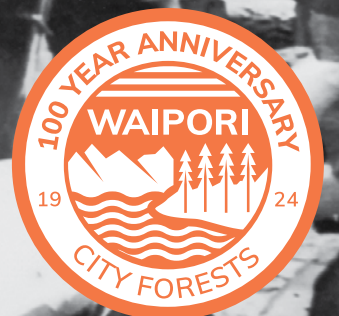




# ANNUAL REPORT

2025







## QUICK FACTS

### Community owned, city asset

City Forests is owned by the City of Dunedin, Ōtepoti and includes more than 20,000ha of productive forests, with around 9 million trees.

City Forests include over 83km 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 \$129.5m to the city in dividends since 1990.

The forestry and wood industry is New Zealand's third largest export industry, contributing significantly to our economy and making up over 8.7% 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<sup>2</sup>-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 estate are home to a wide range of native bird life and support research projects on the New Zealand Falcon (Kārearea) and Bush Robin (Kakaruai).

[www.cityforests.co.nz](http://www.cityforests.co.nz)

**\$3.134M**

Normal Dividends  
for the year ended  
30 June 2025

**\$10M**

Special Dividend

**78**

STAFF &  
CONTRACTORS  
EMPLOYED

**\$110k**

SPONSORSHIPS

- including:
- Orokonui Eco-Sanctuary
  - Yellow Eyed Penguin Trust
  - Dunedin Wildlife Hospital
  - Predator Free Otago

**6.31m**  
**TONNES**

CO<sub>2</sub>-e stored in  
City Forests

**42,761**<sub>m3</sub>

OF BIOENERGY  
SUPPLIED

**\$50k**

WILDLING PINE  
CONTROL

**83km**

of community access

**WALKING &  
MOUNTAIN  
BIKE** tracks

**25,244**<sub>ha</sub>

of LAND UNDER  
MANAGEMENT

**670,550**

NEW TREES PLANTED 2024-2025



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## APPENDIX

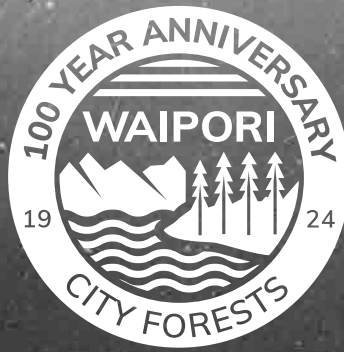
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In 1924, the Reserves Department of the Dunedin City Corporation, began its extensive plan for planting trees, which would become in later years a forest of green amid the miles upon mile of brown tussocks and so Waipori's new purpose and importance was born.

Excerpts throughout this report are taken from Waipori Timberlands, written and compiled by Marjorie Railton Kearns.

These will be noted with the tag WAIPORI 100 YEARS



## WAIPORI 100 YEARS

It was a busy time keeping the men supplied with trees and other supplies, but the small Ford truck navigated the road despite often driving through mud axle-deep, and deeply rutted by the horse-drawn wagons.

NEW ROAD CONSTRUCTION







# Company Particulars

As at 30 June 2025

7

CITY FORESTS ANNUAL REPORT 2025 // COMPANY PARTICULARS

## DIRECTORS

---

**S A Mason** – F.C.A., C.F.Inst.D, B Com., B.A., cBA.,  
DipGradBus (Disp Res), A.A.M.I.N.Z.,  
(Reappointed 1.10.22 – Appointed Chairman 1.9.22)

**K A Posa** – BMS(Hons), C.A., G.A.I.C.D., CM.Inst.D.  
(Reappointed 1.10.23)

**P R Melhopt** – M.Inst.D., B.Com. (Forestry)  
(Reappointed 1.10.24)

**K E Bromfield** – PhD, CM.Inst.D.,  
(Reappointed 1.9.24)

## 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



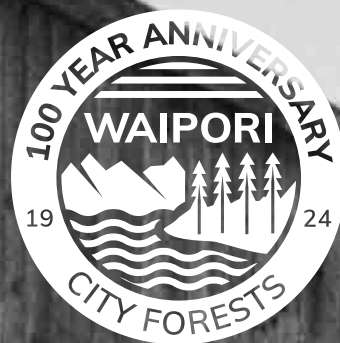
## WAIPORI 100 YEARS

February brought more publicity for Waipori forest with Japanese businessmen again showing interest in purchasing logs for export from here. They stated that any “buying of timber depended entirely on the price offered to them by the City Corporation, and the efficiency of the Port of Otago would be the deciding factors in a sale.



## SAWMILL IN ACTION





# Directors Report



# LOCAL PEOPLE EXPORTING LOCAL PRODUCTS PRIMARILY TO OVERSEAS MARKETS





# Directors' Report

For the Year Ended 30 June 2025

The Directors of City Forests Limited are pleased to present their report on the activities of the Company for the year ended 30 June 2025.

## Principal Activities of the Company

This report covers the financial year 1 July 2024 to 30 June 2025.

The principal commercial 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 2025

	\$'000
Operating Surplus before Income Tax	11,468
Less Income Tax	1,762
<b>Net Surplus for the Year</b>	<b>9,706</b>

## State of Affairs

The Directors are pleased with the results achieved by the Company during the year having regard to the unsettled international operating environment and generally slow Asian and domestic log markets. Despite these risk factors the Company has completed its operational and marketing activities with minimal disruption, achieving results slightly ahead of plan and Directors consider that the state of affairs of the Company remains satisfactory.

## Dividends

The Directors declared and paid a total of \$13,134,000 unimputed dividends during the year made up of:

- an interim ordinary dividend of \$1,000,000 in December 2024
- an additional ordinary dividend of \$434,000 in December 2024
- a final ordinary dividend of \$1,700,000 in June 2025
- a special dividend of \$10,000,000 in June 2025

## Donations

There have been \$18,755 of donations made during the year.

## Reserves

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

	\$'000
From Forestry Reserve	(1,054)
To Retained Earnings	1,482
To Hedging Reserve	1,434
To Land Revaluation Reserve	26,648
To Carbon Credit Reserve	3,996

This review of operations and the accompanying financial reports cover the 1 July 2024 to 30 June 2025 financial year.

Directors report an above plan financial performance for City Forests during the year, recording a profit after tax of \$9.71m. Unimputed dividends of \$13.134m were paid, comprising ordinary dividends of \$3.134m and a special dividend of \$10.0m. 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. The Company recorded a Lost Time Injury Frequency (LTIF) of 5.9 lost time injuries per 1 million hours worked (LTIF 12.0 previous year). There was one lost time injury during the year when a worker unfortunately suffered a broken leg from a slip and trip incident in the forest. The person is expected to make a full recovery.

Significant resources are allocated to managing and improving governance and oversight of health and safety risks in accordance with the annual plan. Health and safety plan improvements in the areas of critical risk controls, PCBU responsibility and external safety systems verification were the focus during the year. The Company continues to maintain a strong safety culture demonstrated by external certification of contract operations, internal and external verification audit compliance, driver training programs, and a commitment to a drug and alcohol impairment free workplace.

The residual impact of the recent period of global inflation, higher interest rates (now reducing) 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 weak outlook for log demand, challenging trading conditions 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. In 2025, full re-certification to the updated FSC® C008934 standard was achieved.

The forest, both exotic and indigenous, and the underlying land including water quality is managed on a long-term sustainable basis. Particular attention is given to supporting rare, threatened and endangered species such as Kārearea (New Zealand Falcon), Tōtouwai/ NZ Robin and Galaxiids within the forest estate. The Company also supports 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 are 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 occurred throughout the year.

The Company has an emissions and waste reduction plan and makes a significant contribution to the wider Dunedin City carbon neutral goal through bio-energy supplies and afforestation under the New Zealand Emissions Trading Scheme. 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 residual forest products.

Targets for reductions in gross emissions through the forest supply chain have been established as part of the emissions reduction net-zero goal. Progress on scope 3 emissions reduction remains hindered by the commercial availability of suitable technology. New non-fossil fuel power systems such as hydrogen or battery are not yet commercially available for adoption at commercial scale in a forestry setting. The Company continues to review the emissions and waste plan to support the shareholders emissions targets where opportunities to adopt these technologies arise.



## Log Export Markets

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

In-market log prices were subdued and remained within a narrow range throughout the year in the “price setting” Chinese market where housing and construction activity remains weak. Likewise, the South Korean log market was flat during the year with slow but steady overall economic activity.



Figure 1: Source AgriHQ: In Market Export A-Grade Log Prices

The cost per cubic metre of international shipping to Asian markets decreased during the current year but on average remained within the range of the previous year.

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



Figure 2: Source AgriHQ: International Shipping Costs

The value of the New Zealand Dollar compared to the United States Dollar traded across the 0.55.3c – 0.635c range during the period.

The combined movements of in market export log prices, shipping costs and the value of New Zealand Dollar delivered a period of less volatile log export returns, compared to the last 5 years for New Zealand forest owners as detailed on the chart on page 14.



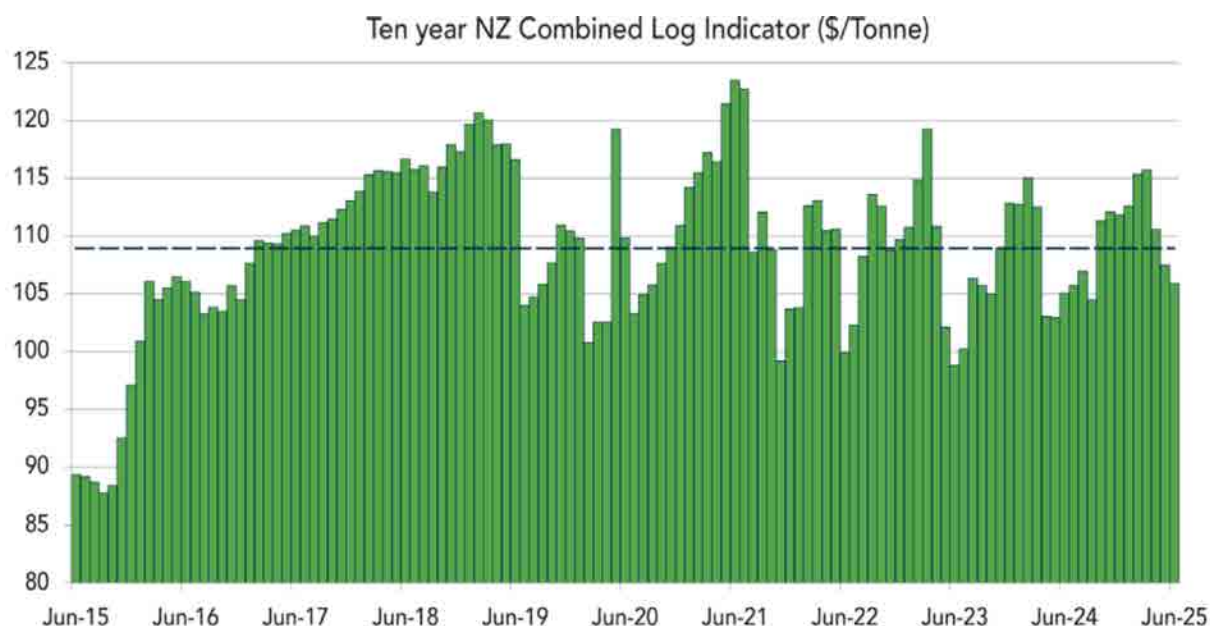


Figure 3: Source AgriHQ: New Zealand Industry Long Run Average Log Prices

### 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, 26% (29% previous year) of log production from the Company's forests was supplied to domestic customers. Domestic sawlog demand 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: Source AgriHQ: New Zealand Industry Average Export and Domestic Prices

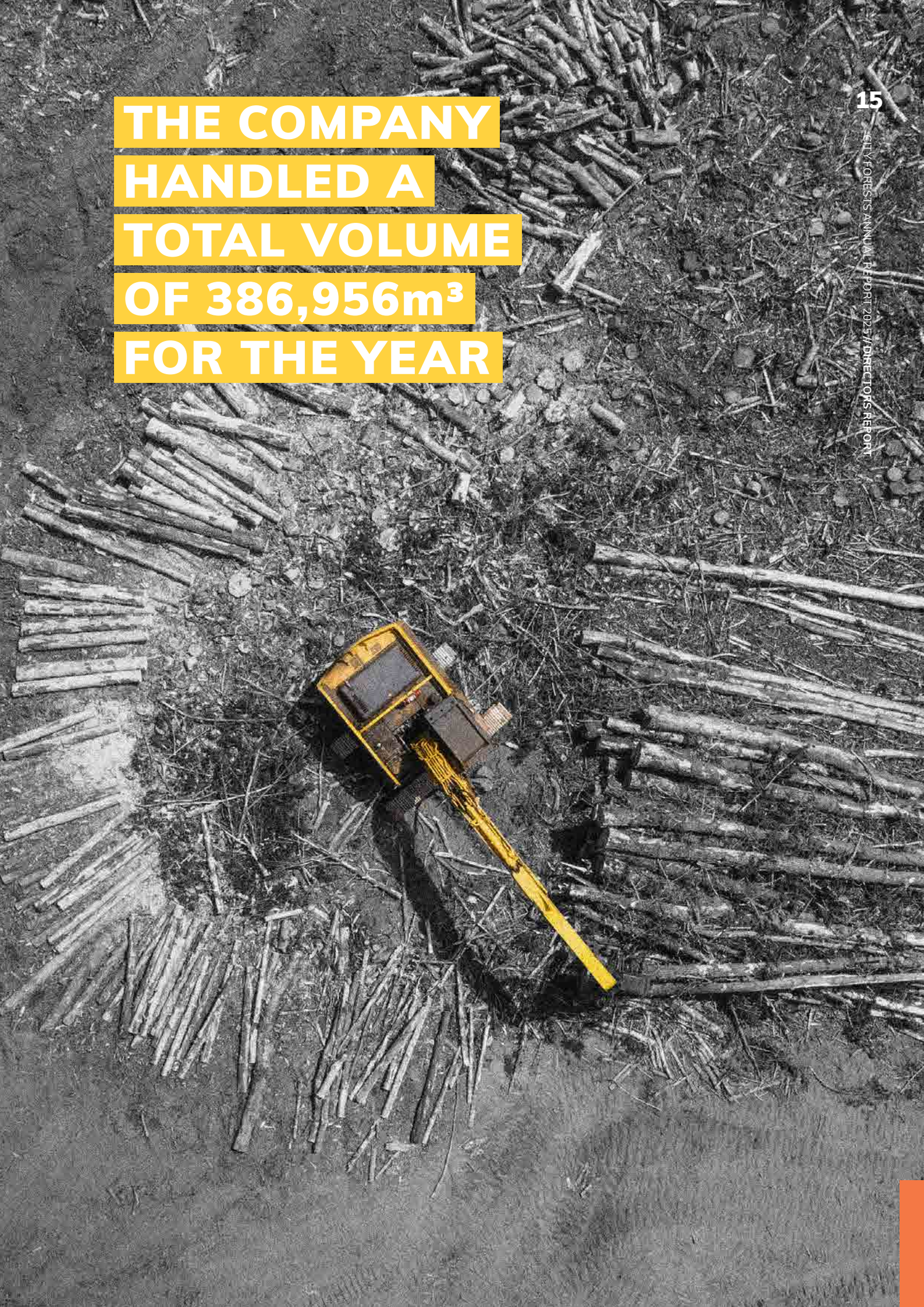
### Forest Production

Company production for the year on a sustainable cut comparative basis of 356,453m<sup>3</sup> was marginally above planned harvest of 350,036m<sup>3</sup> but very close to long term sustainable cut levels of 357,000m<sup>3</sup>. Harvest operations recovered more low-grade residual wood for domestic supply including bio-energy. Incorporating this additional recovery total production from the forest estate was 373,874m<sup>3</sup> (366,427m<sup>3</sup> previous year).

The Company handled a total volume of 386,956m<sup>3</sup> for the year. 13,082m<sup>3</sup> of outside wood was traded during the year, principally to supplement log export operations and achieve shipping efficiency.



**THE COMPANY  
HANDLED A  
TOTAL VOLUME  
OF 386,956m<sup>3</sup>  
FOR THE YEAR**





## Roading and Infrastructure

A roading network of approximately 499 km is established in the Company's estate including 243 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 both 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 continues to review and implement the applicable latest forest industry research, funded by the Forest Growers Levy, to increase the productivity of the Company's forest estate.

The Company undertakes thinning in all its forest areas selecting the best trees to mature to final harvest. Thinning operational trials using poison and mechanised thinning systems have been implemented during the year partially replacing chainsaw thinning operations.

The pruning investment strategy has been reviewed and following economic analysis the long-term pruning program has been reduced to match demand. In future pruning will only be carried out on a limited portion of the estate. Due to past pruning investment, ongoing production of high-quality clear wood logs principally for domestic mills will continue for approximately 20 years.

## New Land Acquisition

During the year the Company did not purchase any new land (nil previous year).

Four divestments of house and lifestyle block subdivisions were underway as at 30 June 2025 following the successful forest establishment of farm properties acquired over the 2020 to 2023 period.

## 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<sub>2</sub>).

The Company did not file a voluntary emissions return for the 2024 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 sold 100,000 NZU's during the period in accordance with its divestment plan.



Figure 5: Source: NZ AgriHQ NZU Price.

The Company continues to 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 fair 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 is excluded (being part of the



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 in accordance with its plan (excluding insets from native forest carbon sequestration).

Scope 1 (direct) emissions are generated only from Company staff fleet vehicles. Scope 2 (indirect) emissions are essentially office electricity. Of this, staff fleet cars represent 97.5% of total Scope 1 and 2 emissions, and therefore there is a specific focus on these vehicles.

The Company has a plan to adopt the use of low emission vehicle technology as effective options become available and by doing so the Company is expected to meet its gross emissions reduction target for Scope 1 and 2.

On-shore 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). The Company plans to set an emissions reduction target in relation to its Scope 3 emissions but has not yet done so due to the uncertainty around available new 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 hoped 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 and can be counted against our gross emissions.

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).

The Company has reviewed during the period its Carbon Emissions and Waste Reduction plan that is in line with the plan 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.

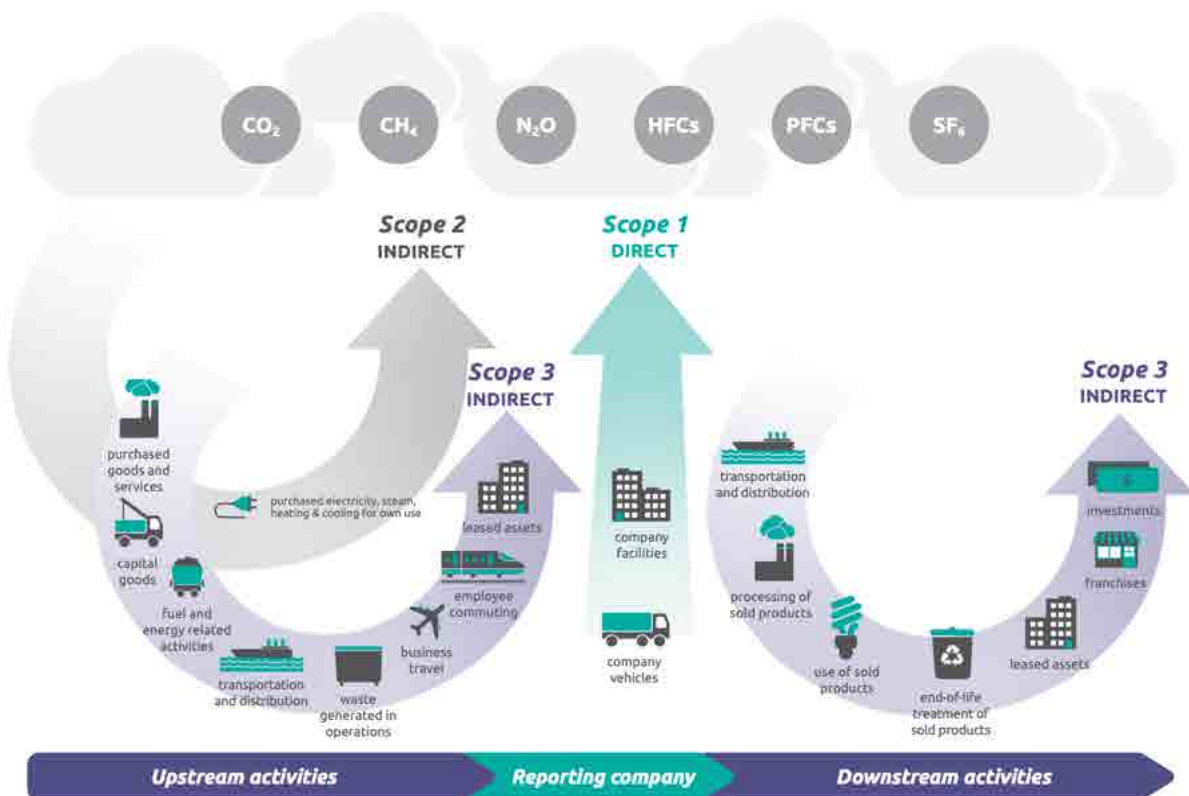


Figure 6: Source: GHG Protocol - Figure 1.1 of Scope 3 Standard

## 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.

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 pertaining to the companies business 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<sub>2</sub>) equivalent (e); or tCO<sub>2</sub>-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 2025 are 24,409 tCO<sub>2</sub>-e, with sequestration from insetting (native reserve areas) of 4,929 tCO<sub>2</sub>-e, resulting in net emissions of 19,479 tCO<sub>2</sub>-e.

Note; As described above, commercial forest carbon sequestration / emissions (arising from harvesting) are excluded and the Company's primary source of emissions is Scope 3 emissions relating to contract supply chain operations, both on-shore and off-shore.

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	2025	2025
Emissions	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%
Scope 1	112	0.5%	105	0.5%	110	0.5%	117	0.6%	117	0.6%
Scope 2	3	0.0%	3	0.0%	5	0.0%	2	0.0%	3	0.0%
Scope 3	27,289	121.4%	24,129	125%	25,303	123.5%	24,777	124.1%	24,289	118.5%
<b>Total Gross</b>	<b>27,404</b>	<b>121.9%</b>	<b>24,237</b>	<b>125.5%</b>	<b>25,418</b>	<b>124.1%</b>	<b>24,897</b>	<b>124.7%</b>	<b>24,408.5</b>	<b>119.1%</b>
Forestry Inset	-4931	-21.9%	-4931	-25.5%	-4931	-24.1%	-4931	-24.7%	-4929	-24.1%
<b>Inventory total</b>	<b>22,475</b>	<b>100%</b>	<b>19,306</b>	<b>100%</b>	<b>20,487</b>	<b>100%</b>	<b>19,966</b>	<b>100%</b>	<b>19,479.5</b>	<b>95.1%</b>

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 on-shore and off-shore

	2021	2021	2022	2022	2023	2023	2024	2024	2025	2025
Scope 3 Emissions	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%	t CO <sub>2</sub> -e	%
Scope 3 Domestic	8,317	30.5%	7,197	29.8%	7,068	27.9%	7,488	30.2%	7,231	28.6%
Scope 3 International	18,972	69.5%	16,932	70.2%	18,235	72.1%	17,289	69.8%	17,058	67.4%
<b>Total Gross</b>	<b>27,289</b>	<b>100%</b>	<b>24,129</b>	<b>100%</b>	<b>25,303</b>	<b>100%</b>	<b>24,777</b>	<b>100%</b>	<b>24,289</b>	<b>100%</b>

Figure 7: Emissions Chart by Scope 2025

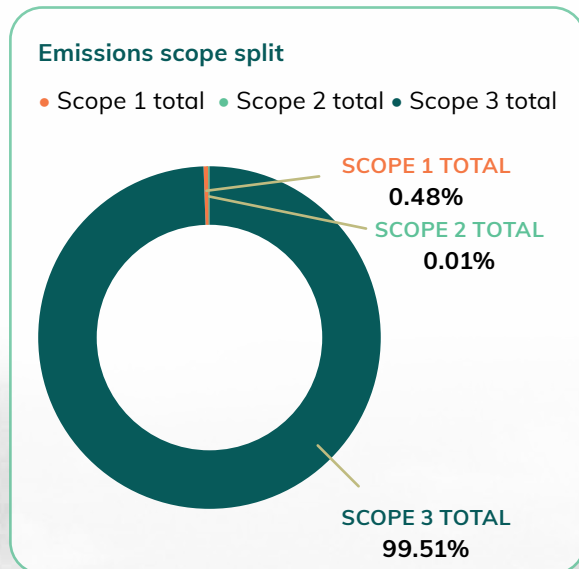


Figure 8: Emissions by activity

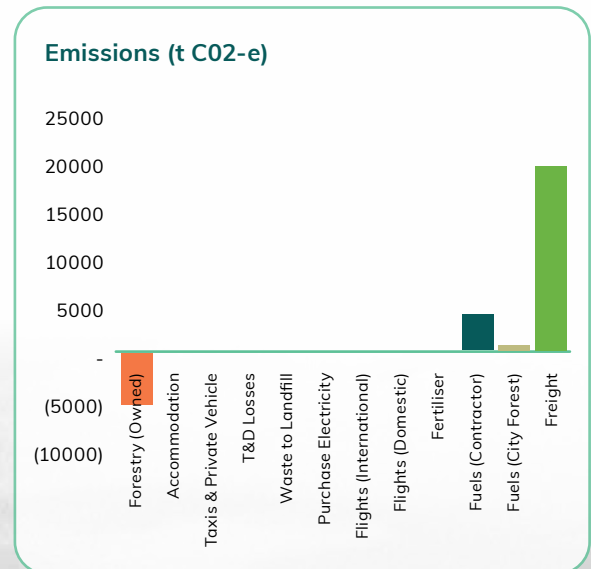


Table 3: Emissions by activity

	tCO2e YTD 2025	tCO2e YTD 2024	tCO2e Variance '25-'24	tCO2e Base year (FY21)	tCO2e Variance (FY25-21)
Fuels	117.0	116.6	0.4	107.0	10.0
Refrigerant	-	-	-	-	-
Animals and livestock	-	-	-	-	-
Fertiliser	-	0.5	(0.5)	5.0	(5.0)
Purchased Electricity	3.0	2.4	0.6	3.0	0.0
Flights (Domestic)	7.0	7.1	(0.1)	5.0	2.0
Flights (International)	30.0	0.7	29.3	-	30.0
Freight	20,047.0	20,361.7	(314.7)	22,743.0	(2,696.0)
Waste to landfill	1.0	1.5	(0.5)	1.1	(0.1)
T&D losses	0.2	0.2	-	0.3	(0.1)
Taxis & mileage	0.7	0.2	0.5	0.1	0.6
Contractor Fuels	4,202.0	4,405.4	(203.4)	4,540.0	(338.0)
Accommodation	0.2	0.3	(0.1)	0.1	0.1
Forestry (owned)	(4,929.0)	(4,931.3)	2.3	(4,929.4)	0.4
<b>Total</b>	<b>19,479.1</b>	<b>19,965.3</b>	<b>(486.2)</b>	<b>22,475.1</b>	<b>(2,996.0)</b>

Note: Base year and 2024 (YTD) is an apportioned average and does not reflect seasonality

## Biological Assets, Land and Carbon Valuations

In accordance with best practice biological assets, land and carbon are valued separately

### Biological Assets Valuation

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

Biological Assets are valued annually on 30 June and the fair value decreased by \$.143 million from the previous year. The primary drivers of the valuation change were changes in 5-year average log prices, inflation-related land rental movements, and production cost impacts.

Previous years valuations have been conducted using post-tax forecast cashflows. The Company has used a benchmarked discount rate of 5.5% applied to these post-tax cashflows which has been consistent for the past 4 years. When the previous valuations are conducted on a pre-tax basis we have calculated that a discount rate of 6.4% provides an equivalent value.

The New Zealand Institute of Forestry, Forest Valuation Standard allows for biological assets valuations to be conducted on either a post-tax or pre-tax basis however pre-tax is more common. For 2025 a pre-tax valuation methodology has been adopted. A 6.4% discount rate has been adopted. This 6.4% rate is both consistent with previous years valuations and within the range of benchmarked discount rates.

When conducting its biological assets valuation the Company notes the conflict between accounting standards NZ IAS 41 and NZ IFRS 13. NZ IAS 41 requires biological assets should be value only "what is alive" and this dictates only single rotation based cashflows are used in the forest valuation model. NZ IFRS 13 requires biological assets are valued at "fair value" which for a long-term sustainable forest investment such as City Forests could mean multi rotation cashflows could be included.

City Forests valuation practice spans both standards by incorporating components of sustainable forest management into the single rotation NZ IFRS 41 compliant valuation model. The Company receives independent advice on its valuation inputs and practice including application of accounting standards to ensure its valuation is fair and consistent with benchmarked industry practice.



## Land Valuation

Land is valued using a market-based fair value approach undertaken by independent registered valuer. This is consistent methodology with previous years. The land value increased overall, particularly certain parcels of Post-89 land. This is in response to market evidence reflecting changes in the carbon price premium. These changes reversed previous impairments to land value purchase price and significantly increased the land valuation reserve impacting both profit and shareholder equity.

## 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 Company plans to continue with a strategy of modest forest estate expansion. Any future expansions are expected to be modest and of strategic benefit, only undertaken in consultation with the shareholder 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 ensuring financial, environmental and social prosperity. Operational performance improvement and business growth will deliver long-term wealth and environmental prosperity for the shareholder.

## Outlook

The outlook for the 2026 financial year is predicted to deliver a result similar to 2025 with profitability being constrained by market forces for the two key products (logs and carbon) noting cost inflation and geopolitical trade risks. The Company's 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 operational financial performance is driven by export and domestic log sales and strong customer relationships. A combined dividend of \$8.9 million is forecast for the 2026 year. This includes a \$1.9m ordinary dividend and a special distribution of \$7.0m, the latter being sourced from sales of part of 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 357,000m<sup>3</sup> per annum. The Company is well placed with a mature, harvest ready forest and proven export capability to make the most of market opportunities.

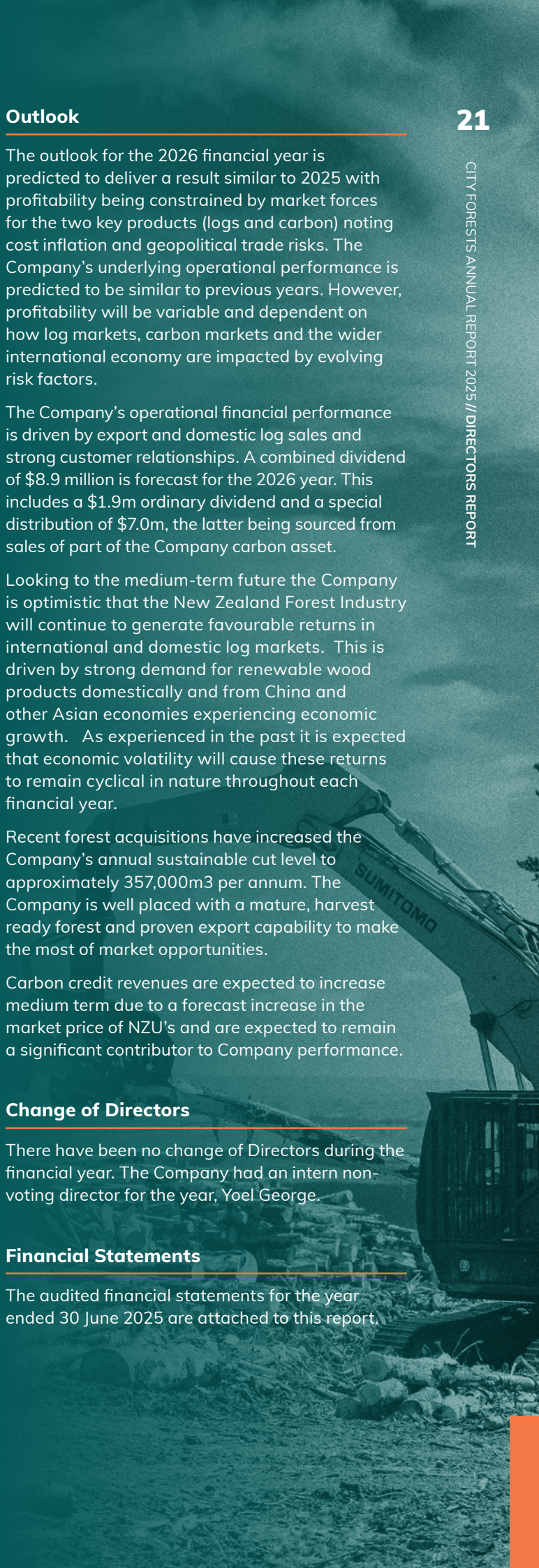
Carbon credit revenues are expected to increase medium term due to a forecast increase in the market price of NZU's and are expected to remain a significant contributor to Company performance.

## Change of Directors

There have been no change of Directors during the financial year. The Company had an intern non-voting director for the year, Yoel George.

## Financial Statements

The audited financial statements for the year ended 30 June 2025 are attached to this report.





Directors' Interests in Contracts

Refer to Directors' Declarations of Interest section on page 21 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 remunera

Table 4:

Employee Total Remuneration including Other Benefits, \$000	No of Employees
\$110,000-\$120,000	2
\$120,000-\$130,000	2
\$150,000-\$160,000	2
\$160,000-\$170,000	1
\$210,000-\$220,000	1
\$260,000-\$270,000	1
\$400,000-\$410,000	1

Disclosure of Chief Executive Office remuneration

The base salary of the CEO is in the range of \$320,000 - \$330,000. Additionally short-term incentives of between \$40,000 and \$50,000 and long-term incentives of nil are paid if performance criteria are met. This excludes other benefits of \$33,000. 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, (excluding one female intern director), and four men and one woman at senior management level across the organisation. There are 10 men and 3 women as employees of the organisation.





## Information on the Directors of City Forests Limited

	2025	2024
<b>Scott A Mason</b>	75	75
Chairman (Appointed 1 September 2022) Non-Executive Director (Reappointed 1 October 2022)		
<b>Phil R Melhopt</b>	38	38
Non-Executive Director (Reappointed 1 October 2024)		
<b>K Alison Posa</b>	38	38
Non-Executive Director (Reappointed 1 October 2023) Chair, Audit Committee (Appointed 1 May 2023)		
<b>Kate E Bromfield</b>	38	38
Non-Executive Director (Reappointed 1 September 2024)		

## 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** 30 Sept 2025

**K A Posa**  
Director

**Date** 30 Sept 2025





CITY FORESTS

# Environmental Social & Governance

“FORESTS FOR OUR FUTURE”





## Environment and Sustainability

---

- › Continued commitment to responsible and sustainable forest estate management
- › 118 years of sustainable forest management
- › 25 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 Dunedin Energy Centre 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, Predator Free Otago

## 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 CO<sub>2</sub>-e
- › New plantings increasing carbon storage

## Health and Safety

---

- › Commitment & improvement culture
- › Lost Time Injury Frequency 5.9 (12.0 previous year)
- › Contractor Certification
- › Risk assessment
- › Drug and alcohol testing
- › Internal safety audit systems
- › Audit and compliance

## Our People

---

- › Safety & well being focus
- › 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

\*\$'000

2025

## WAIPORI 100 YEARS

The net income for the council from current forestry operations would be nearly \$150,000 for 1970-71. It would be available for development of its forestry reserves. Last year the council sold more than 3,000 acres of trees, which will bring in an estimated \$2.5 million over the next ten years."





NET PROFIT AFTER TAX

**\$9,706\***

SHAREHOLDER FUNDS

**\$274,907\***

DIVIDENDS PAID

**\$13,134\***





In 2024 Waipori Forest celebrated its 100-year anniversary. The following excerpts are taken from Waipori Timberlands, written and compiled by Marjorie Railton Kearns. Her work provides a glimpse into the history of the Waipori Forest, and the lives of the people who shaped the land.

"In 1924, the Reserves Department of the Dunedin City Corporation, began its extensive plan for planting trees, which would become in later years a forest of green amid the miles upon mile of brown tussocks and so Waipori's new purpose and importance was born.

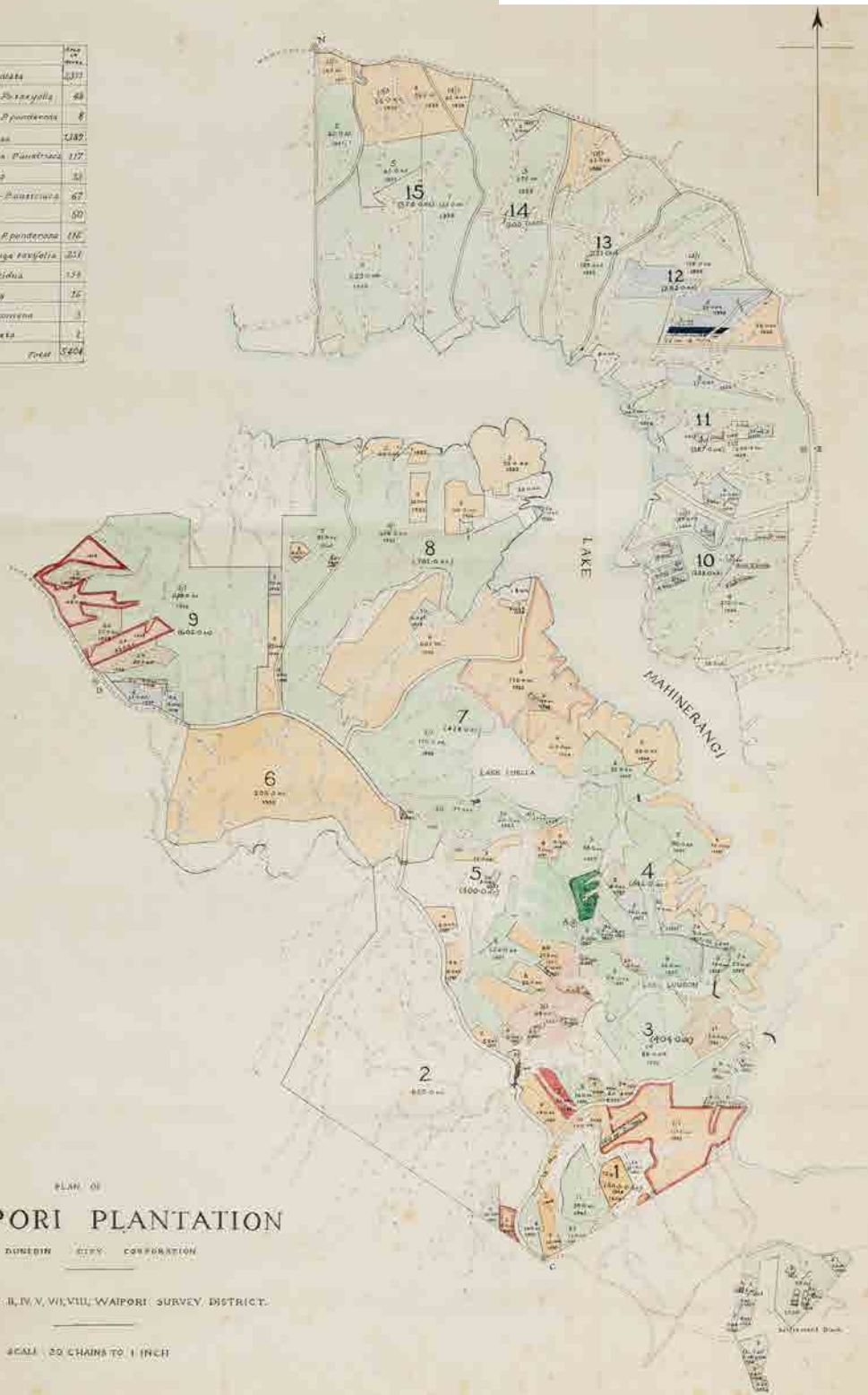
The first areas planted were just below the dam to the weir, on the south side of the river and above the settlement at Waipori Falls. This totalled 148 acres altogether, but this yearly acreage was to be greatly exceeded in the years ahead. The tree-planters, usually sixteen in number, lived in tents though in the later years used two-men (unlined) huts, cooking their meals on open fires within, and taking a cold midday lunch with them. Working from 7.30a.m. - 6.00p.m. daily, it was hard manual work, in often rigorous weather conditions, and they were paid the sum of £4 per week. The procedure required was methodical and exacting.

Large areas of land, 500 - 1,000 acres, were enclosed with wire-netting fences and the very numerous hares were trapped, so preventing damage to the young trees to be planted. The planters, working abreast to plant the trees, kept their own lines straight as they worked towards their respective markers placed away ahead. The forest today a living testimony of that unerring art, with its straight lines upon lines of trees wherever one cares to look. The young trees were grown mainly at Opoho, Dunedin, and transported to the site by truck, packed in boxes, and approximately 20,000 - 30,000 in a load.

Once these young trees were well established, in about three years, their surrounding, protective fence was removed to another area and erected, when the same routine was proceeded again



	Area
<i>Pinus Radiata</i>	3,371
<i>P. radiata - P. ponderosa</i>	48
<i>P. radiata - P. ponderosa</i>	8
<i>P. ponderosa</i>	1,382
<i>P. ponderosa - P. ponderosa</i>	117
<i>P. ponderosa</i>	51
<i>P. ponderosa - P. ponderosa</i>	67
<i>P. ponderosa</i>	50
<i>P. ponderosa - P. ponderosa</i>	116
<i>Pseudotsuga taxifolia</i>	251
<i>Larix decidua</i>	158
<i>P. strabus</i>	16
<i>Ch. Lawsoniana</i>	3
<i>Taxus plicata</i>	1
<b>Total</b>	<b>5,604</b>



It was a busy time keeping the men supplied with trees and other supplies, but the small Ford truck navigated the road despite often driving through mud axle-deep, and deeply rutted by the horse-drawn wagons. Once at Waipori and driving across as the tussocks, was easier, though once the load was off chains had to be fitted over the tyres to enable driving back up the steep inclines and over the slippery snow-tussocks. The planters food-provisions were brought to Waipori Falls by truck, then by a two-horse wagon to Waipori by a regular driver, and no matter how rough the weather he never failed to get the supplies through. When planting began on the northern side of the lake, all supplies - and men - were taken by the Reserves Dept. launch, from near the dam to the required site.

TRAVELLING FOREST ROADS - JUNE 1965



These hills were extremely cold to live and work on, there being no shelter from the constant cold winds, rain, and snow. Fires could only be used for cooking, then put out, as wood was very scarce and had to be come from the bush in the gorge and carted up by waggon. Every small piece found, was saved, but even their huts still remained bitterly cold as the wind-driven snow filtered through the boards and lightly covered everything. The hills were strangely quiet too with no bird song to gladden the ear, for only an occasional skylark was seen.

Tree planting continued till the snow began to settle too thickly, when the men returned to Dunedin for the winter before they became isolated here. They continued working in the Dunedin forest at Flagstaff, either pruning established trees or planting more.

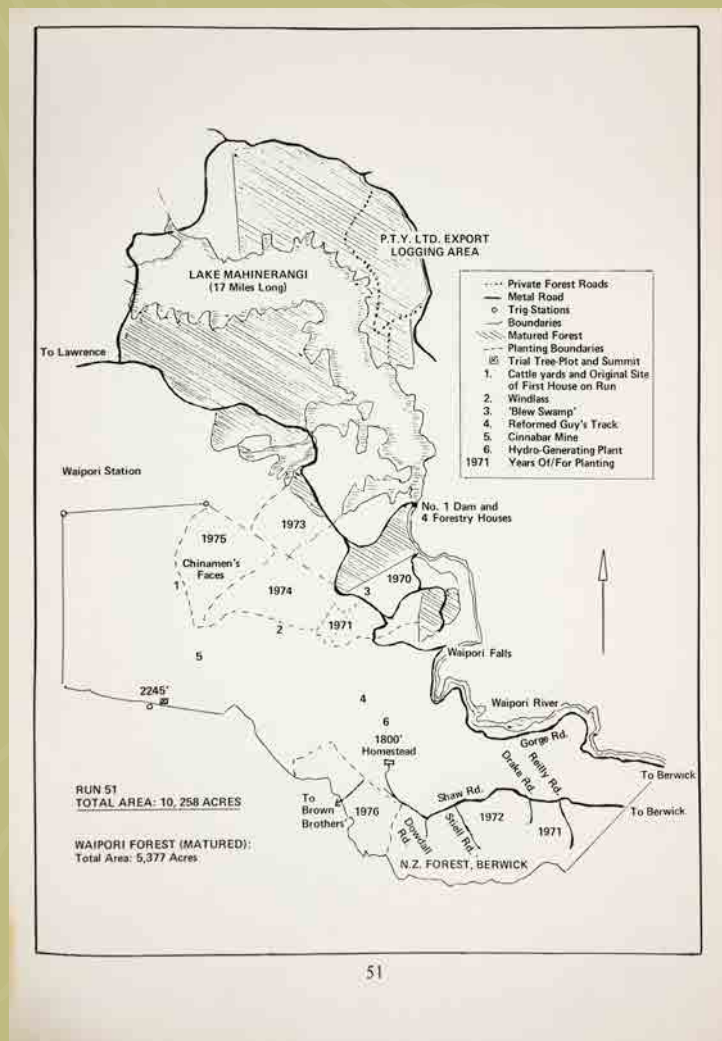
WAIPORI SNOW, JULY 1961





And so this systematic planning and planting continued, mainly along the south side of the lake, the acreage planted in 1925 was 322 acres, followed by 241 acres in 1926, and 516 acres in 1927. So the forest of green extended along and outwards from near the shoreline, gradually extending westwards towards the old Waipori area mainly *Pinus Radiata* and *Pinus Ponderosa* were planted, but eleven other *Pinus* species were to be included. Truly a fine exotic forest was being established among these mountain-slopes. The Government agreed to the City acquiring available Crown Land for further development and planting.

Weather was an important factor in Waipori, a typical example being "The Big Snow" which occurred in 1878, and future events were dated from that time. The snow lasted about eight weeks, piling up in places six to eight feet deep, with drifts over twenty feet in depth. Very heavy stock losses were incurred, and this has been recorded as Waipori's biggest snow-storm."



CHINAMANS FACE ROAD



RESERVES DEPT. HD6 DOZER



FELLING BEHIND THE SETTLEMENT BLOCK, WAIPORI FALLS VILLAGE, 1961



LARGE SLIP, 1980 FLOODS

# 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., cB.A.,  
DipGradBus. (Disp Res), A.A.M.I.N.Z.

Date Reappointed 1 October 2022

Appointed Chairman 1 September 2022

Senior Partner, Findex Otago  
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  
Director, Gillam Estate Limited  
Chairman, Otago Branch Committee,  
Institute of Directors  
Member, Institute of Directors of NZ Council, Board  
Trustee, StartUp Dunedin Trust  
Member, CAANZ Tax Advisory Group

### Ms K Alison Posa (Non-Executive Director)

BMS(Hons), CA. G.A.I.C.D., CM.Inst.D.

Date Reappointed 1 October 2023

Chair, Audit Committee

Date appointed 1 May 2023

Director, Asurequality Limited  
Chair Audit Advisory Board,  
PricewaterhouseCoopers  
Director, City Care Limited  
Director, OTPP NZ Forest Investments  
Topco Limited  
Director, OTPP Forest Investments Limited  
Director, Waonui Forests Investments Limited

### Mr Philip R Melhopt (Non-Executive Director)

M.Inst.D., B Com., (Forestry)

Date Reappointed 1 October 2024

Chief Executive Officer, Primeport Timaru  
Limited

### Dr Kate E Bromfield (Non-Executive Director)

PhD, CM.Inst.D.

Dated Reappointed 1 September 2024

Chief Executive Officer,  
Hazard Evaluation Limited  
Director, Elemental Group Limited



# Trend Statement

(All \$'000 unless stated otherwise)

## FINANCIAL PERFORMANCE

	2025	2024	2023	2022	2021
Domestic Revenue	9,142	10,984	9,780	8,895	12,001
Export Revenue	48,549	48,943	53,142	55,199	51,660
Other Revenue	758	574	513	1,634	1,433
<b>Total Operating Revenue</b>	<b>58,449</b>	<b>60,501</b>	<b>63,435</b>	<b>65,728</b>	<b>65,094</b>
Percentage (Decrease)/Increase	(3.4%)	(4.6%)	(3.5 %)	.9%	37.8%
Inventory Movement	225	107	213	56	(916)
<b>Total Expenses</b>	<b>59,672</b>	<b>62,055</b>	<b>65,118</b>	<b>67,319</b>	<b>57,352</b>
Percentage (Decrease)/Increase	(3.8%)	4.7%	3.3%	17.4%	26.5%
<b>Operating (Loss)/Surplus</b>	<b>(998)</b>	<b>(1,447)</b>	<b>(1,470)</b>	<b>(1,535)</b>	<b>6,888</b>
Gain in fair value of biological assets	7,423	11,686	13,185	9,474	38,164
Write up/(down) value of land/bldgs	5,043	(2,179)	(2,956)	453	803
<b>Surplus After Non-Operating Items and Before Taxation</b>	<b>11,468</b>	<b>8,060</b>	<b>8,759</b>	<b>8,392</b>	<b>45,793</b>
<b>Income Tax</b>	<b>1,762</b>	<b>2,966</b>	<b>3,296</b>	<b>2,232</b>	<b>12,572</b>
<b>TOTAL SURPLUS AFTER TAXATION</b>	<b>9,706</b>	<b>5,094</b>	<b>5,463</b>	<b>6,160</b>	<b>33,221</b>

## SHAREHOLDERS' FUNDS

Shareholders' Funds	274,907	242,400	244,967	282,203	246,898
Operating Cash flow	7,846	9,075	6,258	7,258	16,344
Return of capital	-	-	10,000	-	-
Dividends Paid - Normal	3,134	3,000	3,600	5,000	4,200
- Special	10,000	13,500	-	1,800	4,000
Value of Biological assets	210,105	210,248	205,543	201,362	200,246
Surplus after tax to shareholders funds	3.53%	2.1%	2.2%	2.18%	13.45%
Proprietorship Ratio	67.9%	66.4%	69.4%	72.56%	73.06%
Net Biological assets Revaluation	5,344	8,414	9,493	6,822	27,478
Net Land Revaluation	26,648	2,830	(1,949)	10,156	7,327

## FOREST STATISTICS (Whole numbers)

Forest harvested (m3)	373,874	389,116	360,562	343,326	388,664
Volume traded (m3)	13,082	14,058	18,914	26,358	13,597
Forest planted (ha)	1,191	824	1,214	1,054	1,030
Total forest (ha)	20,115	20,016	20,084	19,919	19,324
Forest purchased (ha)	-	-	-	130	87

## WAIPORI 100 YEARS

And so this systematic planning and planting continued, mainly along the south side of the lake, the acreage planted in 1925 was 322 acres, followed by 241 acres in 1926, and 516 acres in 1927. So the forest of green extended along and outwards from near the shoreline, gradually extending westwards towards the old Waipori area mainly *Pinus Radiata* and *Pinus Ponderosa* were planted, but eleven other *Pinus* species were to be included.

FELLING BEHIND THE SETTLEMENT BLOCK, WAIPORI FALLS VILLAGE, 1961





# Financial Statements

# Statement of Comprehensive Income

For the Year Ended 30 June 2025

	NOTE	2025 \$'000	2024 \$'000
Revenue	3	63,433	60,421
Financial income		59	80
Gain in fair value of biological assets	5	7,423	11,686
<b>TOTAL REVENUE</b>		<b>70,915</b>	<b>72,187</b>
<b>Inventory movement</b>		<b>225</b>	<b>107</b>
<b>LESS EXPENSES:</b>			
Contractors		21,079	20,742
Depreciation and amortisation expense		702	676
Directors' fees		188	188
Employee expenses		2,472	2,554
Financial expenses		3,044	3,892
Other expenses	4	32,187	36,182
<b>Total expenses</b>		<b>59,672</b>	<b>64,234</b>
<b>Profit before tax</b>		<b>11,468</b>	<b>8,060</b>
Income tax expense	14	(1,762)	(2,966)
<b>NET PROFIT AFTER TAX</b>		<b>9,706</b>	<b>5,094</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Gain/(loss) on cash flow hedges taken to equity		1,992	2,845
Tax effect of cash flow hedges taken to equity		(558)	(797)
Increase in land revaluation		26,648	2,830
Carbon credits revaluation/(devaluation) above initial recognition taken to equity		11,777	5,497
Carbon credits (devaluation) on sale units		(840)	-
Tax effect of carbon credits sold		(1,503)	-
Tax effect of carbon credits taken to equity		(1,581)	(1,536)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>35,935</b>	<b>8,839</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>45,641</b>	<b>13,933</b>

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 2025

	Share Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at 1 July 2023</b>	<b>15,691</b>	<b>178,051</b>	<b>51,225</b>	<b>244,967</b>
Net profit after tax	-	-	5,094	5,094
Other comprehensive income for the year	-	8,839	-	8,839
Normal Dividends paid	-	-	(3,000)	(3,000)
Special Dividend paid	-	-	(13,500)	(13,500)
Transfer forestry reserve	-	1,477	(1,477)	-
<b>Balance at 30 June 2024</b>	<b>15,691</b>	<b>188,367</b>	<b>38,342</b>	<b>242,400</b>
<b>Net profit after tax</b>	<b>-</b>	<b>-</b>	<b>9,706</b>	<b>9,706</b>
Other comprehensive income for the year	-	35,935	-	35,935
Normal Dividends paid	-	-	(3,134)	(3,134)
Special Dividend paid	-	-	(10,000)	(10,000)
Transfer forestry reserve	-	(1,054)	1,054	-
Transfer carbon reserve	-	(3,856)	3,856	-
<b>Balance at 30 June 2025</b>	<b>15,691</b>	<b>219,392</b>	<b>39,824</b>	<b>274,907</b>

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

# Statement of Financial Position

As at 30 June 2025

EQUITY	NOTE	2025 \$'000	2024 \$'000
Share Capital	9	15,691	15,691
Forestry reserve	10	104,275	105,329
Land revaluation reserve	10	77,369	50,721
Hedging reserve	10	1,511	77
Carbon credit reserve	10	36,237	32,240
Retained earnings	11	39,824	38,342
<b>TOTAL EQUITY</b>		<b>274,907</b>	<b>242,400</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,269	3,015
Other current liabilities		377	581
Employee Provisions		290	284
Derivative financial instruments	12	-	546
Provision for taxation	14	3,115	1,788
Lease liabilities		148	155
<b>Total current liabilities</b>		<b>7,199</b>	<b>6,369</b>
<b>NON-CURRENT LIABILITIES</b>			
Term borrowings	13	54,000	50,700
Lease liabilities		96	208
Deferred tax liability	15	68,245	65,935
<b>Total non-current liabilities</b>		<b>122,341</b>	<b>116,843</b>
<b>TOTAL LIABILITIES</b>		<b>129,540</b>	<b>123,212</b>
<b>TOTAL EQUITY PLUS LIABILITIES</b>		<b>404,447</b>	<b>365,612</b>

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



CURRENT ASSETS	NOTE	2025 \$'000	2024 \$'000
Cash and cash equivalents		1,315	2,210
Trade and other receivables		3,682	2,957
Inventories		1,469	1,289
Prepayments		31	49
GST refund		560	277
Derivative financial instruments	12	811	-
Assets held for sale	8	2,862	3,208
<b>TOTAL CURRENT ASSETS</b>		<b>10,730</b>	<b>9,990</b>

## NON-CURRENT ASSETS

Derivative financial instruments	12	1,288	653
Property, plant and equipment	7	130,967	98,938
Biological assets	5	210,105	210,248
Investments		2	1
Intangibles – computer software		2	6
Intangibles – New Zealand carbon credits	6	51,353	45,776
<b>Total non-current assets</b>		<b>393,717</b>	<b>355,622</b>
<b>TOTAL ASSETS</b>		<b>404,447</b>	<b>365,612</b>

For and on behalf of the Board of Directors:

**S A Mason**  
Chairman



Date 30 Sept 2025

**K A Posa**  
Director



Date 30 Sept 2025

# Statement of Cash Flows

For the Year Ended 30 June 2025

	NOTE	2025 \$'000	2024 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>CASH WAS PROVIDED FROM</i>			
Receipts from customers		57,184	61,567
Interest received		59	80
		<b>57,243</b>	<b>61,647</b>
<i>CASH WAS DISBURSED TO</i>			
Payments to suppliers and employees		45,632	48,751
Interest paid		1,998	1,614
Income tax/subvention		1,767	2,207
		<b>49,397</b>	<b>52,572</b>
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	<b>17</b>	<b>7,846</b>	<b>9,075</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>CASH WAS PROVIDED FROM</i>			
Sale of property, plant and equipment		17	-
Sale of carbon credits		5,370	-
		<b>5,387</b>	<b>-</b>
<i>CASH WAS DISBURSED TO</i>			
Purchase of property, plant and equipment		627	836
Purchase of Biological assets		2,565	2,999
		<b>3,192</b>	<b>3,835</b>
<b>NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES</b>		<b>2,195</b>	<b>(3,835)</b>

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



	2025 \$'000	2024 \$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>CASH WAS PROVIDED FROM</i>		
Proceeds from borrowings	11,500	18,550
	<b>11,500</b>	<b>18,550</b>
<i>CASH WAS DISBURSED TO</i>		
Repayment of borrowings	8,200	3,850
Lease repayments	153	152
Dividends paid	13,134	16,500
	<b>21,487</b>	<b>20,502</b>
<b>NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES</b>	<b>(9,987)</b>	<b>(1,952)</b>
<b>Net Increase in Cash Held</b>	<b>54</b>	<b>3,288</b>
Cash and short-term deposits at the beginning of the year	2,210	1,183
Net foreign exchange difference	(949)	(2,261)
<b>CASH AND SHORT-TERM DEPOSITS AT THE END OF THE YEAR</b>	<b>1,315</b>	<b>2,210</b>



### 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 profit or loss.

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

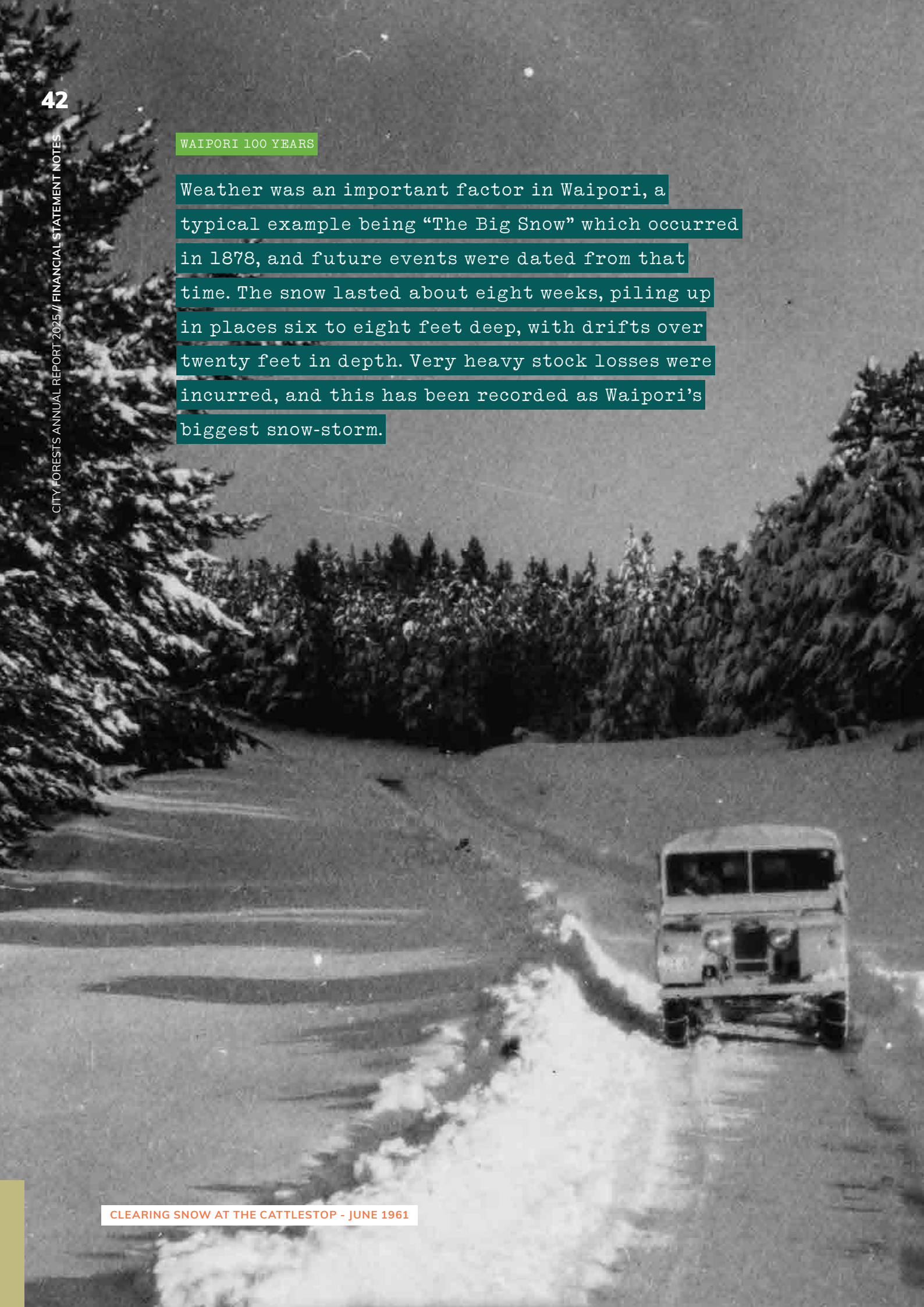
'Investing activities' are those activities relating to the acquisition and disposal of property, plant and equipment, intangibles and other long-term assets.

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

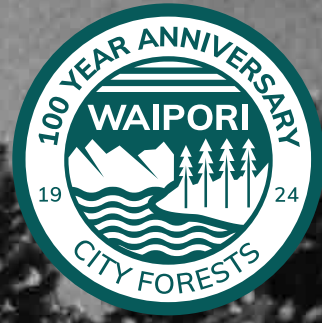
## WAIPORI 100 YEARS

Weather was an important factor in Waipori, a typical example being “The Big Snow” which occurred in 1878, and future events were dated from that time. The snow lasted about eight weeks, piling up in places six to eight feet deep, with drifts over twenty feet in depth. Very heavy stock losses were incurred, and this has been recorded as Waipori’s biggest snow-storm.

CLEARING SNOW AT THE CATTLESTOP - JUNE 1961







# NOTES TO THE Financial Statements

# Notes to the Financial Statements

For the Year Ended 30 June 2025

## 1. REPORTING ENTITY

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

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

City Forests Limited is a profit orientated entity.

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 30 September 2025.

### 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.

The accounting policies set out in these financial statements are consistent for all periods presented as except as identified below.

### New and amended standards.

Certain amendments to accounting standards have been issued that are effective for the 30 June 2025 financial year. Those new standards and amendments that are relevant to the Company are:

#### Amendments to FRS 44 – Disclosure of Fees for Audit Firm's Services

The amendments enhance the required disclosures for fees incurred for services received from each audit or review firm. The Company has made these enhanced disclosures in Note 4.

### Accounting Standards issued but not yet effective and not early adopted

The new standards and amendments not yet effective for the 30 June 2025 financial year are:

#### NZ IFRS 18 Presentation and Disclosure in Financial Statements (effective 1 January 2027)

The standard introduces a more structured format for the income statement, including clearly defined subtotals such as Operating Profit and Profit Before Financing and Income Taxes. These subtotals must be derived using a prescribed classification of income and expenses into three categories: operating, investing and financing. The standard also requires specific disclosure related to Management Defined Performance Measures (MPMs) to enhance transparency around non- GAAP performance metrics. The company is currently assessing the full impact of NZ IFRS 18 on its financial reporting. While the standard is not expected to affect recognition or measurement of assets and liabilities, it will impact how financial performance is presented and how certain performance measures are disclosed. The Company intends to adopt NZ IFRS 18 from July 2027 and is in the process of evaluating the changes needed to systems, controls and processes to support compliance with the new requirements.



Any other new accounting standards, interpretations and amendments to standards issued, but not yet effective, have not been early adopted by the Company and are not expected to have a material impact on these financial statements when adopted.

### 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** Biological assets valuations
- Note 6** Intangibles - New Zealand carbon credits
- Note 7** Property, Plant and equipment valuation
- Note 15** Deferred tax liabilities

### Currencies

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 trade receivables and trade 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 profit or loss. 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 the lower of cost or net realisable value.
- 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.

### Financial Statement Reclassifications

The Company has made some prior period reclassifications within the statement of cashflows for consistency with the current period.

## 3. REVENUE

	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Sales revenue	57,691	59,927
Other revenue	699	494
Reversal of land impairments	5,037	-
Reversal of building impairment	6	-
	<b>63,433</b>	<b>60,421</b>



### 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 2025 \$'000	As at 30 June 2024 \$'000
Audit fees – audit of financial statements	193	129
Donations	19	14
Net Impairment loss on valuation of land	-	2,179
Impairment on assets held for sale	-	94
Research expenditure	129	36
Cost of bush applied	10,664	10,887
Shipping costs	17,762	19,749
Other operating expenses	3,420	3,094
	<b>32,187</b>	<b>36,182</b>

#### Net land value impairments:

Impairment reversal	-	(88)
Write down of land value	-	2,267
<b>Net write down</b>	<b>-</b>	<b>2,179</b>

#### 5. BIOLOGICAL ASSETS

	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Balance at the beginning of the year	210,248	205,543
<b>ADD</b>		
Costs capitalised in establishing forests during the year	3,108	3,906
Biological Assets revaluation	7,422	11,686
<b>LESS</b>		
Cost of trees harvested at fair value	(10,673)	(10,887)
	<b>210,105</b>	<b>210,248</b>
<i>Gains/(losses) arising from changes in fair value less point of sale costs;</i>		
attributable to physical changes	1,377	2,416
attributable to price changes	6,045	9,270
	<b>7,422</b>	<b>11,686</b>

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

The valuation methodology used establishes the fair value of the biological assets and an independent market value has been used to establish the forest land value. The change in the value of the biological assets from year to year is reflected in the statement of comprehensive income.

Fair value is determined by calculating the present value of expected net cash flows using a pre-tax discount rate. This discount rate used by the Company is 6.4% (2024 6.4% pre-tax (recalculated), 5.5% post-tax).

The biological assets 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 6.4% (2024 6.4% pre-tax); a +/- 50 basis point movement in the discount rate would change the valuation by +\$13.1 mil / -\$11.9 mil (2024 +\$13.7 mil / -\$12.4 mil). A 10% increase or decrease in assumed log prices would change the valuation by +\$16.3 mil / -\$16.4 mil (2024 +\$17.9 mil / -\$17.9 mil) (note that these sensitivities as shown are independent and a different outcome would result from combined changes in discount and log prices).

At 30 June 2025 the Company owned stands of trees on 20,015 hectares of 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. 373,874 m3 of logs from its forests.

City Forests Limited is exposed to financial risks associated with USD log 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 biological assets is 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. A high level

review of the company's valuation methodology by Deloitte also concluded such was appropriate.



## ACCOUNTING POLICY

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

The fair value of the biological assets, 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 biological assets and land resource, with land then subtracted at its current market value to provide the value of the biological assets. The biological 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 biological assets valuation is recorded in the statement of comprehensive income via profit or loss.

## 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 initial post-89 forests under the Emissions Trading Scheme in January 2010. These forests and those forests acquired after that date 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 100,000 units. (2024 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 2025, 1,239,750 units were unsold (2024 1,339,750 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 2025 \$'000	As at 30 June 2024 \$'000
Balance at the beginning of the year	45,776	40,279
Plus revaluations	6,832	16,536
Plus/(less) change in value of safe carbon units	4,115	(11,039)
Less disposals	(5,370)	-
	51,353	45,776
	\$	\$
Unit price	58.25	50.25

In future years there will be a carbon credit liability against a proportion of the carbon credits sequestered from post-1989 forest areas registered in the "Stock Change" system 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) regularly as required, and 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.
- NZUs are revalued prior to disposal to fair value based on current market prices. The gain or loss arising from derecognition is determined as the difference between net proceeds and the carrying amount of the units.
- 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	2025 #	2024 #
Held at Fair value	881,597	910,957
Held at Nil value	358,153	428,793
<b>Total Units at end of year</b>	<b>1,239,750</b>	<b>1,339,750</b>

#### Units – Post 1989

Opening	1,338,370	1,232,534
Credits Issued	-	105,836
Per Emissions Trading Register	1,338,370	1,338,370
Units acquired	-	-
Units sold	(98,620)	-
Fair Value NZU's	1,239,750	1,338,370

#### Units - Pre 1990

Opening balance	1,380	1,380
Units sold	(1,380)	-
Closing balance all units at end of year	-	1,380
Total units at end of year	1,239,750	1,339,750
Less Units at Nil value	(358,153)	(428,793)
Held at Fair Value	881,597	910,957

\$  
\$'000

Value applied to risk free units @ \$58.25 (2024 \$50.25)	51,353	45,776
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The price of the risk-free units is determined by the NZU spot price on the "Carbon Match" trading platform 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.



2025

VALUATION	FOREST LAND COST	BUILDING COST	ROADS BRIDGES COST	PLANT EQUIPMENT COST	MOTOR VEHICLES COST	OFFICE EQUIPMENT COST	WORK IN PROGRESS COST	RIGHT OF USE ASSET COST	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

**Cost or Valuation**

Balance at beginning of year	98,305	391	10,680	1,722	1,460	227	8	971	113,764
Purchases	8	-	393	140	-	39	97	32	709
Revaluation	26,649	-	-	-	-	-	-	-	26,649
Disposals/Transfer	317	28	-	(93)	(81)	(30)	(8)	-	133
<b>Balance at end of year</b>	<b>125,279</b>	<b>419</b>	<b>11,073</b>	<b>1,769</b>	<b>1,379</b>	<b>236</b>	<b>97</b>	<b>1,003</b>	<b>141,255</b>

**Accumulated depreciation/impairment**

Balance at beginning of year	6,257	235	5,624	1,188	725	188	-	609	14,826
Depreciation	-	46	263	96	120	19	-	154	698
Impairment	(5,037)	(6)	-	-	-	-	-	-	(5,043)
Disposals/Transfer	-	-	-	(86)	(80)	(27)	-	-	(193)
	<b>1,220</b>	<b>275</b>	<b>5,887</b>	<b>1,198</b>	<b>765</b>	<b>180</b>	<b>-</b>	<b>763</b>	<b>10,288</b>
<b>BALANCE AT END OF YEAR</b>	<b>124,059</b>	<b>144</b>	<b>5,186</b>	<b>571</b>	<b>614</b>	<b>56</b>	<b>97</b>	<b>240</b>	<b>130,967</b>

Carrying amounts  
of revalued assets if  
measured under the  
cost model

48,925

The company has had its land assets independently valued at 30 June 2025 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 2025 was an increase of \$31,686k (revalue to reserve of \$26,649k plus impairment reversal of \$5,037k) (2024 increase of \$650k). The market value of land increased during the year reflecting a market evidence based shift in Post-90 forest land values in response to changes to the NZETS.

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.



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 position 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 to the extent of the decrease previously recognised. 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

Biological 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 profit or loss in the year the item is derecognised.





2024

FOREST LAND VALUATION	BUILDING COST	ROADS BRIDGES COST	PLANT EQUIPMENT COST	MOTOR VEHICLES COST	OFFICE EQUIPMENT COST	WORK IN PROGRESS COST	RIGHT OF USE ASSET	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	(1,695)	(1,696)	-	-	-	-	-	-	(3,391)
<b>Balance at end of year</b>	<b>98,305</b>	<b>391</b>	<b>10,680</b>	<b>1,722</b>	<b>1,460</b>	<b>227</b>	<b>160</b>	<b>971</b>	<b>113,916</b>

**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 reversal	2,179	-	-	-	-	-	-	-	2,179
Disposals	-	(90)	-	-	-	-	30	143	83
	<b>6,257</b>	<b>235</b>	<b>5,624</b>	<b>1,188</b>	<b>725</b>	<b>188</b>	<b>152</b>	<b>609</b>	<b>14,978</b>
<b>BALANCE AT END OF YEAR</b>	<b>92,048</b>	<b>156</b>	<b>5,056</b>	<b>534</b>	<b>735</b>	<b>39</b>	<b>8</b>	<b>362</b>	<b>98,938</b>

Carrying amounts  
(revalued assets if  
measured under the cost  
model)

47,595

## 8. ASSETS HELD FOR SALE

	Land \$'000	Buildings \$'000	As at 30 June 2025 \$'000
Balance at beginning of year	1,695	1,513	3,208
Impairment reversal	-	6	6
Revaluation	(317)	-	(317)
Disposal/ Transfer	-	(35)	(35)
<b>BALANCE AT END OF YEAR</b>	<b>1,378</b>	<b>1,484</b>	<b>2,862</b>

Three lifestyle properties are categorised as 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 three properties are under contract and settlement is due during the next financial year.

The impairment reversal recognised of \$6k for the sale of one property is shown in comprehensive income under Revenue (note 3).

## 9. EQUITY - SHARE CAPITAL

Issued Capital	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Balance at the beginning of the year	15,691	15,691
<b>BALANCE AT END OF YEAR</b>	<b>15,691</b>	<b>15,691</b>

The Company has issued 24,779,775 (2024 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 2025 \$'000	As at 30 June 2024 \$'000
Balance at beginning of the year	105,329	103,852
Biological assets valuation	(1,054)	1,477
<b>BALANCE AT THE END OF THE YEAR</b>	<b>104,275</b>	<b>105,329</b>

The forestry reserve arises with the revaluation of the biological 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

	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Balance at beginning of the year	77	(1,972)
Gain/(loss) in fair value movement in derivatives	1,434	2,049
<b>BALANCE AT THE END OF THE YEAR</b>	<b>1,511</b>	<b>77</b>

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	50,721	47,891
Forestry land revaluations	26,648	2,830
<b>BALANCE AT THE END OF THE YEAR</b>	<b>77,369</b>	<b>50,721</b>

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

## Carbon Credit Reserve

Balance at beginning of the year	32,241	28,280
Gain/(Loss) in carbon credits above initial recognition value	7,852	3,961
Transfer to retained earnings re sale of carbon credits	(3,856)	-
<b>BALANCE AT THE END OF THE YEAR</b>	<b>36,237</b>	<b>32,241</b>

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 2025 \$'000	As at 30 June 2024 \$'000
<b>Balance at the beginning of the year</b>	<b>38,342</b>	<b>51,225</b>
Net profit for the year	9,706	5,094
Dividend distributions	(13,134)	(16,500)
Transfer from/(to) forestry reserve	1,054	(1,477)
Transfer from carbon reserve	3,856	-
<b>BALANCE AT THE END OF THE YEAR</b>	<b>39,824</b>	<b>38,342</b>

## 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 2025	Foreign currency 2025 FC'000	Contract value 2025 NZD'000	Fair value 2025 NZD'000	Fair value 2024 NZD'000
<b>Cashflow hedges</b>					
<b>Sell USD</b>					
Current	.5941	16,400	27,608	811	(546)
Non-current	.5945	25,800	43,372	1,288	653
				<b>2,099</b>	<b>107</b>

2025	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5 yrs	Total
<b>Financial Assets</b>							
Trade and other receivables	3,682	-	-	-	-	-	3,682
Derivative financial instruments	811	720	464	104	-	-	2,099
	<b>4,493</b>	<b>720</b>	<b>464</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>5,781</b>

### Financial Liabilities

Trade and other payables	3,646	-	-	-	-	-	3,646
Derivative financial instruments	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	54,000	54,000
	<b>3,646</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,000</b>	<b>57,646</b>



2024 <1 yr 1-2 yrs 2-3 yrs 3-4 yrs 4-5 yrs 5 yrs TOTAL

### Financial Assets

Trade and other receivables	2,957	-	-	-	-	-	2,957
Derivative financial instruments	-	384	269	-	-	-	653
	<b>2,957</b>	<b>384</b>	<b>269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,610</b>

### Financial Liabilities

Trade and other payables	3,597	-	-	-	-	-	3,597
Derivative financial instruments	546	-	-	-	-	-	546
Borrowings	-	-	-	-	-	50,700	50,700
	<b>4,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,700</b>	<b>54,843</b>

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 2025 was determined as follows:

30 June 2025	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 –	1,085	2,409	-	177	3,671
Trade receivables	-	-	-	-	-
Loss allowance	-	-	-	-	-

### 30 June 2024

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	-	-	-	-	-

### 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 .6075.

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 \$'000	Foreign exchange			
		-10%		+10%	
		Equity	Profit	Equity	Profit
<b>Financial Assets</b>					
Derivatives					
Currency Hedges – Sell USD	70,981	7,718	-	(6,315)	-
Other Financial Assets	2,272	-	252	-	(207)
<b>Total increase/(decrease)</b>		<b>7,718</b>	<b>252</b>	<b>(6,315)</b>	<b>(207)</b>

1. Accounts receivable within City Forests Limited include \$2.27 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 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).

2025				
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	TOTAL NZ \$'000
<b>Financial Assets</b>				
Derivative financial assets	-	2,099	-	2,099
	-	<b>2,099</b>	-	<b>2,099</b>

<b>Financial Liabilities</b>				
Derivative financial liabilities	-	-	-	-
	-	-	-	-

2024				
	Level 1 NZ \$'000	Level 2 NZ \$'000	Level 3 NZ \$'000	TOTAL NZ \$'000
<b>Financial Assets</b>				
Derivative financial assets	-	653	-	653
	-	<b>653</b>	-	<b>653</b>

<b>Financial Liabilities</b>				
Derivative financial liabilities	-	546	-	546
	-	<b>546</b>	-	<b>546</b>





## ACCOUNTING POLICY

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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 profit or loss. 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.

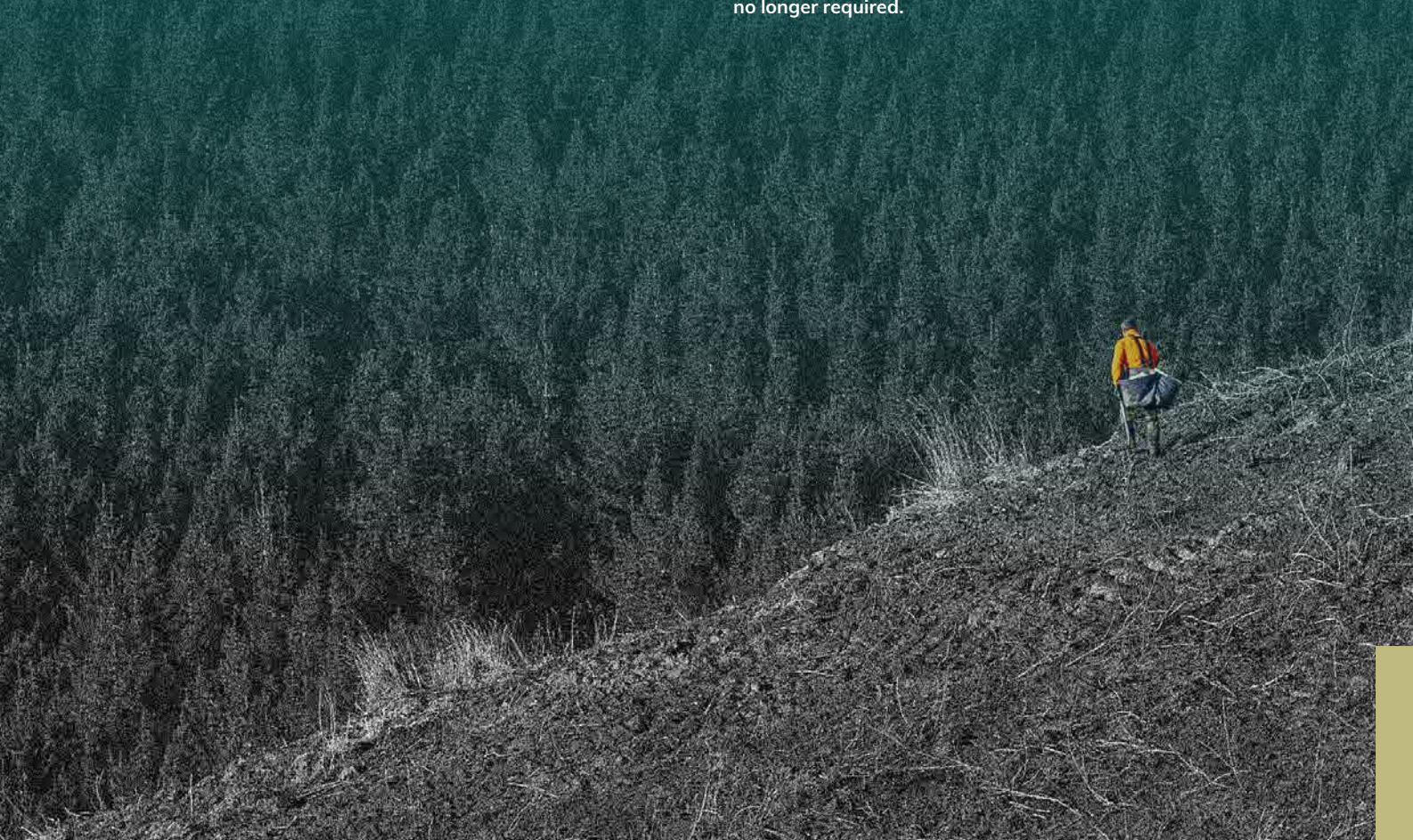
For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the statement of comprehensive income via other comprehensive income. Gains or losses from re-measuring the derivative, 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 profit or loss 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 profit or loss 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 2025 \$'000	As at 30 June 2024 \$'000
Dunedin City Treasury loan	54,000	50,700
	54,000	50,700

There is no security over the Dunedin City Treasury loan. This loan facility is \$60m (2024 \$60m) evergreen.

The effective rate of interest for the Dunedin City Treasury Limited loan facility, ranged between 3.97% and 4.80% (2024 4.35% – 4.66%).

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 contractually resets interest rates 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	54,000	50,700
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The repayment period on the term borrowings is as follows:

Current	-	-
Non Current	54,000	50,700
	54,000	50,700



#### 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 profit or loss 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.



	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Net profit from continued operations	11,468	8,060
<b>Profit before income tax</b>	<b>11,468</b>	<b>8,060</b>
Tax thereon at 28%	3,211	2,257
<b>PLUS/(LESS) THE TAX EFFECT OF DIFFERENCES</b>		
Expenditure not deductible for taxation	3	649
Income not assessable for taxation	(1,410)	-
Under / (over) tax provision in prior years	(15)	-
Plus deferred tax on buildings adjustment	(26)	60
<b>Tax effect of differences</b>	<b>(1,449)</b>	<b>709</b>
<b>Tax expense</b>	<b>1,762</b>	<b>2,966</b>
<b>TAX EXPENSE MADE UP AS FOLLOWS:</b>		
Continued operations	1,762	2,966
	<b>1,762</b>	<b>2,966</b>
Effective tax rate	15.4%	36.8%
<b>REPRESENTED BY</b>		
Current tax provision	3,115	1,779
Tax on carbon credits sold	(1,503)	-
Deferred tax provision	192	1,127
Deferred tax on buildings adjustment	-	60
Prior period Current tax adjustment	(21)	6
Prior period Deferred tax adjustment	(21)	(6)
	<b>1,762</b>	<b>2,966</b>

**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 profit or loss 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 statement of financial position date.

## 15. DEFERRED TAX LIABILITIES AND ASSETS

	OPENING BALANCE SHEET	CHARGED TO EQUITY	CHARGED TO INCOME	CLOSING BALANCE SHEET ASSETS	LIABILITIES	NET
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2025</b>						
Property, plant and equipment	257	-	(42)	-	215	215
Employee provisions	(92)	-	(7)	(99)	-	(99)
Forest	40,961	-	(410)	-	40,551	40,551
Capitalised forestry costs	12,246	-	642	-	12,888	12,888
Revaluations of foreign exchange contracts	30	557	-	-	587	587
Revaluation of carbon credits	12,530	1,581	-	-	14,111	14,111
Other	3	-	(12)	-	(9)	(9)
<b>Balance at the end of the year</b>	<b>65,935</b>	<b>2,138</b>	<b>172</b>	<b>(99)</b>	<b>68,344</b>	<b>68,245</b>
<b>2024</b>						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
<b>Balance at the end of the year</b>	<b>62,421</b>	<b>2,333</b>	<b>1,181</b>	<b>(92)</b>	<b>66,027</b>	<b>65,935</b>



## 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



## 16. RELATED PARTY TRANSACTIONS

### 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 2025 \$'000	As at 30 June 2024 \$'000
<b>Purchases of goods and services from the Dunedin City Council:</b>		
Rates and property rentals	40	37
Other	3	1
	<b>43</b>	<b>38</b>
<b>Charges of goods and services to the Dunedin City Council:</b>		
Fire cover staff costs	1	-
<b>Dunedin City Holdings Limited</b>		
Normal dividends	3,134	3,000
Special dividend	10,000	13,500
	<b>13,134</b>	<b>16,500</b>
<b>Delta Utility Services Limited</b>		
Roading & Earthmoving Services	-	11
<b>Subvention payments/tax compensation</b>		
Dunedin Stadium Property Limited	1,776	1,244
Aurora Energy Limited	(9)	89
Dunedin City Holdings Limited	-	480
Dunedin City Council	-	394
	<b>1,767</b>	<b>2,207</b>
Subvention payments are calculated based on the tax effect of the losses utilised.		
<b>Loan from Dunedin City Treasury Limited as at balance date</b>	<b>54,000</b>	<b>50,700</b>
Loans paid during the year	8,200	3,850
Loans received during the year	11,500	18,550
Interest due to Dunedin City Treasury Limited as at balance date	105	99
Interest receivable from Dunedin City Treasury Limited as at balance date	11	94
Interest paid during the year	2,114	1,769
Interest rebate received	(27)	(58)
Net interest	<b>2,087</b>	<b>1,711</b>

	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
<b>Other related party transactions</b>		
Primeport Timaru Limited – Phillip Melhopt	38	38
Southern Wood Council – Grant Dodson	5	2
Forest Owners Association – Grant Dodson	9	3
Orokonui Ecosanctuary – Selwyn Chalmers	30	30
Predator Free Dunedin – Selwyn Chalmers	60	60
Radiata Pine Breeding Company – Selwyn Chalmers	21	-

### Compensation of key management personnel

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

	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Salaries and Short-term benefits	1,403	1,293
	<b>1,403</b>	<b>1,293</b>

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 PROFIT FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	As at 30 June 2025 \$'000	As at 30 June 2024 \$'000
Net profit for the year	9,706	5,094
<i>Items Not Involving Cash Flows</i>		
Depreciation	702	676
Depreciation recovered	(15)	-
Loss on assets	10	-
Depletion of forest (cost of bush)	10,673	10,887
Deferred tax	172	1,117
Biological assets revaluation	(7,422)	(11,686)
Write down value of land/building for sale	(5,043)	2,274
Interest portion of lease liability	7	12
Net foreign exchange difference	949	2,261
Deferred tax movement to reserve	(1,504)	-
<b>OTHER NON-CASH ITEMS</b>		
<i>Impact of Changes in Working Capital Items</i>		
(Increase) in accounts receivable	(725)	(84)
(Increase) in inventories	(732)	(1,003)
Decrease in prepayments	19	78
Increase/(Decrease) in tax refund due	1,327	(417)
Increase/(Decrease) in accounts payable	48	(292)
(Decrease)/Increase in other current liabilities	(43)	62
(Decrease)/Increase in other current assets	(283)	96
<b>Net cash inflows/(outflows) from operating activities</b>	<b>7,846</b>	<b>9,075</b>

## 18. CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2025 the Company has capital commitments of \$1,050,000 (2024 \$Nil).

## 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 2025 and similar to 30 June 2024 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. (2024 \$nil.) There are no other contingent assets. (2024 \$nil.)

## 20. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Non cash changes						
	2025	Cashflow	Capitalised Interest	Foreign Exchange Movement	Fair Value Changes	2025
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2025</b>						
Long term borrowings	50,700	3,300	-	-	-	54,000
	<b>50,700</b>	<b>3,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,000</b>

Non cash changes						
	2024	Cashflow	Capitalised Interest	Foreign Exchange Movement	Fair Value Changes	2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2024</b>						
Long term borrowings	36,000	14,700	-	-	-	50,700
	<b>36,000</b>	<b>14,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,700</b>

## 21. EVENTS SUBSEQUENT TO BALANCE DATE

All properties shown as assets held for sale are conditionally contracted for sale, awaiting title and conditions to be satisfied. No significant events occurred subsequent to balance date. (2024 Nil).



# Statement Of Service Performance

For the Year Ended 30 June 2025

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

PERFORMANCE MEASURE	OUTCOME
<b>1a.</b> 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 2.6%. Results are impacted by cyclical lows in the international economic cycle.
<b>1b.</b> 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 25th March 2025. 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; 2.6% for the first 3 years measured on a forecast 3 year rolling average basis.
<b>2a.</b> The number of domestic regional markets and the number of export markets (countries) supplied will be tracked and reported.	Domestic regional markets and the number of export markets supplied are tracked and reported. Export markets included South Korea, China, Japan, Vietnam, Thailand and Indonesia.
<b>2b.</b> The percentage of annual supply to the domestic market by volume will be tracked.	Domestic log production was 26% by volume. (29% last year).
<b>2c.</b> 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. Carbon sales were made during the year of 100,000 units. The Company was compliant with its Carbon Policy.
<b>3a.</b> 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 373,874m <sup>3</sup> including additional billet wood and slash recovered. This is 106.8% of plan volume of 350,036m <sup>3</sup> and equivalent to the long-term sustainable yield of 357,000 m <sup>3</sup> (on an equivalent basis). Forecast harvest levels in the long-term strategic plan for the next 3 years are; 360k m <sup>3</sup> , 360k m <sup>3</sup> and 360k m <sup>3</sup> . All are within +/- 30% of the sustainable yield.
<b>3b.</b> A forest Bio-security surveillance program will be in place as part of the National Bio-security surveillance program to assess the forest estate for pests and diseases.	The City Forests, forest health surveillance program was conducted during the 2024 – 2025 year.

PERFORMANCE MEASURE	OUTCOME
<b>3c.</b> The annual fire plan will be updated and operational by 1 October for each fire season.	Fire plan update was completed in September 2024 prior to the start of the fire season.
<b>3d.</b> The Company will actively participate in regional land use and environmental planning processes representing its interests and values.	The Company has been active submitting into the ORC land and water plan change process and the National Environmental Standard – Commercial Forestry.
<b>3e.</b> Forest Access permit system, appropriate signage and access restrictions in place.	The Company runs a forest access permit issuance system to restrict access to its forests. Appropriate signage is on forest access areas.
<b>4a.</b> 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 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.
<b>4b.</b> 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. Poison and mechanised thinning implementation. Reporting and tracking of operational progress to Board.
<b>5a.</b> The Company will maintain supply arrangements with Otago and Southland wood processors provided customers match (or better) alternative supply options. Annual supply volumes to the three largest wood processors customers will be tracked and reported.	<p>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).</p> <p>Major wood processors were supplied the following volumes during the period:</p> <p>Pan Pac: 23,178m3</p> <p>Daiken: 21,003m3</p> <p>Hollows Timber: 6,907m3</p>
<b>5b.</b> The annual volume of wood supplied for bio-energy uses (including firewood) will be tracked and reported.	Bio-energy supply: 42,761m3
<b>6a.</b> Lost time accident rates for staff and contractors will be minimised and tracked with a target of less than 15 lost time accidents per 1,000,000 hours worked.	12 month rolling lost time accident rate for staff and forest contractors was 5.9 lost time injuries per 1,000,000 hours.

PERFORMANCE MEASURE	OUTCOME
<b>6b.</b> The Company will undertake drug and alcohol testing of its staff and contract workforce. The number of random tests and percentage of positive random tests will be reported.	86 random tests were conducted during the period. 0% of tests were recorded as positive.
<b>6c.</b> Forest Stewardship Council Certification of the Forest Estate will be maintained. (Currently FSC®)	Forest Stewardship Council Certification was maintained following audit in 2024 & 2025.
<b>6d.</b> 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.
<b>6e.</b> The Company will work with DCHL to ensure its sponsorship policy aligns with DCC's strategic framework.	The Company records its sponsorships and ensures it aligns with DCC's framework.
<b>6f.</b> 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, \$60,250 to Predator Free Otago, \$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.
<b>7a.</b> The Company and its contractors will verify employees are trained or under training for the tasks they perform.	The Company and its contractors verify in their monthly reporting the staff are trained for tasks they carry out.
<b>7b.</b> The Company will engage with its contractors to participate in Modern Apprenticeship programs. The number of apprentices working in the Company operations will be reported each year.	At 30 June 2025 one modern apprentice was employed in Company operations.
<b>8a.</b> 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. 256 forest access permits were issued during the year.
<b>9a.</b> Productivity improvement and incremental expansion of the forest estate will be part of Company Strategy. The area of acquired land will be reported annually	Company had no land settlements during the period.
<b>9b.</b> Any such matters were escalated to the shareholder in a timely manner.  *The objective of the performance measure is to consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes. This was not included as the objective of the performance measure description in the Companies statement of intent.	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.



PERFORMANCE MEASURE	OUTCOME
<b>9c.</b> Any such matters were reported to the shareholder within 24 hours.  *The objective of the performance measure is report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage. This was not included in the performance measure description in the Companies statement of intent.	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.
<b>9d.</b> Ensure that all direct employees are paid at the living wage or above.	All staff remuneration is greater than the living wage.
<b>9e.</b> 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 FY2025 however progress is being made towards achieving the strategy.

FINANCIAL FORECASTS	\$'000	ACTUAL	\$'000
<b>10a</b> EBITDA	7,700	EBITDA	14,128
<b>10b</b> Net Profit after tax	3,600	Net Profit after tax	9,706
<b>10c</b> Shareholders' funds to total assets	66.3%	Shareholders' funds to total assets	67.9%
<b>10d</b> Normal Dividend	2,700	Normal Dividend	3,134
<b>10e</b> Special Dividend	10,000	Special Dividend	10,000
<b>10g</b> Cashflow from Operations	5,200	Cashflow from Operations	7,846
<b>10h</b> Capital expenditure	900	Capital expenditure	573
<b>10i</b> Term borrowings	51,400	Term borrowings	54,000
<b>10j</b> Shareholders funds	245,400	Shareholders funds	274,907

The 3-year average return on equity (closing equity + dividends less opening equity/opening equity) has been calculated as 5.4% for 2025 (2024: 4.8%).

EBITDA & Net Profit after tax is above forecast due to better export results and lower costs than forecast. Shareholders funds is above forecast, primarily due to land valuation increases, a component of which is represented as land impairment reversals. Term borrowing is above forecast as the value of carbon sales was less than forecast, resulting in additional draw down of borrowings to cover payment of special dividends.

# Independent Auditors Report

For the Year Ended 30 June 2025

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of City Forest Limited financial statements and statement of service performance for the year ended 30 June 2025

The Auditor-General is the auditor of City Forest 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 the statement of service performance of the Company on his behalf.

We have audited:

- the financial statements of the Company on pages 36 to 41 and 44 to 68, that comprise the statement of financial position as at 30 June 2025, 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 for the year ended 30 June 2025 on pages 69 to 72.

## Opinion

In our opinion:

- the financial statements of the Company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2025; 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:
  - accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures by which the Company's performance can be judged in relation to the Company's objectives in its statement of intent for the year ended 30 June 2025; and

# Independent Auditors Report

For the Year Ended 30 June 2025

- has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

Our audit was completed on 30 September 2025. This is the date at which our opinion is expressed.

## 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 for the audit of the financial statements and the statement of service performance* 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 in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and the 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 either intend 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.



# Independent Auditors Report

For the Year Ended 30 June 2025

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.

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

# Independent Auditors Report

For the Year Ended 30 June 2025

performance achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

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.

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 all of the information included in the annual report other than 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.

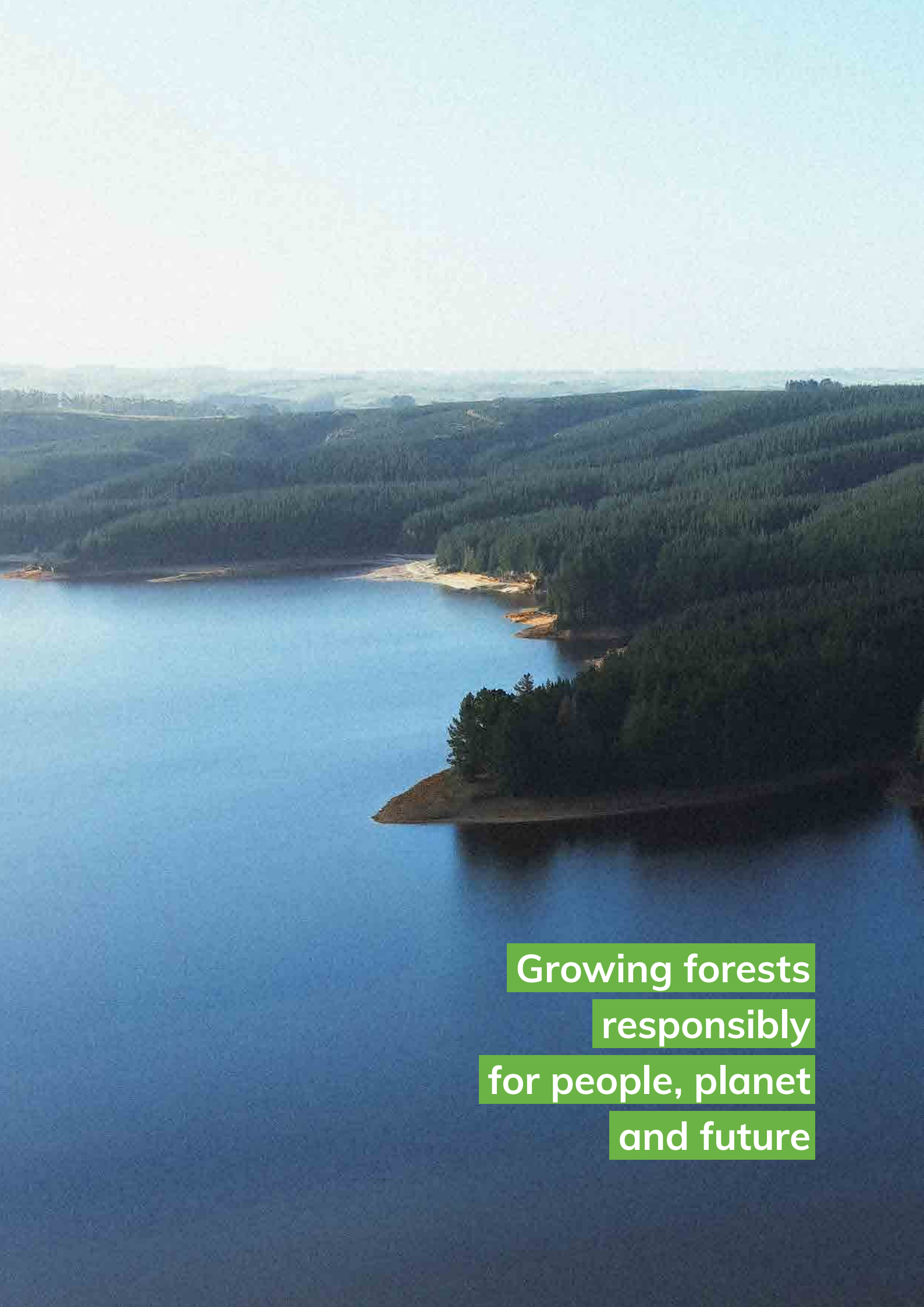
## Independence

We are independent of the Company in accordance with the 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) 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



Growing forests  
responsibly  
for people, planet  
and future





[www.cityforests.co.nz](http://www.cityforests.co.nz)