year average log prices, planted area, inflation-related land rental movements, and production cost impacts. The discount rate applied to the valuation is unchanged at 5.5%.

This year's valuation change is modest and reflects the outcome of a standard New Zealand Institute of Forestry Foresty valuation approach that has been independently peer reviewed by a third-party, Woodlands Pacific.

Land is valued using a market-based fair value approach undertaken by independent registered valuers. This is consistent methodology with previous years. The land value increased overall however, certain parcels of Post-89 land reduced in value as a response to changes in the carbon price premium reflected in previous market-price assessments, and future uncertainty around Emission Trading Scheme regulations.

For both forest crop and land valuations, key input variables impacting the valuation are benchmarked against industry averages to ensure they meet the fair value test.

FUTURE STRATEGY

The Company continues to operate in a challenging forest products market brought about by global economic factors, noting that market conditions are typically variable and cyclic in nature. In addition, the environmental benefits provided by forests, such as carbon sequestration, are becoming increasingly valuable and will continue to be a strong part of its ESG strategy.

As discussed above there are currently a number of notable risk factors increasing market volatility for the Company's two key products, logs and carbon, whilst inflation of operating costs continues. Although these factors are impacting short term returns and asset valuations the long-term demand for sustainable wood products and value from climate change related environmental contributions are forecast to be strong.

Operationally, the Company plans to harvest its forests at the long-term sustainable cut level with some annual variations typically about +/-10% to adjust for market conditions. Logs will continue to be supplied to a range of domestic and international markets.

Performance improvement in tree genetics, forest silviculture and supply chain continue to be a focus of management to ensure returns from the forest estate are maximised in the long term.

The forest estate expansion is currently on hold. Any future expansions are expected to be modest and undertaken in consultation with the shareholder only where a value-add opportunity exists for the DCHL group.

The Board's focus is to ensure the Company is run on a long-term sustainable basis following the principals of kaitiakitanga ensuring financially, environmentally and social prosperity and that operational performance improvement and business growth occurs so long-term wealth and environmental prosperity continues to accumulate for the shareholder.

OUTLOOK

The outlook for the 2025 financial year is predicted to deliver a modest result similar to 2024 with profitability being constrained by market forces for the two key products (logs and carbon), inflation and geopolitical tensions. The underlying operational performance is predicted to be similar to previous years. However, profitability will be variable and dependent on how log markets, carbon markets and the wider international economy are impacted by evolving risk factors.

The Company's financial performance is driven by export and domestic log sales and strong customer relationships. A combined dividend of $12.7 million is forecast for the 2025 year. This includes a $2.7m ordinary dividend and a special distribution of $10.0m, the latter being sourced from the Company carbon asset.

Looking to the medium-term future the Company is optimistic that the New Zealand Forest Industry will continue to generate favourable returns in international and domestic log markets. This is driven by strong demand for renewable wood products domestically and from China and other Asian economies experiencing economic growth. As experienced in the past it is expected that economic volatility will cause these returns to remain cyclical in nature throughout each financial year.

Recent forest acquisitions have increased the Company's annual sustainable cut level to approximately 350,000m3 per annum. The Company is well placed with a mature, harvest ready forest and proven export capability to make the most of market opportunities.

Carbon credit revenues are expected to increase medium term due to a forecast increase in the market price of NZU's and are expected to remain a significant contributor to Company performance.

CHANGE OF DIRECTORS

The audited financial statements for the year ended 30 June 2024 are attached to this report.

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2024 are attached to this report.

DIRECTORS' INTERESTS IN CONTRACTS

Refer to Directors' Declarations of Interest section on page 28 and the Related Parties Transactions note 16.

AUDITORS

The Controller and Auditor General has contracted the audit to Audit New Zealand. Auditor's remuneration is set out in Note 4.

EMPLOYEE REMUNERATION

The number of employees with total remuneration exceeding $100,000 per annum is detailed in the following table in $10,000 remuneration brackets.

Table 4:

Employee Total Remuneration including Other Benefits, $000	No of Employees
$100,000-$110,000	1
$110,000-$120,000	3
$120,000-$130,000	1
$140,000- $150,000	1
$150,000-$160,000	1
$200,000-$210,000	1
$230,000-$240,000	1
$250,000-$260.000	1
$390,000-$400,000	1

DISCLOSURE OF CHIEF EXECUTIVE OFFICE REMUNERATION

The base salary of the CEO is in the range of $310,000 - $320,000. Additionally short-term incentives of between $30,000 and $40,000 and long-term incentives of nil are paid if performance criteria is met. This excludes other benefits.
The performance criteria used to determine the performance-based payments are based on Company financial performance, health and safety performance, delivery of strategy including performance improvement and managing risk.

GENDER DIVERSITY

There are two men and two women at board level, and four men and 1 woman at senior management level across the organisation. There are 11 men and 2 women as employees of the organisation.

INFORMATION ON THE DIRECTORS OF CITY FORESTS LIMITED

	2024	2023
Scott A Mason	75	69
Chairman (Appointed 1 September 2022) Non-Executive Director (Appointed 1 October 2019)		
Phil R Melhopt	38	37
Non-Executive Director (Appointed 1 February 2022)		
K Alison Posa	38	37
Non-Executive Director (Appointed 1 October 2019) Chair, Audit Committee (Appointed 1 May 2023)		
Kate E Bromfield	38	31
Non-Executive Director (Appointed 1 September 2022)		

DIRECTORS' INSURANCE

As provided in the Company's Constitution, City Forests Limited has arranged policies of Directors' Liability Insurance, which together with a deed of indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided that they operate within the law.

DIRECTORS' BENEFITS

No Director of City Forests has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

STAFF

The Directors record their appreciation of the professional and positive way that both staff and contractors have carried out their duties during the year. The Company is very fortunate to have a small but highly skilled and dedicated team ably led by Grant Dodson, the Company's Chief Executive Officer supported by an experienced Board of Directors.

On behalf of the Board of Directors:

S A Mason
Chairman

Date 24 Sept 2024

K A Posa
Director

Date 24 Sept 2024

CITY FORESTS

Envionmental Social & Governance

“FORESTS FOR OUR FUTURE”

ENVIRONMENT AND SUSTAINABILITY

- Continued commitment to responsible and sustainable forest estate management
- 118 years of sustainable forest management
- 24 years Certified Forest Stewardship Council
- FSC confirmed the Company's strategy/ systems are sustainable & environmentally positive
- Bio-energy – supply of logs to Otago bio-energy market/Supply wood energy to Fonterra Stirling via Pioneer Energy
- Rare Threatened & Endangered Species Protection – work with DOC/University of Otago maintained and enhanced
- Sponsorships – Orokonui Eco Sanctuary, Yellow Eyed Penguin Trust, Dunedin Wildlife Hospital, Tokomairiro High School

CLIMATE CHANGE

- Greenhouse Gas Emissions reporting undertaken
- Plan to reduce greenhouse gas emissions in place
- Participant in Emissions Trading Scheme
- Carbon Storage 6.313m tonnes $C0^2$-e
- New plantings increasing carbon storage

HEALTH AND SAFETY

- Commitment & improvement culture
- Lost Time Injury Frequency 12.0 (11.6 previous year)
- Contractor Certification
- Risk assessment
- Drug and alcohol testing
- Internal safety audit systems
- Audit and compliance

OUR PEOPLE

- Safety & well being
- Culture of valuing staff
- Training plans in place
- Apprenticeship Program participation

SOCIETY AND COMMUNITY

- Donations - Clubs & Charities
- Public use of forests in a controlled fashion is encouraged
- Events – Rally of Otago/Trail bike events
- Recreational activities – Mountain biking/ walking/horse trekking
- Bike tracks established
- Emergency Management & Rural Fire

RESPONSIBLE BUSINESS

- Corporate governance
- Risk management
- Legal compliance
- Conduct & Ethics
- Verification
  - Financial → Audit New Zealand
  - Environment → FSC
  - Health & Safety → Internal Compliance Audit / FISC Contractor Certification

Company Highlights 2024

*$,000

NET PROFIT AFTER TAX

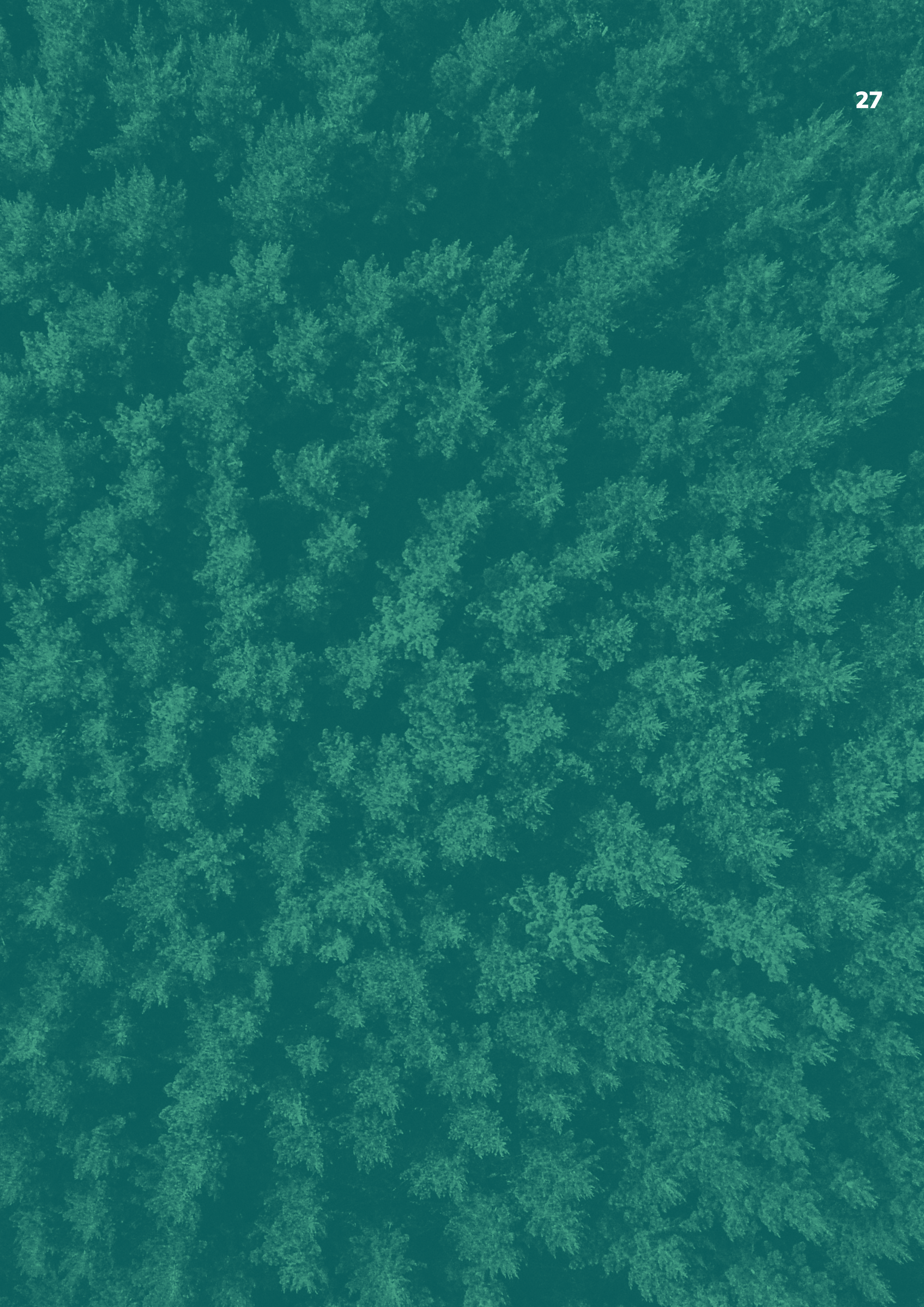
$5,094*

SHAREHOLDER FUNDS

$242,400*

DIVIDENDS PAID

$16,500*



Information on the Directors of City Forests Limited

Director, Qualifications and Declarations of Interest

Mr Scott A Mason (Non-Executive Director)
F.C.A., C.F.Inst.D., B Com., B.A., cBA., DipGradBus (Disp Res), A.A.M.I.N.Z.

Date appointed 1 October 2019
Appointed Chairman 1 September 2022

Senior Partner, Findex Otago
Director, Innovative Learning Holdings Limited (ceased)
Director, Bison Group Limited
Director, Severely Limited
Director, Financially Limited
Director, Samian Notas Limited
Director, Smith Brothers Holdings Limited (and ancillary entities)
Chairman, NomosOne Trustees Limited
Chairman, Get Home Safe Limited
Chairman, Banqer Limited
Director, Amelda Holdings Limited
Director, Andy Bay Investments Limited
Director, Blenheim Road Properties Limited
Director, Invercargill Property Investments Limited
Director, Southern Motor Group Limited (and associated entities)
Director, Wofo Limited
Director, C S Kennedy Trustee Company Limited
Chairman, Otago Branch Committee, Institute of Directors
Member, Institute of Directors of NZ Council
Trustee, StartUp Dunedin Trust
Chairman, CAANZ Tax Advisory Group

Ms K Alison Posa (Non-Executive Director)
BMS(Hons), CA. GAICD, CM.Inst.D.

Date appointed 1 October 2019
Chair, Audit Committee
Date appointed 1 May 2023

Director, Asurequality Limited
Member Audit Advisory Board, PricewaterhouseCoopers
Director, City Care Limited

Mr Philip R Melhopt (Non-Executive Director)
M.Inst.D., B Com., (Forestry)

Date appointed 1 February 2022

Chief Executive Officer, Primeport Timaru Limited

Dr Kate E Bromfield (Non-Executive Director)
PhD, CM.Inst.D.

Dated appointed 1 September 2022

Chief Executive Officer, Hazard Evaluation Limited
Board of Trustees NZ Familial Breast and Ovarian Cancer Trust
Director, Elemental Group Limited

Trend Statement

For the Year Ended 30 June 2024

(All $,000 unless stated otherwise)

FINANCIAL PERFORMANCE

	2024	2023	2022	2021	2020
Domestic Revenue	10,984	9,780	8,895	12,001	9,553
Export Revenue	48,943	53,142	55,199	51,660	37,085
Other Revenue	574	513	1,634	1,433	576
Total Operating Revenue	**60,501**	**63,435**	**65,728**	**65,094**	**47,214**
Percentage Increase	(4.63%)	(3.49%)	.97%	37.8%	(20.0%)
Inventory Movement	107	213	56	(916)	(43)
Total Expenses	**62,055**	**65,118**	**67,319**	**57,352**	**45,926**
Percentage Increase	4.7%	3.3%	17.4%	26.5%	(5.2%)
Operating (Loss)/Surplus	**(1,447)**	**(1,470)**	**(1,535)**	**6,888**	**1,245**
Gain in fair value of forestry asset	11,686	13,185	9,474	38,164	11,628
Write (down)/up value of land	(2,179)	(2,956)	453	803	(69)
Surplus After Non-Operating Items and Before Taxation	**8,060**	**8,759**	**8,392**	**45,793**	**12,804**
Income Tax	**2,966**	**3,296**	**2,232**	**12,572**	**3,626**
TOTAL SURPLUS AFTER TAXATION	**5,094**	**5,463**	**6,160**	**33,221**	**9,178**

SHAREHOLDERS' FUNDS

	2024	2023	2022	2021	2020
Shareholders' Funds	242,400	244,967	282,203	246,898	201,816
Operating Cash flow	6,814	6,258	7,258	16,344	5,659
Return of capital	-	10,000	-	-	-
Dividends Paid - Normal	3,000	3,600	5,000	4,200	4,500
- Special	13,500	-	1,800	4,000	-
Value of Forest	210,248	205,543	201,362	200,246	169,150
Surplus after tax to shareholders funds	2.1%	2.2%	2.18%	13.45%	4.55%
Proprietorship Ratio	66.4%	69.4%	72.56%	73.06%	72.12%
Net Forest Revaluation	8,414	9,493	6,822	27,478	8,374
Net Land Revaluation	2,830	(1,949)	10,156	7,327	2,796

FOREST STATISTICS (Whole numbers)

	2024	2023	2022	2021	2020
Forest harvested (m3)	389,116	360,562	343,326	388,664	310,100
Volume traded (m3)	11,853	18,914	26,358	13,597	27,093
Forest planted (ha)	824	1,214	1,054	1,030	970
Total forest (ha)	20,016	20,084	19,919	19,324	19,050
Forest purchased (ha)	-	-	130	87	-

The accompanying notes and accounting policies form an integral part of these audited financial statements.

Financial Statments

Statement of Comprehensive Income

For the Year Ended 30 June 2024

	NOTE	2024 $,000	2023 $,000
Revenue	3	60,421	63,371
Financial income		80	64
Gain in fair value of forestry asset	5	11,686	13,185
TOTAL REVENUE		**72,187**	**76,620**
Inventory Movement		**107**	**213**
LESS EXPENSES:			
Contractors		20,742	17,948
Depreciation and amortisation expense		676	663
Directors' fees		188	206
Employee expenses		2,554	2,323
Financial expenses		3,892	2,702
Other expenses	4	36,182	44,232
Total expenses		**64,234**	**68,074**
Profit before tax		**8,060**	**8,759**
Income tax expense	14	2,966	3,296
NET PROFIT AFTER TAX		**5,094**	**5,463**
OTHER COMPREHENSIVE INCOME:			
Gains/(loss) on cash flow hedges taken to equity		2,845	841
Tax effect of cash flow hedges taken to equity		(797)	(236)
(Decrease)/Increase in land revaluation		2,830	(1,949)
Carbon credits revaluation above initial recognition taken to equity		5,497	(38,530)
Tax effect of carbon credits taken to equity		(1,536)	10,775
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**8,839**	**(29,099)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,933**	**(23,636)**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2024

	2024 $,000	2023 $,000
Equity at beginning of year	**244,967**	**282,203**
Net profit after tax	5,094	5,463
Other comprehensive income for the year	8,839	(29,099)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,933**	**(23,636)**
Distribution to owners		
Dividends	(3,000)	(3,600)
Special dividend	(13,500)	-
Return of capital	-	(10,000)
	(16,500)	(13,600)
EQUITY AT END OF YEAR	**242,400**	**244,967**

Statement of Financial Position

As at 30 June 2024

EQUITY	NOTE	2024 $,000	2023 $,000
Share Capital	9	15,691	15,691
Forestry reserve	10	105,329	103,852
Land revaluation reserve	10	50,721	47,891
Hedging reserve	10	77	(1,972)
Carbon credit reserve	10	32,240	28,280
Retained earnings	11	38,342	51,225
TOTAL EQUITY		**242,400**	**244,967**

LIABILITIES

CURRENT LIABILITIES			
Trade and other payables		3,015	3,573
Other current liabilities		581	314
Employee Provisions		284	243
Derivative financial instruments	12	546	2,039
Provision for taxation	14	1,788	2,209
Lease liabilities		155	151
Total current liabilities		**6,369**	**8,529**
NON-CURRENT LIABILITIES			
Derivative financial instruments	12	-	700
Term borrowings	13	50,700	36,000
Lease liabilities		208	314
Deferred tax liability	15	65,935	62,421
Total non-current liabilities		**116,843**	**99,435**
TOTAL LIABILITIES		**123,212**	**107,964**
TOTAL EQUITY PLUS LIABILITIES		**365,612**	**352,931**

CURRENT ASSETS	NOTE	2024 $,000	2023 $,000
Cash and cash equivalents		2,210	1,184
Trade and other receivables		2,957	2,872
Inventories		1,289	1,192
Prepayments		49	127
GST refund		127	352
Deposit on land		277	113
Assets held for sale	8	3,208	-
TOTAL CURRENT ASSETS		**9,990**	**5,840**

NON-CURRENT ASSETS

Derivative financial instruments	12	653	-
Property, plant and equipment	7	98,938	101,256
Forestry assets	5	210,248	205,543
Investments		1	2
Intangibles – computer software		6	11
Intangibles – New Zealand carbon credits	6	45,776	40,279
Total non-current assets		**355,622**	**347,091**
TOTAL ASSETS		**365,612**	**352,931**

For and on behalf of the Board of Directors:

S A Mason
Chairman

Date 24 Sept 2024

K A Posa
Director

Date 24 Sept 2024

Statement of Cash Flows

For the Year Ended 30 June 2024

	NOTE	2024 $,000	2023 $,000
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH WAS PROVIDED FROM			
Receipts from customers		61,567	65,429
Interest received		80	73
		61,647	**65,502**
CASH WAS DISBURSED TO			
Payments to suppliers and employees		48,751	51,197
Effect of exchange rate changes		2,261	1,606
Interest paid		1,614	1,035
Income tax/subvention		2,207	5,405
		54,833	**59,244**
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	**17**	**6,814**	**6,258**
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH WAS DISBURSED TO			
Purchase of property, plant and equipment		836	4,389
Purchase of forest assets		2,999	3,708
		3,835	**8,097**
NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES		**(3,835)**	**(8,097)**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

	2024 $,000	2023 $,000
CASH FLOWS FROM FINANCING ACTIVITIES		
CASH WAS PROVIDED FROM		
Proceeds from borrowings	18,550	18,300
	18,550	**18,300**
CASH WAS DISBURSED TO		
Repayment of borrowings	3,850	2,900
Lease repayments	152	151
Dividends paid	16,500	3,600
Return of capital	-	10,000
	20,502	**16,651**
NET CASH INFLOWS / (OUTFLOWS) FROM FINANCING ACTIVITIES	**(1,952)**	**1,649**
Net (Decrease)/Increase in Cash Held	**1,027**	**(190)**
Cash and short-term deposits at the beginning of the year	1,183	1,373
CASH AND SHORT-TERM DEPOSITS AT THE END OF THE YEAR	**2,210**	**1,183**

ACCOUNTING POLICY

The statement of cashflows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income via surplus or deficit.

'Operating activities' represents all transactions and other events that are not investing or financing activities and includes receipts and repayments of occupancy advances.

'Investing activities' are those activities relating to the acquisition and disposal of property, plant and equipment, intangibles and other long-term assets.

'Financing activities' are those activities relating to changes in the debt capital structure of the Company.

NOTES TO THE Financial Statements

Notes to the Financial Statements

For the Year Ended 30 June 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.

The 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The annual financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (IFRS), and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the Directors on 24 September 2024.

Basis of Accounting

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board and has reported in accordance with Tier 1 For-profit Accounting standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit entities.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain property, plant and equipment, biological assets, derivative financial instruments, financial instruments classified as available for sale and financial instruments held for trading.

Changes in Accounting Policies

The Company has consistently applied accounting policies to all years in these financial statements.

A new accounting standard and amendment has been issued for the 30 June 2024 financial year and adopted by the Company. The new standard and amendment that is relevant to the Company is:

Amendments to NZ IAS 1

The International Accounting Standards Board (ASB) has issued amendments to IAS 1 Presentation of Financial Statements that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for periods beginning on or after 1 January 2023 and require entities to disclose material accounting policies rather than significant accounting policies based on a four-step materiality process. This amendment has been adopted by the Company.

Accounting Standards Not Yet Effective

New or revised standards and interpretations that have been approved but are not yet effective have not been adopted by the Company for the year ended 30 June 2024.

NZ IFRS 18 Presentation and Disclosure in Financial Statements

Issued in May 2024, is effective for annual reporting periods beginning on or after 1 January 2027, and entities can early adopt this accounting standard. NZ IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The company is yet to assess NZ IFRS 18's full impact. The company will first apply the standard to 30 June 2028 financial statements.

Other new accounting standards and amendments have been issued that are not mandatory for the 30 June 2024 financial year and have not been early adopted by the company. The company has assessed that these are not likely to have an effect on its financial statements.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the notes to the financial statements below. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities in the next financial year include:

Note 5	Forestry asset valuations
Note 6	Intangibles - New Zealand carbon credits
Note 7	Property, Plant and equipment valuation

Currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements the results and financial position of the Company are expressed in New Zealand dollars, which is the functional currency of the Company.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. The Company does not hold non-monetary assets and liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the Company may enter into forward contracts and options (see note 12 for details of the Company's accounting policies in respect of such derivative financial instruments).

Good and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset or cash-generating unit is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset or cash generating unit that remains in the revaluation reserve.

Any additional impairment is immediately transferred to the statement of comprehensive income via surplus or deficit. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories reported in the statement of financial position include:

- Log inventories

Valued at net realisable value less estimated point of sale costs.

- Other inventory

Valued at the lower of cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents are held at amortised cost.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently at amortised cost. The Company holds the trade receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 12.

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Government Grants

Government grants are recognised when there is a reasonable assurance that the Company has complied with the conditions attached to them, the grants have been received and conditions of the grants have been met.

3. REVENUE

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Sales revenue	59,927	62,922
Other revenue	494	449
	60,421	**63,371**

ACCOUNTING POLICY

Revenue Recognition

Revenue from contracts with customers is recognised when performance obligations have been satisfied.

In respect of export sales, the largest category of sales, the Company has determined that there are two performance obligations. The Company is obligated under the contract to supply the specified goods and also to arrange and pay for shipping and insurance on behalf of the customer.

Control of the goods passes, and the service of arranging shipping and insurance is complete, at the point when the goods have been loaded onto a ship at the port of departure, to be delivered to the customer's chosen destination. Revenue is recognised at this point in time.

In respect of domestic sales within New Zealand, control is considered to be transferred to the customer on delivery of the goods.

4. OTHER EXPENSES

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Audit of financial statements	129	117
Audit – cost recovery from audit of last year's financial statements	-	8
Donations	14	23
Net Impairment loss on valuation of land	2,179	2,956
Impairment on assets held for sale	94	-
Research expenditure	36	31
Cost of bush applied	10,887	12,712
Shipping costs	19,749	22,794
Other operating expenses	3,094	5,591
	36,182	**44,232**

Net reversal of land value impairments:

Impairment reversal	(88)	(72)
Write down of land value	2,267	3,028
Net write down	**2,179**	**2,956**

5. FORESTRY ASSETS

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Balance at the beginning of the year	205,543	201,362
ADD		
Costs capitalised in establishing forests during the year	3,906	3,708
Forest revaluation	11,686	13,185
LESS		
Cost of trees harvested at fair value	(10,887)	(12,712)
	210,248	**205,543**
Gains/(losses) arising from changes in fair value less point of sale costs;		
attributable to physical changes	2,416	3,374
attributable to price changes	9,270	9,811
	11,686	**13,185**

The Directors of City Forests Limited revalue its forestry assets annually as at 30 June

The valuation methodology used establishes the fair value of the collective forest crop and an independent market value has been used to establish the forest land value. The NZ IFRS valuation rules require that the value be calculated under the assumption that a stand will not be replanted once felled irrespective of the sustainable forest policy of the Directors. The change in the value of the forest from year to year is reflected in the statement of comprehensive income.

Fair value requires calculating the present value of expected net cash flows using a post-tax discount rate. This discount rate used by the Company is 5.5% (2023 5.5%).

The forestry valuation is subject to a number of assumptions. The ones with the most significant volatility or impact on the valuation are the discount rate applied and log prices adopted. The discount rate adopted was 5.5% (2023 5.5%); a +/- 50 basis point movement in the discount rate would change the valuation by +$13.7 mil / -$12.4 mil (2023 +$17.9 mil / -$8.2 mil). A 10% increase or decrease in assumed log prices would change the valuation by +$17.9 mil / -$17.9 mil (2023 +$17.0 mil / -$16.9 mil) (note that these sensitivities as shown are independent and different outcome would result from combined changes in discount and log prices).

At 30 June 2024 the Company owned stands of trees on 20,016 hectares of a total productive land within a total area of land holdings (including freehold, lease, Joint Venture & Forestry Right) of 25,245 hectares. During the year the Company harvested approx. 389,116 m3 of logs from its forests.

City Forests Limited is exposed to financial risks associated with USD log and USD sawn timber prices. This risk is managed through its financial management policy described within note 12, Financial Instruments. City Forests Limited is a long-term forestry investor that expects log prices to fluctuate within a commodity cycle. It is not possible to hedge against 100% of the price cycle but the Company does manage harvest volumes to minimise the impact of the commodity price cycle over the longer term.

The initial valuer of the forestry asset was an employee of the Company who has a Bachelor of Business Management, a Masters in Forestry Science and is a member of the New Zealand Institute of Forestry. He has the appropriate knowledge and the skills to complete the valuation.

A peer review of the valuation process and key inputs was conducted by Woodlands Pacific. The peer review was completed with regard to a summary of market transactions at arm's length terms and current market conditions. The peer review confirmed the valuation assumptions include all direct costs and revenues.

ACCOUNTING POLICY

The company capitalises the initial costs for the establishment of the forest and all subsequent costs. These costs include site preparation, establishment, releasing, fertilising, and tending.

The fair value of the forest, exclusive of the forest land, is determined at each reporting date. Fair value is equivalent to the NZIF Forest Valuation Standards definition of market value. Fair value is determined using the discounted cash flow methodology and in using this method, financing costs and replanting costs are excluded. The method first determines the current market value of the collective forest and land resource, with land then subtracted at its current market value to provide the value of the forest asset. The forestry assets valuation is based on unobservable inputs and falls withing Level 3 of the fair value hierarchy.

The valuation takes into account changes in price over the accounting period through a graduated current to five year average price curve as well as the quantity of trees harvested and the growth that has occurred in the forest. Any change in forest valuation is recorded in the statement of comprehensive income via surplus or deficit.

6. INTANGIBLES - NEW ZEALAND CARBON CREDITS

The New Zealand Emissions Trading Scheme was enacted under the Climate Change Response Amendment Act 2008 and was made into law on 26th September 2008.

A forest owner with forests established after 31st December 1989, under the Act, may opt to join the Emissions Trading Scheme. Post-89 forests will earn carbon credits (NZU's) from 1st January 2008 and these may be traded within New Zealand. City Forests Limited completed registration of the post-89 forests under the Emissions Trading Scheme in January 2010. These forests have been sequestering carbon under the scheme since 1st January 2008. Subsequent to our Post-89 registration, the New Zealand Government has allocated City Forests 2,865,718 Post-89 derived NZU's, being the carbon sequestered by these forests during the 2008 to 2020 calendar years.

There were carbon credit sales for the financial year of nil units. (2023 nil).

The carbon credits are assessed as having an indefinite life as they have no expiry date. As the NZUs are an indefinite life intangible asset they are not amortised but are tested for impairment on an annual basis or when indications of impairment exist.

As at 30th June 2024, 1,339,750 units were unsold (2023 1,233,914 units). Under the accrual principle, safe carbon level credits have been valued based on the current market prices.

The value has been carried in the financial statements as follows:

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
New Zealand carbon credits	45,776	40,279
Unt price	50.25	41.75

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.

The Company carries out modelling work to forecast future annual carbon sequestration and emission transactions in accordance with the rules of the New Zealand Emission Trading Scheme. This modelling establishes a safe or liability free carbon level being the number of NZU's the Company has available for sale liability free. NZU's held above this safe level effectively have no value as the NZU's are subject to future surrender liabilities following harvest. The safe carbon level is a management estimate based on the company's current official FMA (Forestry Management Approach) yield tables, and a City Forests' specific harvest schedule of Carbon Accounting Areas (CAAs) when managed in perpetuity. The estimate assumes ETS land eligibility for areas not yet registered. The modelling is independently reviewed by Woodlands Pacific Consulting Ltd.

The recognition of NZU's held in the Company's registry account is defined by accounting policy.

ACCOUNTING POLICY

Carbon Credits (NZU's) are treated as intangible assets..

- **Purchased carbon units are initially measured at cost.**
- **Carbon units are granted by the Government under the emissions trading scheme for carbon sequestration by post-1989 forests. Although some carbon units earned for forest growth will subsequently be returned to the government when the forest is harvested, a proportion of units will never be returned under expected forest crop rotations.**
- **All units allocated by government are initially measured at nil. Those units that are not required to be held to be surrendered to meet future harvest liabilities, are subsequently valued at fair value.**
- **Carbon units that are held to be surrendered to meet future harvest liabilities, are measured at nil.**
- **Liability free carbon units are marked to market (revalued) annually at 30 June subsequent to initial recognition. This fair value is based on current market prices. The difference between initial fair value or previous annual revaluation and revaluation value of the liability free units is recognised in other comprehensive income.**
- **The carbon credit valuation is based on market data and falls within Level 1 of the fair value hierarchy.**
- **Emissions obligations are recognised for forest harvesting that has occurred up to balance date. Emissions obligations are measured based on the carrying value of carbon units held by the company that will be used to settle the obligation (generally nil value) plus the fair value of any excess carbon units required to be purchased to meet the emissions obligation.**

NZU's # of units at end of year	2024 #	2023 #
Held at Fair value	910,957	964,766
Held at Nil value	428,793	269,148
Total Units at end of year	1,339,750	1,233,914

Units – Post 1989		
Opening	1,232,534	1,044,564
Credits Issued	105,836	187,970
Per Emissions Trading Register	1,338,370	1,232,534
Units acquired	-	-
Units sold	-	-
Fair Value NZU's	1,338,370	1,232,534

Units - Pre 1990		
Opening balance	1,380	1,380
Closing balance at end of year	1,380	1,380
Closing balance all units at end of year	1,339,750	1,233,914
Less Units at Nil value	(428,793)	(269,148)
	910,957	964,766

	$ $'000	$ $'000
Value applied to risk free units @ $50.25 (2023 $41.75)	45,776	40,279

The price of the risk-free units is determined by the NZU spot price on Jarden Commtrade as at 30 June.

The price is sensitive to economic factors that can lead to sudden significant price swings. The Company has a full policy on NZU management and manages the risk around price swings by maintaining a NZU holding as a percentage of Net Assets, constantly monitoring & reporting on current price/trends of NZUs and ensuring action if any quantitative trigger points occur in terms of upper/lower value thresholds.

The risk-free number of NZUs are determined by forest estate modelling of the company's forest growth and forecast harvest profile. This generates forecast future annual carbon sequestration and harvest liability transactions in accordance with the rules of the New Zealand Emission Trading Scheme.

The time period that a NZU is held at nil value to meet future harvest liabilities is from balance date to the projected low point in the company's carbon modelling.

The calculation of Safe carbon is a management estimate based on the best information available at 30 June.

The calculation is dependent on assumptions made in;

- the formation of the future harvest plan,
- an assumption of no change to the current FMA carbon yield tables
- and an estimation of carbon to be derived from a proportion of the post-89 forest area currently un-registered. This is new land either in the registration process or pending registration following planting.

All of these variables are expected to change over time. The calculation is most sensitive to the harvest plan assumptions and the harvest plan can be expected to be modified over time as the forest harvest program is managed to meet market and supply chain operational constraints.

7. PROPERTY, PLANT AND EQUIPMENT

2024	FOREST LAND VALUATION $'000	BUILDING COST $'000	ROADS BRIDGES COST $'000	PLANT EQUIPMENT COST $'000	MOTOR VEHICLES COST $'000	OFFICE EQUIPMENT COST $'000	WORK IN PROGRESS COST $'000	RIGHT OF USE ASSET $'000	TOTAL $'000
Cost or Valuation									
Balance at beginning of year	96,601	2,078	10,591	1,526	1,353	210	152	925	113,436
Purchases	569	9	89	196	107	17	8	46	1,041
Revaluation	2,830	-	-	-	-	-	-	-	2,830
Disposals/Transfer	(1,695)	(1,696)	-	-	-	-	-	-	(3,391)
Balance at end of year	**98,305**	**391**	**10,680**	**1,722**	**1,460**	**227**	**160**	**971**	**113,916**
Accumulated depreciation/impairment									
Balance at beginning of year	4,078	278	5,358	1,112	593	175	122	466	12,182
Depreciation	-	47	266	76	132	13	-	-	534
Net Impairment	2,179	-	-	-	-	-	-	-	2,179
Disposals/Transfer	-	(90)	-	-	-	-	30	143	83
	6,257	**235**	**5,624**	**1,188**	**725**	**188**	**152**	**609**	**14,978**
BALANCE AT END OF YEAR	**92,048**	**156**	**5,056**	**534**	**735**	**39**	**8**	**362**	**98,938**
Carrying amounts of revalued assets if measured under the cost model	47,595								

The company has had its land assets independently valued at 30 June 2024 by Morice Limited using the Fair Value approach. Morice Limited is a valuation company used by various other forestry companies. The revaluation movement in the land for the year ended 30 June 2024 was a increase of $650k (2023 decrease of $4,905k). All other asset classes are shown at cost.

The land valuation is based on market data and falls within Level 1 of the fair value hierarchy. The land is valued at the component level and the valuation methodology takes into account the key factors impacting land value such as location, productivity, size, ETS status, altitude, contour, local authority zoning and development potential relative to market evidence. This method is consistent with the previous period.

ACCOUNTING POLICY

Property plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment, apart from forestry land, are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

There is no property, plant and equipment whose title is restricted or pledged as security.

Forestry land is stated at its revalued amount, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by Morice Limited.

Self-constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Revaluations of forestry land are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial postition date.

Any revaluation increase is credited to the appropriate revaluation reserve, except to the extent that it reverses a revaluation decrease previously recognised as an expense, in which case the increase is credited to the statement of comprehensive income via other comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged so as to write off the cost of assets, other than forestry land on the straight-line basis or diminishing value basis. Rates used have been calculated to allocate the assets cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

Depreciation rates and methods used are as follows:

	RATE	METHOD
Freehold buildings	2% - 5%	Straight Line
Roads	5% - 24%	Diminishing Value
Bridges	2% - 2.4%	Diminishing Value
Plant and equipment	6% - 80.4%	Diminishing Value
Fences	10% - 13%	Diminishing Value
Motor vehicles	9.6% - 36%	Diminishing Value
Office equipment	10% - 60%	Diminishing Value
Right of use asset	33% - 36%	Straight Line

Derecognition

Forestry assets and property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income via surplus or deficit in the year the item is derecognised.

2023

	FOREST LAND VALUATION $'000	BUILDING COST $'000	ROADS BRIDGES COST $'000	PLANT EQUIPMENT COST $'000	MOTOR VEHICLES COST $'000	OFFICE EQUIPMENT COST $'000	WORK IN PROGRESS COST $'000	RIGHT OF USE ASSET $'000	TOTAL $'000
Cost or Valuation									
Balance at beginning of year	94,811	1,762	9,886	1,449	813	201	152	794	109,868
Purchases	3,739	316	705	77	540	10	-	131	5,518
Revaluation	(1,949)	-	-	-	-	-	-	-	(1,949)
Disposals	-	-	-	-	-	1	-	-	1
Balance at end of year	**96,601**	**2,078**	**10,591**	**1,526**	**1,353**	**210**	**152**	**925**	**113,438**
Accumulated depreciation/impairment									
Balance at beginning of year	1,122	232	5,101	1,040	472	161	-	324	8,452
Depreciation	-	46	257	72	121	14	-	142	652
Net Impairment reversal	2,956	-	-	-	-	-	-	-	2,956
Disposals	-	-	-	-	-	-	122	-	121
	4,078	**278**	**5,358**	**1,112**	**593**	**175**	**122**	**466**	**12,182**
BALANCE AT END OF YEAR	**92,523**	**1,800**	**5,233**	**414**	**760**	**35**	**30**	**459**	**101,256**
Carrying amounts (revalued assets if measured under the cost model)	47,025								

8. ASSETS HELD FOR SALE

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Buildings	1,513	-
Land	1,695	-
BALANCE AT END OF YEAR	**3,208**	**-**

Three lifestyle properties have been recategorised to Assets held for Sale at June. The properties each contain a residence(s) and various farm out buildings. The properties are being subdivided off existing forestry land acquired in prior years. The sales of all three properties are expected in the next financial year. An agent & a surveyor have been engaged to assess and commence the subdivision and marketing of the properties and management are actively working in preparation toward the sales.

The impairment loss recognised of $94k for the sale of one property is shown in comprehensive income under Other expenses (note 4).

9. EQUITY - SHARE CAPITAL

Issued Capital	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Balance at the beginning of the year	15,691	25.691
Return of capital	-	(10,000)
BALANCE AT END OF YEAR	**15,691**	**15,691**

The Company has issued 24,779,775 (2023 24,779,775)ordinary shares and these are fully paid. Fully paid ordinary shares carry 1 vote per share and carry the right to dividends and pro rata share of net assets on winding up of the Company.

10. EQUITY

Forestry Reserve

	As at 30 June 2024 $,000	As at 1 July 2023 $,000
Balance at beginning of the year	103,852	102,520
Transfer from retained earnings	1,477	1,332
BALANCE AT THE END OF THE YEAR	**105,329**	**103,852**

The forestry reserve arises with the revaluation of the forestry assets which is put to the statement of comprehensive income. There is a transfer between retained earnings and the forestry reserve of the revaluation net of deferred taxation.

Hedging Reserve

Balance at beginning of the year	(1,972)	(2,578)
Gain/(loss) in fair value movement in derivatives	2,049	606
BALANCE AT THE END OF THE YEAR	**77**	**(1,972)**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments relating to interest payments and foreign exchange transactions that have not yet occurred.

Land Revaluation Reserve

Balance at beginning of the year	47,891	49,839
Forestry land revaluations	2,830	(1,950)
BALANCE AT THE END OF THE YEAR	**50,721**	**47,891**

The land revaluation reserve records movements in the fair value of land.

Carbon Credit Reserve

Balance at beginning of the year	28,280	56,034
Gain/(Loss) in carbon credits above initial recognition value	3,961	(27,754)
BALANCE AT THE END OF THE YEAR	**32,241**	**28,280**

The carbon credit reserve records movements in the fair value of carbon credits. The amount held in the reserve is net of deferred tax where relevant. Any value above initial recognition is held in the Carbon Credit revaluation reserve.

11. RETAINED EARNINGS

	As at 30 June 2024 $,000	As at 1 July 2023 $,000
Balance at the beginning of the year	**51,225**	**50,695**
Net profit for the year	5,094	5,463
Dividend distributions	(16,500)	(3,600)
Transfer to forestry reserve	(1,477)	(1,333)
BALANCE AT THE END OF THE YEAR	**38,342**	**51,225**

Currency derivatives

Currency Risk

The Company manages risk associated with exchange rate fluctuations through the use of currency derivatives to hedge significant future export sales. The foreign exchange policy of City Forests Limited allows foreign exchange forward contracts and options in the management of its exchange rate exposures. The instruments purchased are only against the currency in which the exports are sold.

For hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the company performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. The company uses the hypothetical derivative method for the hedge effectiveness assessment and measurement of hedge ineffectiveness. This is a simplified approach because the currency of the exposure and hedging instruments perfectly match, and the company excludes from the designation the foreign currency basis spread.

At balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which City Forests Limited is committed are as follows:

Outstanding Contracts	*Average exchange rate* 2024	*Foreign currency* 2024 FC'000	*Contract value* 2024 NZD'000	*Fair value* 2024 NZD'000	*Fair value* 2023 NZD'000
Cashflow hedges Sell USD					
Current	0.627	12,000	19,166	(546)	(2,039)
Non-current	0.599	17,800	29,729	653	(700)
				(107)	**(2,739)**

2024 Financial Assets	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs	Total
Trade and other receivables	2,957	-	-	-	-	-	2,957
Derivative financial instruments	-	384	269	-	-	-	653
	2,957	**384**	**269**	**-**	**-**	**-**	**3,610**

2023	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs	TOTAL
Financial Assets							
Trade and other receivables	2,872	-	-	-	-	-	2,872
Derivative financial instruments	-	-	-	-	-	-	-
	2,872	**-**	**-**	**-**	**-**	**-**	**2,872**
Financial Liabilities							
Trade and other payables	3,887	-	-	-	-	-	3,887
Derivative financial instruments	2,039	613	87	-	-	-	2,739
Borrowings	-	-	-	-	-	36,000	36,000
	5,926	**613**	**87**	**-**	**-**	**36,000**	**42,626**

Under NZ IFRS 9, all the financial assets and liabilities are measured at fair value through profit and loss, or fair value through OCI on the basis of the Company's business model for management of the financial instrument and the contractual cash flow characteristics thereof the financial instrument.

The Company enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss.

The company's risk management policy is to hedge a portion of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 60 month period. The company uses forward exchange contracts to hedge its current risk, most with a maturity of less than 16 months from the reporting date. These contracts are designated as cash flow hedges.

The following parameters are used:

0-12 months	40-100%
13-24 months	25-75%
25-36 months	0-50%

Apart from investments and derivative financial instruments, the company's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, accruals and term borrowings continue to be measured at amortised cost as they meet the conditions under IFRS 9.

Under NZ IFRS 9, the new impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost. The introduction of the new impairment model has had no impact on the Company's financial assets classified as measured at amortised cost. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no adjustment was required on transition.

Impairment of Financial Assets

The Company has financial assets that are subject to the expected credit loss model

- Trade receivables for sales of goods

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial

Trade Receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Company identifies increased debtor terms and accordingly adjusts the historical loss rates based on expected changes in these factors. All debtors have been used for the expected loss calculation.

On that basis, the loss allowance as at 30 June 2024 was determined as follows:

30 June 2024	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total $'000
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount –	1,045	1,783	-	24	2,852
Trade receivables	-	-	-	-	-
Loss allowance	-	-	-	-	-

30 June 2023					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount –	2,729	76	-	8	2,813
Trade receivables	-	-	-	-	-
Loss allowance	-	-	-	-	-

Liquidity Risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Credit Risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Sensitivity Analysis

Based on historic movements and volatilities the following movements are reasonably possible over a twelve-month period:

- Proportional foreign exchange rate movement of -10% (depreciation of NZD) and a +10% (appreciation of the NZD) against the USD, from the year end rate of .6221.

Should these movements occur, the impact on profit and loss and equity for each category of financial instrument held at balance date is presented below. The movements are illustrative only.

	Notional Value	Foreign exchange			
	$'000	-10%		+10%	
		Equity	Profit	Equity	Profit
Financial Assets					
Derivatives Currency Hedges – Sell USD	48,895	5,341	-	(4,370)	-
Other Financial Assets	1,503	-	167	-	(137)
Total increase/(decrease)		**5,341**	**167**	**(4,370)**	**(137)**

1. Accounts receivable within City Forests Limited include $1.51 million of USD denominated receivables at year end.
2. Derivatives subject to the hedge accounting regime are managed by the Company to be 100% effective and thus there is no sensitivity to equity change in either interest rates or exchange rates.
3. Borrowings are subject to an interest rate hedging policy. Sensitivity to any movement in the interest rate is limited to the effect on the amount of floating rate debt that exceeds the amount of the fixed rate hedge.
4. The carrying value of the derivative has been calculated based on rates on each individual contract.

Fair value of financial instruments

Fair value measurements recognised in the statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2024			
	Level 1 NZ $'000	Level 2 NZ $'000	Level 3 NZ $'000	TOTAL NZ $'000
Financial Assets				
Derivative financial liabilities	-	653	-	653
	-	**653**	**-**	**653**

	2024			
	Level 1 NZ $'000	Level 2 NZ $'000	Level 3 NZ $'000	TOTAL NZ $'000
Financial Liabilities				
Derivative financial liabilities	-	546	-	546
	-	**546**	**-**	**546**

	2023			
	Level 1 NZ $'000	Level 2 NZ $'000	Level 3 NZ $'000	TOTAL NZ $'000
Financial Liabilities				
Derivative financial liabilities	-	2,739	-	2,739
	-	**2,739**	**-**	**2,739**

ACCOUNTING POLICY

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Company uses foreign exchange forward contracts, commodity swaps and interest rate swap contracts to hedge these exposures.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the statement of comprehensive income via other comprehensive income.

The use of financial derivatives is governed by the Company's policy approved by the board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value on the date that the derivative is entered into and are subsequently remeasured to their fair value. The fair value on initial recognition is the transaction price. Subsequently fair values are based on independent bid prices quoted in active markets as provided to us by our banker counter parties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the statement of comprehensive income via surplus or deficit. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the statement of comprehensive income via other comprehensive income in the same year in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the statement of comprehensive income via other comprehensive income. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the statement of comprehensive income via other comprehensive income.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than twelve months and as a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income via surplus or deficit as they arise. Derivatives not designated for effective hedge relationship are classified as current assets or liabilities.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income via surplus or deficit for the year.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

13. TERM BORROWINGS

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Dunedin City Treasury loan	50,700	36,000
	50,700	36,000

There is no security over the Dunedin City Treasury loan. This loan facility is $60m (2023 $36m) evergreen.

The effective rate of interest for the Dunedin City Treasury Limited loan facility, ranged between 4.35% and 4.66% (2023 3.60% – 4.35%).

All borrowings are provided under a facility agreement with Dunedin City Treasury Limited (DCTL), a related party of the Company. DCTL provides corporate treasury services to Dunedin City Council (DCC), Dunedin City Holdings Limited (DCHL) and its subsidiaries. DCTL sources external debt and on-lends to DCC and the council-controlled organisations based on an average cost of borrowings. The borrowings are not required to be repaid provided the borrower is not in default and continues to meet the terms of the borrowing. The borrower may repay principal balances at any time.

DCTL typically reviews and sets a fixed interest rate at the beginning of each financial year but, contractually, interest rates may be reset every quarter. The fixed interest rate reflects the internal borrowing rate index of DCTL for the interest period. At the end of the financial year, or sooner if necessary, a retrospective interest rate adjustment is calculated to ensure that the effective rate charged to borrowers for the period reflects the actual costs of DCTL.

The Company has assessed that the fair value of borrowings on initial recognition is the face value. The interest rate set by DCTL is considered a market rate as it is based on an internal borrowing index for a fixed interest period. Debt is sourced by DCTL on ordinary commercial terms, arranged by major trading banks. DCTL also borrows from the Local Government Funding Agency (LGFA). DCTL has a credit rating equal to that of DCC and has assessed the same level of credit risk for all borrowers within the DCC group since they are ultimately owned by DCC and rely on their underlying support in a stress scenario. Accordingly, DCTL does not apply different credit spreads to different borrowers.

For the reasons noted above, the Company continues to deem it appropriate to measure its loan from DCTL at amortised cost.

Directors estimate the fair value of the Company's borrowings, by discounting their future cash flows at the market rate, to be as follows:

Multi-option note facility	50,700	36,000

The repayment period on the term borrowings is as follows:

Current	-	-
Non Current	50,700	36,000
	50,700	**36,000**

ACCOUNTING POLICY

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the statement of comprehensive income via surplus or deficit using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

14. INCOME TAX

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Net profit from continued operations	8,060	8,759
Profit before income tax	**8,060**	**8,759**
Tax thereon at 28%	2,257	2,453
PLUS/(LESS) THE TAX EFFECT OF DIFFERENCES		
Expenditure not deductible for taxation	649	860
Under / (over) tax provision in prior years	-	(17)
Plus deferred tax on buildings adjustment	60	-
Tax effect of differences	**709**	**843**
Tax expense	**2,966**	**3,296**
TAX EXPENSE MADE UP AS FOLLOWS:		
Continued operations	2,966	3,296
	2,966	**3,296**
Effective tax rate	36.8%	37.6%
REPRESENTED BY		
Current tax provision	1,779	2,209
Deferred tax provision	1,127	1,103
Deferred tax on buildings adjustment	60	-
Prior period Current tax adjustment	6	(7)
Prior period Deferred tax adjustment	(6)	(9)
	2,966	**3,296**

Tax Rate

The tax rate used in the above calculation is the corporate tax rate of 28% payable by New Zealand corporate entities on taxable profits under New Zealand law.

The Company is part of a consolidated tax group and therefore does not maintain its own imputation credit account.

ACCOUNTING POLICY

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income via surplus or deficit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date

15. DEFERRED TAX LIABILITIES AND ASSETS

2024	OPENING BALANCE SHEET $'000	CHARGED TO EQUITY $'000	CHARGED TO INCOME $'000	CLOSING BALANCE SHEET ASSETS $'000	LIABILITIES $'000	NET $'000
Property, plant and equipment	220	-	37	-	257	257
Employee provisions	(77)	-	(15)	(92)	-	(92)
Forest	40,387	-	574	-	40,961	40,961
Capitalised forestry costs	11,662	-	584	-	12,246	12,246
Revaluations of foreign exchange contracts	(767)	797	-	-	30	30
Revaluation of carbon credits	10,994	1,536	-	-	12,530	12,530
Other	2	-	1	-	3	3
Balance at the end of the year	**62,421**	**2,333**	**1,181**	**(92)**	**66,027**	**65,935**

2023	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	249	-	(30)	-	220	220
Employee provisions	(81)	-	4	(77)	-	(77)
Forest	39,870	-	517	-	40,387	40,387
Capitalised forestry costs	11,060	-	602	-	11,662	11,662
Revaluations of foreign exchange contracts	(1,002)	236	-	(767)	-	(767)
Revaluation of carbon credits	21,769	-10,775	-	-	10,994	10,994
Other	1	-	1	-	2	2
Balance at the end of the year	**71,866**	**(10,539)**	**1,094**	**(844)**	**63,265**	**62,421**

ACCOUNTING POLICY

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income via surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Transactions with Dunedin City Council Group

The Company purchased goods and services and traded with Dunedin City Council Group in respect of the following transactions:

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Purchases of goods and services from the Dunedin City Council:		
Rates and property rentals	37	31
Other	1	1
	38	**32**
Dunedin City Holdings Limited		
Dividends	3,000	3,600
Special Dividend	13,500	-
Return of Capital	-	10,000
	16,500	**13,600**
Delta Utility Services Limited		
Roading & Earthmoving Services	11	309
Subvention payments/tax compensation		
Dunedin Stadium Property Limited	1,244	981
Aurora Energy Limited	89	1,848
Dunedin City Holdings Limited	480	549
Dunedin Venues	-	9
Delta Utility Services Limited	-	798
Dunedin City Council	394	1,220
	2,207	**5,405**

Subvention payments are calculated based on the tax effect of the losses utilised.

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Loan from Dunedin City Treasury Limited as at balance date	50,700	36,000
Loans paid during the year	3,850	2,900
Loans received during the year	18,550	18,300
Interest due to Dunedin City Treasury Limited as at balance date	99	97
Interest receivable from Dunedin City Treasury Limited as at balance date	94	58
Interest paid during the year	1,769	1,083
Interest rebate received	(58)	(25)
Net interest	1,711	1,058

Other related party transactions	As a 30 June 2024 $,000	As a 30 June 2023 $,000
Primeport Timaru Limited – Phillip Melhopt	38	32
Southern Wood Council – Grant Dodson	2	5
Forest Owners Association – Grant Dodson	3	3
Orokonui Ecosanctuary – Selwyn Chalmers	30	34
Predator Free Dunedin – Selwyn Chalmers	60	69

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was:

	As at 30 June 2024 $,000	As at 30 June 2023 $,000
Salaries and Short-term benefits	1,293	1,239
	1,293	**1,239**

The remuneration of Directors is agreed annually by Dunedin City Holdings Limited in accordance with the policies that it sets from time to time. The remuneration of management is determined on the recommendation of the board committee having regard to the performance of individuals and market trends.

17. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	As at 30 June 2024 $,000	Restated as at 30 June 2023 $,000
Net profit for the year	5,094	5,463
Items Not Involving Cash Flows		
Depreciation	676	663
Depletion of forest (cost of bush)	10,887	12,712
Deferred tax	1,117	1,103
Forestry revaluation	(11,686)	(13,185)
Write down value of land/building for sale	2,274	2,955
Interest portion of lease liability	12	12
OTHER NON-CASH ITEMS		
Impact of Changes in Working Capital Items		
(Increase)/Decrease in accounts receivable	(84)	(658)
(Increase)/Decrease in inventories	(1,003)	48
(Increase)/Decrease in prepayments	78	116
(Increase)/Decrease in tax refund due	(417)	(3,210)
Increase/(Decrease) in accounts payable	(292)	817
Increase/(Decrease) in other current liabilities	62	(41)
Increase/(Decrease) in other current assets	96	(537)
Net cash inflows/(outflows) from operating activities	**6,814**	**6,258**

18. CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2024 the Company has capital commitments of Nil (2023 $452,000).

19. CONTINGENT ASSETS OR 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 30 June 2024 and similar to 30 June 2023 the value of the potential liability in future years is not known with sufficient certainty to be classified as a Contingent Liability due to the variations in the harvesting schedule, carbon reporting periods and the value of carbon to surrender. (2023 $nil.)There are no other contingent assets. (2023 $nil).

20. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

			Non cash changes			
2024	**2024** $'000	**Cashflow** $'000	**Capitalised Interest** $'000	**Foreign Exchange Movement** $'000	**Fair Value Changes** $'000	**2024** $'000
Long term borrowings	36,000	14,700	-	-		50,700
Derivative financial instruments	700	-	-	-	(1,353)	(653)
Short term derivative financial instruments	2,039	-	-	-	(1,493)	546
	38,739	**14,700**	**-**	**-**	**(2,846)**	**50,593**

			Non cash changes			
2023	**2023** $'000	**Cashflow** $'000	**Capitalised Interest** $'000	**Foreign Exchange Movement** $'000	**Fair Value Changes** $'000	**2023** $'000
Long term borrowings	20,600	15,400	-	-	-	36,000
Derivative financial instruments	1,901	-	-	-	(1,201)	700
Short term derivative financial instruments	1,679	-	-	-	360	2,039
	24,180	**15,400**	**-**	**-**	**(841)**	**38,739**

21. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred subsequent to balance date. (2023 Nil).

Statement Of Service Performance

For the Year Ended 30 June 2024

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

	PERFORMANCE MEASURE	OUTCOME
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%.
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 day held on 26 March 2024. The Company's long term strategic plan was reviewed and adopted by the shareholder during the annual budget and statement of intent process. Due to market conditions with challenges in the export real estate and construction sector, the plan incorporates a below target return on shareholders' funds of; 2.2% for the first 3 years measured on a forecast 3 year rolling average basis.
2a.	No single customer will have received more than 30% of the Company's annual harvest by volume.	Our largest customer Taelim Timber received 9% of the Company's annual harvest volume.
2b.	The percentage of annual supply to the domestic market by volume will be tracked.	Domestic log production was 29% by volume. (21% 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 year. 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 annual harvest from the Company Forest estate during the year was 389,116m3 including additional billet wood and slash recovered. This is 104.7% (on an equivalent basis) of the sustainable yield of 350,159m3. Forecast harvest levels in the long-term strategic plan for the next 3 years are; 350k m3, 350k m3 and 350k m3. 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 423 sample 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 2023 – 2024 year.

	PERFORMANCE MEASURE	OUTCOME
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.
3e.	The Company will actively participate in regional land use and environmental planning processes.	The Company has been active is submitting into the ORC land and water plan change process 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. Four 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.	Major wood processors were suppled the following volumes during the period: Pan Pac: 24,214m3 Daiken: 32,685m3 Hollows Timber: 6,672m3
5c.	The annual volume of wood supplied for bio-energy uses will be tracked and reported.	Bio-energy supply: 29,138m3
6a.	Lost time accident rates for staff and 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 12.0 lost time injuries per 1,000,000 hours.
6b.	The Company will undertake drug and alcohol testing of staff and the contract workforce. The number of random tests and percentage of positive random tests will be reported.	96 random tests were conducted during the period. 0% of tests were recorded as positive.

	PERFORMANCE MEASURE	OUTCOME
6c.	The Company will develop and have in place a People and Culture Strategy and a Diversity, Equity and Engagement Strategy by June 2024.	The company has an equal opportunity employment policy and is reporting gender diversity statistics in the annual report.
6d.	Forest Stewardship Council Certification of the Forest Estate will be maintained.	Forest Stewardship Council Certification was maintained following audit in 2023.
6e.	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.
6f.	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 $30,000 to Orokonui Eco-Sanctury, $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.
7a.	The company will report on the number of National Certificates achieved by its workforce each year.	Company Staff, Contractors and their employees achieved 7 National Certificates during the 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.	At 30 June 2024 one modern apprentice was employed in Company operations.
8a.	The Company will maintain a forest access permit system, track and report on forest recreational use statistics.	Recreation use is monitored through forest access permit issuance. 356 forest access permits were issued during the year.
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.	Company has settled 57.7 ha of land during the period.
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.	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.
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.	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.

	PERFORMANCE MEASURE	OUTCOME
9d.	Ensure that all direct employees are paid at the living wage or above.	All staff remuneration is greater than 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.	The carbon emission and waste reduction strategy (2022-2030) has been established. The strategy does not contain any quantified reduction targets for FY2024 however progress is being made towards achieving the strategy.
9f.	Implement City Forests' carbon emissions strategy developed in the 2023 financial year, and achieve our FY2024 targets.	The carbon emission strategy (2022-2030) has been established. The strategy does not contain any quantified reduction targets for FY2024 however progress is being made towards achieving the strategy. The company has reported its greenhouse gas emissions and progress towards its emissions reduction strategies in this annual report.
9g.	Implement City Forests' waste reduction strategy developed in the 2023 financial year, and achieve our FY2024 targets.	The waste reduction strategy (2022-2030) has been established. The strategy does not contain any quantified reduction targets for FY2024 however progress is being made towards achieving the strategy. The company has reported its greenhouse gas emissions and progress towards its waste reduction strategies in this annual report.

	FINANCIAL FORECASTS	$'000	ACTUAL	$'000
10a	EBITDA	8,700	EBITDA	10,447
10b	Net Profit after tax	4,598	Net Profit after tax	5,094
10c	Shareholders' funds to total assets	66.5%	Shareholders' funds to total assets	66.4%
10d	Normal Dividend	3,600	Normal Dividend	3,000
10e	Special Dividend	13,500	Special Dividend	13,500
10g	Cashflow from Operations	8,300	Cashflow from Operations	6,814
10h	Capital expenditure	1,200	Capital expenditure	987
10i	Term borrowings	47,100	Term borrowings	50,700
10j	Shareholders funds	257,300	Shareholders funds	242,700

Independent Auditors Report

For the Year Ended 30 June 2024

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of City Forests Limited's financial statements and statement of service performance for the year ended 30 June 2024

The Auditor-General is the auditor of City Forests Limited (the company). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 32 to 63, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 64 to 67.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the statement of service performance of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2024.

Our audit was completed on 24 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Independent Auditors Report

For the Year Ended 30 June 2024

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the company.

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

Independent Auditors Report

For the Year Ended 30 June 2024

For the performance targets reported in the financial statements and the statement of service performance, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported statement of service performance within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors Report

For the Year Ended 30 June 2024

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 31 and 72 to 74, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

Independence

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

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

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand


The most practical and effective method to fight climate change is to
plant trees

City Forests

www.cityforests.co.nz